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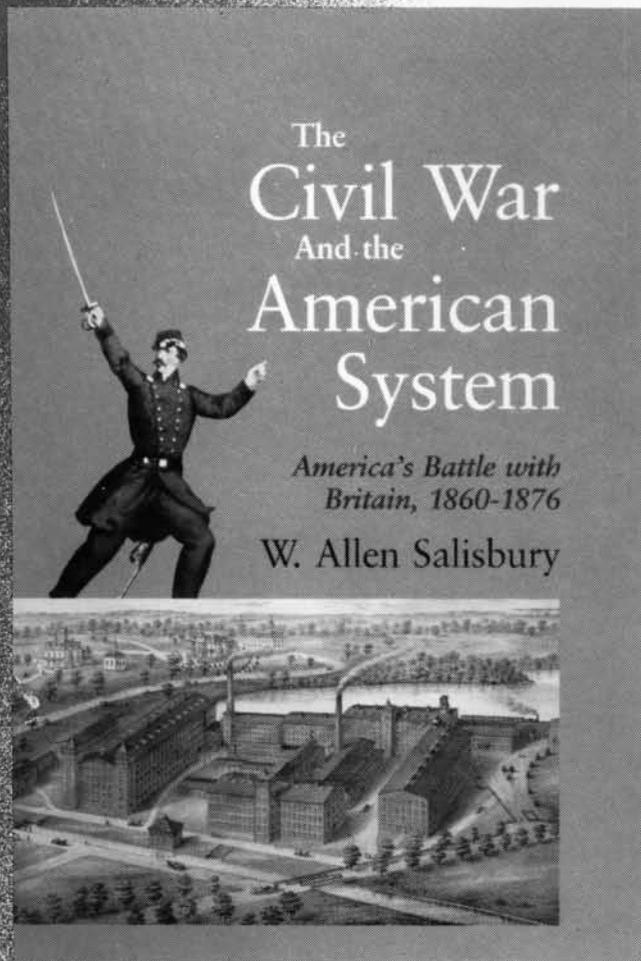
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From the Associate Editor

In the weeks to come, leading into the “hot phase” of the 1996 Presidential election campaign, the exuberant good will and spirit of atonement expressed in the Million Man March are going to have to be turned into a mass movement to save the nation. As a result of the momentous achievement of the march, the geometry of American politics has definitely changed for the better. Now it is much more likely that broad social forces, not only African-Americans, can be rallied to join the fight against the Conservative Revolution.

The unique and indispensable role of the LaRouche movement is to show *what must be done*. The issues of international economic program which were not addressed from the speakers’ podium in Washington, must now be grappled with in an effective way. We are skating on the edge of the greatest economic precipice in history; this crisis will not be solved by self-help measures in the local community.

Our *Feature* this week, on the budget debacle, takes up this matter directly, in a point-by-point challenge to the Conservative Revolution. Why is it that we as a society can no longer afford what we could easily afford in the past—schools, health care, infrastructure, Social Security? Why is it that the more we cut the budgets of the federal, state, and local governments, the more the debt burden grows, while vital services are shut down? Why do we spend more on debt service than we do on national defense, and why do we have nearly as many people involved in the criminal justice system, as we do in manufacturing? These are questions that Newt Gingrich and Phil Gramm cannot answer, and the “Contract with America” crowd has gone to extraordinary lengths to block debate in the U.S. Congress, to keep others from asking such questions.

Our next *Special Report*, currently in production, will be on the new terrorist international in Ibero-America. Just as we showed for the case of South Asia in our issue of Oct. 13, so in Ibero-America, a new brand of terrorism is emerging, even more virulent than what has come before. Financed by the narcotics trade, based upon the manipulation of ethnicity by British geopoliticians, it is a mortal threat to every nation of the hemisphere, and it must be defeated.

Susan Welsh

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Strategic food crisis marks U.N.'s 50 years of failure

by Marcia Merry Baker

On Oct. 16, in Quebec City, more than 140 agriculture ministers from around the world met to observe the 50th anniversary of the founding of the United Nations Food and Agriculture Organization (FAO) on Oct. 16, 1945, which also took place in Quebec. The stated topic of this year's gathering in Canada, was global food security, which over the past 30 years of FAO history, has worsened to the point of mass hunger and starvation in dozens of nations.

Even as the agriculture ministers fêted the FAO (with a three-day symposium on Oct. 11-13, and an exhibit called "Mastering the Know-How"), negotiations continued in world trading centers by representatives of many food import-dependent nations, to try to line up import sources and financing for basic staples, to meet even next month's food needs.

As of the 1995 northern hemisphere harvest season, global foods stocks for potential exports are at 20-year lows. Prices are spiking up. African and other nations are anxiously placing bids to obtain imports from the European Union and the United States. For example, Tunisia announced the purchase of 225,000 metric tons of wheat during the Quebec conference, and sought an additional 325,000 tons later in the week. Morocco, Lebanon, and other nations are lining up for purchases.

Russian food crisis

Prominent in this process, is the crisis in Russia, where the continuing disintegration of the agricultural system (ratios of fertilizer inputs, mechanization, crop protection chemicals, storage, shipping, and processing facilities) under the western-imposed shock therapy policies, has led to a 30-year low in the grains harvest this season, of only an expected 65 million tons.

Even under the Soviet command economy, with all its breakdown problems, Russia averaged about 100 million

tons of grains production a year; last year there were still 81 million tons produced. The Russian people have turned en masse to potato plots and all manner of garden allotments and special measures, but no such ingenuity can make up for a 65 million-ton harvest.

"A crop failure," is the description of the 1995 Russian grain harvest, in the view of Agriculture Minister Aleksandr Nasartschuk, who gave a press conference in Moscow in early October, to advise that higher bread prices are to come. According to the European weekly farm journal *Agra-Europe* for Oct. 16, Nasartschuk said that grain imports were necessary, even though the Russian budget had no funds for that purpose.

The Russian situation of just the past five years, is indicative of the same process, with changes only in local particulars, that was imposed on many other nations, especially in Africa, over the past 25-30 years. From a condition of relative food self-sufficiency in the late 1960s (albeit at low per capita nutrition rates), dozens of nations became dependent food on imports and the world "market," with no improvements in nutrition levels.

U.N. sister organizations to the FAO, such as the International Monetary Fund and World Bank, contributed to undermining national food self-sufficiency, by blocking the buildup of agricultural infrastructure—electricity production, water management, and transportation, and agricultural inputs (seeds, know-how, chemicals).

In 1986, the U.N. General Agreement on Tariffs and Trade launched the "Uruguay Round" of talks to force further import-dependence on nations, under the official U.N. GATT theme of "One World, One Market." The principle advanced was that nations must *procure* rather than *produce* their own food. After eight years of dissension, the GATT Uruguay Round finally concluded in 1995 with the creation

of the World Trade Organization in Geneva.

The current shortages of food around the globe, relative to need, constitute a catastrophe. Even the official FAO statements from Quebec City show the magnitude of the crisis. U.N. officials reckon there are currently 800 million people worldwide who are chronically malnourished, consuming no more than 2,000 calories per day on average. Of this total, 192 million are children under the age of five, with acute or chronic calorie or protein deficiency. The FAO officials estimate that 65 out of 174 nations that the U.N. designates as "developing," i.e., poor, are now growing less food per capita than they did in 1970.

Can one procure food?

Where is the food to come from, if you can't produce it? On the eve of the Quebec FAO gala, the release on Oct. 11 of the U.S. Department of Agriculture world crop report (World Agricultural Supply and Demand Estimates) underlined the point that the needed volumes of grains, and other staples, for the vaunted "world market" don't exist, even if you have money. And the basic levels of expected end-of-season carryover stocks of wheat, corn, and other types of basic grains are all at or near 1975 levels.

The day after the release of the USDA crop report, prices for corn soared on the Chicago Board of Trade, hitting about \$3.30 a bushel (still under a fair, or parity price to the farmer), setting a new contract high for the second day in a row.

On Oct. 16, the FAO anniversary (also known as the 15th U.N. World Food Day), wheat prices soared to 14-year highs on the Chicago Board of Trade, hitting over \$5 per bushel. This reflected not only the current stocks shortages, but the anticipation that any drop in the next harvest, so-called "new crop wheat," which is harvested next spring, will worsen supply levels. Dry conditions in the U.S. wheat belt states may lead to late sowing of winter wheat, which will show up as losses in yield come next spring.

What has been the western response to the Russian grains crisis in particular? Relatively little so far. In early October, a Russian grain-shopping mission arrived in Washington, and both Prime Minister Viktor Chernomyrdin and Aleksandr Zaveruykha, head of the Russian Federal Food Fund, were in Canada. Reportedly, some amount of grain will be forthcoming from Canada. The terms of trade may include a commodities barter.

But from the United States, Agriculture Secretary Dan Glickman said only that Russia's request for grain will be taken under advisement, given its importance; but the problem is that Russia has no means to pay. In this regard, it is worth noting that while Russia is in dire need of food, it still possesses nuclear weapons.

What the Russian need for grain demonstrates, is the condition of economic emergency that prevails worldwide. A food production mobilization is required, along with short-term international aid provisions, which could only come about if some grouping of governments recognized the eco-

nomics crisis, and took the necessary extraordinary measures to deal with the disintegrating financial system, replacing it with production-based financing.

Instead, we have the current situation, where not only are daily food and other basic needs going unmet for millions, but certain financial and commodities interests, seeing the catastrophe, are grabbing and hoarding scarce food and other commodities stocks, intending to protect themselves or make huge profits off hunger.

In recent years, an average of 225 million tons of grains (of all types) a year have been traded. Whatever the government-to-government deals made, over 90% of this trade is controlled by the cartel of food commodities companies, such as Cargill, Inc., Archer Daniels Midland-Töpler (both of which are under anti-trust investigation by the U.S. Department of Justice), Louis Dreyfus, Continental, Bunge, Pillsbury (Grand Metropolitan).

It has been in the interests of these few cartel companies and related financial networks to perpetuate food scarcity and to dominate trade and supplies. Very few places have any independent food security stocks, with the notable exception of India, where harvest carryover may reach 40 million tons this year.

The role of the U.N. FAO, outside of the occasional instances of genuine humanitarian aid, has been to keep statistics and otherwise serve cartel interests by backing only low-technology and other "alternative" or so-called sustainable agriculture schemes. This theme was prominent in the Quebec City gathering. One of the featured speakers was Lester Brown, head of the Worldwatch Institute, which was created in 1974 by these private commodities interests. Brown lied that the world is overpopulated relative to the ability to expand food production.

FAO Director General Jacques Diouf opened the FAO symposium on Oct. 11, by citing the need for feeding people, but stressing the limitations of the "material, physical and natural resources of land, water, and climate."

The FAO's rotten pedigree

In fact, the overall record of both analyses and policy actions of the U.N. since 1945, and of its predecessor international agriculture and food organizations in the first half of this century, show consistent backing for the financial and political control interests of the private individuals and companies in the ranks of commodities and banking cartels, interconnected mostly through London.

The London connection is epitomized by the principal founder of the FAO, Lord John Boyd Orr of England, whose family and social interests were active in the pre-war international eugenics movement, and worked to set up similar post-war organizations under the cover of concern for food and conservation of resources. For example, Orr was a founder of the Washington, D.C.-based Conservation Foundation in 1946, the host group for the founding of the U.S. wing of the World Wildlife Fund in the 1960s.

China sets anti-shock therapy course, to the consternation of the British

by Michael Billington

The Chinese government finalized its Ninth Five-Year Plan, covering the years 1996 through 2001, at a plenary meeting of the Communist Party Central Committee in late September. The published report and public discussions of the plan show that it is a dramatic departure from the previous three Five-Year Plans, causing considerable dismay to the British oligarchy in Hongkong and elsewhere.

Since the beginning of 1994, the Chinese leadership has sounded a number of alarm bells over the negative effects of the free-trade policies implemented systematically since the beginning of the reform era in 1979 under the direction of Deng Xiaoping. Although the reform never reached the frenzied level of the murderous “shock therapy” imposed on the ex-communist regimes of eastern and central Europe, the cumulative effect of the advice accepted from Margaret Thatcher and Milton Friedman’s minions from the International Monetary Fund (IMF), Harvard, etc., created the potential for disaster in the world’s largest nation. Over the past year and a half, Beijing has taken steps to reverse that dangerous course.

Under the direction of President Jiang Zemin and Vice Premier Zhu Rongji, the government has imposed policies to redirect the nation’s credit into areas of critical need, rather than facilitating the low-technology process industries and speculative investments in real estate in the coastal areas, while action was also taken against some of the most egregious corruption among those leaders who were dealing directly with Britain’s financial oligarchy in Hongkong. The Ninth Five-Year Plan is expected to formalize this new economic direction.

Several areas of concern are being addressed: the newly created stock, bond, and futures markets, which were virtually unregulated, and which experienced a series of speculative bubbles and subsequent collapses over the past two years; the drastic infrastructure deficit outside of the coastal trade zones, and the fact that foreign investment has been almost entirely directed to export-oriented process industries utilizing unskilled cheap labor; the growing agricultural crisis and the impoverishment of the rural workforce, especially as compared with the booming free trade zones; and the threat of a general breakdown of the medium- and heavy-industry sector, due both to the historical lack of technological invest-

ment and necessary infrastructure, as well as the effects of inflation and the accumulated debt structure of these State-sector industries.

Overcoming British irregular warfare

The British view these crises as fuel for their policy, openly expounded by London’s International Institute for Strategic Studies, to divide China into several entities following the death of Deng Xiaoping. British assets in the U.S. Congress, such as Conservative Revolution fanatics House Speaker Newt Gingrich (R-Ga.) and Sen. Jesse Helms (R-N.C.), launched a campaign against China, while self-professed British agent Henry Kissinger, playing his role as “friend” of the Chinese, is trying to drag Beijing back to the free-trade reform policies. Manipulation of the situation in Taiwan, together with operations run by the royal family’s pet Buddhist monk, Tibet’s Dalai Lama, and by BBC asset Harry Wu, were aimed at destroying the relations between China and the Clinton administration. As of this writing, however, Washington and Beijing have overcome this British irregular warfare, and a meeting between Jiang Zemin and President Clinton is scheduled for late October in New York.

The new Five-Year Plan has solicited an hysterical response from the British. The leading China analyst for the flagship newspaper of British Hongkong, Willy Wo-lap Lam of the *South China Morning Post*, published a diatribe on Sept. 13 against the “triumph of conservative cadres or born-again planners such as President Jiang Zemin, Premier Li Peng, and Vice Premier Zhu Rongji.” Lam wails that the new Five-Year Plan will “draw the curtain on the Deng Xiaoping era. The bulk of the goals of the Chief Architect of Reform have been rolled back. . . . Deng’s famous high-growth model has been consigned to history.” Typical of British disinformation, Lam admits to only two varieties of economic policy—either totally privatized and deregulated free trade, or communist central planning—such that the new policies are falsely described as a return to Maoist-Stalinist centralization, and the leadership is falsely accused of viewing the entire reform process as nothing but a “Great Leap Forward-style binge of investment.” Lam even compares this defense against shock therapy to the policies of the infamous Cultural Revolution!

Willy Wo-lap Lam, and those he represents, know better. The actual British concern is that dirigistic policies in Beijing will disrupt the looting process which has been carried out under the name of the "globalization" of low-technology industry, which depends on unrestricted access to a mass pool of cheap labor. They are also concerned that a strong China may form alliances with other Asian and European nations, and with the United States, which would destroy the "balance of power" required for the continued dominance of London's financial oligarchy—an outlook which has dominated British China policy for the entire 20th century. Continued Chinese interest in developing multiple "land-bridge" rail connections with Europe, as corridors of development across all of Eurasia, exemplifies the kind of development which the British view as a threat.

For example, the report on the Ninth Five-Year Plan, as released by Xinhua, read: "It is necessary . . . to further establish a series of trans-provincial economic regions based . . . on the existing economic patterns evolving around major cities and transportation arteries. These include the economic belt in the Yangtze River Delta, with Shanghai at the tip and the areas along the river; the economic zone in the southeast coastal areas embracing the Pearl River Delta and the southeast Fujian Province; the Bohai [Sea] Economic Ring . . . of Liaodong Peninsula, Shandong Peninsula, Beijing, Tianjin and Hebei province; and the economic belt linked by the Eurasia Railway Bridge and the Beijing-Kowloon Railway.

"Meanwhile, a number of major industrial bases, each with its own distinct features, will grow out of old industrial bases in the northeast, southwest, and northwest regions. . . . They should adopt industrial policies that avoid the tendency of different regions to go after similar industrial structures."

Dirigism and technology

The new policies in China are characterized by the debate over the fate of the five Special Economic Zones (SEZs), which have been the recipient of most of the preferential tax and tariff policies since the mid-1980s. There has been a reduction of the preferential treatment for the zones over the past year, provoking loud complaints from, especially, the officials in Shenzhen, the SEZ across the border from Hongkong. An analyst from the Chinese Academy of Sciences, Hu Angang, has been given wide press coverage proposing that the SEZs should no longer be "special," while insisting that the slowdown in growth in the zones is not due to the end of preferential policies, but rather to exorbitant costs from the speculative binge in the real estate market, and "corruption costs" to investors.

While moving to eliminate preferential taxes for foreign investments in the zones, Beijing is offering incentives for investments in targeted industries deemed crucial for China's development, especially in the interior. Hongkong analysts, who insist on the necessity for tax breaks and other handouts

to foreign investors in the SEZs, decry the support for targeted industries as "Stalinist planning." The same epithet is applied to Beijing's refusal to accept IMF demands to shut down large numbers of State-sector industries which are in the red. There will be efforts to merge ailing industries, but Beijing will not apply the bloodletting policies it has observed in Russia and eastern Europe, preferring to preserve their productive capacity.

Nor does Beijing wish to create new unemployment in the industrial sector, which would only add to the desperate situation in rural China, where there are nearly 200 million unemployed or redundant peasants. Government banks have announced plans to increase lending to the State-sector industries and to agriculture by 150% in the last five months of this year, according to the China News Agency in Hongkong. The Five-Year Plan is expected to distinguish between "competitive" industries which may be privatized or turned into joint stock companies, and "public welfare enterprises" which will remain in the public sector. Public ownership will be strengthened rather than weakened, according to a resolution entitled "On the Restructure of the State Sector" which was passed at the plenum.

Similarly, demands that China allow all prices to float freely in the mythical "free market" have been rejected. A draft of the Five-Year Plan obtained by the *South China Morning Post* says that "the government will continue to regulate the prices of commodities vital to the State plan and to the people's livelihood. . . . China is resolutely opposed to the shock therapy of blindly opening up prices." Nonessential consumer goods will be left unregulated, but the government will attempt to determine a form of parity pricing for grain, cotton, essential raw materials, and other goods and services, including transportation. "A system of comparative pricing based on production costs will be set up, so the profits and salaries [of production units] in different departments and trades will be more or less on the same level," the draft says. The plan embraces the results of the National Science and Technology Conference held in May, the largest conference of its sort held in China since 1978.

The plan will also continue the campaign against corruption, which is recognized as a severe danger to the survival and stability of the rapidly changing economy. The Communist Party Central Committee plenum which approved the Five-Year Plan also confirmed the fate of the ex-Beijing Communist Party chief Chen Xitong, who has been arrested for corruption for his role as comprador to the Hongkong tycoon Li Kashing, the central figure in British speculation in Chinese real estate, stock, and illicit smuggling and drug markets. Chen was formally dismissed from the Politburo. Countering the ideological "pragmatism" (i.e., corruption) of those among the Chinese elite who have profited enormously from the speculative and criminal aspects of the reform era, may be as difficult, and as important, as countering the British operations from the outside.

Documentation

Li Peng reports on Ninth Five-Year Plan

The following are excerpts from the statement of China's Prime Minister Li Peng on the Ninth Five-Year Plan to the Politburo of the Chinese Communist Party Central Committee, as reported by China Daily on Oct. 10. Subheads have been added.

A good formulation of the Ninth Five-Year Plan (1996-2000) for China's economic and social development and of the long-term target for 2010 has a vital bearing on with what posture China will stride into the 21st century. . . .

The key is to achieve two fundamental shifts: a shift from the traditional planned economic structure to a socialist market economic structure, and a shift from an extensive economic growth model to an intensive economic growth model. In the final analysis, the shift in the economic growth model depends on scientific and technological progress and the improvement of quality of laborers. The crux of the matter lies in doing a good job in science, technology, and education. . . .

The contradiction has existed for many years: On the one hand, many enterprises cannot be upgraded because of the lack of funds, and, unable to meet the changes of the market demand and productive forces, stay idle; on the other hand, many localities and departments are eager to launch new construction projects and have built many redundant low-level projects.

In the future, no new construction project will be allowed where production capacities can be expanded by relying on existing enterprises and through reform, restructuring, upgrading, or expansion.

As for necessary new projects, including imported ones, utmost efforts must be made to raise their technological starting point and pay attention to their economic scale.

Meanwhile, it is imperative to follow the principle of paying equal attention to resource development and conservation, give top priority to conservation, and lower raw material and energy consumption, reduce waste through improving management, and achieve a marked increase in economic returns. . . .

Agriculture

There lies great potential for raising China's grain production, and China is definitely capable of feeding its popula-

tion, provided that the measures are effective. . . .

Imported grain is mainly for adjusting varieties and expanding grain reserves. We must know that grain sources on the international market are limited, it is impossible for China to import large quantities of grain. . . . It is necessary to step up the efforts to revitalize agriculture through science and education. . . .

Great efforts should also be made to develop rural socialized service systems, gradually increase the collective economic power of the townships and villages, and earnestly ensure a marked increase in the comprehensive agricultural production capability.

State enterprises

Efforts must be made to make the reform of State-owned enterprises the central link in China's entire economic restructuring in the coming period, especially during the Ninth Five-Year Plan period. . . .

China adheres to public ownership as the main element of its economy and takes the State economy as the leading factor. The State must do a good job in running a group of large enterprises and enterprise groups, which play a key role in the national economy, so as to ensure its regulation and control over the national economy.

The reform and transformation of the small State-owned enterprises should be accelerated by way of reorganization, association, merger, share system, and cooperation. . . .

The State Council is concentrating on the reform and development of 1,000 large State enterprises and enterprise groups. More than 800 industrial enterprises of them, possess 63% of the country's total value of industrial assets. . . . Doing a good job on these enterprises means we have done a good job with the majority, and this will benefit the reinforcement of the national economic strength and will increase China's ability to regulate and control the national economy.

As for those State enterprises which bear heavy burdens left over from the past and from the society, and, at the same time, occupy important positions in the national economy, the State will put in a sum of money, and take three measures:

1. Encourage them to merge with others. Enterprises which have been merged will be exempted from bank interest on their partial debt, or their interest will be suspended and the payment of their principal will be postponed;
2. A considerable part of the debts incurred to enterprises as a result of the change from State allocation to loans will be changed into State investment;
3. The debts of bankrupt enterprises will be offset. . . .

Regional development

China will gradually intensify its efforts to narrow the gap in regional development and take measures to support the development in the central and western parts of the country beginning in the Ninth Five-Year Plan period.

The major measures . . . include:

- gradually increasing financial support and construction in investment in the central and western regions, and giving priority to arranging resource development and infrastructure projects in the regions;

- readjusting the regional distribution of processing industries; . . .

- . . . aiming to enhance the capacity for self-development of these regions;

- accelerating the reform and opening-up, and directing more overseas funds to these regions; and

- strengthening the economic association and cooperation between the eastern and central and western regions. . . .

With the development of the overall economy and the improvement of the central fiscal strength, the State will gradually increase its support to the less-developed areas in the central and western regions. As for the central and western regions, they should carry forward the spirit of relying on themselves to accelerate their development and narrow the gap. . . .

The following excerpts are from the release on the Ninth Five-Year Plan, as reported by Xinhua. The section on science is point three of the "nine major principles for social and economic development."

Vitalize China with science and education, while spurring a close integration of economy, with science, technology, and education.

Science and technology are the primary productive forces, education is the basis; economic growth must rely on science and technology, and in turn, science and technology must serve economic growth; and education must be oriented to the modernization program, to the outside world, and to the future, aimed at raising the quality of the entire population and training a large number of outstanding people in all fields for the next century. . . .

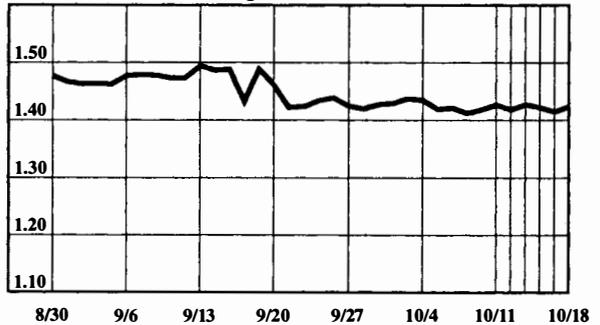
China's success in building a socialist culture and ideology will determine the success or failure of socialism in the nation and what kind of China enters the 21st century. . . . The fundamental tasks are to train socialist citizens to have lofty ideals, moral integrity, good cultural qualities and discipline, and to improve the whole nation's ideological and moral standards and scientific and cultural qualities. Top priority should be given to . . . young people and children. . . .

The basic requirement for social moral construction is love of the motherland, the people, labor, science, and socialism. This love should be reflected in all aspects of life. . . . A new type of personal relationship should be developed featuring equality, solidarity, friendship and mutual help, and an etiquette system . . . featuring respect for the old and care for the young, respect for teachers and care for students. Education must be stepped up to improve social, professional, and moral standards.

Currency Rates

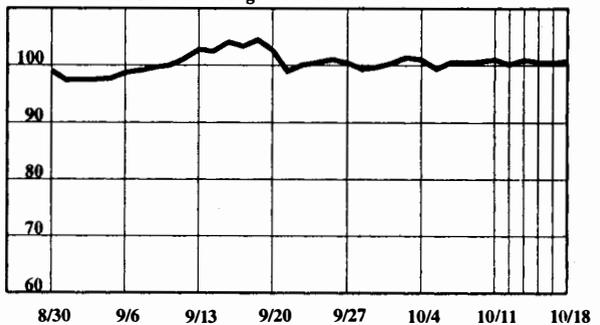
The dollar in deutschmarks

New York late afternoon fixing



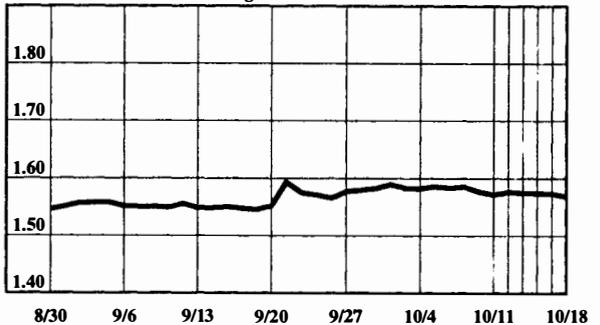
The dollar in yen

New York late afternoon fixing



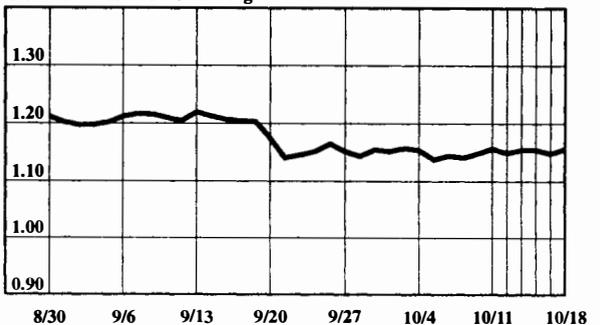
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Private toll road, highway robbery

As the first such road in two centuries opens in Virginia, L. Wolfe explains the thievery behind these “public-private partnerships.”

Loudoun County, Virginia, located some 35 miles west of the District of Columbia, where suburban sprawl is taking over formerly agricultural areas adjacent to the so-called Northern Virginia Hunt Country, earned the dubious distinction of being the site of the first privately developed and operated toll road in the nation in nearly 200 years, in late September.

“Nearly two centuries of history shattered in the mists of the Blue Ridge today as the first private toll road since 1816 opened,” bragged a release from the Dulles Greenway, as the road is called. “The Greenway charts a new path for local officials anxious to build and improve bridges and highways without raising taxes.”

The road, a 14-mile, four-lane divided highway between Leesburg and Dulles International Airport, connects with an existing state-run toll road that carries commuters east to the Washington metropolitan area bounded by the Beltway. It opened Sept. 29 with a ceremony featuring many of the celebrants of the Mont Pelerin Society-directed privatization craze, with speakers, including Virginia Gov. George Allen and U.S. Secretary of Transportation Federico Pena, heaping praise on the \$326 million project and calling it a “new paradigm” for infrastructure development through “public-private partnerships.”

“We’ve built more than a road here,” said Gen. Charles Williams (ret.), the chief operating officer for the Greenway. “We’ve laid a foundation for a new approach to revitalizing our crumbling infrastructure here in Virginia as well as across the U.S., and for that matter, around the world.”

The slickly promoted project, which has received national and international attention, is intended by the privatization clique to be the “poster child” to sell a wide array of schemes to loot hundreds of billions of dollars through privatization of infrastructure.

For whom the road tolls

Greenway officials and others at the ceremony concocted a false history of the project to justify both its existence and the king’s ransom in tolls that are to be charged for a one-way drive. When the road opened for business, it charged \$1.75 for a one-way trip, \$3.50 round trip; that will rise to \$2 after Jan. 1, 1996 and keep rising, according to an agreed-upon schedule over the coming years. (To understand how

outrageous this toll is, a comparable toll rate would charge more than \$20 for a ride the length of the New Jersey Turnpike, rather than the approximately \$4 it now charges).

The Greenway’s sponsors and promoters, which are led by its chief investor, Middleburg, Virginia Hunt Country millionaire Magalen Ohrstrom Bryant, claim that the high tolls were necessary to secure the financing for the road; Mrs. Bryant, who is connected to the dirty intelligence networks of George Bush, and through business connections, to the London financial circles of the House of Windsor and Prince Philip’s World Wide Fund for Nature, put up some \$80 million of her family fortune. The corollary lie, repeated at the opening ceremonies, is that there were no funds for the Commonwealth of Virginia to build what was originally known as the Dulles Toll Road Extension.

However, the state was fully prepared to build the road back in 1987-88, with a projected completion date of 1991, with an approximate toll of 50¢. The estimated cost for the project was well below \$200 million. In other words, the intervention by the privateers added at least four years, nearly doubled the cost, and quadrupled the tolls, despite the claims they continue to make that they could more efficiently build the road than the state could!

A ‘paradigmatic’ scam

The ballooning costs of the Greenway and its increased costs to users over a public infrastructure project are indeed “paradigmatic” of this genre of privatization schemes.

The Greenway people must conceal the most elemental swindles of their scam beneath doublespeak about “public-private partnerships.” What the privateers mean, is the use of government resources and public money to fund their private profits. How would it ever be possible that a private project would be cheaper than a state-developed one, if one adds to the private project the profit that must be ensured to investors and noteholders alike? In the case of Greenway, they are guaranteed a 30% return on their investment in the first years of the project: The toll monies are going to pay private investors—as they must go into similar pockets in all such privatized infrastructure projects.

The Greenway suckered both state and local government to deploy their resources in helping it secure the needed right-of-way, at far less than they would have paid for it on the



Virginia Gov. George Allen (R), who backs privatizing every state responsibility from schools, to prisons, to infrastructure, addresses the inauguration of the Dulles Greenway, the first private toll road in the United States since 1816. While the highway's high tolls will be a gold mine for its financial backers, the privateers had to ask the local governments to "ante up" to pay for the lavish opening ceremonies.

open market; in some cases, land was donated to the "cause" by local government. This in no way reduced the tolls; it merely increased potential profits.

Contrary to American System

It is for such reasons that the Founding Fathers understood that private ownership of public infrastructure was a bad idea.

The profit derived from any infrastructure development must be understood in its relationship to the economy of a region or nation, taken as whole. Infrastructure enhances the efficiency of commerce, making all operations of an economy more efficient, and thus more profitable. It is the proper function of government to develop and operate infrastructure, in the most effective manner, at the lowest possible cost to a user; ideally, there should be no cost at all as a direct charge, and if there is a charge, to regulate usage, it should be kept to a minimum.

The costs of infrastructure development thus cannot be recuperated from user fees, especially over a short time; any effort to do so, undermines the effectiveness of infrastructure projects and is counterproductive, actually reducing the overall profit of an economy.

This is a cornerstone of what is known as the American System of economics, as practiced by Alexander Hamilton, and embodied within the Commerce clause of the U.S. Constitution. In part, this clause was intended to stop the proliferation of private toll roads during the period of the Articles of Confederation, which nearly choked off all commerce and destroyed the nation. As Hamilton, the nation's first treasury

secretary, proposed, infrastructure projects should be built without recourse to private borrowing, financed with direct Treasury-generated, low-interest credits distributed through a national bank. These credits are distributed to private contractors, who actually build the infrastructure; however, the contractors are not to be allowed to own the infrastructure or to operate it for profit.

Thus, the American System concept of a "public-private partnership" involves the government financing of the private construction of infrastructure, which the government owns and whose operation it regulates, never running it to generate "profit" in the accountant's bookkeeping sense of the term.

Contrary to the popular myth fostered by high school and college economics texts, federal and state governments built most of the early American infrastructure, including the nation's early, extensive railroad system, in just this manner, and often projects were planned and directed by the Army Corps of Engineers. When British agents finally succeeded in destroying the Hamilton-inspired National Bank during the administration of Andrew Jackson, it opened up the door to a wave of "privatization," with British-linked financial interests, for example, taking control of most railroads, and looting them through financial swindles. There was resistance to this process, even past the Civil War period, mainly from a group of financial, scientific, and industrial interests centered in Philadelphia, who were followers of the American System economists Mathew and Henry Carey, but the failure to reestablish Hamiltonian national banking and credit policies severely hampered their efforts.

The scandalous "development" of the New York City

The Bush connection

The Greenway, as a project, has its origins in the shady backwaters of the Reagan-Bush administration, under the Privatization Council, headed by George Bush's Japanese gangster-linked brother Prescott, who has praised the private toll road project. As Prescott Bush made clear in published remarks and addresses, the impetus for the drive to privatize billions of dollars' worth of public infrastructure, came directly from the British Mont Pelerin Society economics gurus who ran Margaret Thatcher's disastrous policies, including her privatization of services, which have reduced the British economy to a rubble heap.

One of the directors of this Privatization Council was the chief executive officer of the Toll Road Corporation of Virginia—the Greenway's predecessor—former Reagan-Bush Assistant Secretary of Transportation Ralph Stanley, who secured most of the local and state government approval for the project, and then was discarded as it entered the construction and implementation phase. Michael Crane, Magalen Ohrstrom Bryant's son and a Greenway executive, serves on the successor group to the Privatization Council—the National Council for Public-Private Partnerships. The group has also praised the Greenway project.

While the Greenway is a state project, the Bush crowd looks to grab federal projects, as well, weaving them into a privately run network of looting schemes.

In 1991, President Bush signed into law the Inter-Modal Rail Efficiency Act. It permitted, for the first time since 1816, private ownership of bridge, road, and tunnel toll projects. It authorized a federal subsidy of 50% or, in some cases, 80% for private investors building roads or tunnels, and allowed the subsidized investors to keep the tolls.

On April 30, 1992, President Bush released Executive Order 12803, called "Infrastructure Privatization." This set down a procedure to either: a) determine a "transfer price" that the Office of Management and Budget (OMB) would calculate for various federal infrastructure or government service assets; or b) establish a competitive bidding procedure whereby the selling price would be set by the process of different private financiers bidding on the government assets. The Executive Order also ordered the OMB to "review those procedures affecting the management and disposition of federally financed infrastructure assets owned by state and local governments and modify those procedures to encourage appropriate privatization of such assets consistent with this order."

subway system by Wall Street financial interests at the turn of this century is typical of the looting carried out by privatized infrastructure. That system was capitalized by high-interest, long-term borrowings, handled at high premiums by Wall Street investment bankers such as E.H. Harriman. Despite its enormous ridership, the subway and bus system in the nation's largest city could not generate sufficient funds to pay its debt service. Eventually, the private operating companies effectively went bankrupt earlier this century; the City of New York assumed operation of the system, and responsibility for the debts the operators ran up. In a model of "bankers' arithmetic," the city's Metropolitan Transit Authority continues to pay off the century-old debt, even though its principal has been paid off several hundred times over; furthermore, New York pays usurious interest costs for newer borrowings obtained to help pay the previous debt. And the fares? They continue to rise, while the system barely maintains the old tunnels, elevated lines, and track that should have been totally rebuilt decades ago.

Even the more notable stories of successful infrastructure development, such as the 1930s Tennessee Valley Authority under the Franklin D. Roosevelt administration, are flawed by their resort to private market financing. Such methods inhibit expansion and redevelopment, and place a burden on rate schedules to pay for the usury.

The near-total abandonment of the American System principles in the most recent decades, in favor of infrastructure financed at huge costs in the private markets, has contributed to a national deficit of several trillions of dollars' worth of inputs into roads, public water, and sewer systems, urban rail lines, etc., in desperate need of replacement or additional capacity.

Physical economist and Democratic presidential pre-candidate Lyndon LaRouche has proposed to return to the American System to meet this deficit. He calls for hundreds of billions of dollars in public infrastructure development plans as a component of a national economic recovery program. These projects would be financed through Hamiltonian banking principles, using low-interest, directed credits issued by the U.S. Treasury. Private contractors would build the projects, which would, in general, be directly owned by federal, state and local governments. The only exception would be certain government-regulated authorities and public utilities, similar in structure to the TVA; however, such authorities would not operate the infrastructure for "profit" and would be closely regulated by government.

The last frontier

Despite the undoing of American System, until now, what is effectively a constitutional mandate for government ownership and development the nation's highway and road system has held in place. Magalen Bryant and her crew have crossed into this last frontier, and have given the Mont Pelerin networks, which pushed the latest privatization wave, hope

that they can use her success for a further breakout. The Greenway's privateers have not only been given a green light to build and operate a private road within what they hope will be a well-trafficked corridor for the profit of investors, they have mobilized the state and local government apparatus to help them obtain those profits. This is what is meant by their use of the buzzword "public-private partnership."

For example, in what was a legally dubious action, the Loudoun County government effectively threatened to use its powers of eminent domain against recalcitrant landowners who were negotiating with the Greenway; the threat was sufficient to force the landowners to capitulate, and thus ensure a greater potential profit for the private company.

Although the Greenway has benefitted from such government largesse, they have shown a reluctance to return the favor and share any of their potential profits in the government's interest. Greenway officials have already indicated that they might sell part of their right-of-way to a developer of a possible rail line some time in the future. When they make the sale, they plan to pocket the entire proceeds for their investors, even though the local government had helped them obtain the right-of-way in the first place. Even the lavish grand opening ceremony was financed partially with public monies, after the Greenway asked Loudoun County and the Town of Leesburg to come up with additional "contributions" to help defray the costs; both jurisdictions coughed up tax-

payers' money for such "privileges" as a "welcome" banner hanging on the main toll plaza and the selected use of the Greenway's mascot, "Scooter the Commuter," for promotions.

However, the major claim by Magalen Bryant and her crew of a benefit for government is that the road was built "without taxpayers' money." A closer examination of that claim, shows it to be misleading. The road has been, in fact, *financed* with monies taken from the pockets of taxpayers in the form of users' fees, with a hefty investors' fee on top of those financing costs. Moreover, had the toll road been built with state financing, interest charges would have been far lower; the Greenway's bonds are rated BBB, a few notches above junk bonds, and that rating, according to sources in the investment community, is "generous"; Commonwealth of Virginia bonds are generally rated AAA, or the highest rating, and hence the lowest interest. Not only do the Greenway's bonds have a higher interest rate than state bonds, they are to be paid off over a longer term—26 to 30 years—making more profit for its bankers, and taking more money out of the pockets of taxpayers.

Under the scheme approved by the Virginia General Assembly and state agencies, the toll road's investors are allowed to take out an incredible 30% return on their investment in the first several years of the project; this means that it will operate at a deficit even under the best of circumstances, using

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Academy of the 100 elects Hecht, Tarpley



Dr. Wolter Manusajian, president of the Moscow-based Universal Ecological Academy, reports that at its Autumn 1995 General Assembly held on Sept. 28, Americans Laurence Hecht (right) and Webster Tarpley (left) were elected as expert consultants of the academy. Both are associates of the American economist and statesman Lyndon LaRouche, a full member of the Universal Ecological Academy. The organization is also known as the "Academy of the 100."

The 32 members present at the General Assembly voted unanimously to accord "expert" status to Hecht and Tarpley, after hearing a report from Dr. Manusajian that covered their scientific work, as well as

Hecht's incarceration as a political prisoner in the state of Virginia.

A certificate issued after the meeting and signed by Manusajian and Academy of the 100 Secretary Boris Rastorguyev, reads: "This diploma is issued to Larry Hecht (U.S.A.), certifying his election, at the assembly of the Eurasian Section of the Universal Ecological Academy, as an expert consultant on questions of the ecology of science-intensive technologies in the area of *the structure of matter*, as recorded in the Minutes of this session of the General Assembly." Tarpley was designated an expert consultant on questions of "the ecology of science-intensive technologies in the area of *politics*."

Hecht is one of five LaRouche associates serving outrageous prison sentences in Virginia on bogus "securities violations" charges (his sentence is 33 years). An associate editor of *21st Century Science & Technology* magazine, he is the author of numerous articles on geometry and physical science. His most recent contribution to *EIR* was "Theory of Ice Ages, Not 'Global Warming,' Predicts Melting of Antarctic Ice Shelf" (May 19, 1995).

Tarpley's writings on history and cultural warfare are a regular feature of *EIR*. A recent example is "Britain's Pacific Plot Against the United States, and War Plan Red" (May 12, 1995).

additional borrowing capacity to make up the difference.

Currently, there are \$258 million in high-interest notes due in 2022 and 2026, held by a consortium of 10 institutional investors led by operations of three giant insurance companies, all with links to the British financial interests: Prudential, CIGNA, and John Hancock.

As well, additional monies were borrowed, also at high interest rates, from a consortium of banks, led by the North American branch of the City of London's Barclays Bank; this group also handed Magalen Bryant a \$40 million revolving line of credit for the project. This latter credit facility will come in handy to prevent a possible default, or worse, if motorists decide that it isn't worth it to pay the exorbitant tolls.

Should the project not default on its notes, and after all the loot has been extracted from the project, the Greenway would turn the road over to the state, for a nominal charge, in about 40 years.

With the Gingrich-Gramm crowd in control of Congress, and privatization fanatics, such as Gov. George Allen, in various state governor's mansions, the privateers are expecting additional help in their looting efforts. Recently, the Greenway crowd made an proposal to take over operation of a state-operated toll road, which currently operates at a profit. Not surprisingly, the Allen administration looks favorably upon this proposal.

Meanwhile, the Greenway people and their backers appear to be having trouble selling the road to local motorists. Following a brief "free ride" period, initial usage is well below what had been projected. If the trend continues, the private road could go bust. And although no one is talking about it, especially state officials, the state would have to come in and take the Greenway over. Whether they would be so stupid as to repeat the debacle of the New York City subway scam and assume the private debt, or even a major portion of it, remains to be seen.

Economic liberalism means disaster

Experts from Poland reveal the depth of economic destruction caused by the "Polish model."

Although the longest section of the German eastern border is with Poland, there is little familiarity here with details of the economic, social, and political realities in that biggest eastern European neighbor. The economic sections of the German press are filled with reports about the "Polish model" of liberalization reforms, talks between the government of Poland and the International Monetary Fund (IMF), the latest on the Warsaw stock exchange, and updates on the "disturbances" caused to the "successful" reforms by rebellious workers who only think of their own benefits.

A concrete look at what is going on at the German-Polish border, on the Europa Bridge in Frankfurt/Oder, is far more informative. One will witness, first, a never-ending traffic jam which, six years after the Iron Curtain fell, reveals how slowly the cross-border transit infrastructure is improving. A new road bridge is being built—and may be ready by the end of this decade. The second phenomenon is the never-ending stream of Germans walking to the other side of the Oder River into the Polish town of Slubice, to buy food and other basic consumer goods, taking advantage of the low Polish prices. The long lines of Germans returning from their shopping trips with filled plastic bags, also tells about the low purchasing power of Germans in this easternmost part of their country.

Even by post-unification standards, Frankfurt/Oder is a poor city. Before 1989, the East German regime built a huge semiconductor factory there, with 35,000 workers and engi-

neers employed. The complex was designed to produce for the entire East bloc, and it was closed after 1990. Of the original workforce, only 3,000 have remained, and hardly any new industrial jobs have been created since. This means that jobless rates are disproportionately high, and youth unemployment is at 30%—what one would call "ghetto conditions" in the United States. Things are even worse on the Polish side. Poles come over to the German side, on the Europa Bridge, to buy "luxury goods" such as bikes, tape recorders, and televisions or household appliances which they could never hope to afford on the domestic market, given the exorbitant prices one has to pay there.

A three-day seminar, held at the Viadrina University of Frankfurt/Oder in mid-October, heard Polish economic experts whose reports were shocking indeed. The seminar, titled "The Political Economy of Structural Change," provided several workshops on the development of the economies of the former Soviet bloc and China.

Prof. Karol Sobczak, of the University of Warsaw, who presented his country from a viewpoint of liberal economics and was in favor of the reforms in general, had some sarcastic remarks on the absence of State budgets for vital services like police. A spectacular affair occurred in the western Polish city of Poznan, where organized crime circles generously stepped forward to provide the under-equipped police with cars, computers, and photocopy machines!

Prof. Wladyslaw Szyba, also of

the University of Warsaw, criticized a strange pattern that has developed in Poland's export-import relations, which is overlooked by most foreign analysts. While official statistics speak of an almost-even trade balance, the reality is that the State sector absorbs most of the imports, and the private sector most of the exports. The small exporters simply don't have the money to import, because what they earn is absorbed by the exorbitant interest rates they have to pay for bank loans—currently about 30%—that they have taken to build up their firms. The big State-sector industry does have the money (from the State), but this is absorbed by payments for imports of raw materials, and usually, very little is left for new investments. As a general pattern, Szyba remarked that there is "too much import of consumer goods," while "Poland needs more investment goods" to modernize its industry.

The reason for this import-export monstrosity is, as Prof. Krystyna Poznanska of the University of Krakow explained later in the seminar, that by far most of the new private enterprises that receive so much international praise, are tiny textile shops or trading ventures often with no more than five employees. Shops of this size hardly have the efficiency required to have enough production to yield a revenue which allows expansion. Attaining subsistence level is the most that many of these tiny shops can expect.

They cannot survive, Poznanska emphasized, because the credit-crunch policy arranged between the government, the banks, and the International Monetary Fund, rules out any low-interest loans for new enterprises. Without low interest rates, production will never recover, and Poland will become more and more decoupled from the club of industrial nations, she warned.

Business Briefs

Industry

Privatizations threaten British electrical grid

An inquiry is currently under way into a July 19 incident in which the British electrical grid came close to shutting down, the Oct. 5 *London Guardian* reported. The incident underscores the damage that has resulted from the policy of privatization of State-owned industry.

In the incident, officials of the State-owned National Grid Company were forced to reduce voltage and were a short step away from cutting off power, technically referred to as shedding load. The company owns and operates Britain's power transmission lines, and is supposed to "keep the lights on," and to do so in the most economical way.

But it no longer owns or controls any of the electric generating capacity upon which it relies. Since the 1991 sale of generating companies in England and Wales, power plants have been built only by private companies.

An official of the Canadian Nuclear Association who monitors the British situation, told *EIR* on Oct. 6 that what is being shut down is coal-burning capacity which has become "uneconomical" because of the high price of British coal. It is cheaper to import coal than mine it in Britain, he said, but in order to avoid completely shutting down British mines, the electric companies are required to purchase a certain percentage of their fuel domestically. This has driven up the cost, making these plants "uncompetitive."

Hungary

Labor minister resigns over social policy

Labor Minister Magda Kosa-Kovacs, a member of the Socialist Party, resigned from the Hungarian cabinet because of differences over the government's social welfare policy, Hungarian newspapers reported on Oct. 7. She is the fifth member of the Socialist-Liberal coalition to step down in the last 15 months. Socialist ministers have been increasingly critical of the cabinet since a package of austerity mea-

asures was imposed under pressure from the International Monetary Fund last March.

In the latest dispute, the Finance Ministry wanted to extend the period for which employers must pay employees' sick leave from the current 10 days, to 25 days, which the Constitutional Court declared unconstitutional.

The resignation has triggered widespread speculation that a major reshuffling of the cabinet is imminent. Justice Minister Pal Vastagh, who is also a member of the Socialist Party, threatened to quit if the sick leave plan were put through.

Russia

Nationalization of energy sector demanded

Several regional legislative bodies have launched a campaign demanding the nationalization of Russia's energy and fuel sector, according to the Petroleum Information Agency and parliamentary committee sources, Russian news agencies reported on Oct. 4.

Earlier this year, the Smolensk regional parliament approved a resolution that blamed Russia's economic crisis on the sector's rapid privatization. The resolution was supported by Federation Council Deputy Aman Tuleyev, who is also chairman of the Kemerovo regional Duma (parliament), as well as several local parliaments. According to Interfax, sources said the new movement may gain widespread support from both regional legislators and government officials in the forthcoming elections.

Trade

India, Russia meet amid trade resurgence

The second meeting of the Indo-Russian Joint Commission opened on Oct. 10. In 1994-95, trade between the two nations nearly doubled, the *Indian Business Standard* reported on Oct. 6. The commission is expected to resolve the problems of 800 companies which have had their money stuck in Russia after the disintegration of the Soviet Union in 1991.

The high-powered Russian delegation is led by deputy Prime Minister Yuri Yarov, and includes Deputy Minister of Foreign Economic Relations Mikhail Fradkov, First Deputy Minister of Economy Urinson, Minister of Construction Efim Vasin; Culture Minister Yevgeny Sidorov, and Foreign Secretary Albert Chernyshev.

Meanwhile, two branches of Indian banks are to open shortly in Russia to overcome a banking infrastructure impediment to further growth of bilateral trade, India's Minister of State for Commerce P. Chidambaram announced at an Indo-Russian business meeting in late September, the *Hindu* reported on Sept. 23. The State Bank of India, with the Exim Bank and the Minerals and Metals Trading Corp. of India, will open in Russia, along with the Canara Bank.

Banking

Economist says Germany is 'over-industrialized'

Germany is "over-industrialized," Deutsche Bank chief economist Norbert Walter said on Oct. 5 in Frankfurt, at a forum on industrial insurance services. The comment reflects the increasing insanity, and abandonment of industrial banking, as British financial interests increase their hold on the bank.

Looking 20 years into the future, Walter projected that more and more jobs in Germany will become obsolete. Thanks to new developments in information technology, he said, Germany will probably no longer need any banks for payment transactions. In the future, he suggested, the job will perhaps be done by retail chains, computer nets, or the Telekom. Many jobs in the financial services sector will be eliminated.

But industrial jobs in Germany will also further decline, Walter said. The industrial share of the German net product is still 25% today, but has to be cut down to 20%, in order to reach "international standards." Germany has entered the 1990s "over-industrialized," he said, a "problem" that is being solved with the rise in value of the mark and the shift of industrial jobs abroad.

Economic Theory

LaRouche published in Armenian language

An Armenian edition of Lyndon LaRouche's book *So, You Wish to Learn All About Economics?* was published at the end of September, in Yerevan, the capital of Armenia. The publisher is the Union for Constitutional Rights (UCR), whose leader Hrant Khachatrian wrote an introduction to this edition.

UCR activists report receiving many phone inquiries about the volume, since it came off the press. Students at the second largest university in Armenia immediately ordered 100 copies.

The Armenian edition becomes the third translation of this book into the languages of the former Soviet Union, following Russian and Ukrainian editions. In Moscow, where it is widely known as the basic text in "physical economy," the book has been used in classes at two universities. A Polish edition has also recently appeared.

Mining

RTZ takeover will make it world's largest

RTZ will take over CRA Limited, an Australia-based resources giant with assets of \$9 billion, to form the world's largest mining company, the *Australian Financial Review* reported on Oct. 10. The RTZ-CRA combination will be worth nearly \$22 billion in assets. The merger will accelerate the movement of funds controlled by the British monarchy-led oligarchy into hard commodities, as the ongoing worldwide financial collapse deepens.

CRA owns 60% of the world's largest diamond deposit, the Argyle diamond mine, in Northwestern Australia, and according to CRA's press release, it is "a major world producer of iron ore, aluminum, and internationally traded coal."

The takeover is the first of its kind in Australia. RTZ and CRA will still be listed on their respective stock exchanges as separate companies, but they will be governed by RTZ's chairman Sir Derek Birkin in London. CRA's chair-

man, John Uhrig, recipient of the queen's Order of Australia and previously chairman of Australia's largest bank, Westpac, will become Birkin's deputy. When asked about the unusual "dual-listing" procedure, Uhrig pointed to a "similar structure between Royal Dutch Shell and Unilever." The real reason for the "dual listing" was so that CRA could avoid "being hit by capital gains tax for any changes in asset ownership."

Ukraine

Marchuk puts brakes on privatization

Ukrainian Prime Minister Evhen Marchuk put the brakes on rampant privatization, in the government economic program presented to the parliament on Oct. 11. "Privatization cannot be an end in itself," he said, the London *Financial Times* reported. His program is still an attempt at compromise between a correct policy and continuing to fulfill the ruinous demands imposed by the International Monetary Fund.

Marchuk declared that the "growth in industrial production," not monetarist criteria, will become the "litmus test" for economic growth. He called for the State, together with banks, to invest in "strategic" State-owned enterprises, especially in the high-tech sector, and for a policy of higher import duties to protect domestic industry. Marchuk said that "by the end of next year, Ukraine will have a mixed economy." Otherwise, without giving any details, he promised to end State subsidies and what he called the "paternalistic role of the State."

Marchuk also declared that Ukraine would adhere to the financial conditions imposed on it. Ukraine desperately needs western credits to pay for winter energy imports, mostly from Russia. Ukraine's "autonomous" means to pay for oil and gas, via grain and sugar exports to Russia, have evaporated in the wake of this year's poor grain harvest and disastrous sugar beet harvest. Marchuk pledged that the budget would not increase, i.e., be kept at its present austerity level, and that Ukraine will "meet the target" of 2% monthly inflation by the end of the year. He ruled out any wage or pension increases and any introduction of the new currency, the *hryvna*, this year.

Briefly

● **SPAIN AND FRANCE** signed an agreement in Madrid on Oct. 10, to build a railway tunnel through the Pyrenees Mountains. It will be designed for a TGV high-speed rail line from Barcelona to Montpellier, and is to be completed by the year 2004.

● **CANADA** will help China build a new nuclear reactor in Guangdong, the Hongkong newspaper *Ta Kung Pao* reported on Sept. 8. The 300,000 kilowatt plant will cost \$20 billion, with Canada's British Columbia International Power Corp. the largest investor.

● **SCIENTISTS** from the Central Rice Research Institute in the Philippines have achieved a major breakthrough in rainfed dryland rice-farming, with a record yield of nearly five tons per hectare, the Indian *Statesman* reported on Sept. 22. The project was conducted in India by the CRRI in collaboration with the Indian Farmers Fertilizer Co-operative Limited.

● **A TRADE FAIR** was hosted in Lianyungang, in China's Jiangsu Province, on Sept. 12-16. The city is the eastern terminal of the Eurasian "land-bridge" rail line connecting Rotterdam to the Pacific, and has become the loading point for rail shipments to Europe from 10 nations including Korea and Japan.

● **THE INDIAN** state of Orissa has concluded 17 memoranda of understanding with Israel for expanding the state's agriculture and agro-based industry, the *Asian Age* reported. Israeli experts will consult on water management, aid in high-quality cotton development, and identify areas for agriculture and agro-industry using Israeli technology. The Orissa government will also send farmers to Israel for training.

● **EGYPT** has become South Africa's second largest North African trade partner, and the partnership appears to be increasingly focused toward industrial development, the *Cape Times* reported on Sept. 27.

The budget debacle: Read the writing on the wall

by Chris White

Candidate for the Democratic Party's Presidential nomination Lyndon H. LaRouche has compared the process under way around the development of this year's federal government budget, to the Bible's account of Belshazzar's Feast found in the fifth chapter of the book of Daniel.

The God of Daniel was angered at the Babylonians and their king. They had set themselves up as violators of His law, and opponents of His will. He sent them a warning, interrupting their shameless festivities to do so. They did not comprehend. Nor did they heed when the Prophet unfolded the message that had been sent. Shortly after, in the Lord's good time, they were swept out, much like the garbage, and the other detritus, of their earlier great feast. Where they had sat, and sated, in celebration of their power and invincibility, now ruled the Medes and the Persians. Of what effect or capacity was their fabled power then? Belshazzar's mighty empire was no more.

So will it be with those who insist that government's expenditures be cut to bring outgoings in line with tax and other revenues, to achieve the chimerical goal of balance between the two. Be it within the seven years of Gingrich, Gramm, and Kasich, and their "Contract on America," or the ten years envisioned by President Clinton's budget bureaucracy, the grail of balance will never be achieved. Nor could it be, no matter how many of the poor, the old, the defenseless, the innocent, are offered as a blood sacrifice on the altars of their cult.

In seven years, they claim, or ten, we will bring the budget into balance, reducing expenditures to accomplish that. They thereby presume to know both what future expenditures will be, and what the future revenues available to meet those future expenditures will be. They also presume to know what the future purchasing power of those expenditures and revenues will be, seven or ten years hence. They so presume in extrapolating from present so-called trends. They have available approved trends which emanate from the Congressional Budget Office. They have consensus trends. They have other kinds of trends.



Sen. Phil Gramm (R-Tex.) and the other gurus of the Conservative Revolution say they will balance the budget in seven years. Their prediction makes about as much sense as the prognostications of the astrologers of ancient Babylon.

None of them mean a thing. They are all about as full of meaning as the prognostications of Babylon's soothsayers and astrologers were.

Expenditures by government, at whatever level, are not simply outlays of cash. They fund, as we show below, various economic activities, carried out by people, be it in the areas of education, health care, defense, law enforcement, or Social Security and Medicare payments of trust funds. Cut the expenditures, and what happens? The activities so funded are either curtailed or eliminated. For example, by 1990, government expenditures for school and hospital construction bought respectively 40% and 67% of what they did, measured in total floor space of facility constructed, back in 1967. And if the activities are curtailed or eliminated, what then? Well, first of all revenues will drop, because the tax or other revenue associated with the activity is curtailed or eliminated, along with the activity no longer funded. And, of course, in consequence, the expenditure line is also affected, by the new bodies who show up on unemployment lines, by those forced into hospital emergency rooms, for want of any alternative, and so forth.

On the face of it, the forward projections thus adopted are absurd. To attempt to implement those projections is to change the terms on which the projections have been made. Expenditures will not be reduced in the way Gramm, Gingrich, Kasich or anyone else asserts. Nor will available revenues be what they assume. People, however, will still die because of what they propose to do.

How many times have we been through this since 1980? Then, we attempted to reduce a \$50 billion deficit by these means. The result was to double the deficit. Then, by 1984-85, with a deficit of \$100 billion plus, we had the Gramm-Rudman debacle, under which expenditures were to go on autopilot, to be cut automatically if adopted targets were exceeded. And, pretty soon thereafter, we had a \$200 billion deficit. And, then, further interfering with the trends projected in the 1980s, we had the collapse of the savings and loans, and \$400 billion deficits. In the process, the federal government's debt quadrupled, and interest charges on that debt became as significant a factor in government expenditure as national defense, and almost as significant as education expenditures. Increasing interest charges had not figured in the projections. After all, each time we set out to balance the budget, we were supposed to be reducing the financial expenditure associated with the servicing of government debt.

With this kind of record, you might just as well go to an astrologer, palm-reader, or whatever other kind of fortune-teller strikes your fancy. They would hardly have done any worse.

Projections of government expenditures and receipts are based, in their turn, on projections of economic growth. It is assumed, for example, that trend-line economic growth, from whatever adopted base-year, will proceed at a rate of between 2.5% and 3.5% annually, over the term of the projection. Expected revenues can therefore be increased to re-

flect that anticipated growth. Present cuts in expenditure will thereby also breed greater reductions in the future, since the reduced amounts will no longer compound at the same rate. Unlike the frog of Zeno's paradox, the monster-creature that emerges from the rows and columns of this projection will successfully plop into the pond of balance at the end of the term. After all, the account is, of course, constructed from the desired end back to the beginning. That's how we know we're going to get there, because we are just retracing our steps. So, here they sit, already gulping down their dessert, before checking out whether the kitchens function, or the cook knows what he's doing, or even whether the place settings and the banquet hall exist.

LaRouche's Ninth Forecast

You see, they were warned. They were told of the folly and consequences of what they were, and are doing. They didn't listen, nor did they want to understand. The people who elected them were also told. They didn't listen either, nor did they understand. For their votes would certainly have been different, if they had done so.

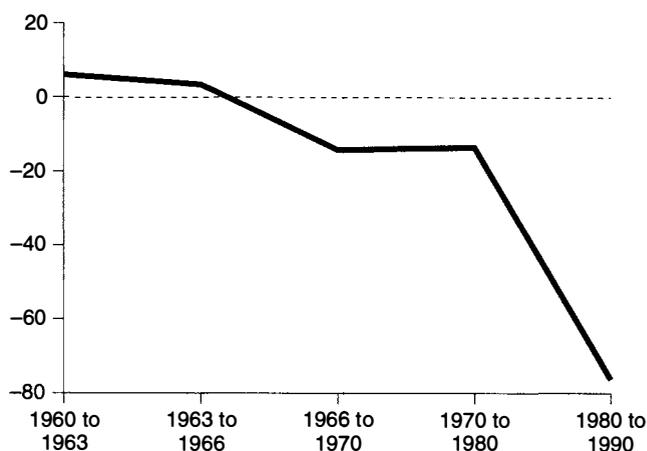
The warnings have come in the form of the nine economic forecasts issued by Lyndon LaRouche since the fall of 1958. His Ninth Forecast, published in *EIR* on June 24, 1994, and then in pamphlet form by the weekly newspaper *New Federalist* in August 1994, summarized an unmatched record built up over nearly 40 years, and proved, that the financial and economic crisis which had been forewarned in his earlier such efforts, had reached the point that without remedial action by government to effect an orderly bankruptcy reorganization of debt and derivative-sodden financial structures, preferably before the end of President Clinton's first term, the greatest financial collapse in human history would be unavoidable.

To restate: First, forget about all the monetary garbage that underlies the projected trend-lines extended out to a rosy utopian future. The reason there is a crisis, the reason there is a debacle ongoing in government finances, is that the population of these United States is no longer capable of producing but half of the standard of living it was accustomed to a mere generation ago. We cannot any longer support our old and our sick, our young and our poor, because we have destroyed the means necessary to do that.

In the terms of reference of LaRouche's Ninth Forecast, we can only produce half of what we used to do, with productivity half what it used to be. But, with thus shrunken capacity for wealth creation, we are burdened with a twelve-fold increase in the charges of financing debt and paying taxes. Since the continued growth of the combination of financing charges and taxes is made possible by cannibalizing the productive potentials of the economy, it must follow, as night follows day, that the whole arrangement will collapse. The more the financial charges grow, the less are the productive potentials remaining to service the enlarged financial

FIGURE 1

Ratio of debt service and taxes to unit decline in energy of the system



charges. It is not a process that can go on forever.

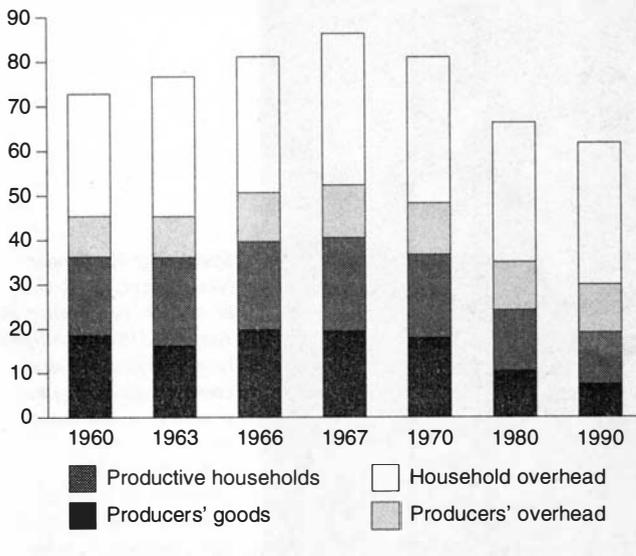
But, you see, some of them say, that isn't possible, we won't allow it to happen. We have means available. Yes, there may be some problems, but you are exaggerating, we won't let things get out of hand. We have procedures in hand that will enable us to deal with what you are talking about. We have the power, the power to do things, our way, no matter what the consequences. We are going to balance the budget.

There exists no such power. There exists a power to change. But that power is not accessible to those who insist on doing things the way they do them. **Figure 1** summarizes that reality, as it is expressed in an alternate, more truthful statement of trend. Two such trends are summarized in combined fashion: the growth of debt service and taxes, divided by the collapse of productivity as measured in ways discussed in LaRouche's 1984 textbook, *So, You Wish to Learn All About Economics?* The trend-line of productivity collapse, since the late 1960s, has been proceeding at a negative 2% per year. That trend-line has been neither interrupted nor changed. Thus, projected forward from 1990 to the present, given that absence of change, one would expect there to have been a further 10% decline; as a starting point for assessing what did happen, and during the life of the Gingrich-Grumm budget, there would be a further decline presumably in excess of 15%. The prospect over that time-frame would thus be an average living standard converging on one-third or less of what it had been 30 years before. Over the same period, the combination of financial charges and taxes has grown by an absurd 40% a year, with three-quarters of the growth concentrated in the interval since 1980. In this case, while productivity continues to decline, the claims of financial

FIGURE 2

Distribution of market basket inputs, based on 1967 household size

(tons per 1967 household)



charges would be doubling every two and a half years or so. Such are the rates that have been associated with the growth of financial derivatives since 1990, for example. So, again, assuming the continuation of the trend, while productivity would decline by another 15% to the end of the Gingrich-Gramm seven-year target, the financial charges which such productivity supports would double more than four times. The intent of the Gingrich-Gramm budget will accelerate things beyond the trend.

It won't happen like that. The idea is nonsense. Such trends cannot simply be extended forward. There will be a limit to the continuation of the trend as it has appeared to be. The limit will be a discontinuity, whose emergence will shatter the conceit that this arrangement can be maintained into the intermediate or indefinite future. The discontinuity is what makes the balanced budget projections lurid in their absurdity.

The numerator of the ratio in Figure 1 is straightforward. It is simply the sum of the total debt service paid on all forms of debt, and taxes. The denominator is an estimate of LaRouche's productivity ratio. It is put together as follows: The economy's total product is estimated on a market basket basis. Working backwards from final goods production, the flow of intermediate goods and raw materials into the production of such final product is first estimated, and then cross-gridded with flows of goods into infrastructural activities such as transportation, water supply, and power generation. For comparability, all items are converted into metric tons. **Figure 2** shows the inputs for this process, calculated on the

basis of the household size of 1967 (3.3 people). The inputs, assembled in the way identified, are further subdivided by function, that is to say, where those inputs are to be consumed. The subdivision is two-fold: producers' goods on the one hand, and household goods on the other, recognizing a division between those goods, such as machine tools, industrial equipment, transportation equipment, industrial precursor chemicals, which are used in the machine-building capital goods part of the economy, and those goods, such as foodstuffs, clothing and textiles, footwear, appliances, and automobiles, which are consumed by households. School and hospital construction is included in the household market basket, industrial plant in the producers' goods basket. Infrastructure construction, for these purposes, is subdivided in cross-gridding producers and consumers goods, as a proportion of their combined total. The two primary market baskets are then each further subdivided to separate that part of the goods flow which is employed in productive activity, and by productive households, from that part which is consumed for overhead, e.g., administrative or sales functions, and is not directly productive. Then the whole, and the parts, are scaled to a common 1967 basis.

Then one can compare both what is produced, relative to that common 1967 basis, and one can consider productivity, how it is produced, also in terms of that common 1967 basis.

It might be objected: Well, fine and good, you've got a total, I can see how you can express cubic feet or cubic meters of gas in oil equivalent tons, but what is the point of combining food, clothing, and steel in a common measure? What does that tell you, if anything? To which the answer might be given: Yes it is a total, but, first, it is not a dumb, undifferentiated total, because it is known where everything included goes, and what is required to produce everything included. So, the total is internally differentiated. Second, one also knows what the purpose of each ton is, defined as to whether that ton contributes productively or not.

Look at Figure 2 again. Note that the successive bars after 1967 decline; note also the changing proportions within the bars, as that part of the total inputs assigned to productive purposes declines, and that part assigned to overhead functions increases.

This could already be compared favorably with the measures of economic growth employed by those who produce idiotic projections for budget slashers and their allies. Now we've got a measure which looks at what we are capable of producing relative to fixed, but higher standard, which is in the direct knowledge of people in their forties or older. The economy has not, on this basis, been growing as they say it has.

But that is by no means all. The purpose of an economy is not simply to produce things. It is to reproduce people. We don't produce food and clothing and shelter for the sake of it, but because people have to eat, clothe, and house themselves. This is not confined to those who work. Despite Gingrich



Speaker of the House Newt Gingrich (R-Ga.) at a press conference in January 1995. Contrary to what Gingrich and company believe, an economy is not based on money, and expenditures by government are not simply outlays of cash. The question is, what real goods and services are the economy producing?

and Gramm, this country, like the civilization of the western world, was based on the idea that the wages of those who work ought to be sufficient to provide for the household which they support—that is to say, for children, and for wives, in the case the worker is male, and for the aged. Thus, improvements in the way we produce what we do, including total transformations that technological innovation permits, enable us to support more people at ever higher standards of living.

This is what indeed we used to do, until that brief interval of four years, between the assassination of President J.F. Kennedy on Nov. 22, 1963, and, for want of a better date, the so-called Summer of Love in San Francisco in 1967. It was not perfect. There was much to be desired. But, from the founding of this republic until that interval, the path for all citizens, however rough and uphill it might have been, was leading from improvement to improvement. The improvements reflected the rising productivity of society as a whole, and affirmed the uniquely superior species nature of man. For, man in the image of God, has the creative potential to transform, through the power of ideas, the conditions of his existence, in order to further transform the conditions of his existence.

What makes society human?

LaRouche's proof of this was developed in the cited, *So, You Wish to Learn All About Economics*, and in many other

publications. For any society, operating within a relatively fixed mode of technology, the costs of producing the food and other raw materials must increase, even as the population continues to grow. This increase in costs will be driven by the relative depletion, to the point of exhaustion, of those relatively fixed technologies. Then, such a society must collapse, not because such limits are real, but because such a society lacks the ideas to overcome such apparent limits. Prior to the Golden Renaissance of the fifteenth century, there is no real evidence that any human society had ever addressed that problem in a durable way. The worldwide pattern, found throughout human history, of family-based oligarchies, ruling a relatively bestialized 90-95% of a predominantly rural population, as if they were subhuman herds and chattels, constitutes proof of a sort.

The organizers of the fifteenth-century Golden Renaissance transformed the basis for all human existence, creating, for the first time, a society fit for humans, in which the idea of man in the image of God was institutionalized in the form of the nation-state, and secured through the spread of public education. The transformations thus set in train are what permitted man to free himself from his dependence on the rhythms and cycles of rural life, to increase his population in a way never before seen in human history, and to develop the ideas, from which would spring the industries which would organize his food production, his transportation, and the creation of the cities in which he would live.

Out of this process as a whole, LaRouche defined a set of constraints which have to be satisfied if society is to advance under conditions of increasing productivity. Output, as a whole, has to increase. Food production has to increase, but the labor cost of food production must decline. The durable goods content of the consumer market basket must increase, but not as fast as capital goods production increases. The energy of the system, thermodynamically, must increase, as also the flux density of application of energy. The level of technology must advance. Overhead functions must decline.

These constraints can be stated in ratio form. First, isolate that part of society's activity which does contribute to the reproduction of society as a whole. (In the present case, that is done by reducing overhead to the level which prevailed in 1956, when such functions accounted for approximately 54% of the labor force, as compared, for example, with over 75% in 1990. Apportion the throughput between those portions needed to maintain the households of productive workers, and necessary overhead, and that part required to produce the producer goods. If the whole grows, growth between years can be considered as the net surplus, after necessary overhead is deducted from the previous year. If the whole is declining, it can be apportioned as a loss. Net surplus or profit divided by the sum of the productive costs, would then provide a profit ratio or measure of the productivity of society. Necessary overhead, added back to the costs in the denominator, would define the energy of the system. Net profit, or free energy, divided by the energy of the system, would provide the free-energy ratio.

The ratios ought to increase in such a way that the reinvestment of net surplus or free energy not only produces an increase in the denominator of the ratio, but also an increase in the net surplus or free energy, at a rate faster than the costs and expenses of the denominator are increasing. Such conditions can only be met if the level of technology employed is continually advanced, in such a way as to lower the costs of producing net surplus or free energy, even while the growth conditions are being satisfied.

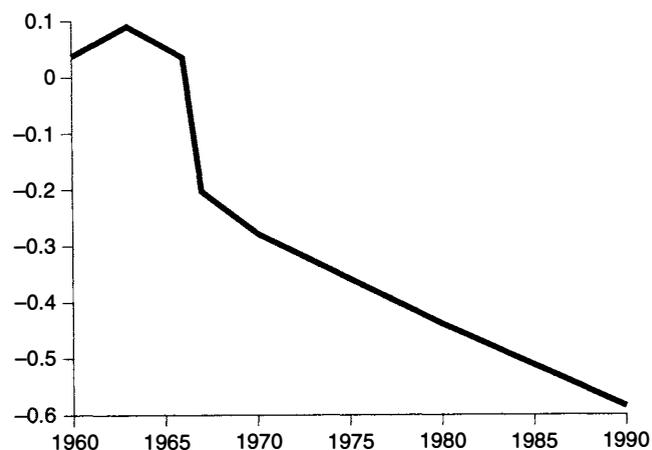
If the values of such ratios are positive and rising, one knows one is dealing with a society which is functioning as a human society should. If the ratios are negative, the reverse is true. If the ratios are not only negative, but continually falling, that society is going the way of Belshazzar's Babylon, and all the predecessor oligarchies to the Golden Renaissance. **Figure 3** plots estimated values for the profit or productivity ratio of the United States from 1960 onwards.

Don't then complain about what is being done now. This is a society which turned its back on what had made it human a generation ago. For it was then that the legacy which had made us, was rejected in favor of the relative bestiality of the oligarchism which mankind has always fought to defeat.

Then it was, too, since we turned away from our humani-

FIGURE 3

Rate of profit of the economy (S'/C+V)*



* For definition of S'/C+V, see Lyndon H. LaRouche, Jr., *So, You Wish to Learn All About Economics? A Text on Elementary Mathematical Economics*, New York: New Benjamin Franklin House, 1984.

ty, that we turned away from God's law too.

And, what might all this have to do with the budget? Hey, don't you get it? Thirty years ago, or so, we turned away from the path which human existence proves to be the only one which permits man to realize his creative potential in the image of the living God. And, we have refused to hear, when we have been told that that is what we have done.

Prior to the middle of the 1960s, we used to assume, for example, that the nuclear family, with one wage earner and sufficient children, given falling infant mortality and increasing life expectancy, could aim successfully to provide the children with a better life than the parents had had. In the combined names of the 1960s counterculture, the so-called post-industrial society, and, ultimately, the free market, we destroyed all that.

We accepted that children were a "luxury" that we as a society could no longer afford. We wanted a different lifestyle. And we got it. Now, the labor of one adult cannot support one, shrunken household. The children we could not afford, became the workforce which is insufficient to provide for itself, and its families, never mind those whose age has moved them out of the workforce.

We thereby destroyed the basis for continued human existence, and thereby, in consequence, the tax base on which budget policy depends. The tax base might look like a pile of money. That is not what it is. It is earners, with jobs producing sufficient income to qualify. Companies producing real earnings, out of which taxes can be paid. If everything is nearly 50% down from where it should be, it stands to reason that the tax base is, too.

FIGURE 4

Consumer goods per household

(tons)

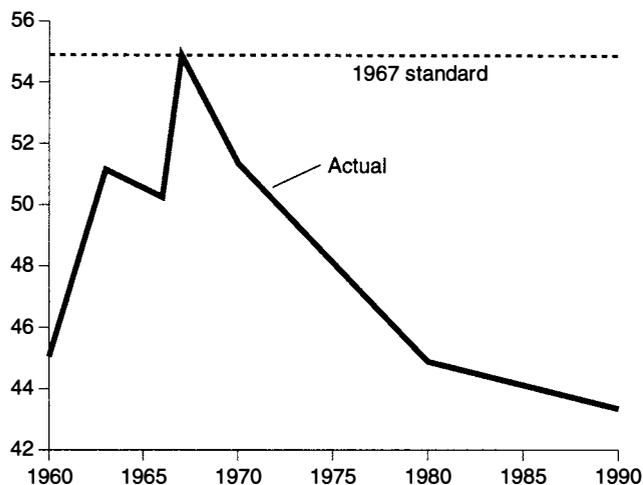
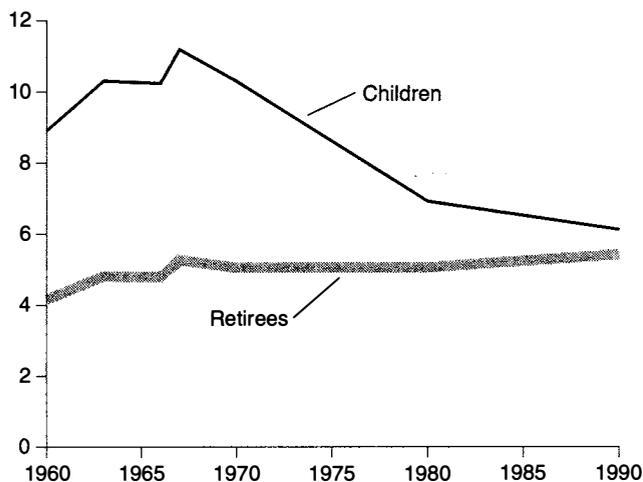


FIGURE 5

Share of children and retirees in consumers' market basket

(tons per household)

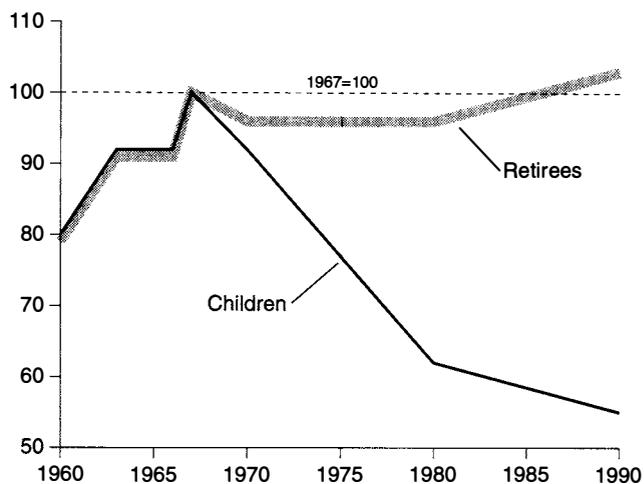


This is illustrated, in a way, by the following series of charts. Let's just focus on aspects of the market basket of consumers goods, for this reflects an aspect of the collapse that shows as the destruction of the tax base, because it reflects the destruction of household earning power, and thus of the economic activity which produces those earnings. **Figure 4** compares the adopted 1967 standard for the consumers' market basket, with what has happened since. **Figure 5** focuses on the share of children and retirees in that

FIGURE 6

Share of children and retirees in consumers' market basket, relative to 1967

(index of 1967 share=100)



consumers' market basket. This simply divides the total content of the consumers' market basket into the proportions that children and retirees make up of the total population. **Figure 6** restates those proportional shares relative to what they had been in 1967. Of course, since the whole is falling, the proportion allotted in this way to children will fall faster than the whole. The retirees' share increases, because retirees, as a percentage of the population, are increasing faster than the population as a whole. **Figure 7** shows what those proportions are. Thus, note, we are allotting 20% less for both segments of the population than we ought to be.

Figure 8 isolates that part of the overhead component of the consumers' market basket which is in excess of the 54% of 1956, and compares that parasitical share of household consumption in its growth, with the share allotted to children and retirees. Here is a picture of what society's true priorities have been. We neither provide for the young, nor for the aged, but we do squander nearly our all on those who make no contribution to developing the reproductive power of society. Parasitism is the increase of overhead functions, and thus also of the drain of product and labor required to support such consumption, beyond the 54% of the labor force of 1956. This is the unacceptable increase of employment in finance, real estate, and insurance, of the growth of low-pay jobs in the sales sector, and so on.

So, essentially there's a choice. The choice is between, for example, the projections that the congressional budgeteers are using, 2.5-3.0% continuing economic growth, and the view of the country that is presented here, and which has been the subject of LaRouche's repeated warnings. Which of the two views better corresponds with reality? The one that

FIGURE 7

Retirees and children, as percent of total population

(index 1967=100)

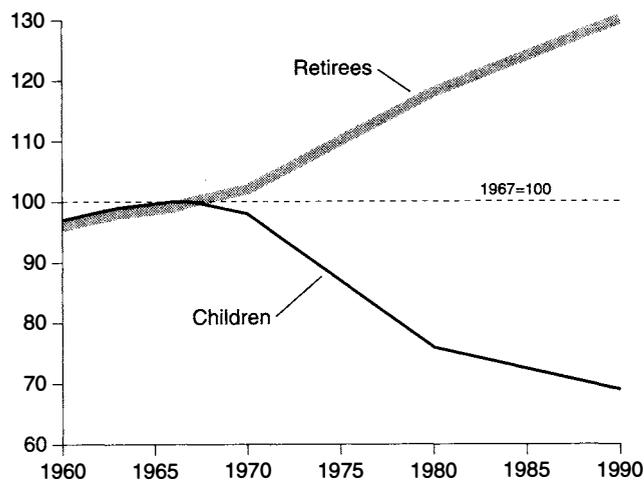
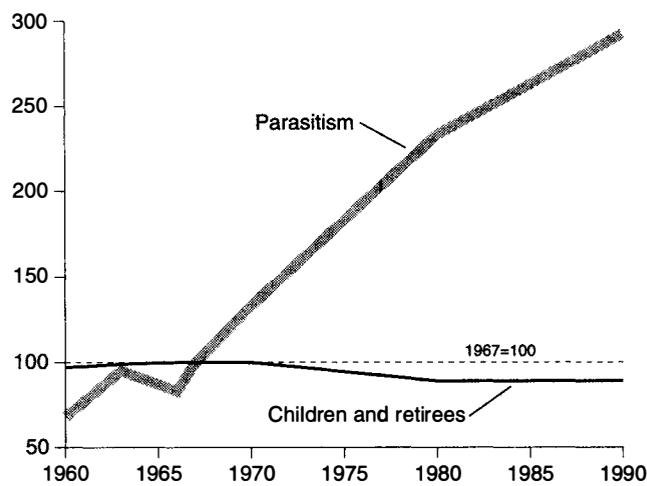


FIGURE 8

Growth of parasitism, versus children's and retirees' share of consumers' market basket

(index 1967=100)



says, we're doing fine, all we have to do is more of the same, and we'll keep on doing fine, or the one that says, and has said, if we keep on like this, we are doomed to disaster, and identifies why?

Role of government is vital

What can be done to straighten any of this out? Forget about anything else, it requires a government that can function, and leadership that recognizes what is going on. Without action of government, there is no solution to any of it. Without leadership, government can't provide the needed action.

There is no agency, other than government, which has the power or authority to straighten out the monetary mess, through bankruptcy reorganization. There is no agency, other than government, which has the power to use such a bankruptcy organization to open the way for fresh policies designed to rebuild the tax base.

No private interest, or combination of private interests, has the power, or capability, to begin to straighten out the mess that prevails in the education and health systems.

Why does it require action of government? First, because both parts of the social fabric are drowning in a rising tide of debt taken out to refinance older, maturing debt. Second, because there is no solution to crises in either the educational or health systems, unless we change our view of who we are as a people. After all, what does the government represent?

We decided not to produce children as we had before. We decided not to provide for those we did produce. Could such a people, or its representatives, straighten out the health and education systems?

Table 1 includes some parameters of the nation's educational system over the last generation. Clearly, when you don't produce the children, you will not need the teachers in such numbers either. Nor will you need the schools.

The same is true of health care. Who is to take upon

TABLE 1

Education parameters

	1960	1963	1966	1967	1970	1980	1990
Pupils per household	0.88	0.91	0.94	0.95	0.93	0.72	0.65
Pupils per teacher	34.16	26.85	25.08	21.92	25.33	23.92	21.45
Pupils per school	393.26	476.76	551.69	571.97	650.15	682.41	711.31
Teachers per school	11.51	17.76	22.00	26.09	25.67	28.53	33.15
New school construction per household (index 1967=1.00)	0.91	0.87	1.03	1.00	0.75	0.31	0.40

TABLE 2

Health care parameters

	1960	1963	1966	1967	1970	1980	1990
People per doctor	696.50	654.39	626.87	617.12	630.00	497.79	406.09
Nurses per person	358.47	334.35	316.52	310.49	273.40	179.04	145.72
People per hospital bed	109.04	111.25	117.14	119.48	126.97	166.84	206.36
People per hospital	26,260.34	26,504.44	27,452.56	27,714.37	28,799.46	32,721.01	37,580.15
Hospital visits per hospital	3,637.65	3,851.82	4,071.37	4,094.98	4,108.43	5,174.28	4,674.74
Hospital visits per person	0.14	0.15	0.15	0.15	0.14	0.16	0.12
New hospital construction per household (index 1967=1.00)	0.61	1.06	0.92	1.00	1.06	0.61	0.67

themselves the part of God, to decide, who gets treatment and who does not, who lives and who dies? Isn't that what we as a society do every day? We don't want the children, and we will not provide for those we have, nor for the aged. It is in the record of the last generation. Who, then, can really complain about Gramm and Gingrich? Aren't they just speaking for what the whole country has been accepting and doing?

Table 2 sets out some parameters of the nation's health care system. Look at what has happened to the ratios of

people per hospital bed, people per hospital, and the index of new hospital construction. Hey, the facilities aren't there! Well, you know, we do things more efficiently now than they used to. We've gotten rid of an awful lot of waste. Yes, I see, but what happens when people get sick?

We can't any longer do what we used to be able to do, or produce what we used to be able to produce. But that is the way most of us wanted it.

What, then, is written on the wall? Who are the participants in the king's great feast?

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The real problem is collapsing revenue

by John Hoefle

The dominant theme of the debate over government budgets—federal, state, and local—is that expenditures must be cut to match revenues. Advocates of this position often compare these government budgets to the family budget, claiming that governments, like families, must learn to live within their means. It is a seductive argument, but it is a lie. Properly directed, government spending benefits the economy in ways which radiate far beyond the narrow confines of a balance sheet, both stimulating and organizing the economy, to the benefit of the citizenry as a whole.

The purpose of the federal government is defined in the Preamble of the Constitution of the United States: “We, the people of the United States, in order to form a more perfect Union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and to secure the blessings of liberty to ourselves and our posterity do ordain and establish this Constitution for the United States of America.”

To carry out this responsibility, the Constitution, in Article I, Section 8, assigns to Congress powers including the right to lay and collect taxes; to borrow money on the credit of the United States; to regulate commerce; to establish uniform rules of naturalization and uniform laws on bankruptcies; to coin and regulate the value of money, and fix the standard of weights and measures; to establish post-offices and post-roads; to promote the progress of science and useful arts through copyrights and patents; to provide a system of courts; to declare war; and to provide armies and navies.

Households have the responsibility to contribute to the ideas outlined in the Preamble, including ensuring that the government meet its responsibilities, but households are not invested with the powers of Congress. The federal government can, and must, provide services that households cannot, and should not. Therefore, to compare the federal budget to a household budget, is a dangerous fallacy of composition.

Government, in harmony with the principles laid out in the Declaration of Independence and the Constitution, provides the framework for securing the “unalienable rights” of “Life, Liberty, and the Pursuit of Happiness.”

Budgets as public policy

Thus government expenditures play a special and critical role in the proper functioning of the country, both politically and economically. To view expenditures outside of this con-

text, as if they were mere lines on some arbitrary budget, is to miss the forest for the trees. The decision on what to fund, and what not to fund, is a decision about the future direction of the country. Budget decisions, as an insurance actuary can demonstrate, are decisions about life or death, prosperity or collapse, freedom or servitude.

Let us take a look at total government expenditures, federal, state and local, in our selected years (**Table 1**). We have debt-service charges, the administrative costs of government, the costs of providing for the national defense, the enforcement of the law and the punishment of those who break it, and entitlements. There is also a large segment called “other,” which contains a wide variety of expenses, including many of governments’ directly economic expenditures, such as research and development, and non-trust fund expenditures for infrastructure projects such as roads, bridges, water supplies, sewer systems, trash pickup, energy systems, education, and the like, which are essential to a properly functioning economy.

That these expenditures have a real economic impact, is amply demonstrated by the collapse of the California economy as a result of cutbacks in defense spending. The importance of military spending, especially that portion of military spending which funds breakthroughs in science and technology, can hardly be overestimated. The scientific and technological breakthroughs made possible by ongoing space and military research and development programs, provide new technologies to make the workforce more productive, thus providing the basis for an increase in the standard of living. Cutting back R&D expenditures to save money, reduces this flow of progress, thereby undercutting the presumed attempt at resolving the economic crisis which led to the budget-cutting in the first place.

These budget expenditures represent the very infrastructure of society, our teachers and schools, our doctors and hospitals, our soliders, policemen, and firemen, our roads and urban transit systems, our water supplies and sewer systems, our defense and space workers, social aid for the disabled, the poor, and the disadvantaged, and all manner of other necessary services. Cutting these services, impairs the welfare of the population, and reduces the efficiency of the economy.

Cutting the budget throws many of these vital infrastructure workers out of their jobs; if they are lucky, some of them may find work elsewhere, usually at lower pay, and many will wind up on the welfare rolls. Essential tasks are thus stretched even thinner, or eliminated completely, hurting the productive side of the economy, and workers are thrown on the scrapheap, increasing the financial drain on the social safety net.

The effect of the draconian budget cuts demanded by the Conservative Revolutionaries such as Rep. Newt Gingrich (R-Ga.) and Sen. Phil Gramm (R-Tex.), is to cut the tax base, and thereby *increase the deficit*, directly the opposite

TABLE 1

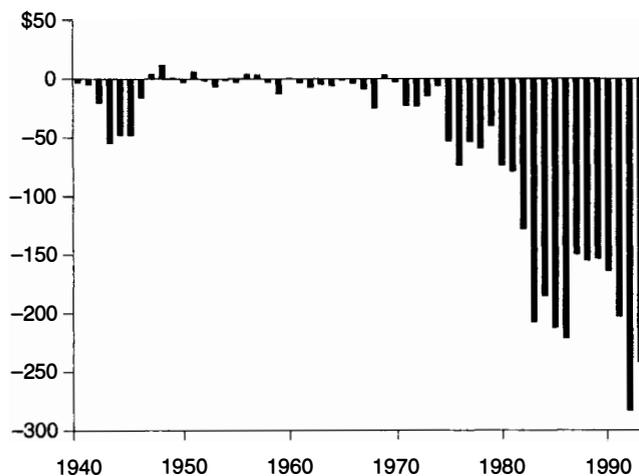
Revenues versus expenditures of federal, state, and local governments combined

(billions \$)

	1956	1960	1963	1966	1970	1980	1990
Revenue	\$119.65	\$153.10	\$179.85	\$225.55	\$333.81	\$932.20	\$2,047.00
Taxes	91.59	113.12	130.81	160.74	232.88	574.24	1,133.89
Individual	33.73	43.18	50.86	60.21	101.22	286.15	572.52
Corporate	21.77	22.67	23.08	32.11	36.57	77.92	117.07
Sales and customs	19.16	24.45	28.66	33.73	48.62	111.96	231.86
Property	11.75	16.41	19.83	24.67	24.05	68.50	115.61
Other	5.19	6.41	8.38	10.03	12.41	14.14	26.80
Charges and miscellaneous	12.90	17.50	20.49	27.63	39.60	142.39	376.60
Utility and liquor stores revenue	3.85	4.88	5.53	6.62	8.61	25.56	58.64
Insurance Trust revenue	11.30	17.61	23.02	30.56	52.72	192.01	477.87
Expenditures	117.50	153.16	179.10	230.50	330.00	958.70	2,219.00
Debt-service charges	8.00	11.20	12.50	15.30	24.40	89.50	314.40
Administrative costs of government	2.24	2.86	3.36	4.11	6.37	20.70	57.55
National defense	35.55	41.34	47.97	53.77	76.55	134.00	299.33
Law enforcement and prisons	2.43	3.35	4.01	4.90	8.57	28.57	74.58
Entitlements	17.90	24.10	33.60	39.30	68.70	291.50	567.40
Other	51.38	70.31	77.66	113.12	145.41	394.44	905.74
Surplus or deficit	2.15	-0.05	0.75	-4.95	3.81	26.50	172.00

Sources: Bureau of the Census, *Statistical Abstract of the United States*; EIR.FIGURE 1
Federal budget deficit

(billions \$)



Source: Federal Reserve Flow of Funds.

of their claimed effect. Gramm, recall, was one of the architects of the disastrous Gramm-Rudman deficit reduction act of 1985-86. Introduced amid great fanfare, the Gramm-Rudman act was subsequently quietly dropped; its effect, like that of Ronald Reagan's budget deficit measures of 1981, served mainly to double the deficit (Figure 1).

Compare the expenditures of governments in 1956 and 1990 (Figure 2). In 1956, national defense expenditures accounted for 30% of all government expenditures; by 1990, that figure had dropped to nearly 14%. The percentage spent on debt service doubled during the period, from 7% to just over 14%. The percentage of money spent on entitlements also grew sharply, from 15% to 26%, as the strain on the social safety net increased.

The result of all this budget-cutting, is that the federal government now pays more money for debt service, than it does for national defense (Figure 3), a picture that would be even worse had not the Federal Reserve lowered interest rates from 1989 to 1994, in an attempt to bail out the bankrupt U.S. banking system.

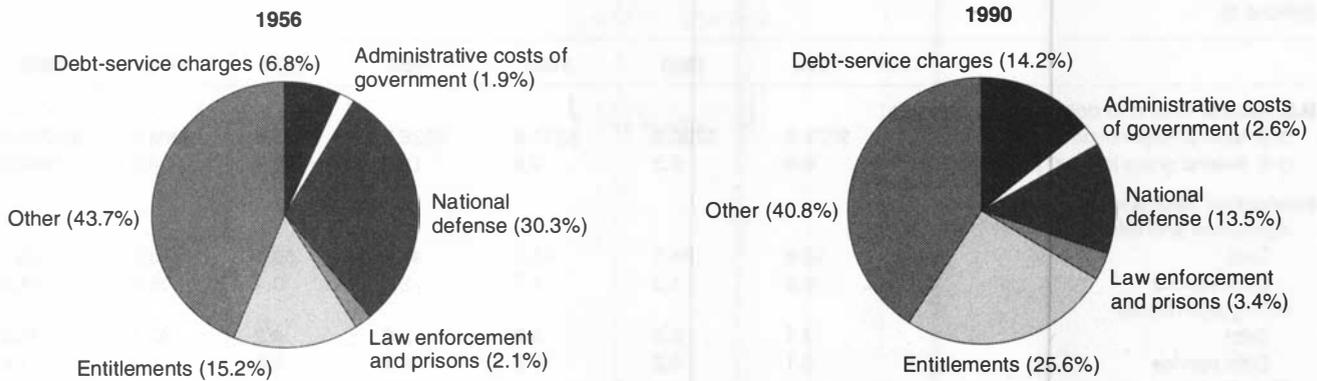
One is compelled to conclude, after studying the disastrous effects of this budget-cutting mania, that the budget-cutters are pushing a hidden agenda, under the protective coloration of alleged fiscal responsibility.

Revenue for whom?

Let us turn our attention to the revenue side of the budget equation (Figure 4). The governments get their revenues from taxes, individual and corporate, sales taxes and customs duties, property taxes, user fees, and the like. These taxes and fees are taken out of the incomes of households and businesses. In addition to a multitude of fees and sales taxes, households and businesses pay taxes on their income. For a business, income is gross earnings minus the cost of production, sales, and overhead. In the case of an individual, it

FIGURE 2

Expenditures of federal, state, and local governments

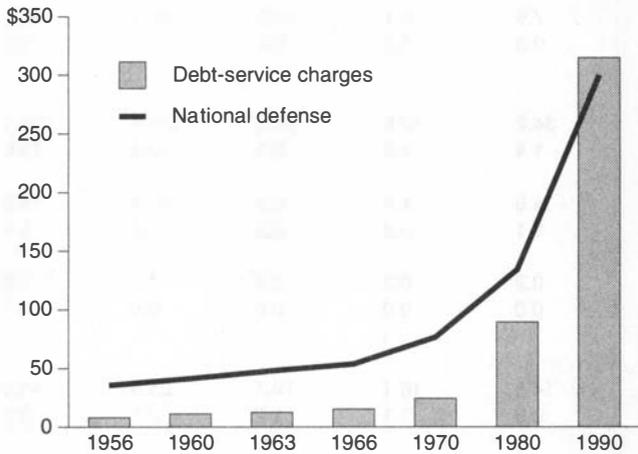


Source: Statistical Abstract of the U.S. Bureau of the Census.

FIGURE 3

U.S. government expenditures on debt service and national defense

(billions \$)



Source: Statistical Abstract of the U.S.

comes out of wage or salary, and perhaps dividends or interest and capital gains.

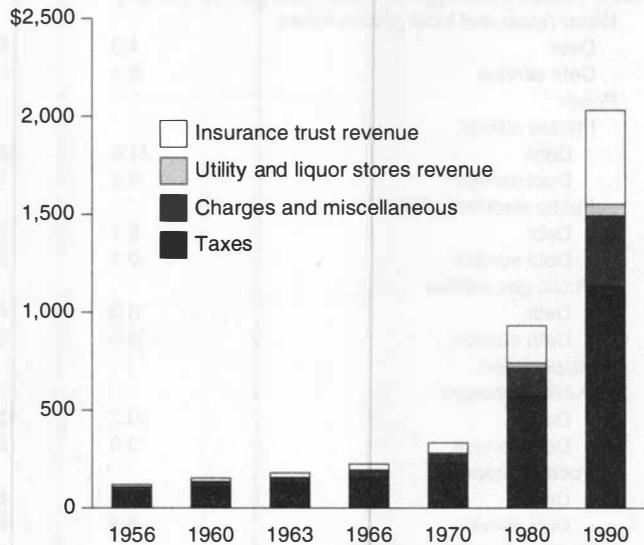
The combined incomes of households and businesses form the tax base, the pool of income upon which governments can draw to support their operations. When times are prosperous—which they haven't been for a generation or more—the tax base rises and the burden on the social safety net lessens, making it easier for governments to meet their responsibilities. In the bad times with which we have become all too accustomed over the last 30 years, the tax base shrinks at the same time that the burden on the social safety net increases, making it more difficult for governments.

The critical element in the collapse of the tax base, has

FIGURE 4

Government revenues

(billions \$)



Source: Statistical Abstract of the U.S.

been the collapse of wage levels. Governments can't tax, what people don't earn.

Over the recent years, as businesses have "downsized" to be "lean, mean, and competitive," effective wage levels have dropped. In 1992, 11% of the income-earning population over age 14 earned less than \$2,500, while 19% earned less than \$5,000, and 36% earned less than \$10,000. Just under half, 49%, earned less than \$15,000, while 70% earned less than \$25,000, and 92% earned less than \$50,000. The median income for men in 1992 was \$20,654, while for

TABLE 2

Growth of debt and debt service

(billions \$)

	1956	1960	1963	1966	1970	1980	1990
U.S. federal debt and debt service charges							
U.S. federal debt outstanding	\$272.8	\$290.5	\$310.8	\$328.5	\$380.9	\$908.5	\$3,206.3
U.S. federal gross interest payments	6.8	9.2	9.9	12.0	19.3	74.8	264.7
Production debt and debt service for:							
<i>Agriculture and related</i>							
Debt	18.8	24.8	31.7	41.6	58.1	178.7	145.1
Debt service	0.9	1.3	1.7	2.4	3.4	16.3	14.5
<i>Mining and related</i>							
Debt	2.1	2.9	3.9	2.9	4.2	42.1	73.8
Debt service	0.1	0.2	0.2	0.2	0.5	4.3	7.8
<i>Manufacturing and related</i>							
Debt	26.1	33.2	53.2	87.5	110.0	453.1	1,386.7
Debt service	1.4	2.2	2.8	4.7	12.7	54.8	153.6
<i>Construction</i>							
Debt	0.7	1.5	6.4	7.7	5.2	46.2	92.4
Debt service	0.1	0.2	0.3	0.6	0.7	5.3	9.2
Debt	47.7	62.4	95.2	139.7	177.5	720.2	1,698.0
Debt service	2.4	3.8	5.0	7.9	17.2	80.7	185.1
Hard infrastructure (government and public utilities)							
<i>Water (state and local governments)</i>							
Debt	4.0	6.3	7.5	9.1	10.2	21.1	45.7
Debt service	0.1	0.2	0.3	0.3	0.4	1.1	2.9
<i>Power</i>							
<i>Private utilities</i>							
Debt	21.6	30.1	34.2	39.8	57.6	127.4	194.1
Debt service	0.6	1.1	1.4	2.6	3.5	10.4	13.0
<i>Public electrical utilities</i>							
Debt	2.1	2.7	4.0	4.9	5.8	29.0	76.3
Debt service	0.1	0.1	0.1	0.2	0.2	1.5	5.4
<i>Public gas utilities</i>							
Debt	0.3	0.2	0.2	0.2	0.4	0.6	1.2
Debt service	0.0	0.0	0.0	0.0	0.0	0.0	0.1
<i>Transportation</i>							
<i>Public highways</i>							
Debt	10.7	13.2	14.8	16.1	19.1	25.9	41.8
Debt service	0.3	0.5	0.6	1.1	1.2	2.1	3.0
<i>Public railroads</i>							
Debt	9.1	8.7	8.2	8.1	8.0	12.7	9.6
Debt service	0.4	0.4	0.4	0.4	0.6	0.9	1.0
<i>Public urban transportation</i>							
Debt	1.6	2.0	2.2	2.7	3.2	4.5	11.4
Debt service	0.0	0.1	0.1	0.1	0.1	0.2	0.8
<i>Other state and local government obligations</i>							
Debt	0.0	6.8	16.3	26.2	39.3	114.5	477.7
Debt service	0.0	0.3	0.7	1.7	2.4	9.3	32.0
Debt	49.4	70.0	87.5	107.1	143.6	335.6	858.0
Debt service	1.6	2.6	3.5	6.4	8.4	25.6	58.2

(continued on following page)

women it was just \$10,774, with a household median wage of just over \$31,000.

Since many of the governments' revenue streams are dedicated to specific expenditures—Social Security and toll road fees, for example—the individual and corporate income taxes play an important role. The 90 million income-earning

people who earn less than \$15,000 a year, are unable to pay much in the way of income taxes, and another 15 million people or so don't even have incomes. Were these people to earn decent wages, many—but not all—of the governments' budget problems would be solved.

For businesses to pay better wages, they have to be

TABLE 2 (continued)

Growth of debt and debt service

(billions \$)

	1956	1960	1963	1966	1970	1980	1990
Soft infrastructure							
<i>Health-care delivery systems</i>							
Debt	na	na	\$ 0.6	\$ 0.9	\$ 2.7	\$ 22.1	\$ 111.6
Debt service	\$ 0.0	\$ 0.0	0.0	0.1	0.2	1.8	7.5
<i>Elementary and secondary public education</i>							
Debt	9.9	14.3	21.4	24.9	31.5	32.3	51.4
Debt service	0.3	0.5	0.9	1.7	1.9	2.6	3.4
<i>Public colleges and universities</i>							
Debt	0.9	2.7	4.4	6.8	11.0	21.6	43.3
Debt service	0.0	0.1	0.2	0.5	0.7	1.8	2.9
<i>Private colleges and universities</i>							
Debt	0.5	1.0	2.1	3.0	4.5	7.0	27.1
Debt service	0.0	0.0	0.1	0.2	0.3	0.6	1.8
<i>Trade schools</i>							
Debt	0.1	0.1	0.2	0.3	0.4	0.8	3.2
Debt service	0.0	0.0	0.0	0.0	0.0	0.1	0.2
Debt	11.3	18.1	28.7	35.9	50.1	83.8	236.6
Debt service	0.3	0.7	1.1	2.4	3.1	6.8	15.9
Corporate and analogous debt, other							
<i>Non-productive corporate</i>							
Debt	68.3	87.0	86.9	113.4	212.6	236.4	681.2
Debt service	5.8	7.3	8.6	10.5	15.4	20.6	45.1
<i>Real estate (non-household) mortgage debt</i>							
Debt-service on real estate	45.7	67.0	94.0	125.5	176.2	495.3	1,146.2
Other financial debt	2.9	4.5	6.5	8.9	14.2	50.9	108.4
Debt-service on other financial debt	40.4	55.7	70.4	101.7	158.8	786.7	3,239.5
Debt	2.6	3.8	4.8	7.2	12.8	80.8	306.2
Debt	154.4	209.7	251.3	340.6	547.6	1,518.4	5,066.9
Debt service	11.3	15.6	19.9	26.6	42.4	152.3	459.7
Household debt							
<i>Mortgage and real estate debt</i>							
Debt	99.8	145.7	191.2	243.1	309.0	949.5	2,732.2
Debt service	4.1	6.9	9.1	11.8	16.0	75.0	217.8
<i>Medium- and long-term debt, other than real estate</i>							
Debt	4.3	7.5	9.8	14.4	28.6	100.9	239.1
Debt service	0.4	0.7	0.9	1.4	3.0	10.9	24.9
<i>Short-term debt</i>							
Debt	49.2	65.1	82.6	109.6	134.0	355.4	809.2
Debt service	4.7	6.3	7.9	10.6	13.8	38.5	84.4
Debt	153.3	218.3	283.6	367.1	471.6	1,405.8	3,780.5
Debt service	9.2	13.9	18.0	23.8	32.8	124.4	327.1
Total debt	688.9	869.0	1,057.1	1,318.9	1,771.3	4,972.2	14,846.3
Total debt service	31.7	45.7	57.4	79.1	123.1	464.7	1,310.6

profitable, which requires economic expansion, the proverbial rising tide which lifts all boats.

However, the U.S. economy has been collapsing at a rate of 2% a year over the last 30 years, which means revenues are also falling.

Governments have made up some of this revenue shortfall by increasing the taxes on households. While overall government tax revenue grew 12-fold between 1956 and

1990, individual taxes grew 17-fold. By comparison, business taxes grew just fivefold.

Governments have made up the rest of the revenue by borrowing, which is where the deficit comes in. As revenues continue to drop, the borrowing increases and the economy spirals downward. The governments are trapped in this whirlpool, being sucked ever faster toward the abyss, because of their failure to address the economic collapse which has

FIGURE 5

Total debt in the U.S. economy

(trillions \$)

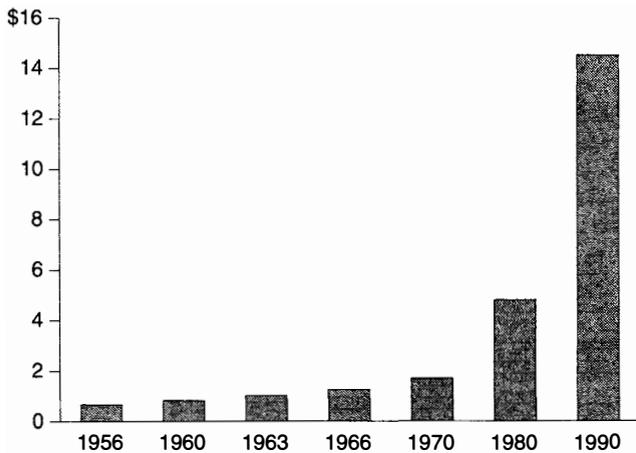
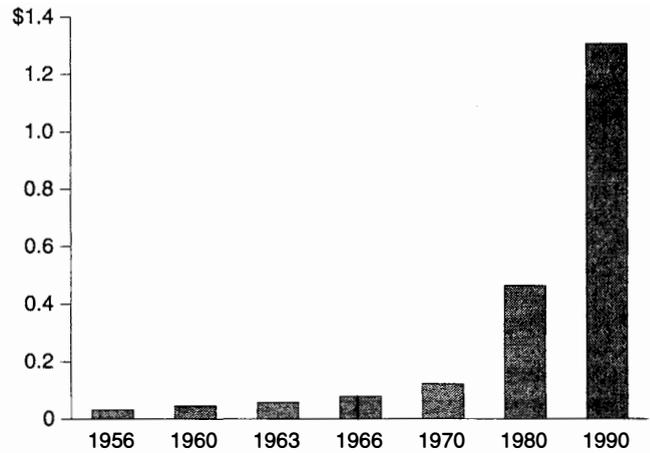


FIGURE 6

Annual debt service

(trillions \$)



destroyed their tax base. One of the reasons for this collapse, is that governments have not spent enough on the productive sector of the economy.

It's not just government debt which is a problem, either (**Table 2**). Everybody is borrowing to make up for the revenue shortfall, going ever deeper into unpayable debt, in a desperate attempt to survive (**Figures 5 and 6**).

The federal government paid \$265 billion in gross interest payments in 1990, nearly as much as the entire federal debt in 1956. Federal debt more than tripled in the 1980s, under the rule of the budget-cutters.

Households paid twice as much in debt service in 1990, as their entire debt in 1956; the giant increases in credit card and installment debt, are a direct result of the shortfalls in household income. And these are just the households which qualify for loans! Those households whose incomes were too low to qualify for mortgages or credit cards, just sink from sight.

Compounding the problem, is that the structure of the debt has shifted. Prior to the 1970s, most government debt was tied to specific development projects, and the federal government was prohibited from issuing long-term bonds paying interest rates higher than 4.9%. In the 1970s, this shifted, and governments began issuing new debt to refinance old debt and old interest payments. The federal government began issuing what Congress called "notes," to get around the restrictions on interest payments. The result is that governments, which used to borrow to fund development, are now borrowing just to meet their debt-service payments, and have stopped most development (and with it, the potential to build their way out of this mess). Debt outstanding for hard and soft infrastructure projects, public and private, came to \$1,095 billion in 1990, equal to about one-third of the federal debt.

If the economy were really booming, as the putative economic experts tell us (how many times have you heard the line that the economy was in danger of overheating?), why do we have all this debt? How can the holders of this unpayable debt, banks and other financial institutions, be anything but totally bankrupt?

Kill people, save the bubble

Some of these "experts" claim that the government's borrowing to cover unfunded expenditures is the big problem, and that government borrowing must be cut so that others can borrow the money instead. There's not enough money to go around, so the Conservative Revolutionaries, like Gingrich and Gramm, demand that the government services which keep the poor, the elderly, and the disabled alive, be cut, so there will be more money for Wall Street to borrow, to roll over its own debt, and keep the bubble aloft.

Under such circumstances, it is ludicrous to talk of "balancing the budget" in the way in which the subject is discussed today. The "Contract on America" budget cuts, is an attempt to balance the budget over the dead bodies of the aged and sick, the young and poor, an effect which can be actuarially demonstrated. The cutters may not understand it—some of them, at least—but that doesn't absolve them of responsibility, and it won't help their victims.

To find the motive for this murderous policy, one should turn to the usual suspects when it comes to genocide: the international financial oligarchy. These are the people who, through the International Monetary Fund and similar agencies, have looted the nations of Africa, Ibero-America, eastern Europe, and the former Soviet Union. Now that same weapon is being turned upon the population of the United States, with results that will be similar, if it is not stopped.

The 85.3 million 'missing' Americans are bankrupting Social Security

by Richard Freeman

At the center of the congressional fight over the budget is what to do with the three largest entitlement programs: Medicare, Medicaid, and Social Security. The "Contract on America" crowd seeks to dismantle these programs, following the logic of Nazi cost-accounting: that the elderly and poor are greedy, and that it costs too much to provide the medical and other services needed to keep them alive.

Working from this script, the Senate Finance Committee on Sept. 30, and the House Budget Committee on Oct. 12, approved bills that call for federal budget cuts of \$270 billion in Medicare and \$182 billion in Medicaid. These are federally sponsored programs that provide medical assistance to, respectively, 37.6 million elderly and 28.4 million poor persons. The minimum effect of the proposed cuts will be to double the number of Americans who are not medically insured to 80 million; close between 3,000 and 4,000 hospitals and health clinics; for those still retaining coverage, double the premium payments that must be paid; and herd the elderly and poor into health maintenance organizations, where the stated thinking is that the quality and extent of medical coverage must be truncated in order to minimize costs.

By strict actuarial accounting tables, these cuts will result in the murder of elderly and poor Americans.

Yet, even those who oppose the proposed cuts in Medicare, Medicaid, and Social Security do not call into question the axiomatics that underlie the debate: that based on the expected inflows into these systems, and the expected payments to beneficiaries, according to the Board of Trustees of the Social Security trust funds (formally called the federal Old-Age and Survivors Insurance [OASI] and Disability Insurance [DI] trust funds), and the Medicare, Part A, trust fund (formally called the Federal Hospital Insurance [HI] trust fund), the Social Security trust funds will run out of money and go into bankruptcy in the years 2029-2030, and the Medicare trust fund will go bankrupt sometime within the next seven years. (While this timetable may be a little hasty, there is no doubt that they each will eventually run out of money, if present circumstances continue.)

One is then invited to participate in the debate on these programs on the following terms: Either one suggests where to get the money to fund these programs, or one shuts them down.

But any serious person must leave the domain of talking about budget cuts, or money, or anything like that, and approach the matter in a more fundamental way, in order to solve the problems of Social Security, or Medicare, or anything essential in economics.

The demographic debacle

The overriding reason that there is a funding crisis in Social Security, is because 85.3 million Americans are *missing*. These are the people who would have been born had the United States followed sound economic policies and continued the birth rate of 1945-59 into the period of 1960 through to the present. Had that been done, at the end of 1995, the United States would have a population of 348.1 million persons, rather than the 262.8 million that the Census Bureau projects for the end of this year.

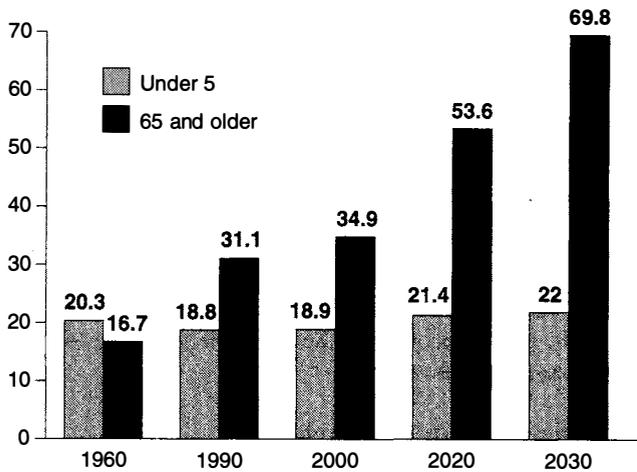
The reason that America did not continue the birth rate of 1945-59, or for that matter, the higher birth rate of the period 1830-1930, is not because of some individual decision by this or that person. It is because of a profound breakdown in America's economic and moral policies. America adopted the "post-industrial society" policy, scripted by the Anglo-Dutch oligarchy grouped around the British Crown, at the time of the murder of President John F. Kennedy in November 1963. This led to the breakdown in America's birth rate and an ensuing demographic debacle: This is the reason the Social Security, Medicare, and other systems are going broke.

In 1950, there were 15 workers paying taxes for every retiree collecting Social Security benefits. Today, this has shrunk to 4 workers paying taxes for every retiree receiving Social Security. By the year 2030, there will be only 2 workers for each person collecting Social Security. That is the crux of the problem. To put this another way, in 1960, the number of children under the age of 5 totalled 20.3 million, while people 65 years and older totalled 16.7 million. By 1990, those under 5 years and under totalled 18.8 million, but those 65 years and older totalled 31.1 million. By the year 2030, the year that the Social Security trust funds are supposed to go broke, the number of those under 5 will total 22 million, while those 65 years and older will number 69.8 million, that is, they will outnumber those under the age of 5

FIGURE 1

Population under 5 remains stagnant, while elderly population grows

(millions)



Source: Census Bureau of the Commerce Department, *Historical Statistics of the United States, Colonial Times to 1970*; Census Bureau, *Statistical Abstract, 1993 and other years*; Bureau of the Census, *Projections of the Population of the United States, by Age, Sex and Race: 1988 to 2080 (series P-25, No. 1018) and 1992 to 2050 (series P-25, No. 1092)*.

by greater than 3 to 1 if present trends continue (Figure 1).

It is a truism these days that “America is graying.” While it is true, and wonderfully beneficial, that Americans live longer, and that Americans 65 years and older will be a greater absolute number each succeeding decade, it is not natural that Americans over the age of 65 should become a greater percentage of the total population. *In a healthy economy, while the number of people over 65 grows absolutely, it remains relatively the same percentage of the total population.*

The key today is to reverse the “post-industrial” policies introduced in the 1960s, which emphasize financial speculation over real production, and the spread of the counterculture. America must return to the birth and population growth rates of the period 1945-59, and the economic development of the Kennedy years. We can do far better today, in terms of genuine scientific discovery, and the attendant technological spinoffs producing economic advancement, than was achieved back then. This is because we have the advanced ideas of economist Lyndon LaRouche, which give a scientific basis to the question of how to reorganize the economy and achieve economic growth. But we must return to the standard of the 1945-59 period, in the sense of the commitment to employing labor in a capital-intensive, power-intensive mode of production. These policies generate and are conducive to healthy rates of population growth of 24.547 births per 1,000 people, as happened during 1945-59. If we achieve the overall economic growth policies, then as a lawful, natu-

ral consequence, the birth and population growth rates will follow. A family will have the optimism to have children, and the knowledge that these children can be supported.

This article will look briefly look at how America’s adoption of the “post-industrial society” produced the current demographic catastrophe. It will then look at the immense impact that this has on economic life: It distorts the entire economy. Next, we will examine the cases of the funding crisis of Social Security and Medicare. It will show how the “population gap” of 85.3 million people is the overriding cause for the Social Security and Medicare funding crises. The Social Security and Medicare cases demonstrate how the demographic downturn affects all other budget issues.

1960s turning point

Prior to 1963, the U.S. economy functioned, although it had some very serious problems, such as the 1957-58 recession. Then with the British intelligence-PermindeX murder of President John Kennedy, the British unleashed the post-industrial society in the United States. Speculation took off, as manufacturing and agriculture withered. In the 1960s, there was first speculation in the offshore, unregulated Euro-dollar market. Then, with the disastrous August 1971 decision to take the United States off the gold standard, petrodollar recycling exploded. During 1973-75, there was the first oil hoax, which was followed in 1978-79 by the second oil hoax. In 1979, Federal Reserve Board Chairman Paul Volcker sent interest rates up over 20%, fuelling even greater speculative madness.

During the 1970s, there was an explosion of mergers and acquisitions, driven by leveraged buy-outs (LBOs). In the late 1980s, this was compounded by the skyrocketing of financial derivatives trading, consisting of foreign exchange trading, stock and commodity options speculation, etc.

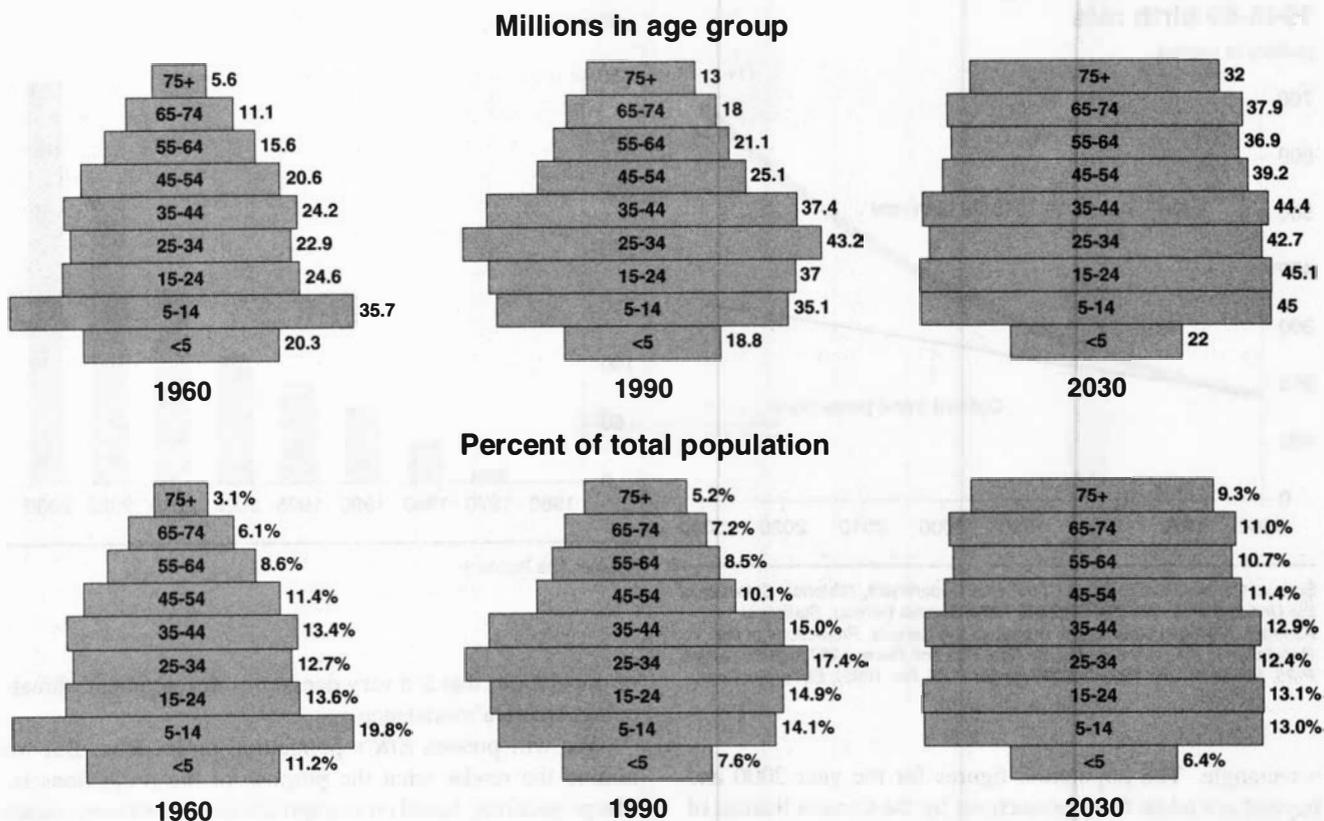
In the previous article, Chris White documents that the fervid speculation forced the physical economy to contract. The wage packet of an average family, even when two and three family members were working, could buy less and less. By 1990, it bought 30-40% less of the necessary consumer and infrastructural goods inputs than it did in 1956. People could no longer afford to raise more than one or two children.

Then, the second prong of the post-industrial society, the rock-sex-drug counterculture, led by such acts as the Beatles and Rolling Stones, was set loose. It stressed that getting high on drugs, or having a homosexual relationship, or speculating in derivatives was more “self-satisfying” than rearing children.

The combined effects of the post-industrial society caused America’s fertility rate and the birth rate to plunge. The fertility rate measures the number of children a woman in the child-bearing age range of 19 to 44 will have. The fertility rate fell from an average of 3.35 children in the period 1945-59, to 2.48 children in 1970, to 1.88 in 1973. It has hovered at or below 2.1 for the last 22 years; 2.1 is the

FIGURE 2

U.S. current population trends



minimal number of children all women of child-bearing age must have in order to reproduce the human species. By this standard, the United States is below the level of biological reproduction. There are several ways to measure the birth rate. One significant birth rate measures how many births there are per 1,000 people (male and female) of the population. This birth rate averaged 24.547 for the period 1945-59. It fell to 18.2 in 1970, and to 15.0 today, a fall of 38% from 1945-59 levels.

Ironically, were it not for immigration, America would soon have a “negative population growth” society.

The flattening of the population pyramid

The comparison of those in the population under 5 years of age to those 65 years and older, for selected years from 1960 through 2030, has already been shown (Figure 1). Now, in **Figure 2**, we take a look at the age breakdown for the entire population, beginning with children under 5, and then going up by 10-year intervals until we reach the age of 75, at which point we class all those 75 years old and above in one category.

When this is displayed, this should form what is called a

“population pyramid”: The younger age groups should form a wide base, and then the pyramid tapers upward with age toward the top. In a healthy economy, this is the configuration we would expect, and 1960 America conforms exactly to this configuration. In 1960, the United States had a population of 180.7 million, of whom 20.3 million were under 5 years, 35.7 million were in the age bracket of 5 to 14 years, and 24.6 million were in the age bracket of 15 to 24 years. These constituted 11.2%, 19.8%, and 13.6%, respectively, of the population, so that 44.6%—nearly half—of the entire population was 24 years old or younger. This made up a very wide pyramid base. By contrast, the number of people in the age groups 55 to 64 years, 65 to 74 years, and 75 years and older, totalled 15.6 million, 11.1 million, and 5.6 million people, respectively. Only 17.8% of Americans were 55 years old or older.

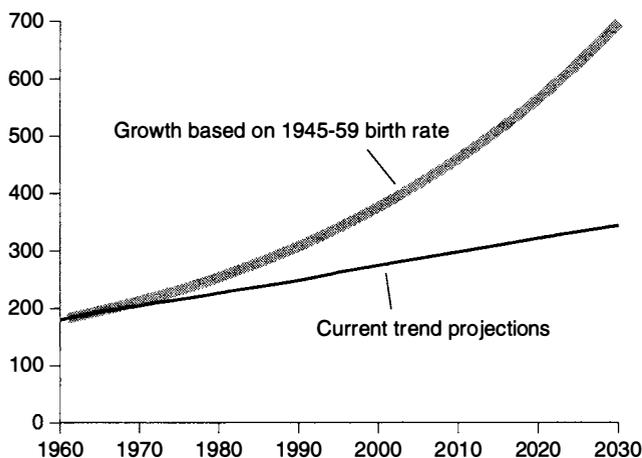
By 1990, a dramatic shift was already under way: 36.6% of the 248.7 million population were under the age of 24 years; 20.9% of the population were 55 years old or older.

But, by the year 2030, if the currently projected trend continues, the base and the upper portion of the pyramid will equal one another; the pyramid will have been flattened into

FIGURE 3

What U.S. population size should be: current trend projections vs. growth based on 1945-59 birth rate

(millions of people)



Source: Census Bureau of the Commerce Department, *Historical Statistics of the United States, Colonial Times to 1970*; Census Bureau, *Statistical Abstract*, 1993 and other years; Bureau of the Census, *Projections of the Population of the United States, by Age, Sex and Race: 1988 to 2080* (series P-25, No. 1018) and 1992 to 2050 (series P-25, No. 1092); EIR projections.

a rectangle. The population figures for the year 2000 and beyond are taken from projections by the Census Bureau of the Commerce Department (“Projections of the Population of the United States, by Age, Sex, and Race, 1988 to 2080 [series P-25, No. 1018] and 1992 to 2050 [series P-25, No. 1092]”). By 2030, only 32.4% of the projected 345 million Americans will be under the age of 24 years, while an almost equal 31% of the population will be 55 years old or older. The flattening out of the population pyramid is extremely unnatural and dangerous. It is evidence of an economy that is disintegrating.

Where did they go?

The population growth trends of America are headed in the wrong direction. In fact, an *EIR* study shows that in 1995, there are 85.3 million missing people, due exclusively to the post-industrial society’s 35-year process of destruction of the 1945-59 birth rate.

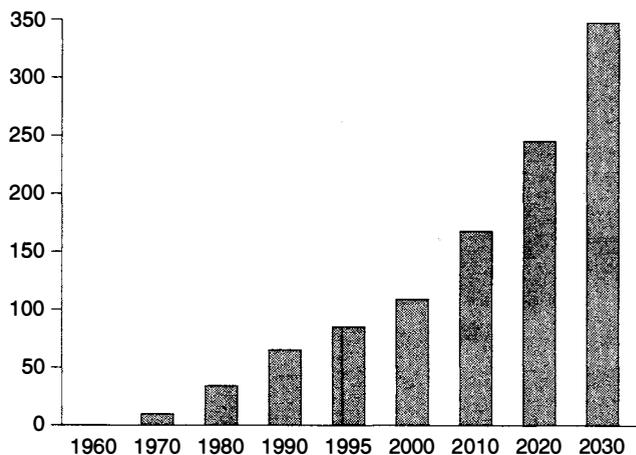
By the year 2030, there will be 353.3 million “missing” Americans for the identical reason. **Figure 3** shows, from 1960 through 2030, the study’s comparison of the population America has had and will have, if current trends are continued, and the population it should have had if the 1945-59 birth rate had been continued. **Figure 4** shows the size of population increase that would have occurred for selected years.

While the malthusian lobby may jump for joy at the loss

FIGURE 4

Addition to population size had 1945-59 birth rate been continued

(millions)



Source: See Figure 3.

of population, this is a very dangerous development, threatening America’s existence.

We will present *EIR*’s population projections. But we remind the reader what the purpose of the projections is. The projections, based on extrapolations of birth rates, death rates, levels of immigration, etc., are only numerical values; they are merely reflections of the truth. There are many forces in an economy, especially man’s creative power of discovery, which will alter what is being projected, even after only a few years. No projection, especially for 10 to 15 years or more, ever works out in exactly the manner it is made. It may be significantly improved upon because of other forces put into motion by the economic force one is making projections about.

The value of a projection here is that it allows one to conceptualize a 70-year period as a single entity, a multigenerational phase of economic activity, causally connecting the present to both past policies and plans for the future.

To determine the number of Americans who have been lost to the post-industrial society, one must first determine the birth rate and population growth that the post-industrial society policies interrupted. Thus, *EIR* looked at the birth rate of the period 1945-59 that immediately preceded the introduction of the post-industrial society. This 15-year birth rate averaged annually 24.547 births per 1,000 people (male and female). *EIR* reconstructed the American population from 1960 onward, using this birth rate, to determine the number of missing Americans for any year.

The objection may be raised: “The birth rate selected for the 15-year period 1945-59 is too high to use for purpose of

making population projections. This period encompasses the 1950s, the time of the ‘baby boom,’ which had a very high birth rate.”

The objection allows us to puncture a myth, while examining historical birth rates: the idea of a “baby boom,” when applied to the 1950s, is a misnomer. The birth rate of the 1950s was actually a normal level. It only looks high when compared to the birth rate of the 1930s Depression or to World War II, each of these rates was artificially low. During the 1930s, the birth rate averaged 19.2 births per 1,000 people, which is below the level of 1945-59. But is it any wonder that when people did not know where the next morsel of food was coming from, they did not have many children? The 1930s birth rate is still higher by 30% than the birth rate of the 1990s.

Let us look at periods of American history that were not distorted by depression or war. For example, from 1900 to 1930, the birth rate averaged 28.2. For 1880, it was 35.2, and for 1840, it was 51.8. Granted that during earlier periods, women bore more children to offset the higher infant and child mortality rate then existing; but even adjusting the earlier period’s birth rate downward (by subtracting from it the excess of the higher mortality rate), the average birth rate for 1945-59 is still significantly below the average birth rate of the entire century 1830-1930.

In 1965, when President Lyndon B. Johnson delivered his “Great Society” speech, he stated that the nation must be prepared for 400 million Americans at the start of the twenty-first century. That figure depended on a birth rate slightly higher than that of 1945-59. Back in the 1960s, the 1945-59 birth rate seemed natural and normal.

We now present a very brief summary of the demographic method that the *EIR* study employed to calculate the missing Americans, just enough so that the reader is familiar with the outlines.

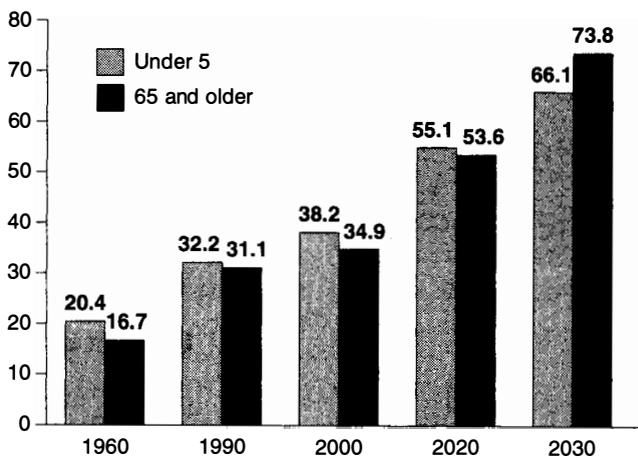
To start, the *EIR* study multiplied the average birth rate of the period of 1945-59 times the size of America’s population at the start of a particular year (say, 1960). This determined the number of new births for that year. Next, from the new births for the year, we subtracted the number of deaths and added the number of net new immigrants. This gave a figure called “the net change in population” for that year. This net change in population was then added to the population at the start of the year to determine what the population level would be for the start of the next year.

To give an example: In 1960, the population was 179.336 million. Multiplying this by the birth rate of 24.547 births per 1,000 people yields 4.404 million new births. The deaths for 1960 were 1.708 million, and the net new immigration of population was 0.328 million. So the net change in the population for the year was $4.404 - 1.708 + 0.328$, or 3.024 million. This was added to the population at the start of the year to yield a population at the end of 1960 of 182.410 million. This level became the population for the start of

FIGURE 5

One solution to the crisis: building up the under 5 population by continuing 1945-59 birth rate

(millions)



Source: See Figure 3.

1961. That population was then multiplied by the birth rate of 24.547 births per 1,000 people and the procedure was repeated. (For the years beyond 1995, various assumptions were made for the rate of increase of the death rate, the level of net new immigration, etc.)

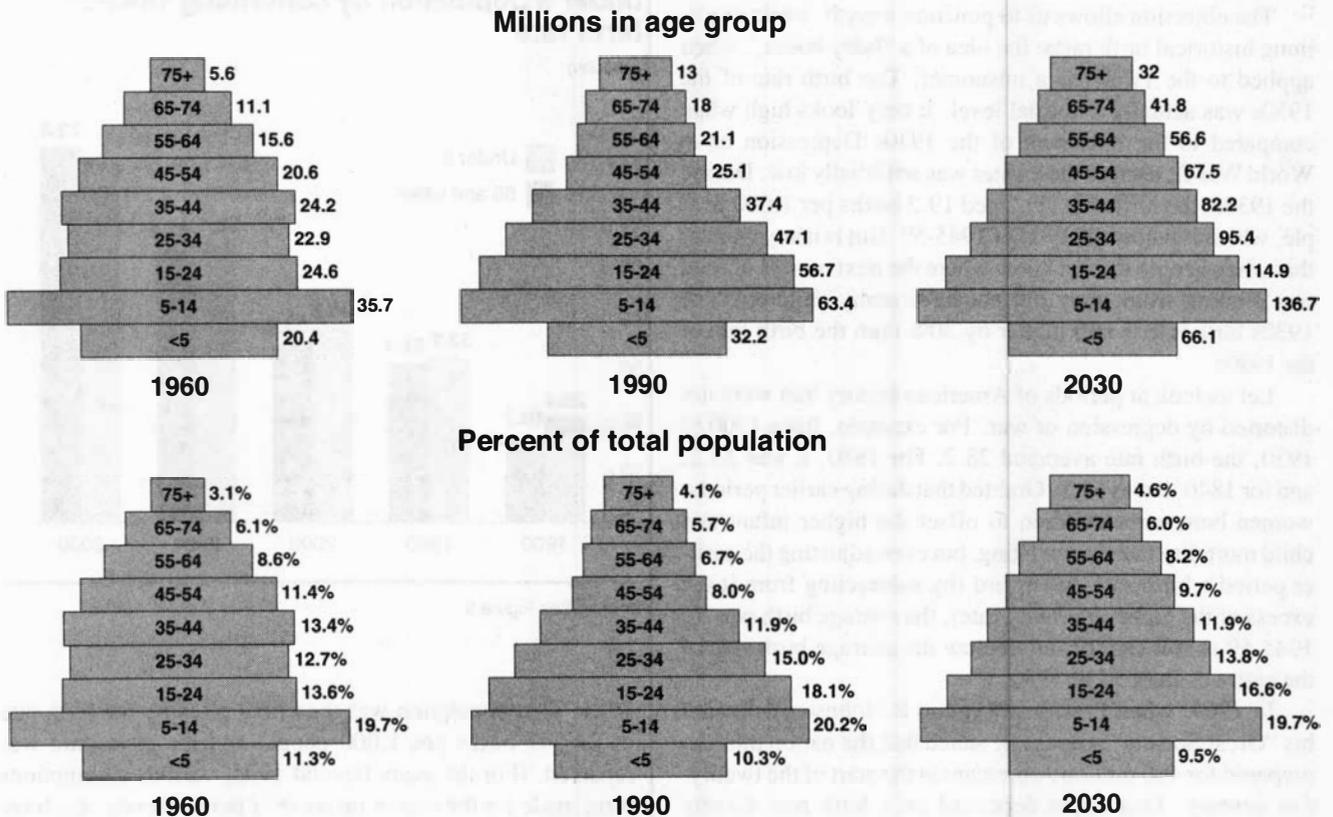
Restoring the population pyramid

It is now possible to revisit the population pyramids and correct them by adding in the additional people who would be alive in each age category, had the policies of the post-industrial society not decimated America’s birth rate and prevented tens of millions of people from being born. **Figure 5** should be compared to Figure 1. In Figure 1, by the year 2030, there will be 69.8 million people 65 years and older, compared to 22 million children under the age of 5, a ratio of greater than 3 to 1. Now, by adding back in the people who should have been born, but were not, because of the post-industrial society, one finds that in 2030, there are 73.8 million people 65 years and over, and 66.1 million children under the age of 5. (Notice that by the year 2030, the number of people 65 years old and over has grown slightly, due to the continuation of the 1945-59 birth rate.) So, under these conditions, the number of people 65 years and over is only slightly larger than the number of children under the age of 5.

Thus, the condition obtaining in Figure 1 is unnatural; it is the condition of the “graying of America.” It is the condition obtaining in Figure 5, which is actually natural, wherein only a small “graying of America” goes on.

FIGURE 6

Current plus added population: what the U.S. population *should* be, based on 1945-59 trend



This also shows up in the population pyramids. Recall how in Figure 2, by the year 2030, the population pyramid had flattened out into a rectangle. Now, adding back in the people who should have been born, in Figure 6, it resumes its shape of a pyramid.

Eliminate the post-industrial society policy, and in demographic terms, the American economy becomes healthy again. Of course, if an economic recovery got going in America, it is conceivable that America would grow at a rate greater than the average 1945-59 birth rate. The results would be beneficial.

Change in the labor force

We now track the increased population, had America continued the 1945-59 birth rate, to see what changes it would bring about in the labor force, and how the added workers would create added tax revenues (Figure 7).

For example, the addition of 85.3 million Americans in 1995, would add 21.2 million more workers to the labor force: 2.1 million would be workers 16 to 17 years old; 3.1 million would be workers 18 to 19 years old; 8.3 million would be workers 20 to 24 years old; and 7.8 million would

be workers 25 to 64 years old. The reason that, of 85.3 million newly added people, only 21.2 million would be new workers, is that much of the newly added population is not old enough to be in the labor force: With the birth rate change starting in 1960, the oldest any members of the newly added population would be is 35 years old.

The addition of 21.2 million new workers would increase the labor force, in 1995, from 130.1 million up to 152.3 million, an increase of 16%.

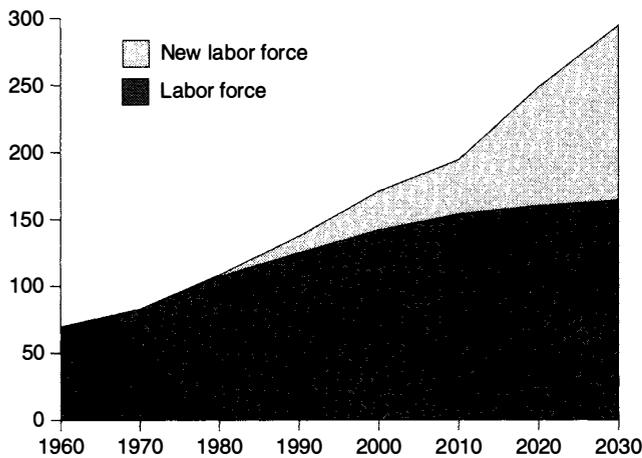
By the year 2030, the addition of 348.2 million people would add 130.6 million workers to the labor force. The labor force, which would “normally” be roughly 164.2 million workers in 2030, would increase to 294.8 million, an increase of 80%, or a near doubling. That is, a new labor force practically equal in size would be added to the old one. Figures 8 and 9 show, respectively, the addition to the labor force size, and the percentage increase of the labor force size, due to continuation of the 1945-59 birth rate.

To know how many people are added to the labor force from the ranks of the added population, one must know the labor force participation rate. Defined for a particular age group, the labor force participation rate states what percent

FIGURE 7

New workers: U.S. labor force nearly doubles based on 1945-59 birth rate

(millions)

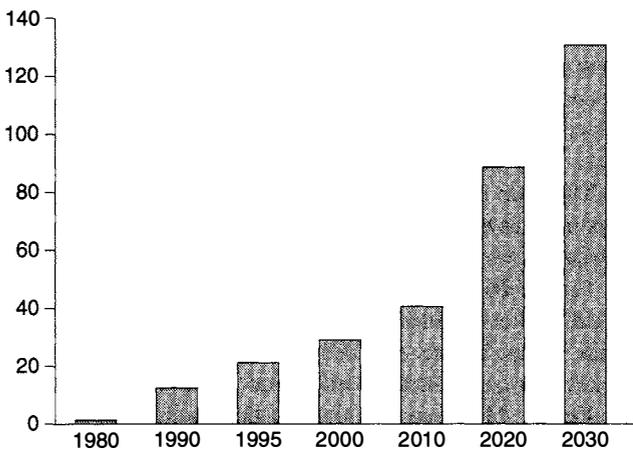


Source: Census Bureau of the Commerce Department, *Historical Statistics of the United States, Colonial Times to 1970*; Bureau of Labor Statistics of the Department of Labor, *Handbook of Labor Statistics, 1980*; Bureau of Labor Statistics *Employment and Earnings*, January 1995 and other years; *EIR* projections.

FIGURE 8

Addition to labor force size due to continuation of 1945-59 birth rate

(millions)

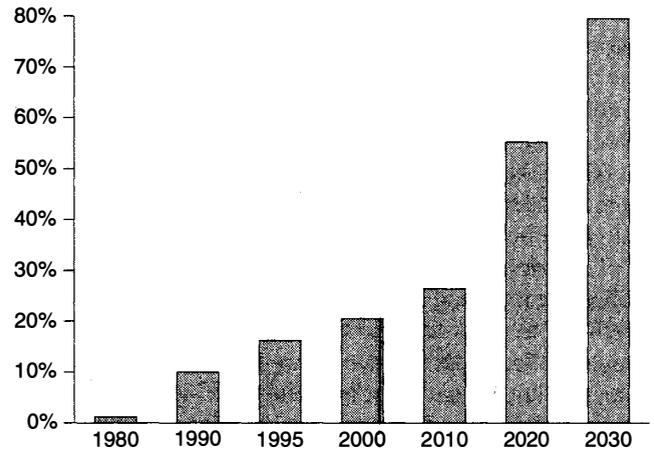


Source: See Figure 7.

of an entire age group is in the labor force, working. **Table 1** displays the labor force participation rate for selected age groups and for selected years, 1960 through 1994. For the

FIGURE 9

Percentage increase of labor force size due to continuation of 1945-59 birth rate



Source: See Figure 7.

TABLE 1

Labor force participation rate

(percent of total in age group)

	Age 16-17	Age 18-19	Age 20-24	Age 25-64
1960	37.5%	59.5%	68.3%	67.8%
1963	37.5	57.5	67.9	68.5
1966	39.9	59.9	69.7	69.2
1970	41.0	56.8	72.2	71.3
1980	46.9	66.5	77.2	74.0
1990	42.8	63.7	77.8	78.8
1994	43.3	62.5	77.0	79.3

purposes of this study, *EIR* added new people to the labor force at the labor force participation rates that existed in 1960, even though these rates are lower and add fewer new workers to the labor force.

Though this is not the place to discuss this matter at length, the reason for choosing the 1960 labor force participation rates, is that they were the most conducive to family formation and child rearing. Look at the labor force participation rate for the age group 25 to 64 years. It rose from 67.8% in 1960, to 79.3% in 1990. This is due exclusively to the fact that women entered the labor force in huge numbers. If a woman wishes to work for reasons of independence, the mental challenge, etc., she should do so. But it was not a matter of choice, but collapsing family income, that forced women into the labor force en masse over the past 35 years.

Even with some optimal spacing of children, if a husband and wife decide to have four children, and to have the wife stay home for the children's first five years, the mother would have to be out of the labor force for 12-17 years. Most families cannot afford to have the wife not working for that long, and therefore cut back on the number of children. The alternative, paying for child care for the first five years of each child's life, can be prohibitively expensive if a family has three or four children.

The additional workers added to the labor force, resulting from the additional population growth, would have multiple extremely powerful effects upon the economy.

Consider just one: With any genuine recovery of the sort LaRouche is talking about, the United States would shift the profile of its labor force so that one-half of its workforce is employed in productive activity in manufacturing, agriculture, and infrastructure, or in useful "soft" infrastructure activity, such as education, medicine, or science. If such a shift were to occur, then of the 21.2 million workers who would be added in 1995 to the labor force, as a result of restoring the missing 85.3 million people to the population, then half, or 10.6 million, would work as productive or useful workers. That 10.6 million equals one-third of all those in the labor force currently employed in such categories of work.

By the same token, if such a shift were to occur in 2030, then of the 130.6 million workers who would be added to the labor force, as a result of restoring the missing people to the population, then half, or 65.3 million, would work as productive or useful workers. That figure of 65.3 million workers is twice the number of all workers doing productive or useful work today: It is virtually an economy unto itself. To lose such economic output is a crime.

Social Security tax revenues

It is now possible to tackle the question of taxes, which becomes easily manageable. Social Security was established as a trust fund, totally separate from the U.S. budget. It has its own tax to keep it running. Currently, the Social Security tax rate is 6.2% of a person's wage. Medicare, which is also a trust fund, works on a similar principle. Restore the lost population, and the corresponding lost workers to the economy, and the question of keeping the Social Security and Medicare trust funds solvent can be solved with ease.

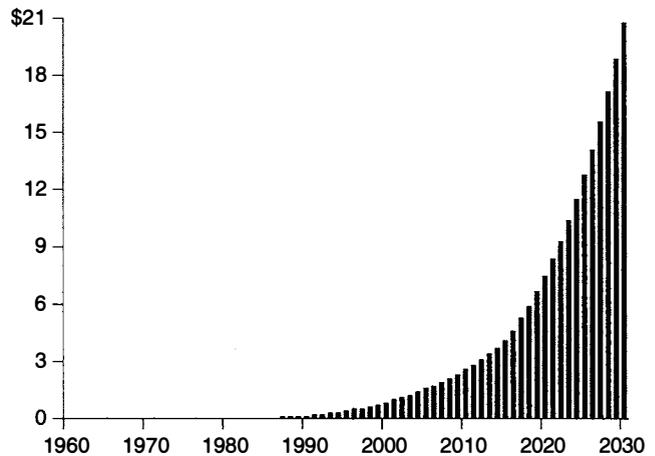
But keep in mind that the solution to this crisis is not a question of money, and it is not a matter of any brand of mathematics. It is a question of altering the real physical economy. Questions of relative potential population-density always determine the budget.

We know how many new workers have been added to the labor force as a result of restoring the lost population. Only about 9 out of every 10 workers in the labor force is covered by Social Security, and therefore pay Social Security taxes, so, multiply the number of newly added workers to the labor force by nine-tenths to get the number who will be paying

FIGURE 10

Cumulative new tax revenues added to Social Security trust funds by continuation of 1945-59 birth rate

(trillions \$)



Source: Social Security Administration *Annual Statistical Supplement, 1994*; *1994 and 1995 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds*; Office of Actuary of the Social Security Administration; Congressional Budget Office; EIR projections.

taxes. According to the Office of Actuary of the U.S. Social Security Administration, there is something called the "average annual covered wage." This is not the average wage for the entire economy, but the average wage that is subject to Social Security tax that is earned by a worker who is covered by and pays taxes to the Social Security system. We also know the Social Security tax rate that is paid. This is all that is needed to determine the amount of new Social Security taxes that the newly added workers to the work force would pay.

This sum is then doubled, because whatever the worker pays in taxes to the Social Security trust funds, the employer is required to match.

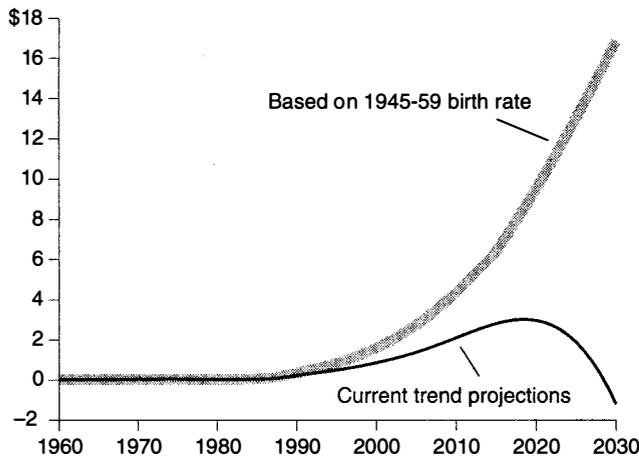
Figure 10 shows the cumulative amount that the newly added workers would have paid into the Social Security trust funds. Thus, by the year 2030, these newly added workers would have contributed an additional cumulative \$21 trillion.

Figure 11 shows the level of the Social Security trust funds, which, combined, are formally called the Federal Old-Age, Survivors, and Disability Insurance trust funds (OASDI). The lower curve shows what, in its 1995 annual report, the Board of Trustees of the OASDI trust funds believe would happen to the year-end asset levels of the OASDI trust funds. The asset levels would rise, reaching a high point year-end asset balance level of \$2.975 trillion at the end of 2019. At that point, the outflow to pay benefits to retired workers starts

FIGURE 11

OASDI Trust Funds' year-end assets: current trend projections vs. contributions based on 1945-59 birth rate

(trillions \$)



Source: See Figure 10.

to exceed the inflows of Social Security taxes (and also some interest paid). By the year 2029, the system would enter the red, and its year-end asset balance would be -\$1.2 trillion at the end of 2030. However, the upper curve shows the effect of kicking into the Social Security trust funds the taxes paid by the newly added workers, who are created by restoring the U.S. birth rate to the average of the 1945-59 period. Even though the outflows increase, the increased inflows more than offset the outflows, and the OASDI trust funds would hold a positive \$16 trillion asset balance at the end of 2030.

The Board of Trustees of the Social Security trust funds believes that the funding of the trust funds will worsen. It calculates that the OASDI trust funds' deficit will widen to \$54.7 trillion in 2050, and then explode to a -\$352.8 trillion balance in 2070. This presupposes that the "graying of America" continues unabated. It is on the strength of this argument, that the Contract with America crowd has advanced various proposals to dismantle the Social Security system, when the moment is opportune. Furthering this drive, the April 1 issue of *Time* magazine ran a cover story, entitled "The Case for Killing Social Security."

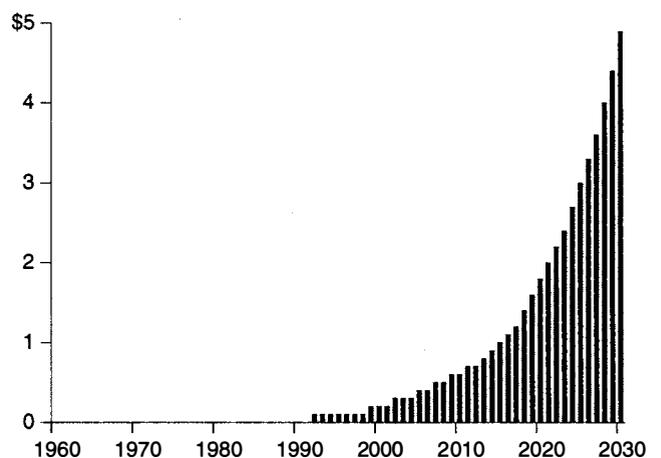
EIR's study only goes through the year 2030. But preliminary calculations show that, based on the continued increase of population and new workers added to the labor force, the OASDI trust funds would remain solvent through the year 2070.

A similar depletion of the federal Hospital Insurance (HI) trust fund, which is the trust fund (Part A) of Medicare, is

FIGURE 12

Cumulative new tax revenues added to Medicare trust fund by continuation of 1945-59 birth rate

(trillions \$)



Source: 1995 Annual Report of the Board of Trustees of the Federal Hospital Insurance Fund; Office of Actuary of the Social Security Administration; Congressional Budget Office; *EIR* projections.

being predicted. The bankruptcy of the fund is being predicted for as soon as the next 5-10 years. **Figure 12** shows the amount of tax revenues that the newly added workers would have contributed to Medicare's HI trust fund, if the 1945-59 birth rate had been allowed to continue. While at the time of writing, the figures for what the end-of-year asset balance levels of the Medicare HI trust fund would be under "normal circumstances" are unclear, it appears preliminarily that, as with the Social Security trust funds, the added cumulative contributions to the HI trust fund by the newly added workers would keep it solvent.

This exercise demonstrates that the entirety of the crisis of the Social Security trust fund is demographic, that is, based on the real physical economy.

Solving the crisis

Thus the British imposition upon America of the post-industrial society has devastated the economy and its demographics. Consider what the missing 85.3 million Americans means that America is doing, and is not doing.

In terms of what it is not doing, tally up the market basket of goods and services that America has skipped out on. America should be building schools for the 45.3 million children and young adults, ages 5 to 19 years, who would be alive today and would make up more than half of the added 85.3 million population. This would require brick and mortar, steel girders, tile and glass, etc. America should be building schools, colleges, housing for an additional 85.3 million

people. It would need to build the hard infrastructure, ranging from expanded water to transport systems. It would have to provide the basic consumer commodities from clothing to food. It would need to generate the electricity: approximately 100 gigawatts of new electrical capacity.

America has not performed these tasks, and the tasks not performed define a measure of the devaluation against the American standard of living. What does not providing for 85.3 million Americans mean? If the average birth rate of 1945-59 had been allowed to continue, from 1960 through to the present, America's population would be 348.1 million people, not the current 262.8 million. The population is 24.5% smaller than it should be. The standard of living of each household is 24.5% less, on account of the missing persons. Consider the following illustration.

Suppose there is a family of four people, that only feeds three of those people, because that is the way it can get by. If it gets three pounds of cereals per week, and each person gets an equal share, then the per-capita share of cereals is one pound. But if the family feeds the fourth person as well, then the per-capita share of cereals is 0.75 pounds. The standard of living has fallen 25%. America got around this drop in the flow of consumer, infrastructural, and other physical goods inputs into families by not feeding the fourth family member—by simply not having the child.

This is the sort of cheating, euphemistically called "saving" and "cost accounting," that America has practiced against its own people over the last 35 years. That cheating has a cost: It has endangered the entire Social Security system. *What Americans stubbornly resist learning, is that this cheating against the real physical economy's rate of relative population density always catches up with you.*

Now consider what House Squeaker Newt Gingrich proposes to do. Gingrich is the devotee of the "Third Wave" philosophy of Alvin Tolfer, an even more intense form of the post-industrial society lunacy. Gingrich comes along and says: We must look for new savings, and slash the payments to Medicare, Medicaid, and Social Security retirees. If they die, they die. The problem created by cheating the physical economy the first time, is now "solved" by cheating the elderly and the poor out of their lives.

One is then invited to participate in the debate on these programs, provided one accepts the axiomatic assumption: Either one suggests where the money is to fund these programs, or one shuts them down.

Of course, we can't overnight produce the 85.3 million people who have been lost over the past 35 years. But recognizing the root of the problem, we can adopt those national economic policies that will return us to the birth rate of 1945-59 of 24.547 births per 1,000 people. There is no reason we shouldn't exceed that. We can find means to tide over the problems of Social Security and Medicare until the birth and population growth rates are sufficient to reverse the "graying" of America.

More broadly, we must change the physical economy, so that people know that when they bring children into the world, these children will have the material and cultural standards to raise families at even higher standards of living than their parents. We must locate economic wealth, not in money, but where it really is, in the creative force of man's reason: man's individual creative act of discovery, which overturns accepted axioms, creating a revolution in scientific ideas, which drives the economy forward.

Not coincidentally, the reversal of the process of the collapse of the birth rate involves the same steps as are needed to solve the imminent collapse of the speculative world financial system. One must take the steps that LaRouche has recommended: Put the bankrupt financial system through Chapter 11 bankruptcy, nationalize the Federal Reserve, and begin to issue \$5-6 trillion in low-interest credit to foster explosive growth in capital-intensive, high-technology development in manufacture, agriculture, and infrastructure. Jobs will be created. At the same time, the launching of a cultural renaissance will disinfect the world of the counterculture. Not only will people have the optimism to have children, but they will have the income and physical goods inputs to support them.

Then, and on those terms, the funding crises in Social Security and Medicare, and all the other funding crises, can be solved.



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Costs of the counterculture: Incarceration takes its economic toll

by Marcia Merry Baker and Marianna Wertz

While the essentials of the U.S. physical economy were in decline over the past 25 years, among the financial magnitudes that soared were monies spent on illegal drugs and gambling, shown in **Figure 1**.

Around 1970, according to estimates by law enforcement, medical, and other sources, \$65 billion was being spent a year in the United States on illegal drugs, and \$4.5 billion on illegal gambling. These annual volumes rose over the next two decades, reaching an estimated annual outlay of \$400 billion on illegal drugs in 1990, and \$38 billion on illegal gambling. The rate of increase of the latter was damped down only by the rush of localities and states to *legalize* gambling in order to gain stopgap cash to deal with budget crises. Therefore, illegal gambling flows declined, only because legalized gambling grew.

These money flows are just the most obvious of many manifestations of the counterculture that took hold and spread beginning in the late 1960s—recreational drugs, casinos as a

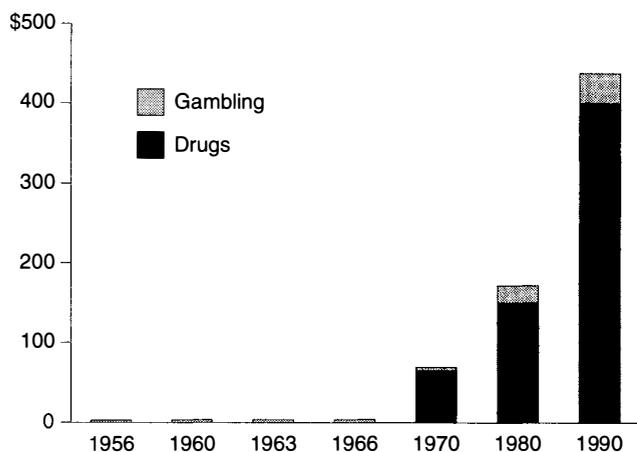
new growth “industry,” Hollywood/video dominance in the arts and sciences, fan club cults of sports figures and celebrities, the Roman Circus role of 24-hour cable television, the “free sex” movement, etc. In fact, much of what, 25 years ago, was the *counterculture*, today is the prevailing culture. The costs to the economy are enormous, and, ultimately, unsupportable.

Many of these costs to the United States economy can be measured and demonstrated. For example, there are statistics for such obvious losses as deaths from drugs, strain on the medical treatment system, workdays lost, productivity losses, and broken families. The spending on drugs and gambling shown in Figure 1 is a measure of the rate of diversion of funds and effort from the needs of the economy.

In this article, we focus on the costs to the economy from the soaring rates of incarceration over the past 30 years. The rising rates of arrests, crimes, and imprisonment are some of the most visible reflections of the impact of the counterculture.

FIGURE 1
Money spent on illegal gambling and drugs, 1956-90

(billions \$)



Source: Historical Statistics of the United States, Bureau of the Census, 1975; U.S. Statistical Abstract, various years.

High rate of incarceration

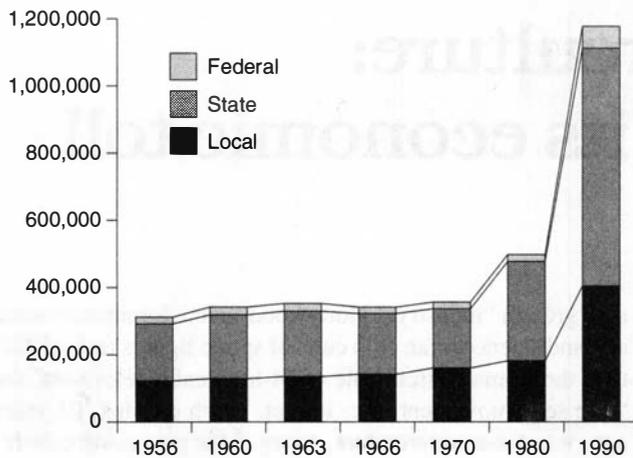
In **Figure 2**, you see how the prison population in the United States was relatively stable over the 1950s and 1960s. The graph also shows proportionately where the prisoners are, whether local jails, or state or federal prison facilities.

In 1970, the total prison population numbered 342,292, with 160,863 in local jails, 176,391 in state prisons, and 20,038 in federal prisons. Then by 1980, the total prison population rose to 498,262, with proportionately the greatest increase in state prisons. In fact, over the earlier time period of relative soundness of the U.S. economy, the number incarcerated in state prisons *declined*. In 1960, there were 181,721 in state prisons; in 1970, there were 176,391. But as the counterculture set in, the rate of imprisonment rose; then, in the 1980s, the prison population soared.

As of 1990, there were 1,179,239 people in prison, most of them in state facilities. Today there are an estimated 1.5 million people in prisons and jails.

The rising rate of incarceration, shown in **Figure 3**, in terms of numbers of prisoners per 100,000 U.S. population, over the past 25 years, has placed the United States, as of 1990, among the countries with the highest rates of incarceration.

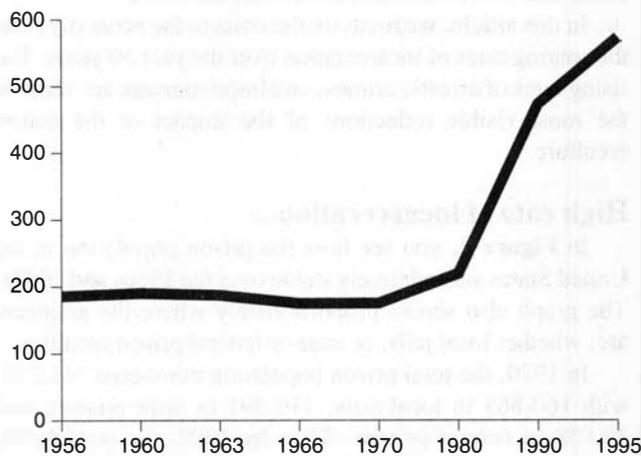
FIGURE 2
U.S. prison population, 1956-90



Source: Historical Statistics of the United States, Bureau of the Census, 1975; U.S. Statistical Abstract, various years.

FIGURE 3
U.S. rate of incarceration increases, 1956-95

(prisoners per 100,000 population)



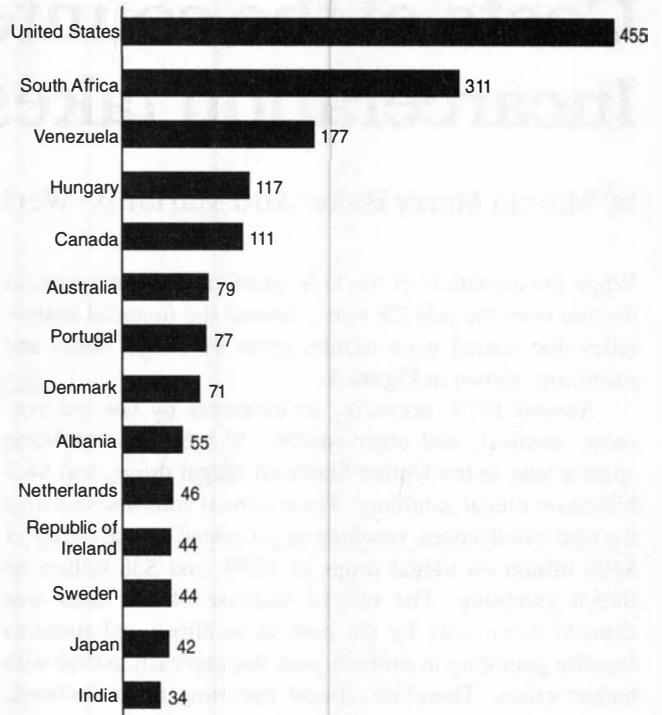
Source: Historical Statistics of the United States, Bureau of the Census, 1975; U.S. Statistical Abstract, various years.

tion in the world. Notice how the U.S. rate of incarceration declined during the 1960-66 period of relative stability and growth of the economy, then took off after 1970, with the advent of the drug counterculture, and in the 1980s, grew at a speed unprecedented since such statistics were first recorded in the 1920s. **Figure 4** gives some selected nations for comparison of their rates of incarceration.

In 1992, the U.S. incarceration rate was 455 per 100,000 people—far higher than South Africa (311), Hungary (111),

FIGURE 4
Incarceration rates for selected nations, 1992

(Rates of incarceration per 100,000 population)



Source: *Americans Behind Bars: The International Use of Incarceration, 1992-1993*, by Marc Mauer (Washington, D.C.: The Sentencing Project, 1994).

and Japan (42).

Since 1992, the U.S. rate of incarceration has increased even more, now at over 550 per 100,000 people. Among the few locations surpassing this rate of incarceration is Russia, where the western-imposed shock therapy “reforms” since the breakup of the Soviet Union, have led to mass impoverishment and demoralization.

In 1993, the Russian rate of incarceration was 558 per 100,000 population; and the U.S. rate was at 519.

A recent study by The Sentencing Project documents that young black Americans are especially targeted (“Young Black Americans and the Criminal Justice System: Five Years Later,” by Marc Mauer and Tracy Huling [Washington, D.C.: The Sentencing Project, October 1995]).

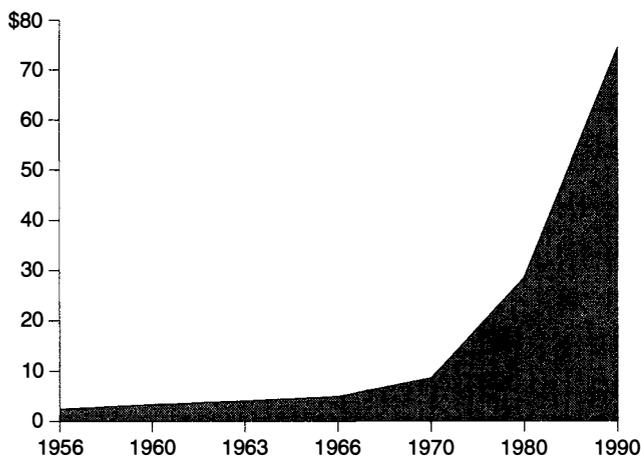
An analysis of 1990 criminal justice statistics for the U.S. population in prisons, jails, or on probation or parole showed that almost one in four (23%) African-American males in the 20-29 age group, was under one or another of those four forms of criminal justice control.

Now, five years later, it is estimated that almost one in three (32.2%) young black men in this age group is in either prison, jail, or on probation or parole on any given day. The

FIGURE 5

**Direct costs of imprisonment, 1956-90
(federal, state, and local government
expenditures for law enforcement and prisons)**

(billions \$)



Source: Historical Statistics of the United States, Bureau of the Census, 1975; U.S. Statistical Abstract, various years.

direct costs of this control system are estimated to be about \$6 billion a year, for some 827,440 young African-American males. Thus, for comparison, 500,000 black Americans are in college, while over 800,000 are in the prison system.

African-American women, during 1989-94, experienced an increase of 78% in their rate of criminal justice supervision, the highest rate of increase of any demographic group in the United States.

These high rates of young black Americans thrown into the prison population are associated with the overall rise in the number of U.S. drug offenses, increasing by 510% from 1983 to 1993. Of this increase, black men and women have experienced a disproportionately large share. For example, the number of black women incarcerated in state prisons for drug offenses increased by 828% from 1986 to 1991. Up to 90% of drug possession offenders sentenced to state prisons are African-American and Hispanic.

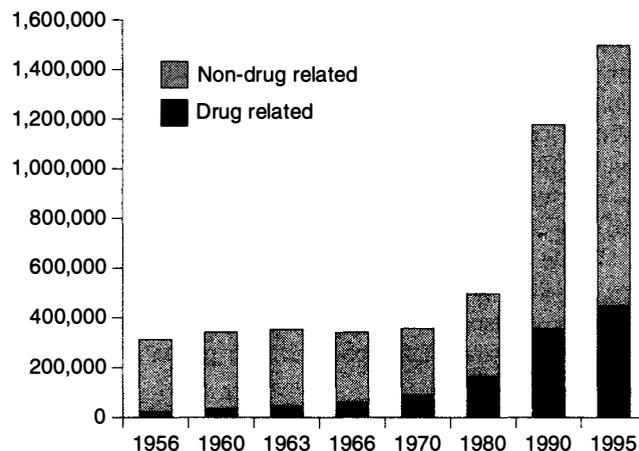
Government spending for prisons rises

What are the costs of this imprisonment to the nation? The obvious, direct cost is the rising government expenditure—federal, state, and local—for law enforcement and prisons. **Figure 5** shows the billions of dollars spent per year by combined levels of government, from 1956 to 1990, for these purposes.

You see that for the first ten-year period shown, from 1956 to 1966, the government expenditure for law enforcement and prisons doubled, rising from \$2.43 billion in 1956, to \$4.9 billion in 1966, but this is a far lower rate of increase

FIGURE 6

**Growth in share of drug-related U.S.
incarcerations, 1956-95**



Source: U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Statistics, various publications, especially, "Drugs, Crime, and the Justice System," December 1992; Historical Statistics of the United States, Bureau of the Census, 1975; U.S. Statistical Abstract, various years.

than 1970 to the present. As the counterculture set in, in the late 1960s, you see the rate of increase in government expenditures grow at an accelerating rate. The 1980 level of spending, \$28.57 billion, was 233% more than in 1970. In 1990, the level of spending, \$74.58 billion, was 161% of 1980.

Drug-related incarcerations

The most significant factors contributing to the rising government expenditures on prisons and law enforcement, and the increasing prison population, since 1970, are drugs and the government's drug policies. **Figure 6** shows the growth in the share of U.S. incarcerations related to drugs over the 1956-95 period. This trend starts in the mid- to late-1960s, grows during the 1970s, and then during 1980-90, reaches dramatic rates of increase.

The "background" reasons for this 1970-95 rise in drug-related incarceration are summarized in other sections of this *EIR* report, in terms of the decline in education, jobs, and income opportunity as the economy decayed overall.

However, what the 1980s phenomenon of sweeping drug-related imprisonment reflects, in particular, is the impact in 1983, of the launching of the "War on Drugs" campaign, under the direction of Vice President George Bush and cronies, who, themselves, were interconnected with the drug-trafficking and dirty money flows and political networks (see, for example *EIR*, Oct. 13, "War in Afghanistan Spawned a Global Narco-Terrorist Force").

Under the banner of "getting tough on crime," these net-

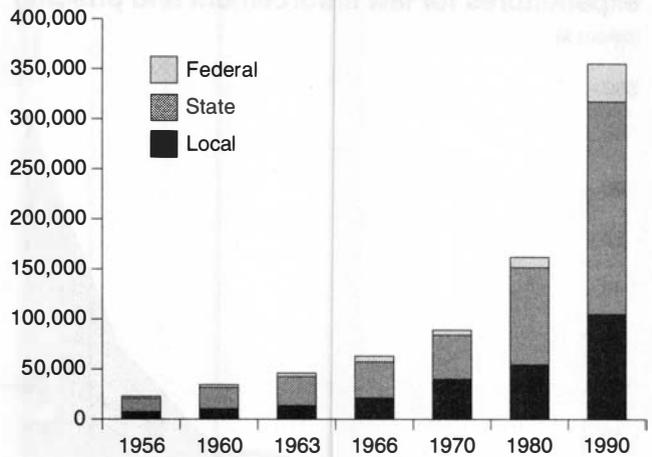
works moved for a number of legal and penal changes, from which they intended to benefit financially and politically, but to the detriment of the economy. First, they focussed on street-level offenders, and continued the protection pattern for high-level banking and financial interests involved in drug money. Second, there was the campaign for lengthy, compulsory prison sentences, mostly on the state level, for street offenders; black offenders were singled out for arrests and lengthy sentences. At the same time, propaganda against the education and rehabilitation of prisoners was intensified, and budgets were cut for these purposes.

While all this was done in the name of “fighting crime” and punishing criminals, the result was the creation of record numbers of prisoners, whom the bogus crime-fighters viewed as a potential slave labor pool for their prison privatization schemes.

Figure 7 shows the estimated numbers of drug-related incarcerations from 1956 to 1990, and the breakdown by federal, state, and local governments. Before 1966, this trend was relatively insignificant; it picked up by 1970, grew through 1980, and then took off during the so-called War on Drugs era. As of 1990, there were an estimated 355,906 prisoners incarcerated for drug-related reasons. (This designation includes not only drug-using or -dealing offenses, but also an estimate of those other offenses—from burglary to murder—in which the individual used or trafficked in drugs

FIGURE 7

U.S. drug-related incarcerations



Source: U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Statistics, various publications; Historical Statistics of the United States, Bureau of the Census, 1975; U.S. Statistical Abstract, various years.

during the 30 days prior to the offense.)

Society's loss, privateers' gain

Right on cue, as of 1990, individuals and companies connected to the “get tough” campaign, were bidding and pressuring for contracts to run prisons, set up in-prison contract factories, build and run “overflow” camps, and all manner of related schemes. As of June 1994, there were nearly 50,000 private prison bunks in America, most of them in Texas.

“Society's loss should be our gain,” is the motto of the privateer prison companies. In their view, the soaring government expenditures on law enforcement and prisons, shown in Figure 5, are a potential “income stream” to be captured.

On average, when a private outfit takes over a prison facility, they begin by slashing staff, food, and basic costs by 10% to guarantee their own “cut” from the *per diem* payment per prisoner they receive. The largest private prison company to date is Corrections Corporation of America.

Financing for the private prisons is coming from the top levels of Wall Street: Goldman Sachs, Prudential Insurance, Smith Barney, Shearson Lehman, and Merrill Lynch are among those competing to underwrite prison construction with private, tax-exempt bonds.

In addition to running prisons, private companies are running prison-labor factories. The model private prison-labor operation is Unicor, trade name for Federal Prison Industries, Inc., established by an act of Congress in 1934, and run as a for-profit business in federal prisons through the Department of Justice. As of early 1995, Unicor operated its



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Lyndon LaRouche's Democratic presidential primary campaign has established a World Wide Web site on the Internet. The “home page” brings you recent policy statements by the candidate as well as a brief biographical resumé.

TO REACH the LaRouche page on the Internet:

<http://www.clark.net/larouche/welcome.html>

TO REACH the campaign by electronic mail:

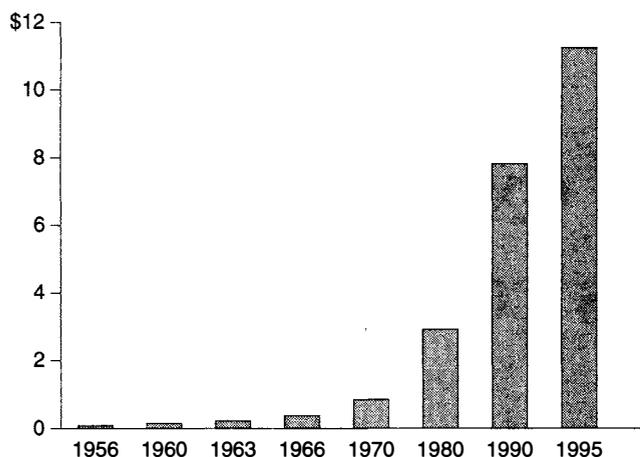
larouche@clark.net

Paid for by Committee to Reverse the Accelerating Global Economic and Strategic Crisis: A LaRouche Exploratory Committee.

FIGURE 8

Lost income from drug-related incarceration, 1956-90

(billions \$)

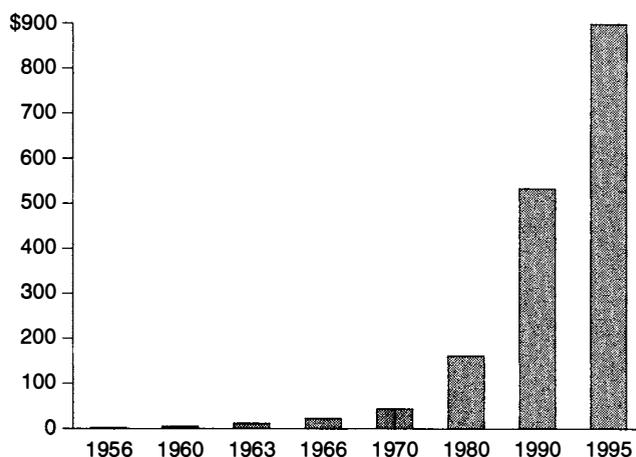


Source: Historical Statistics of the United States, Bureau of the Census, 1975; U.S. Statistical Abstract, various years.

FIGURE 9

Lost taxes from drug-related incarceration, 1956-90

(millions \$)



Source: Historical Statistics of the United States, Bureau of the Census, 1975; U.S. Statistical Abstract, various years.

97 factories at 46 locations, employing over 15,000 inmates. Last year, Unicor had a \$405 million annual income. This derives from a de facto wage of about \$1 to inmates, which is nominally minimum wage, until deductions are taken for room, board, clothing, victim restitution, family support, and fines.

Unicor's prison labor produces the office furniture for the U.S. government, and other goods and services, including metal, clothing and textile products, plastics, electronics, and optics.

On the state level, dozens of privately run prison-labor businesses have come about in the past few years, producing such familiar brand-name items as Spaulding golf balls, Eddie Bauer sportswear, "Prison Blues" denim clothes, logos for Jerry Garcia Band, and Lexus auto insignias.

If this slave labor process is permitted to continue, it is estimated that by 1998, prisoners in America will be producing \$9 billion worth of goods while displacing 400,000 regular workers.

Lost incomes, taxes, and lives

Apart from these privateer operators and their destructive profit-taking—which is supported by misery and the public tax base—the costs of the mass imprisonment can be measured simply in terms of income and tax revenues lost to the economy and to governments. To make such a rough calculation, look at just the drug-related roster of prisoners.

Figure 8 shows the estimated income lost at selected years from 1956 to 1995, by locking up individuals, who, if the economy were functioning, would be expected to be

making a modest income at some useful job. As of 1995, instead of being a cost burden, these individuals would be making over \$11 billion a year. This figure is simply the total for each time point of the drug-related roster of the prisons, multiplied by a low average income that such a person might otherwise be making. Lost tax volumes can be figured in the same way.

Figure 9 shows estimates for the annual amount of taxes (federal, state, and local) lost for selected years because of drug-related imprisonment. Figured at the lowest tax rates (taking into account modest income, deductions, etc.), the total lost taxes for this group for 1995 comes close to \$1 billion.

This is the most limited kind of calculation of losses. The broader costs are indicated by adding up the larger numbers of people associated with the total prison population in various ways, and considering the losses and waste to the nation.

For the 1.5 million men and women incarcerated today in the United States, an additional 8.1 million are involved in the criminal justice control system, in the following ways:

- 3.5 million others are on probation or parole;
- 0.6 million are employees of the corrections system;
- 1 million children have a parent in prison;
- 3 million adult relatives are affected (counting two adults per inmate).

This adds up to 9.6 million people, which begins to reach the range, for comparison, of the total number of 12.7 million production workers that the U.S. Bureau of Labor Statistics now counts as the U.S. manufacturing employment group.

London's Nazi experiment in the Balkans collapses

by Umberto Pascali

The so-called Pale regime of renegade Bosnian Serbs, led by wanted war criminals Radovan Karadzic and Ratko Mladic, is crashing down in a final orgy of blood and genocide, in the Bosnian areas still under occupation. Competing with the atrocities of the last days of Mussolini's Salò Republic, the paramilitary gangs are carrying out massacres, rapes, ethnic cleansing, destruction of Catholic and Muslim religious sites. They are reopening the concentration camps in the area of Banja Luka that they had been forced to partially close down. This time, they are even assaulting the Serb civilian population.

For example, the Omarska camp near Banja Luka, where in 1992, Croats and Muslims were tortured, killed, and starved, has been reopened, but this time, the victims are Serbian refugees. Men of "fighting age" are beaten and taken away. The refugees are robbed and abused systematically by the terrorist gang of Zeljko "Arkan" Raztanovic, wanted by Interpol as a war criminal. Arkan was recently sent to the last Greater Serbian stronghold of Banja Luka by Serbia's Führer, Slobodan Milosevic of Belgrade. His mission: to prevent the local Serbian population and leaders from negotiating, with the Bosnian government in Sarajevo, a demilitarization of Banja Luka that would free themselves from Karadzic's yoke.

When the Bosnian and Croatian forces liberated the occupied territory, they discovered mass graves with bodies of Croats and Muslims killed during the first aggression, in 1992.

Serbian citizens are resisting "recruitment" in every possible way. But apparently there is no limit to the barbarism of the regime. Serb police brutally arrest Bosnian and Croatian Serb refugees in the streets, buses, taxis, and private apartments, in Belgrade and all over Serb territory. They

then hand them over—still under arrest—to Arkan's "Serb Voluntary Guard." An almost unbelievable crime within the crime was recently denounced by the Helsinki Committee on Human Rights: The Serb police are able to easily locate the refugees, because their addresses are routinely supplied by one of the very few organizations the refugees trust, the Serbian Red Cross.

Thus it is not surprising that the structure of "Greater Serbia" is undergoing a devastating implosion, while, despite all the machinations of the British, the Bosnian and Croatian forces are continuing to liberate the occupied territory. According to unconfirmed reports from Banja Luka, on Oct. 16 Karadzic was the target of an assassination attempt claimed by "Group 93," a semi-secret formation reportedly created two years ago by disgruntled members of the paramilitary formations.

Also on Oct. 16, the representatives of Karadzic's political gang, the Serb Democratic Party, in the Pale "Parliament," demanded the resignation of four military bosses, labeled "responsible" for recent defeats. At the same time, it was announced that 11 organizations in occupied Bosnia, mainly in Banja Luka, issued a "Proclamation of the Patriotic Front," demanding the resignations of both Karadzic and Mladic.

The situation has reached such a point, that Milosevic is not in a position to officially receive Karadzic. The last meeting between the two was "unofficial." Milosevic had received a letter from the International Tribunal for War Crimes in former Yugoslavia, based in The Hague, demanding the immediate "arrest and extradition of the war criminals," i.e., Karadzic, Mladic, and 41 others who have been indicted, once they cross the borders into Serbia. Evidence of crimes involving two of Milosevic's top associates, Radmilo Bogda-

novic and Mihail Kertes, was presented to the tribunal. According to reports, U.S. agencies have evidence that the Serb takeover of, and massacres in, the U.N.-protected area of Srebrenica, were carried out under the direction of the head of the Yugoslav General Staff, Momcilo Perisic, and the orders came directly from Belgrade.

On Oct. 19, in a press conference in Zagreb, Croatia, U.S. Assistant Secretary of State for Human Rights J. Shattak confirmed the crimes committed by Arkan, the paramilitary gangs, and other Serbian forces. In some cases, Karadzic was personally present. In Prijedor (northwest of Banja Luka) and other occupied cities, Muslims are forced to wear white armbands and their houses are marked with white paint.

Stop the genocide

"This horror must end. This evil must be rooted out! There is no room for compromise with these mass murderers, no room for cabinet warfare and gentlemen's agreements," a Balkan source told *EIR*. The source was referring to the "peace process," to the cease-fire between the Bosnian government and the so-called Republika Srpska announced on Oct. 5—with a poorly defined 51% to 49% (the Pale regime) division of Bosnian territory—and officially signed on Oct. 12; and to the announcement of "proximity talks" to be held at Wright-Patterson Air Force Base in Dayton, Ohio starting Oct. 31, which are supposed to also include war criminal Karadzic.

"We have to distinguish between the British interpretation and the reality, i.e., what is needed to stop the genocide," said the expert. "The British want the partition of Bosnia, want to save the result of the aggression—the Republika Srpska, with 49% of the territory—at the moment it is collapsing from inside. And all this should be guaranteed by British, French, and American military power. However, since the NATO air strikes in August, the British have lost the initiative and now they are facing an anti-Greater Serbian—or, shall we say, anti-British—coalition, including the U.S., France, Germany, and basically the large majority of the countries of the world, north, south, east, and west! Countries that never could have found a common ground. And it was to prevent such a coalition after the collapse of the Berlin Wall, that they started the genocide in former Yugoslavia!

"Look at the recent statement of President [Alija] Izetbegovic, that Bosnia is a peculiar country, because 'we are friends of the U.S. and of Iran.' Don't you see? Bosnia could be the catalyst of an immense coalition. The British see this, and are now trying to push the situation to the level of classic diplomatic cabinet warfare, in which negotiations are meant as a continuation of the war with other means, and a way to save the Greater Serbians and, even more, to expand their destabilization. This must be prevented. Not only the Greater Serbian criminals must be defeated and punished, but this

gigantic potential coalition must go to the root of the problem, the 'gnomes of London,' as the French prime minister labeled them."

London-Washington fissure widens

A few weeks ago, under British instigation, the Rapid Reaction Forces (RRF)—essentially the British troops—in Sarajevo were going to attack the Bosnian Army, after being given a green light from the U.N. Secretariat. The pretext was that the Bosnians had opened fire against the heavy artillery positions besieging Sarajevo. But Sir Rupert Smith, the commander of the U.N. forces in Bosnia, was stopped by the intervention of John Menzies, the U.S. ambassador in Bosnia. In London, the rage for the lost opportunity to use the RRF against the Bosnian victims—and as the guarantor of the cabinet warfare approach—escalated. The rage had continued growing since August. In an interview with the Italian daily *Corriere della Sera* on Oct. 16, U.S. Assistant Secretary of State Richard Holbrooke stressed again that the Bosnian-Croatian Operation Storm '95, which had freed the occupied Croatian Krajina and saved the Bihac region, was launched with the U.S. support and "in opposition to European advice." He also revealed how the United States resisted British efforts to stop the air strikes. "The British told us the Serbs would use U.N. personnel as hostages if we bombed them. This was wrong."

When the cease-fire arrived, the British understood it as a way to legitimize Republika Srpska—with 49% of the territory of Bosnia—and to give a status of impunity to Karadzic and Co. They argued that peace meant the war crimes had to be forgotten. They got another blow. The Bosnian and Croatian military forces, that had been blocked after Operation Storm and almost manipulated into starting a new fratricidal war, took up their effort to liberate the country from the war criminals. London reacted with fury, accusing the United States of having again tolerated and encouraged the offensive.

Karadzic sent his sidekick and channel with London, Nikola Koljevic, to Sir Rupert Smith—to no avail. According to sources cited by the Croatian newspaper *Vecernji List*, Koljevic was in state of panic. The offensive had to be stopped or "Republika Srpska could fall in 36 hours." He "threatened" a boycott of the peace talks.

At that point, the allied forces were a few miles away from Prijedor and Banja Luka. But, instead of boycotting the peace talks, Mladic kept frantically asking the allied commanders—Bosnia's General Delic and Croatia's General Blaskic—for a meeting. A Bosnia Army spokesman told reporters in Sarajevo: "We are not ready for such talks because General Delic never did, and probably never will, meet the war criminal Mladic." On Oct. 16, Bosnia Vice President Ejup Ganic, back in Sarajevo after recovery from a dramatic car accident, spelled out that the 51-49 division was no longer realistic or reasonable. Since that proposal was advanced,

“important events took place and the Serbs committed more crimes and went on with their genocide all over the country,” he said. The German mediator in the Bosnia-Herzegovina Federation, Christian Schwartz Schilling, agreed, stating that it is dangerous to accept Greater Serbians’ demands for 49% of Bosnia.

In fact, it is not a question of percentages, it is a question of the basic responsibility of every country in the world not to allow the legalization of an “entity” conquered and ruled by terror and genocide by wanted war criminals. Even more, the right of the Serbian ethnic minority can be guaranteed by the Bosnian government. It cannot be guaranteed by Karadzic.

The point was made in a press conference in Washington by Foreign Minister Mohamed Sacirbey (see *Documentation*). And it was President Bill Clinton personally on Oct. 15 who undermined the British plans. “Some people think that pursuing peace in Bosnia and prosecuting war crimes are incompatible goals. But I believe *they are wrong*. There must be peace for justice to prevail, but there must be justice when peace prevails,” Clinton said.

The British elite’s panic and rage exploded at a conference of the Lord Byron Foundation in Moscow, with a desperate appeal to Russia to save the war criminals. “The question is,” said foundation official Michael Martin Stenton, “will the political intimidation which forces Britain to bomb people when Britain does not want [to do so] . . . and which forces Russia to remain silent . . . will this intimidation continue?”

Documentation

From President Bill Clinton’s speech at the dedication ceremony for the Thomas Dodd Research Center at the University of Connecticut, Storrs, Conn., on Oct 15:

Nuremberg represents the first important step. It clearly condemned the crimes. . . . The successful trial for the war crimes in the territory of former Yugoslavia and Rwanda can send a strong signal to those who would use the cover of the war to commit terrible atrocities that they cannot escape the consequences of such actions. . . . The 43 indictments raised so far on the territory of former Yugoslavia cannot be part of negotiations. Those accused for war crimes, genocide and crimes against humanity will be brought to justice. . . . Some people think that pursuing peace in Bosnia and prosecuting war crimes are incompatible goals. But I believe they are wrong. There must be peace for justice to prevail, but there must be justice when peace prevails.

From remarks by Bosnian Foreign Minister Mohamed Sacirbey at the Washington Press Club on Oct. 10:

We have the United States having taken a significant role

in bringing itself to the forefront of the negotiating process. But I’m afraid if we are expecting Karadzic and Mladic to dictate the terms of democracy in Bosnia, to dictate the terms of human rights, to dictate the terms of the functionality of our constitution, of our government, then I’m afraid we aren’t really that close to peace. . . . What Karadzic and Mladic and maybe Milosevic are trying to do in this context, is not bring about peace, but preserve the consequences of their conquest in ethnic cleansing. They are clearly trying to legitimize the so-called Republika Srpska as a Serb-only entity with a Serb-only party with a Serb-only religion. That is not something that certainly we or, I believe, the democracies of the international community can agree to. . . .

If someone had to ask me what is the greatest problem for peace in Bosnia, this is it. It is not maps, it is not various other provisions of the constitution. It is: Will in fact the Serbian side continue to dictate a constitution that requires consensus, allows them the veto power almost over anything, and therefore allows them to implode the country and bring us once again back to 1991 and 1992? . . .

It is in the long-term interests of the United States, the international community and, of course, of Bosnia and Herzegovina, to let the Bosnians ultimately take on the job themselves of defending their country through, as it is put by the secretary of defense, the professionalization of the Bosnian defense forces. Of course we, I think, all understand this to mean the arming and training of Bosnians to take over for NATO the task of securing peace once the initial implementation stage is completed.

The Lord Byron Foundation for Balkan Studies met in Moscow on Oct 6. The director of the foundation, Sir Alfred Sherman, is one of the original sponsors of Margaret Thatcher in the early 1970s, and an adviser now of Gen. Ratko Mladic. The speaker quoted here is Michael Martin Stenton:

The solution to the question of the autonomous rights of the Serbs in Croatia has now been revealed: the military destruction of the Serbian community by an army trained by the United States, politically encouraged by Germany. . . . Another experiment was made, and that experiment was to give NATO military authority. . . . This military attack . . . is one of the first uses of military force that has had positive approval by the pope of Rome. An event of first class ideological importance. What we are witnessing is the creation of a new consensus . . . that does not cover the whole world, but does cover the most powerful parts of it. . . . If NATO is allowed to send a very powerful American force to Bosnia, it will in all probability behave in exactly the same way. Except that this time . . . it will be American Special Forces seizing control in Pale, Banja Luka, Brčko, and ultimately on the river Drina itself. And if there are Russian troops present, they will be helpless to do anything about this. Which is why I recommend to Russia to avoid the poisoned gift, not to send your troops. . . .

Pope proposes a bill of rights of nations

by Leonardo Servadio

Immediately upon his return from the United States, Pope John Paul II proposed a "Bill of Rights of Nations," or a "Charter of Nations," to clearly identify the rights and duties of all the nations of the world, in order to contain aggressive nationalisms and to promote the right to freedom of the peoples of the world.

The pope launched his proposal during his Wednesday public audience in St. Peter's Square on Oct. 11. In his speech he summarized the content of his historic address on Oct. 5 to the General Assembly of the United Nations, commemorating the U.N.'s 50th anniversary. (The full text of his U.N. speech appeared in *EIR*, Oct. 20.)

John Paul's proposal

"The universal declaration of the Rights of Man, which solemnly upheld the dignity of the human person with its own rights, beginning with that of freedom of conscience and of religion, has shown its everlasting actuality.

"But thinking over this anniversary, I was led to note that, till now, there does not exist a similar international agreement which establishes in an adequate way the rights of the nations. If the bill of the fundamental human rights clarifies in an adequate way the rights of persons, now it is time to work in order to establish a charter that preserves and promotes the right of the peoples to exist in a spirit of respectful living together, of reciprocal tolerance and concrete solidarity.

"Today we confront two phenomena apparently in contradiction: On the one side, we see the free coming together or coming into federation of entire groups of nations or countries in wider community entities; on the other side, we see the bursting reemergence of particularisms, which are the symptoms of the need of identity and of survival in the fact of broad processes of cultural assimilation. A 'Bill of Nations,' therefore, which reinterprets and which brings order into these complementary pushes in the context of the fundamental ethical-juridical principles of humanity, cannot but contribute to a more peaceful living together of peoples.

"It is a question of recognizing and promoting, for all the nations of the world, above and beyond the different

configurations that they might take on the State juridical level, some original and inalienable rights: the right to exist, to have its own language and culture, to educate the younger generations according to one's own traditions, yet always respecting the rights of all and in particular of the minorities.

"The U.N., which is called upon to become the guarantor and promoter of these desires, will correspond with efficacy to such an engagement, to the extent to which, as a true family of nations, it will favor a fruitful 'exchange of gifts' among the many different nations which characterize the peoples of the earth.

"People shall not fear diversity; each culture, in fact, is a testimony of the unending and exalting effort brought about by humanity in order to interpret the mystery of God, of the world, and of man. In this path, which is translated for each nation into values, institutions, culture, there can be also limitations and mistakes, which the moral law universally inscribed onto the human heart and the very intercultural exchange, will help to bypass. From that vantage point, the differentiations become a common richness for the entire humanity.

"People shall not confuse, nonetheless, the defense and promotion of one's own national identity; with the insane ideology of nationalism, which induces contempt for others. In fact, the right love for one's own country is one thing; nationalism is a different thing, which sets one people against another. This one is deeply unjust, because it is contrary to the duty of solidarity, and provokes reactions and enmities in which the germs of violence and war dwell.

"Therefore, the hoped-for Charter of Nations shall mark, in addition to the rights, also the duties to which each single nation is called, so that a responsible culture of freedom, deeply rooted in the quest for freedom, be promoted. . . ."

In his U.N. speech, John Paul II had already clearly distinguished between the evil, newly emerging nationalisms, causes of wars and conflict, and a true patriotism, which leads, through the love for one's own nation, to the love for the well-being of all other nations.

In a front-page editorial commenting on the new proposal by John Paul II, the daily of the Italian Bishops Conference, *Avvenire*, indicates that this speech opens a new way to bypass the bipolarism that emerged after the collapse of the Yalta system, represented by the emerging conflict between "globalism" and "nationalism." This conflict, *Avvenire* writes, runs through all the elites of the world. According to *Avvenire*, the pope's project would change the United Nations itself, which would become "not a world government prone to multinational lobbies, but a 'U.N.O. of the fatherlands': no more (as the pope said in New York) an 'organizational' instrument of coexistence . . . but an organic promoter of actions to 'elevate the relations among nations,' in the perspective of a future 'existing for,' in a 'fruitful exchange of gifts, first of all toward the weaker nations.' An incredible new world order for civilization."

Dalai Lama's ties to Aum sect exposed

by Mary Burdman

The story that the Dalai Lama of Tibet, Hollywood's favorite guru—who is also committed to tearing apart China—is a patron of Aum cult leader Shoko Asahara, is now out in China, after European media spread the story widely last month. *EIR* first published the Dalai Lama-Asahara connection on April 14, after it was reported in India. Asahara's cult members released the deadly nerve gas sarin on a Tokyo subway on March 20, killing 11 and injuring 4,700.

The magazine *Focus*, the second-largest political weekly in Germany, reported on Sept. 18 that “in total, Asahara and the Dalai Lama met five times, first in February 1987, in India. Following this, the Tibetan god-king wrote recommendations for him.” The article is accompanied by a photo of the Dalai Lama and Asahara holding hands, and smiling.

The revelations began in anticipation of the Dalai Lama's visit to Berlin at the beginning of September, as a patron of the scandal-ridden non-university, the “Potsdam Peace University.” Other friends of the “Peace University” are Gregor Gysi, the former national party chairman of the “post-communist” PDS of eastern Germany, and Green Party parliamentary leader Antje Vollmer, who wrote a recent book promoting pre-Christian pagan cults.

Stern magazine on Aug. 30 published the story of the Dalai Lama's and Asahara's many meetings. “In two exposing letters of reference, [the Dalai Lama] praised the sect leader (who, meanwhile, is under arrest), as a ‘competent religious teacher.’ . . . Even weeks after the first gas attack, the Dalai Lama called the sect terrorist a ‘friend, though not necessarily a perfect one.’ ”

Focus added more details. On May 26, 1989, the Dalai Lama wrote a “To Whom It May Concern” document, which he signed, stating that: “Aum, according to my knowledge, endeavors to promote public awareness through religious and social activities. Apart from providing intensive meditation guidance, its members also practice Mahayana Buddhist traditions. Aum has also been providing generous offerings for our Buddhist community in exile, particularly for monk students who have recently arrived from Tibet. These have been very useful and much appreciated.” The magazine featured an English-language facsimile of that letter.

Already, one day before this recommendation, *Focus* notes, the “Council for Religious and Cultural Opportunities

of His Holiness the Dalai Lama” had praised Master Asahara as a “competent religious teacher” and an “experienced practitioner of meditation,” and had stated: “According to our best understanding, Aum seeks to promote, through various religious and social activities, the public welfare, for example, through Buddhist teachings and yoga.” According to *Focus*, the religious and cultural experts of the Dalai Lama recommended, in particular, the “ethical practices” in the Aum seminars. The Dalai Lama's influence enabled the Aum sect to get tax-exempt status in Japan.

But this “Unholy Alliance,” as *Focus* called it, did not end in 1989. In April this year, 18 days after the poison-gas attack on the Tokyo station, the Dalai Lama praised Asahara, in an interview with Kyodo News Service, as a “friend, if also not a person without flaws.”

In his own book *Supreme Initiation*, Asahara says that he was initiated into the Mahayana tradition by the Dalai Lama, who personally gave him the task of “reforming Buddhism” in Japan, with the instruction: “You should spread real Buddhism there. You know it very well.”

The French press have also made some damning revelations about the Dalai Lama's ties to Asahara, by citing an unnamed spokesman for the Tibetan government-in-exile, that it had accepted donations from Asahara.

Dalai exposed in China

It is not surprising that this story had a big impact in China. On Oct. 9, both the *People's Daily* and the *Guangming Daily*, the two most important newspapers in China, published the scandal. A commentary in the *Guangming Daily*, the leading paper for Chinese intellectuals, states that Asahara became such an influential figure in Japan due to the Dalai Lama's help. The commentary describes the Dalai Lama's promotion of Aum, and his role as “guarantor” for its tax-exempt status, even while the cult was using tax-exempt funds to produce lethal gas. Aum also donated large funds to the Dalai Lama. Even after the Tokyo gas attack, the Dalai Lama still regarded Asahara as his friend. “This demonstrates that the Dalai Lama knew what he was doing,” the *Guangming Daily* wrote. “The relationship between the two is unusual.”

“The Dalai Lama wields a religious pretense while attempting to separate China from Tibet, and the relationship between Shoko and the Dalai Lama should sound an alarm among people worldwide,” the commentary concluded. British-orchestrated efforts to pry Tibet loose from China, and to make Tibet into an independent nation, are a threat to China's national existence.

The phrase “should sound an alarm” is likely intended to give the White House and German Foreign Ministry a better idea of just who this Tibetan lama, whom they have recently welcomed as a guest, really is. Even better would be some moves to curb the Dalai Lama fan club in cult-ridden circles in Hollywood and London.

French and Algerian Presidents to meet

by Christine Pierre

As the wave of terrorist bombings continues in Paris, President Jacques Chirac has come under fire for his decision to meet with Algerian President Liamine Zéroual, during the U.N. 50th anniversary celebrations in New York at the end of this month. Both opposition figures and the majority in Chirac's camp oppose the meeting, convinced that the bombers are Algerian Islamic extremists attempting to take power, and view it as the cause of increased terrorist attacks against the country.

Chirac's decision came as a surprise to all and does represent a shift in French policy. Under the government of Prime Minister Edouard Balladur, France kept Algerian affairs and the civil war at arms length, aside from contacts maintained by then-Interior Minister Charles Pasqua with representatives of the Algerian junta. During this period, the French government stance toward the Algerian government was dominated by two opposing sides: Pasqua, on the one side, wanted to give full backing to the Algerian government against the Muslims, versus then-Foreign Minister Alain Juppé, who favored opening up a peace dialogue between all parties including the Algerian opposition group, the Islamic Salvation Front (FIS). Juppé, now prime minister, had even made encouraging statements regarding the peace negotiations that had brought together the FIS, and the non-religious opposition to the present government, the FLN and the FFS, under the auspices of the Vatican-linked St. Egidio Community in Rome.

In any case, until now, the French government had rejected any official meeting with Algeria's President, so as not to legitimize the Algerian military, which annulled the 1991 legislative elections and banned the winning party, the FIS, to prevent it from taking power. An aggravating element is the fact that Chirac and Zéroual will meet just prior to the Algerian presidential elections, which are considered a charade, since the majority party, the FIS, is still banned and has been excluded from participating.

Many questions, much speculation

Jacques Chirac, however, is not Pasqua and will not tolerate the brutality of the Algerian regime. In a recent interview given from Madrid, where he was meeting with President Felipe González, Chirac indicated that he will pressure Zéroual to both open up a peace dialogue with all the parties who oppose war, and to organize legislative

elections which will not exclude the FIS, a step viewed by Chirac as "essential" after the presidential elections, which constitute only a "first step" toward reestablishing legitimate authority.

What is not clear, is how Chirac will obtain such changes from an Algerian government whose brutality seems, in fact, to be growing endlessly. Will Paris use its foreign aid, some FF 5-6 billion, to impose moderation on the tyrants? Is Chirac willing to meet with the opposition leaders, especially the FIS, up to now only received quietly at the back door?

There is also much speculation as to what reasons prompted Chirac's decision: Was it an attempt to appease the Algerian government, suspected of manipulating the Armed Islamic Group (GIA) terrorists? As Interior Minister Jean Louis Debré had unofficially told the *Nouvelle République du Centre Ouest*, and as most of the French intelligence services know, the Algerian military security has massively infiltrated the GIA in order to discredit the Islamic cause, by manipulating the GIA to commit hideous crimes. Is the threat of destabilization to France such that Chirac allowed himself to be blackmailed by the Algerian government, while, in a similar situation in Bosnia, he had refused to be blackmailed by the Bosnian Serbs? Or, has Jacques Chirac concluded that Islamic networks, including the FIS, are responsible for the bombings in France and that full support has to be given to the Algerian government "eradicators," who seek to eradicate all Islamists? Other rumors have it that Chirac decided to support the Algerian government because French intelligence estimates that the government could win the civil war, reversing all previous analyses that it was a no-win situation.

Whatever his reasons, the renewed bombings against France in the aftermath of that decision, show again that appeasement only excites the enemy to greater efforts.

The 'afghansi' track

In any case, any policy which attempts to narrow this to being a purely Algerian problem is likely to fail. According to an article by George Brock in the London *Times* of Oct. 18, the French secret services are presently investigating the international networks of Islamic fighters ("afghansi") in the 1979-89 Afghanistan War. This track would be a most fruitful one, especially if French authorities scrutinize the brains behind that network: the British intelligence services and their allies such as George Bush in the United States which set them up to start with. By turning their attention in that direction, French authorities will be able to establish coherence between all the recent attacks against the French nation: the campaign against the nuclear tests run by Greenpeace, accelerated by the award of the Nobel Peace Prize to Britain's Pugwash darling Joseph Rotblat, the financial attacks emanating from the "London gnomes," and the terrorist bombings carried out by instruments such as the Afghan networks of international terrorism.

German peace prize goes to orientalist

by Muriel Mirak-Weissbach

Germany's intellectual elites have been racked by a controversy over the past six months, of which the ultimate, happy solution may prove to be one of the decisive events of the year. The fight erupted in April, when it was made known that the German Book Trade Association intended to confer its annual peace prize on a scholar in Islamic studies, Prof. Annemarie Schimmel. The ostensible trigger for the attacks against Professor Schimmel was a statement she had made, in reference to the Salman Rushdie affair, that, while she unconditionally denounced the *fatwa* issued against him by Ayatollah Khomeini, yet she could understand how the blasphemous characterizations of Mohammed contained in Rushdie's *Satanic Verses*, could "wound the feelings of deeply religious people." Schimmel was immediately branded a "fundamentalist" who "justified" an ayatollah's death sentence against Rushdie, who, after all, was merely exercising his "freedom of speech." For months, critics assembled around Anti-Defamation League-linked Ralph Giordano, Alice Schwarzer, and Günther Wallraff, editorialized against her, and it was expected that either she would withdraw her name, or the Book Trade Association would settle on a more acceptable choice. In a country where more than one politician has been forced to resign for statements considered by opinion makers as "politically incorrect," it was thought by some that a diplomatic settlement would have to be found.

Instead, German President Roman Herzog presented the prize to Professor Schimmel on Oct. 15 in the historic Paulskirche in Frankfurt. No apologies were offered; on the contrary, he explicitly attacked the "political correctness" doctrine, and identified the reason why the hate campaign had been launched, by referencing the "Clash of Civilizations" scenario popularized by geopolitical thinker Samuel Huntington. It was precisely to prevent such cultural conflict, Herzog said, that Schimmel's works were most valuable, in providing the public with knowledge of Islamic culture.

Professor Schimmel herself explained in her acceptance speech that understanding between religious cultures can only occur when the foreign culture is known. She explained that she had decided not to acquiesce to the pressure, "because I feel obligated to all orientalists, who dedicate themselves to quiet dialogue, as well as to all men of good will in the Islamic world, and to the work of entente for which I have lived 50 years."

Schimmel presented what her critics would prefer to

deny: the existence of a long, differentiated history of Islamic culture, stretching from Andalusian Spain to the Indian subcontinent and Asia, her particular areas of expertise. Despite the contributions of the Islamic Renaissance to western civilization, Schimmel said, "most Europeans find it foreign" and consider it, as Jacob Burckhardt did, "incapable of transformation," because it had no Enlightenment. How does one educate people of one culture about another culture it considers foreign?

"Man is the enemy of what he does not know," she said, quoting from a proverb common to Greek and Arabic. And, citing St. Augustine, she said, "Man understands something only insofar as he is able to love it." Her speech was a short, effective introduction to Islamic culture. In particular, she explained the special role that poetry, the written and spoken word, have for Islamic culture, from the Koran, through the vast tradition of mystical poetry, which she has researched in depth, to modern manifestations, even in the political sphere, for example, in the case of poet Mohammed Iqbal, considered the spiritual father of Pakistan. "The word," she said, "is that good which man has been entrusted with, that he should protect and that he should not, as often happens, weaken, falsify, or talk to death: because it holds powers which we cannot estimate. In this power of language lies also the extraordinary responsibility of the poet and, perhaps even more, of the translator, who can provide the occasion for dangerous misunderstanding merely by a single false nuance."

A spirit of freedom and tolerance

Schimmel is a living example of what it means to understand a culture by knowing it, and learning about it by loving it. When still a child of a modest family in Erfurt, a family which raised her "in a spirit of freedom, tolerance, and poetry," she had her first encounter with a fairy tale about an Indian wise man in Damascus, which ignited her curiosity about oriental literature. At 15, she started studying Arabic, and was to master it in the following years, along with Persian, Urdu, Turkish, and Pashtu. With this language mastery, she was to translate works, particularly poetical, from all these cultures. After receiving her first degree in Islamic studies at 19, she studied the history of religions, and began teaching. She was invited to teach at the University of Ankara ("at a time when there were hardly teaching positions for women in Germany"), and continued as a professor in Bonn and at Harvard. She is the author of 80 books.

When asked by the daily *Frankfurter Allgemeine Zeitung* whether she believed in the "Clash of Civilizations," she replied: "No. Above all, I consider it very dangerous to present such theses, because if someone says something like that, then one is conjuring up, evoking the danger. Thereby the danger grows. I would consider it far more important for people to enter into discussion and slowly, but intensively, cause better understanding."

Letters to the Editor

Our forgotten Christian brothers

I am an old Franciscan missionary who has lived many years in the Middle East, mostly in Egypt, Lebanon, Syria, and the Holy Land. And I am saddened to realize that people here in the United States seem unaware of the plight of their Christian brothers in what was once the flourishing, independent, sovereign nation called Lebanon. There, beginning in 1968, civil war engulfed the land, resulting in death, untold suffering, and devastation in many regions, notably in areas heavily populated by Christians. Even now, as efforts are being made to rebuild the once lively and vibrant capital city of Beirut, local and foreign mercenaries occupy and encircle the nation, subjugating its people by violence and terror, lording it over this land where Christians, Muslims, and Druze had lived in such evident amity and prosperity that it was known worldwide as the Switzerland of the Middle East. Who was responsible for the destruction of this nation, the death and savage brutalization of large numbers of its people?

Lebanese blood flowed copiously every day for a full five years after 1968. For an additional decade and a half, sporadic fighting broke out in many parts of the country, as well as in the capital city, while, for the most part, the world conscience studiously ignored the carnage.

By the initiative of King Fahd of Saudi Arabia, a peace conference was convened in Taif in 1989. Among those attending were President Hafez al-Assad of Syria and representatives of the principal groups of combatants in Lebanon. Curiously, though, Christians were denied any voice at that meeting. The accommodation agreed to was in fact an imposed *Pax Syriana*, for Assad sent a large, well-equipped Syrian Army to occupy the entire Lebanese territory, while at the same time authorizing the formation of a "puppet" Lebanese government, which rules as Syria dictates. . . .

In 1987, the total Catholic population of Lebanon was said on good authority to be 1,086,000. To this total we must add the number of non-Catholic Christians, namely, 300,000 Greek Orthodox, 170,000 Armenian Monophysites, 20,000 Syrian Jacobites, 25,000 Assyrian Nestorians.

Hence, only a short eight years ago, Lebanon was still the only country in the Middle East where Christians were a majority, politically and demographically. For in that same year—1987—the Catholic Information Center in Lebanon estimated that the Muslim population of the nation stood at 1,260,000, of whom 680,000 were Shiites and 580,000 Sunnis.

Lebanese Christians are noted for their love of learning, their cerebral capacity and intellectual activity. The Jesuits conduct the prestigious University of St. Joseph, while Lebanese monks administer the University of the Holy Spirit, both with pontifical faculty.

It is difficult to identify with certainty those who provoked civil war in Lebanon, but it is much easier to determine who really won the war. At the moment, President Assad of Syria is assuredly the master of Lebanon. It appears that this rule over Lebanon was the price Assad exacted in return for the limited help he gave the U.S., Saudi Arabia, and their allies in their efforts to force Saddam Hussein of Iraq to retreat from Kuwait. And this, despite the solemn declaration of the United Nations that all foreign troops must depart from Lebanon, a declaration that neither the U.N. nor the U.S. seems inclined to enforce. Thus has the independence and sovereignty of Lebanon been betrayed and forfeited.

Assad, being an Alawite, is well disposed to the Shiites and their cause. Before the civil war, the Shiites of Lebanon were of modest size compared to some other groups, and were not well organized. Their communities were at the outskirts, away from economic and political centers, and they considered themselves oppressed. The civil war changed the relations and equilibrium among the different religious confessions. Today, two political movements are found in the Shiite communities in Lebanon: 1) Amal, created in 1975 as a military structure "of the people who are poor and deemed to be disinherited." These strive to rehabilitate their community, culturally, economically, and politically, under the direction of Nabil Berri; 2) the second movement, Hezbollah, was formed in 1980 and is financed by Iran. It is known for its anti-American, anti-Israeli slogans, and for terrorist activities, including the taking of western—particularly American—hostages.

The Khomeini Revolution in Iran substantially increased the influence and underground activities of the Shiites in Lebanon. . . . It is estimated that more than 1 million Shiites have come from that country to settle in Lebanon, so that today they are an absolute majority, bent on ridding the land of all Christians. During the civil war, thousands of Christians were slaughtered or reported missing. Fully half a million were displaced, losing their homes, land, and other belongings. More than 300 churches, schools, and monasteries were destroyed, and several hundred thousand Christians fled in the wake of Shiite advances and brutalization. Hence, the Shiites have won the civil war.

Now it seems that the nominally Christian populations of North and South America and of Europe are indifferent to the traumatic situation of their Christian brothers and sisters in Lebanon. Here in the United States, there is need for Catholics to raise their prayers to God and their voices to the government in support of the Christians who remain in Lebanon. Justice and compassion dictate that American Catholics especially should rally around Pope John Paul II as he valiantly tries by every means at his command to press for the independence and liberation of Lebanon.

Perhaps it is still not too late for American bishops to call the unjust situation in Lebanon . . . to the attention of the Clinton administration and their senators and representatives in Congress. Even if they are rebuffed, they will have taken a stand in defense of liberty and freedom of conscience.

Fr. Giulio Basetti-Sani, O.F.M.

The Editor replies: Who was responsible for Lebanon's suffering? *EIR's Special Report* of Oct. 13, 1995, on terrorism in South Asia, provides the basis for answering Father Basetti-Sani's question. The British, and their lackeys, such as Henry Kissinger, use religious and ethnic conflicts as their principal weapon to destroy nation-states. All of Lebanon's religious and ethnic groupings have been victims of such a British policy—not only the Christians. *EIR's* cover story of Nov. 16, 1990, titled "It Was Kissinger Who Destroyed the Nation of Lebanon," gave a detailed account by Prof. Bassam El Hashem, the unofficial spokesman for the exiled former prime minister, Gen. Michel Aoun.

International Intelligence

India snubs U.S. mediation in Kashmir

India has rejected unofficial moves by U.S. intelligence circles to mediate the Kashmir conflict, a mediation effort that was to include Jimmy Carter. "It is not our policy to accept mediation. We stand by our offer of bilateral discussions under the Shimla Agreement," Minister of State for External Affairs Salman Khurshid said, according to the *Times of India* of Oct. 12.

There are reports that the United States Institute of Peace (USIP), which is close to the State Department, is sponsoring a meeting in Washington to evolve a consensus among Kashmiri leaders on both Indian and Pakistani sides. Commenting on the initiative by Jimmy Carter, Khurshid said: "The problem in Kashmir is very different from the ones he has dealt with elsewhere. If it could be resolved by the world statesman we would have welcomed it."

Iraq said to be losing intelligentsia

A feature in the French newspaper *Le Figaro* of Oct. 13 details the devastating effect over five years that economic sanctions have had on the intellectual life of Iraq. Lack of basic supplies for schools, textbooks for universities, and equipment for scientific laboratories, have all contributed to a drastic lowering of academic standards in what was the most advanced educational system in the Arab world. Prof. Chafiq al Samarai, of Baghdad University, is quoted: "We are producing half-doctors, half-economists, and half-engineers."

Those who can, leave the country. Commenting on the brain drain, one doctor commented, "It's a catastrophe. One judges a country on the basis of its scientists. It will require more than 20 years to catch up in the field of medicine." Although some foreign companies are setting up shop again in Iraq, in expectation that the embargo will be lifted, this is seen to be small recompense for

the loss of scientists, doctors, and poets. One intellectual remarked: "Iraq, as a people, is finished. It is not easy to rebuild a man, after he has been destroyed, after he has lost his truth. It will be necessary to wait one generation."

Iraqis who have fled to Jordan seeking some means of living, have often been reduced to hawking personal belongings in the streets, or going into prostitution and crime. Many Iraqis who still have jobs, stay in them just long enough to save up the money required to pay an exit tax, equivalent to 15-20 monthly salaries. Visas can be purchased on the black market in Jordan and trips abroad can be organized for a price, \$8,000 for the United States, \$4,000 for eastern Europe.

The articles appear on the eve of the Oct. 15 presidential referendum, the first in Iraq in 37 years.

Social democracies in tatters in Europe

The member parties of the Socialist International in Europe are faced with the biggest crisis of the postwar period, and in the context of the ongoing global financial and banking crash and the concomitant collapse of national economic and social systems. All socialist and social democratic parties are undergoing organizational turmoil, leadership disorientation, and loss of members and votes, according to *EIR*'s analysts in Germany.

The Socialist parties of France (after the end of the Mitterrand era), of Spain and Italy (facing corruption charges against their leaders), and also of Sweden, Austria, and Germany (where the Social Democrats have reshuffled their leadership), are in a process of rapid declines in party cohesion and voter popularity. In Sweden, recent opinion polls say that the Swedish Social Democrats would get a meager 17% of the vote, if general elections were held now.

The two exceptions in this European pattern seem to be the Socialists of Portugal, which became the strongest party in the Oct.

1 elections, and the British Labour Party under their new rising star Tony Blair—who is being built up by the media as the one who epitomizes how socialist politicians should look, if they want to shape policy at the threshold of the 21st century.

Brits laud Bolivia for turning back clock

The Sept. 30 issue of the City of London's mouthpiece, the *Economist*, runs two articles promoting the "democratic" government of Bolivian President Gonzalo Sánchez de Losada (said to be "owned by British mining multinational Rio Tinto Zinc), and his "indigenous" vice president, Víctor Hugo Cárdenas. The *Economist* deems the latter to be "an Amerindian who matters," because under his direction, Bolivia "is coming to terms with its ethnic self," and becoming a multi-ethnic state. The article proudly points to Cárdenas's adoption of the British-spawned "Black Legend," which lies that the evangelization of the Americas begun with Columbus oppressed the native peoples, noting: "The vice-president is cautiously optimistic: 'Reversing 500 years of history is not easy. But we are making a start.'"

Also hailed is the government's scheme for privatization of "choice morsels" of the economy, under which half the shares of the privatized companies are to be deposited in private pension accounts, credited to state workers. The *Economist* praises this scam, because it "weakens charges of 'selling out to foreigners,'" while creating a "new private pension system" from scratch—that is, a new source for financial speculation. (The scheme, called "Capitalization," was devised by a former official in Margaret Thatcher's government in Britain.)

One "native" entrepreneur in the British imperial mold has a different, but in fact complementary, view of the success story. Bolivian Coca Producers leader Evo Morales told the correspondent of Bolivia's *Hoy* newspaper in August that, "it would take very little" for armed rebellions such as that in Chiapas, Mexico, to break out in the Chapare region of Bolivia, his stronghold.

German educational system faces de-schooling

A 22-member expert commission operating on a 1992 mandate issued by the state government of North Rhine-Westphalia has put out a 384-page report calling for deregulation of the German school system.

According to a review of the report in the *Frankfurter Allgemeine Zeitung* daily on Oct. 10, the commission calls for a "fundamental reorientation" of the system which is in line with the change of values that has been observed in the society overall. The report argues against reforms that leave the system as such untouched, and insists on an in-depth restructuring that pays tribute to the "new" values of pluralism, information technologies, and ecologism. The classical set of studies (language, mathematics, natural sciences, musical education, history, etc.) is to be replaced by a flexible system of courses that enable the pupil to "learn how to learn," the report recommends.

Furthermore, the schools must be deregulated and enabled to operate under far-reaching "autonomy" not only in terms of the curricula, but also in terms of administrative and fiscal matters, and the schools should also be enabled to contract for services, rather than exclusively rely on the capacities of the faculty they employ.

The prevailing system of marks for pupils' efforts is to be replaced by an overall "evaluation" of the direction in which the individual pupil is "developing," and teachers shall no longer be employed as civil servants but on a contract basis as in the private sector.

The commission included many top names of the European oligarchy, among them, Reinhard Mohn, chairman of the Bertelsmann Group (publishing); Hilmar Kopper, Deutsche Bank chairman; Per Dalin from Oslo, Norway, of the International Movement for Educational Change; and Theo Liket, a key figure behind educational reforms in the Netherlands.

The initiative should be read as a German complement to Lord William Rees-

Mogg's de-schooling campaign, and as something that goes beyond the 1960s "Willy Brandt reforms" which already killed much of the classical education system, once admired and envied around the world, that goes back to the German Classics of the late 18th century and the reforms of Wilhelm von Humboldt of the early 19th century.

Denounce Australian 'messenger of death'

Peter Singer, the main Australian organizer behind the "Great Apes Project" of Oxford University Prof. Richard Dawkins, which seeks to establish a bill of rights for apes, is the target of an article by Catholic Auxiliary Bishop of Melbourne George Pell in the *Age* on Oct. 9. Pell notes Singer's standing overseas as Australia's best-known philosopher, and the fact that he wrote the entry on ethics in the *Encyclopaedia Britannica*.

Campaigning against abortion and euthanasia, which he condemns as "the new paganism" and "the culture of death," Bishop Pell attacks Singer over an article he wrote in August in *The Spectator* called "Killing Babies Isn't Always Wrong." Singer wrote: "Perhaps, like the ancient Greeks, we should have a ceremony a month after birth, at which the infant is admitted to the community. Before that time, infants would not be recognized as having the same right to life as other people."

Bishop Pell described Singer as the "one serious candidate for the role of King Herod's propaganda chief in Australia." "It is no coincidence that Singer has been most successfully opposed in Germany, which saw the terrible Nazi programs of eugenics and euthanasia, and that he labors mightily to distinguish his doctrines, inspired by compassion, from the Nazi doctrines of racial purity, social utility," he said.

The bishop further urged "defenders of life" to campaign against Singer, who is running for a Senate seat on the Australian Green party slate.

● **NAPOLEON III**, who held the French franchise of what *EIR* described as "Lord Palmerston's multicultural zoo," is getting his reputation spruced up. *Le Figaro* on Oct. 12 quotes ex-Interior Minister Charles Pasqua: "Let us reconcile France with her history." It would be "natural" for Napoleon III's tomb to "repose on the national soil," with the other Bonapartes, and it is "paradoxical" that his tomb remains in England (to which he fled).

● **A LONDON** court let the notorious Indian drug financier, Iqbal Memon, walk out a free man in September, five months after his dramatic arrest. The Dubai-based Memon was arrested in London in April by Interpol, acting on a warrant from India, which sought his extradition, says *Asian Age*.

● **CHINA** may sue the British Broadcasting Company for making falsified documentaries with U.S. citizen Harry Wu, reported the *Liaowang* weekly of Beijing on Sept. 4. Wu, in his trial in China, admitted that film footage in his BBC documentary which supposedly portrayed the extraction of organs from executed prisoners, was in fact a routine surgical operation. But Wu blamed his BBC associates for concocting the fraud.

● **IN NEW DELHI**, diplomatic circles say there is little doubt about the presence of Pakistan Army regulars and paramilitary personnel leading the anti-government Taliban force in Afghanistan, but officially none of the western powers, deeply involved in what is seen as a second round of the Afghan war, wants to admit this. India on Oct. 12 accused Pakistan of "direct and continued interference in the internal affairs" of Afghanistan.

● **UKRAINE** suspended the death penalty as of Oct. 17 solely to fulfill membership requirements for the Council of Europe. It is the first former Soviet republic to do so.

March signals revolt against the Conservative Revolution

by Jeffrey Steinberg

The largest peaceful demonstration in American history, the "Million Man March" which gathered at the foot of the U.S. Capitol on Monday, Aug. 16, has changed politics in the United States and effectively reflected the growing disgust of the American public with the Conservative Revolution of House Speaker Newt Gingrich and his allies. The rally was built around a call for a national "Day of Atonement" issued by Minister Louis Farrakhan, the head of the Nation of Islam, who called last year for 1 million black men to come to Washington, D.C. Leading veterans of the 1960s civil rights movement of Rev. Martin Luther King, Jr., including Rev. James Bevel and Rev. Benjamin Chavis, played an active role in building the event's overwhelming success.

Despite U.S. Park Police claims that the march drew 400,000 people, eyewitness accounts and more accurate estimates released by Washington, D.C. city officials, show that well over 1 million people from across the United States attended the day's events, traveling by chartered bus, plane, car, and rail to participate in the day-long march. Police acknowledged that there was not one single disruption, and not one arrest.

On the same day that the Million Man March occurred, President Clinton delivered an address in Austin, Texas, taking up some of the identical themes of the problem of economic inequality and racism in America that were addressed by the march's speakers.

All told, over 60 speakers addressed the march, including an impressive list of leading African-American women. As part of the scurrilous media coverage leading up to the event, a number of Anti-Defamation League of B'nai B'rith (ADL) stooges had denounced Minister Farrakhan as a "sexist" for focusing the demonstration on African-American men. Among those who had publicly denounced the march as "sex-

ist" were Communist Party USA "queen bee" Angela Davis.

The women who addressed the march included: Cora Masters Barry, the wife of D.C. Mayor Marion Barry; Betty Shabazz, the widow of Malcolm X; Tyneta Muhammad, the widow of Nation of Islam founder Elijah Muhammad; civil rights movement heroine Rosa Parks (who received a lengthy ovation from the crowd); former poet laureate Maya Angelou; and Dorothy Height, the president of the National Council of Negro Women.

In addition to other civil rights movement figures, including Rev. Joseph Lowery and Rev. Jesse Jackson, speakers included gang leaders from Los Angeles and Chicago, who pledged an end to the urban violence and gang warfare that plague the nation's inner cities.

The most critical moment of the rally came when Minister Farrakhan delivered a lengthy message that ended with a pledge that was repeated by the marchers, to rebuild the moral foundations of the African-American community by putting an end to drug abuse, the destruction of the nuclear family, and street violence.

But the driving theme of Minister Farrakhan's remarks was the need to forge, in the words of the Declaration of Independence, "a more perfect Union." His speech put to rest once and for all the ADL-instigated slander that Farrakhan was a prophet of racial separatism.

"When Jefferson said, 'toward a more perfect Union,' he was admitting that the Union was not perfect, that it was not finished, that work had to be done," Farrakhan told the marchers. "And so we are gathered here today not to bash somebody else. We're not gathered here to say all of the evils of this nation. But we are gathered here to collect ourselves for a responsibility that God is placing on our shoulders to move this nation toward a more perfect Union."

LaRouche comments on the march

In his weekly radio interview on "EIR Talks" on Oct. 18, Lyndon LaRouche commented on the significance of the Million Man March: "I think the most important part about the march, as distinct from anything that happened within it, is the fact that it occurred. The best estimate we have, is that about a million and a half people actually participated, which tells us a number of things.

"First of all, it indicates that the potential for that existed, that people were waiting, or some people were waiting for that to be called, and called in an efficient way. And they turned up; lots of them turned up. And national politics, and, to some degree, international politics can never be quite the same, once this has occurred. It's changed the world significantly, as the press reactions around the world the day after the march tend to show.

"I can say this in a qualified way, because I was involved in discussions leading into the march, back deep into 1994. My associate, the Rev. James Bevel, was working closely with Minister Farrakhan and people around him, to that end, and I became involved in those discussions. And my associates and I agreed to give support, suitable for our role in things, to that effort, as we did. For example, we had a concert which we timed and situated in order to feed into strengthening the march process.

"I have a number of reservations about some of the things that were said during the march. I think the issue of atonement was presented very well by Minister Farrakhan, and also he brought in, as the President of the United States brought in the morning before those remarks, the question of one nation out of many: *E Pluribus Unum*. It should be noted also, that the President chose to situate his remarks, at the University of Texas in Austin, on the theme of race relations, which would not have happened the way it did, *but for the fact of the march*.

"I think, in the main, except for one unfortunate sound bite that got in there, the President's speech was excellent. I think the reference to the 'messenger,' the deference to the ADL on the attacks on Minister Farrakhan, even though they were not by name, merely indirect, were rather ill-chosen. But the President was ill-advised, I think, by somebody at the White House on that. And I think that Farrakhan missed a lot of the opportunities that he could have had, by not bringing up some other things that he could have brought up, instead of the things that he did.

"Of course, the crowd, one could see very clearly, was not paying much attention to the speeches. It was impossible. You have a million and a half people scattered all over the place, in that fashion. They've come there for one reason: first of all, to be there under the auspices provided, and to gather around Minister Farrakhan as a rallying point for this event. But more or less, they just wanted a clear direction: Okay, we've come together, this is a crystallization of something; what do we do now? I think that was *not* clearly situated

effectively, and that omission is going to have to be corrected over the coming period.

"But all the possible downsides hither and yon around the affair considered, the fact is, that Minister Farrakhan, in response to several indications to him that this was the thing to do, did it. It came off, largely to the credit of Ben Chavis, who took over the coordination of it. It was a success; that is, the event happened; it was a success probably which exceeded even Minister Farrakhan's expectations, in terms of the turnout. It's momentous. It changes politics in the United States at a time that change is very much needed, as the President's remarks in the morning at the televised address from Austin indicate.

"So I'm rather pleased overall, but it does present to me and others, the kinds of problems that go with a new challenge cast upon our doorstep. We now have to respond to that million and a half people and what they represent, a little more forcefully and a little more directly and effectively than we might have felt ourselves compelled to do, the day before the march came off."

LaRouche noted that one of the most direct assaults against the policies of the present congressional Republican leadership to be delivered at the march came from Rev. Jesse Jackson: "I think that the curious thing is, that Jesse Jackson was the one who most effectively, I think, addressed the issue of the Conservative Revolution as such, directly, on the platform. I don't want to endorse Jesse Jackson, but sometimes he does say things which he's picked up and reflects, and they're appropriate.

"Of course, the march reflected the growing antagonism to Newt Gingrich's Conservative Revolution. And there's going to be more of that. You're going to find that the unity of this march of a million and a half people, predominantly African-Americans, turning out for this thing, is going to tend to crystallize some other social forces in the United States which also have good cause to rally, to demonstrate that there are large forces in this country which are not going to bend over for Newt Gingrich."

A fresh challenge

In his speech, Minister Farrakhan set forward a number of ambitious initiatives, including the registering of 8 million new voters. At a press conference on Oct. 17, he and Reverend Chavis announced that they would call for a meeting of the National Afro-American Leadership Council, the organization that Chavis founded after he was driven out of the National Association for the Advancement of Colored People leadership last year. A number of civil rights organizations already reported within days of the march that they had received inquiries from hundreds of people seeking to join. Minister Farrakhan had called upon all the marchers to go back to their communities and become involved in organizations promoting the betterment of life for African-Americans.

Clinton says America must 'clean house'

In an Austin, Texas speech on Oct. 16, President Clinton said that racism "is tearing at the heart of America," focused on the economic disparity, and praised the Million Man March; unfortunately, he felt compelled to attack Minister Louis Farrakan, saying: "One million men are right to be standing up for personal responsibility, but 1 million men do not make right one man's message of malice and division. No good house was ever built on a bad foundation. Nothing good ever came of hate." Other excerpts from the speech follow.

Today we face a choice. One way leads to further separation and bitterness and more lost futures. The other way, the path of courage and wisdom, leads to unity, to reconciliation, to a rich opportunity for all Americans to make the most of the lives God gave them. This moment in which the racial divide is so clearly out in the open need not be a setback for us. It presents us with a great opportunity, and we dare not let it pass us by.

In the past, when we've had the courage to face the truth about our failure to live up to our own best ideals, we've grown stronger, moved forward, and restored proud American optimism. At such turning points, America moved to preserve the Union and abolish slavery, to embrace women's suffrage, to guarantee basic legal rights to America without regard to race, under the leadership of President Johnson. . . .

Abraham Lincoln reminded us that a house divided against itself cannot stand. When divisions have threatened to bring our house down, somehow we have always moved together to shore it up. My fellow Americans, our house is the greatest democracy in all human history. And with all its racial and ethnic diversity, it has beaten the odds of human history. But we know that divisions remain and we still have work to do. . . .

White America must understand and acknowledge the roots of black pain. It began with unequal treatment first in law and later in fact. African-Americans indeed have lived too long with a justice system that in too many cases has been and continues to be less than just. The record of abuses extends from lynchings and trumped-up charges to false arrests and police brutality. . . .

Still today, too many of our police officers play by the rules of the "bad old days." It is beyond wrong when law-abiding black parents have to tell their law-abiding children to fear the police whose salaries are paid by their own taxes.

And blacks are right to think something is terribly wrong when African-American men are many times more likely to be victims of homicide than any other group in this country, when there are more African-American men in our correction system than in our colleges, when almost one in three African-American men in their 20s are either in jail, on parole, or otherwise under the supervision of the criminal justice system—nearly one in three. . . .

And there is still unacceptable economic disparity between blacks and whites. It is so fashionable to talk today about African-Americans as if they had been some sort of protected class. Many whites think blacks are getting more than their fair share in terms of jobs and promotions. That is not true. That is not true.

The truth is that African-Americans still make on average about 60% of what white people do and more than half of African-American children live in poverty. And at the very time our young Americans need access to college more than ever before, black college enrollment is dropping in America. . . .

Imagine how you would feel if you were a young parent in your 20s with a young child, living in a housing project, working somewhere for \$5 an hour with no health insurance, passing every day people on the street, selling drugs, making 100 times what you make. Those people are the real heroes of America today. . . .

Finally, both sides seem to fear deep down inside that they'll never quite be able to see each other as more than enemy faces, all of whom carry at least a sliver of bigotry in their hearts. Differences of opinion rooted in different experiences are healthy, indeed essential for democracies, but differences so great and so rooted in race threaten to divide the house Mr. Lincoln gave his life to save. As Dr. King said, "We must learn to live together as brothers or we will perish as fools."

Recognizing one another's real grievances is only the first step. We must all take responsibility for ourselves, our conduct and our attitudes. America, we must clean our house of racism. . . .

White racism may be black people's burden, but it's white people's problem. We must clean our house.

To our black citizens, I honor . . . hundreds of thousands of men in Washington today committed to atonement and to personal responsibility. . . . I call upon you to build on this effort to share equally in the promise of America. But to do that, your house, too, must be cleaned of racism.

Long before we were so diverse, our nation's motto was "*E pluribus unum*"—"Out of many, we are one." We must be one as neighbors, as fellow citizens, not separate camps, but families—white, black, Latino, all of us, no matter how different, who share basic American values and are willing to live by them. . . .

Here in 1995, on the edge of the 21st century, we dare not tolerate the existence of two Americas. . . .

A day of atonement and reconciliation

The following are excerpts selected from the transcript of the speech by Minister Louis Farrakhan, leader, Nation of Islam, at the Million Man March at the West Front of the Capitol in Washington, D.C. on Oct. 16. Subheads are added by the editors.

I would like to thank all of those known and unknown persons who worked to make this day of atonement and reconciliation a reality. My thanks and my extreme gratitude to the Rev. Benjamin Chavis and to all of the members of the national organizing committees, to all of the local organizing committees, to Dr. Dorothy Height and the National Council of Negro Women, and all of the sisters who were involved in the planning of the Million Man March.

But to all of you—and we thank you, mass media, too, because even though you planned it for mischief, God planned it for good. So we thank you very much for helping to make this day successful.

If so, truth has to be spoken to justice. We can't cover things up, cover them over, give it a pretty sound to make people feel good. We have to go to the root of the problem.

Now why have you come today? You came, not at the call of Louis Farrakhan, but you have gathered here at the call of God, for it is only the call of almighty God, no matter whom—through whom that call came, that could generate this kind of outpouring. God called us here to this place—at this time—for a very specific reason.

And now I want to say, my brothers, this is a very pregnant moment, pregnant with the possibility of tremendous change in our status in America and in the world.

And although the call was made through me, many have tried to distance the beauty of this idea from the person through whom the idea and the call was made. Some have done it mistakenly, and others have done it in a malicious and vicious manner.

Toward a more perfect Union

Our brief subject today is taken from the American Constitution and these words, "Toward a more perfect Union." Now, when you use the word "more" with "perfect," that which is perfect is that which has been brought to completion. So when you use "more perfect," you're either saying that

what you call perfect is perfect for that stage of its development, but not yet complete. When Jefferson said, "toward a more perfect Union," he was admitting that the union was not perfect, that it was not finished, that work had to be done. And so we are gathered here today not to bash somebody else. We're not gathered here to say all of the evils of this nation. But we are gathered here to collect ourselves for a responsibility that God is placing on our shoulders to move this nation toward a more perfect union.

Now, when you look at the word "toward," "toward," it means in the direction of; in furtherance or partial fulfillment of; with a view to obtaining or having; shortly before; coming soon; imminent; going on; in progress. Well, that's right, we're in progress toward a perfect union. Union means bringing elements or components into unity. It is something formed by uniting two or more things. It is a number of persons, states, etc., which are joined or associated together for some common purpose. We're not here to tear down America; America is tearing itself down. We are here to rebuild the wasted cities.

What we have in the word "toward" is motion. The Honorable Elijah Muhammed taught us that motion is the first law of the universe. This motion which takes us from one point to another shows that we are evolving and we are a part of a universe that is ever evolving. We are on an evolutionary course that will bring us to perfection or completion of the process toward a perfect union with God. In the word "toward," there is a law, and that law is everything that is created is in harmony with the law of evolution, change. Nothing is standing still. It is either moving toward perfection or moving toward disintegration, or under certain circumstances doing both things at the same time. The word for this evolutionary changing, affecting stage after stage until we reach perfection, in Arabic it is called *rab*, and from the word *rab*, you get the word "rabbi," or teacher, one who nourishes a people from one stage and brings them to another stage.

Well, if we are in motion, and we are, motion toward perfection, and we are, there can be no motion toward perfection without the Lord Who created the law of evolution and is the master of the changes.

Our first motion then must be toward the God Who created the law of the evolution of our being. And if our motion toward Him is right and proper, then our motion toward a perfect union with each other and with government and with the peoples of the world will be perfected.

The slaveholders' recipe for control

Let's look at a speech, delivered by a white slaveholder on the banks of the James River in 1712, sixty-eight years before our former slave masters permitted us to join the Christian faith. He said, quote:

"In my bag, I have a foolproof method of controlling black slaves. I guarantee every one of you, if installed correctly, it will control the slaves for at least 300 years.

My method is simple. Any member of your family or your overseer can use it. I have outlined a number of differences among the slaves. And I take these differences, and I make them bigger. I use fear, distrust and envy, for control purposes.

"These methods have worked on my modest plantation in the West Indies, and they will work throughout the South.

"Now, take this simple little list, and think about it. On the top of my list is 'Age,' but it's only there because it starts with an 'a,' and the second is 'Color' or 'shade.' There's 'Intelligence,' 'Sex,' 'Size of Plantation,' 'Status of Plantation,' 'Attitude of Owners,' whether the slaves live in the valley or on a hill; north, east, south or west; have fine hair or coarse hair; or is tall or short. Now that you have a list of differences, I shall give you an outline of action.

"But before that, I shall assure you that distrust is stronger than trust, and envy is stronger than adulation, respect or admiration. The black slave, after receiving this indoctrination, shall carry it on and will become self-refueling and self-generating for hundreds of years, maybe thousands of years.

"Now, don't forget, you must pitch the old black male against the young black male, and the young black male against the old black male. You must use the female against the male, and you must use the male against the female. You must use the dark-skinned slave against the light-skinned slave, and the light-skinned slave against the dark-skinned slave. You must also have your white servants and overseers distrust all blacks.

"But it is necessary that your slaves trust and depend on us. They must love, respect and trust only us. Gentlemen, these keys are your keys to control. Use them. Never miss an opportunity. And if used intensely for one year, the slaves themselves will remain perpetually distrustful.

"Thank you, gentlemen." End of quote.

So spoke Willy Lynch 283 years ago. And so as a consequence, we as a people now have been fractured, divided, and destroyed, filled with fear, distrust, and envy. Therefore because of fear, envy, and distrust of one another many of us as leaders, teachers, educators, pastors, and persons are still under the control mechanism of our former slave masters and their children.

And now, in spite of all that division, in spite of all that divisiveness, we responded to a call. And look at what is present here today. We have here those brothers with means and those who have no means; those who are light and those who are dark; those who are educated, those who are uneducated; those who are business people, those who don't know anything about business; those who are young, those who are old; those who are scientific, those who know nothing of science; those who are religious, and those who are irreligious; those who are Christian, those who are Mus-

lim, those who are Baptist, those who are Methodist, those who are Episcopalian, those of traditional African religion. We got them all here today. And why did we come? We came because we want to move toward a more perfect union.

And if you notice, the press triggered every one of those divisions. You shouldn't come, you're a Christian; that's a Muslim thing. You shouldn't come, you're too intelligent to follow hate. You shouldn't come, look at what they did, they excluded women, you see? They played all the cards. They pulled all the strings. Oh, but you better look again, Willy. There's a new black man in America today, a new black woman in America today.

Now, brothers, there's a social benefit of our gathering here today, and that is that from this day forward we can never again see ourselves through the narrow eyes of the limitation of the boundaries of our own fraternal, civic, political, religious, street organization or professional organization. We are forced by the magnitude of what we see here today that whenever you return to your cities and you see a black man, a black woman, don't ask him, what is your social, political or religious affiliation, or what is your status. Know that he is your brother, and if he needs help, you are obligated to help your brother because he is your brother. You must live beyond the narrow restrictions of the divisions that have been imposed upon us.

Why America is divided

Well, some of us are here because it's history-making. Some of us are here because it's a march through which we can express anger and rage with America for what she has and is doing to us. So we're here for many reasons. But the basic reason that this was called was for atonement and reconciliation.

Now I want you to follow me. When you go to a doctor, you're not feeling well. The doctor says, "What's wrong?" "Well, I don't know, Doc." "Well, where's the pain? Tell me something about the symptoms." You want the doctor to make a correct diagnosis. You don't smack the doctor when he points out what's wrong. You don't hate the doctor when he points out what's wrong. You say, "Thank you, Doctor. What's my prescription for healing?"

Now look, whoever is entrusted with the task of pointing out wrong, depending on the nature of the circumstances, is not always loved.

But, President Clinton, America is also wounded, and there's hostility now in the great divide between the people. Socially, the fabric of America is being torn apart, and it's black against black, black against white, white against white, white against black, yellow against brown, brown against yellow. We are being torn apart, and we can't gloss it over with nice speeches, my dear Mr. President. Sir, with all due respect, that was a great speech you made today. And you praised the marchers, and they are worthy of praise.

You honored the marchers, and they are worthy of honor. But, of course, you spoke ill, indirectly, of me as a purveyor of malice and hatred.

I must hasten to tell you, Mr. President—that I'm not a malicious person, and I'm not filled with malice.

But I must tell you that I come in the tradition of the doctor who has to point out, with truth, what's wrong. And the pain is, that power has made America arrogant. Power and wealth has made America spiritually blind. And the power and the arrogance of America makes you refuse to hear a child of your slaves pointing out the wrong in your society.

But I think if you could clear the scales from your eyes, sir, and give ear to what we say, perhaps, oh, perhaps what these great speakers who spoke before me said, and my great and wonderful brother, the Rev. Jesse Jackson said, and perhaps, just perhaps, from the children of slaves might come a solution to this pharaoh and this Egypt, as it was with Joseph, when they had to get him out of prison and wash him up and clean him up because Pharaoh had some troubling dreams that he didn't have any answer to. And he called his soothsayers, and he called the people that read the stars, and he called all his advisers, but nobody could help him to solve the problem. But he had to go to the children of slaves, because he heard that there was one in prison who knew the interpretation of dreams. And he said, "Bring him. Bring him, and let me hear what he has to say."

God has put it for you in the Scriptures, Mr. President. Belshazzar and Nebuchadnezzar couldn't read the handwriting on the wall. But Daniel had to read the handwriting for him. *Mene mene tekel upharsin*. Your kingdom has been weighed in the balance and has been found wanting.

And so the eighth stage is perfect union with God. And in the Koran it reads, "Oh, soul that is at rest, well pleased with thy Lord and well pleasing." Oh, brothers, brothers, brothers, you don't know what it's like to be free. Freedom can't come from white folks. Freedom can't come from staying here and petitioning this great government. We're here to make a statement to the great government, but not to beg them. Freedom cannot come from no one but the God Who can liberate the soul from the burden of sin. And this is why Jesus said: Come unto me. Not "some" who are heavy laden, but "all" that are heavy laden, and I will give you rest.

America the beautiful

America. America the beautiful. There's no country like this on the Earth. And certainly if I lived in another country, I might never have had the opportunity to speak as I speak today. I probably would have been shot outright, and so would my brother Jesse, and so would Maolana Karenga and so would Dr. Ben Chavis and Rev. Al Sampson and all the wonderful people that are here. But because this is America,

you allow me to speak even though you don't like what I may say. Because this is America, that provision in the Constitution for freedom of speech and freedom of assembly and freedom of religion, that is your saving grace, because what you're under right now is grace, and grace is the expression of divine love and protection which God bestows freely on people.

So either, Mr. Clinton, we're going to do away with the mind-set of the Founding Fathers. You don't have to repudiate them like you've asked my brothers to do me. You don't have to say they were malicious, hate-filled people. But you must evolve out of their mind-set. You see their mind was limited to those six European nations out of which this country was founded.

But you got Asians here. How you going to handle that? You got children of Africa here; how you going to handle that? You got Arabs here.

You got Hispanics here. I know you call them "illegal aliens," but, hell, you took Texas from them by flooding Texas with people that got your mind—(laughing). And now they're coming back, across the border, to what is northern Mexico: Texas, Arizona, New Mexico and California. They don't see themselves as illegal aliens. I think they might see you as an illegal alien.

The Native American is suffering today. He's suffering almost complete extinction. Now he learned about bingo. You taught him. He learned about blackjack. You taught him. He learned about playing roulette. You taught him. Now he's making a lot of money. You're upset with him because he's adopted your ways. What makes you like this? See, you're like this because you're not well.

You're not well. And in the light of today's global village, you can never harmonize with the Asians, you can't harmonize with the islands of the Pacific, you can't harmonize with the dark people of the world, who out-number you 11 to 1, if you're going to stay in the mind of white supremacy. White supremacy has to die in order for humanity to live.

Now, atonement goes beyond us. I don't like this squabble with the members of the Jewish community. I don't like it. The Honorable Elijah Muhammed said in one of his writings that he believed that we would work out some kind of an accord. Maybe so. Reverend Jackson has talked to the 12 presidents of Jewish organizations, and perhaps in the light of what we see today maybe it's time to sit down and talk, not with any preconditions. You got pain, but we got pain, too. You hurt; we hurt, too. The question is, if the dialogue is proper, then we might be able to end the pain. And ending the pain may be good for both and ultimately good for the nation. We're not opposed to sitting down. And I guess if you could sit down with Arafat, where there are rivers of blood between you, why can't you sit down with us, and there's no blood between us.

Schiller Institute hosts 'musical tribute to justice' concert

An estimated 2,300 people attended a Schiller Institute-sponsored "Let Justice Ring!" concert at DAR Constitution Hall in Washington, D.C. on Oct. 15, on the eve of the historic Million Man March. Attendees came from as far away as Mississippi and California, but the core of the audience were District residents who have been organized through more than two years of cultural events which have sought to embody the principles of Classical education that resulted in the Renaissance of the 15th century. The turnout was high despite dirty tricks by the U.S. Department of Justice and the *Washington Post* designed to sabotage the concert (see *EIR*, Oct. 20, p. 57).

The theme of the concert was to root out corruption in the judicial system, that "injustice anywhere is a threat to justice everywhere." The program read, "Corrupted elements of law enforcement agencies, including the U.S. Department of Justice, have targeted and harassed American leaders, in order to silence their political ideas. The time has come to open the 'secret' files on these cases: Martin Luther King, Jr. and the civil rights movement; Malcolm X; African-American elected officials targeted by the FBI's Operation 'Frühmenschen'; Lyndon H. LaRouche, Jr. and associates; Minister Louis Farrakhan; and others."

The concert opened with an invocation and a performance of A.H. Malotte's musical setting of "The Lord's Prayer" by Rev. James Cokley (tenor). Dennis Speed, Northeast Schiller Institute Coordinator, in the opening remarks, referred to the controversy surrounding the concert, and said that the fundamental reason that the activities of the institute are controversial, is that it has stood for these ideas of justice when no one else would.

Speed read greetings to the concert from Schiller Institute founder Helga Zepp LaRouche, who emphasized the theme of atonement and the power of music. "This concert . . . takes place at a moment when there is a new spirit of atonement, reconciliation, and drive for freedom of the human person," Zepp LaRouche said.

"This new movement is sparked by the recognition by many people, that right now there is a danger, that all the accomplishments which were won 30 years ago by the civil rights movement, are now in danger of being lost again, and that, even further, the onslaught by the self-proclaimed Conservative Revolution threatens all these inalienable rights guaranteed by the American Constitution—life, liberty, and the pursuit of happiness—for all who do not belong to that

upper crust of the oligarchical elite.

"But sometimes, when man is confronted with great evil, and the vicious persecution of African-American elected officials is part of that, that evil evokes in us a desire for an even greater good, because God has created the best of all possible worlds."

Speed introduced several individuals who have played, and continue to play, leading roles in the struggle for civil rights in the United States.

The person to whom you 'owe your freedom'

Schiller Institute Vice Chairman Amelia Boynton Robinson was introduced by Speed as "the person to whom almost everyone in the room owes their freedom." Mrs. Boynton Robinson spoke on the theme of the battle for the right to vote, describing her run for Congress in 1964. While she drew a substantial vote in the election, she noted that almost none of her votes came from African-Americans, because the continuing reign of terror still prevented African-Americans from registering to vote.

She indicated that this was part of her motivation in inviting Dr. Martin Luther King to Selma. On Aug. 6, 1965, President Lyndon Johnson would sign the Voting Rights Act into law, as a result of the movement sparked by the 30-year battle of Mrs. Robinson and her deceased husband, William Boynton. It was the battle on Edmund Pettus Bridge on Bloody Sunday in March of that year, in which Mrs. Boynton was beaten and left for dead, which galvanized the country, and the administration, into action.

Former South Carolina State Sen. Theo Mitchell spoke of the need to rally against injustice, and to stand in the Million Man March, called by Minister Louis Farrakhan and entitled "A Day Of Atonement," on the following day. He detailed the plight of black Americans in jails, and in the education system. Mitchell was introduced by Speed as an elected official who had three times been prosecuted without evidence, and finally convicted without evidence in the third mocked-up proceeding. Mitchell would probably have become lieutenant governor of South Carolina, if not for his hounding by corrupt elements of law enforcement agencies. Speed likened Mitchell's treatment to that of the black officials of the 1870s South Carolina legislature, which was removed forcibly from office through corruption trials and the "judicial office" of the Ku Klux Klan.

Mel Evans, head of the Clinton, Mississippi chapter of



Left: William Warfield, baritone, and Lorna Meyers, mezzo-soprano, take a bow at the Schiller Institute's concert, held on the eve of the Million Man March in Washington. The pianist is Dr. Raymond Jackson. Right: Osceola Davis, soprano.

the National Association for the Advancement of Colored People, focused on the theme that "not only is injustice anywhere a threat to justice everywhere, but an injustice to one of God's children is an injustice to all." He said that the LaRouche case and the harassment of black elected officials are one and the same thing.

Rev. James Bevel was introduced as the architect of the Children's March in Birmingham, Alabama, and as the architect of the concept of atonement in the Million Man March. He developed the concept that God is the father of us all, which means that we are all brothers and sisters—not black, white, brown, etc. He said that if you are not reconciled to each other, you are not reconciled to God. This is what you have to atone for.

Rev. Richard Boone of Alabama, introduced as one of the main organizers of the 1965 Selma action, greeted the audience and invited them to sing.

The concert then began with a chorus composed of the Neville Ottley Singers, the Schiller Institute Leesburg Choir, and the Schiller Institute Community Choir, directed by Charlene Moore-Cooper, leading the audience in singing "Lift Every Voice and Sing" and "Oh, Freedom!" After additional selections from the chorus—Verdi's "Va Pensiero" from *Nabucco*, and the spirituals "Steal Away" and "Standing in the Need of Prayer"—the program continued with artists Osceola Davis, soprano; Valerie Eichelberger (Kehembe), mezzo-soprano; Lorna Meyers, mezzo-soprano;

Aaron Gooding, bass; Curtis Rayam, tenor; Kevin Short, baritone; Reginald Bouknight, tenor; and William Warfield, baritone. All were accompanied by Dr. Raymond Jackson, performing selections from Handel, Verdi, Mozart, Schubert, Offenbach, along with traditional African-American spirituals.

Warfield electrified the audience with a dramatic rendering of "Why Do the Nations So Furiously Rage Together?" from Handel's *Messiah*, setting the tone for both younger artists and audience alike, who strived to capture the meaning of each musical piece. Another highlight was a performance of several of the pieces of the "Life of Christ" song cycle arranged by the great African-American singer Roland Hayes, performed by Warfield and Bouknight. The audience was also treated to a recital by Warfield of Paul Laurence Dunbar's poem "When Malindy Sings."

The program ended with all of the soloists on stage performing the song "Great Day," and then joining the chorus in singing the "Hallelujah Chorus" from Handel's *Messiah*, directed by Neville Ottley.

As always, the concert advanced the cause of the Verdi pitch of A=432, the natural (not simply "lower") tuning. The "aesthetic education" premise of the institute's work has been successfully shown in the Washington area, to have generated a thirst for what the poet Shelley called "profound and impassioned conceptions respecting man and nature," as expressed in musical performance and recitation.

LaRouche takes presidential campaign to Fayette, Missouri

by Webster G. Tarpley

On Oct. 12-13, Lyndon LaRouche took his Democratic presidential campaign to Fayette, Missouri within the framework of CityVote, the national urban presidential primary. LaRouche was interviewed by the media of central Missouri, and addressed 125 persons on the campus of Central Methodist College. He met with Fayette Mayor Kenneth O'Brian, Central Methodist Dean Berre Robinson, Howard County Clerk Mark Hill, and Fayette City Council member Mike Hirsch, who is also associate professor at Central Methodist. He had breakfast with Nicki Scott, the president of the Central Methodist student government. He talked to farmers, CityVote activists, and dozens of supporters who had come hundreds of miles to hear him.

Fayette is a town of about 3,000 located where the flat prairie coming down from Iowa meets the first foothills of the Ozarks, a few miles north of I-70 in a coil of the Missouri River, and about midway between St. Louis and Kansas City. The local economy is based on farming, which is depressed here, as it is everywhere in America. Fayette is the county seat for Howard County, which styles itself the "mother of counties," because it was from here that dozens of other counties were organized from the time of the Missouri Compromise of 1820 down to the Civil War. Central Methodist is a small, four-year liberal arts college established in 1854, with about 850 students and an active music program. The big issue on campus is financial aid to stay in school at a time when Pell grants, student loans, and other assistance are under attack in Congress. Fayette is thus about as typical a sample as could be found of the real middle America and its concerns on the eve of the 1996 elections.

The heart of the dialogue

At the heart of LaRouche's dialogue with the citizens of Fayette was the disintegration of the world financial system over the short term. "We are on the verge of the greatest financial collapse in world history," LaRouche told a reporter for TV Channel 8 of nearby Columbia, Missouri, and we must prepare to use the powers of government to establish a new monetary and credit system. The floating-rate monetary system which has dominated the world since Aug. 15, 1971 is about to come down, perhaps during 1995, but more likely during 1996. "This crash will be unprecedented in the memory of you or of your parents," LaRouche warned, citing the German hyperinflation of 1922-23 as "the only parallel" to

what lies ahead. The candidate called for the U.S. government to declare the Federal Reserve bankrupt and put it into receivership, since "the government which charters a bank is responsible for dealing with the bankruptcy of that bank." Washington must act because it is "still the most powerful force on the planet." "Without this government, the condition of the world would be unthinkable," LaRouche added.

The key cause of U.S. economic decline, as LaRouche told KISM radio in southeast Missouri, "is that when I came back from World War II, 60% of the workforce was in production, while today it is 20%." The agricultural sector is especially hard-hit: "We have a national emergency all across the U.S. farm belt."

"The whole blasted system . . . the whole shebang" is now bankrupt, LaRouche stressed, as is shown by a comparison of the growth of debt with the ability to pay debt. If the Wall Street-Fed system "were the East Podunk state bank, they would put it into receivership." When asked when might Clinton act, LaRouche suggested that decisive action would be unlikely until "people are screaming to be saved from the collapse."

By contrast, what is going on in Washington is "Belshazzar's feast as performed by Saturday Night Live." LaRouche proposed to send Speaker of the House Newt Gingrich "back to the Okefenokee Swamp, where his natural propensities will be at home." LaRouche warned that Newt's program is to begin cuts in Social Security in 1997, should the Republicans succeed in winning the coming elections. LaRouche sketched Newt's gutting of Medicare and Medicaid: "By Nuremberg standards, Newt Gingrich is a mass murderer." LaRouche also mocked Sen. Phil Gramm (R-Tex.), "the man with a one-gramm brain" who resembles nothing so much as "a goose in heat."

As for Newt's "Contract on America," LaRouche told Channel 8 that "it's time to junk it." He described the GOP's tax policy as "designed to provide a tax bonanza for Wall Street parasites. . . . That is immoral, and I mean immoral like Hitler."

"The best option is Clinton's re-election," LaRouche stated, noting that he and Clinton were the only two Democratic candidates. LaRouche made clear that he expects to support Clinton for re-election. "My primary task as candidate is to enhance appreciation of the nature of the crisis and what must be done about it," LaRouche told KISM radio. Or, as he put

it to Channel 8, "When we look at Clinton attempting to operate in the tradition of Franklin D. Roosevelt and John F. Kennedy—I agree. But I also have some ideas the White House ought to listen to."

LaRouche described the U.S. population as "totally decoupled" from its elected representatives, who lose sight of their constituencies while they follow the advice of corrupt media consultants to raise \$10,000 per day during their terms in office to buy campaign media time and votes. The population lives in the "virtual reality of the entertainment media." Referring to the O.J. Simpson trial, LaRouche castigated those "who are disappointed because they did not get the blood they were waiting for." "They were clamoring for the Christian to be thrown to the lions—but the Christian lived. The same thing happens if a death row prisoner escapes execution—people feel cheated, they wanted that victim to die."

The second great issue

The second great issue for 1996, LaRouche noted, is the entrenched abuses of the Department of Justice (DOJ). He illustrated this problem by summing up the Demjanjuk case, in which a Special Master of the Sixth Federal Circuit Court of Appeals found that the retired Cleveland autoworker, who was accused of Nazi war crimes, had been railroaded by the DOJ despite his known innocence; the federal authorities had acted with reckless disregard for the truth in perpetrating a deliberate fraud on the courts. Faced with this, the Reno Justice Department, "despite the fact that they had been caught red-handed," attempted to defend this malfeasance with an appeal to the U.S. Supreme Court, which was rejected. LaRouche located the center of these abuses "in the permanent civil service." He cited Deputy Assistant Attorney General Jack Keeney, "who has been there since 1951," and his colleague Mark Richard, as two officials responsible for the Weaver case, the Waco case, in short, "for a death squad operating in the Department of Justice."

LaRouche traced some of the history of this permanent civil service bureaucracy, which was introduced under Grover Cleveland and vastly expanded under Theodore Roosevelt, who created the FBI with the help of Charles Bonaparte, a descendant of the Emperor Napoleon I of France. Bonaparte wanted a secret political police along the lines of Napoleon's First French Empire. LaRouche portrayed this apparatus as "so powerful that attorneys general are afraid of it." LaRouche charged that these DOJ cliques are "trying to pick off parts of the Clinton administration." For the average citizen, the issue is whether he or she will be represented, or whether their congressman will be blackmailed by the FBI and the IRS.

LaRouche had words of praise for CityVote, which aims at highlighting urban and economic issues in a cross-section of communities before the Iowa caucuses and New Hampshire primary take center stage. LaRouche called CityVote "a new approach to an old idea, the idea that candidates should talk to the people." He pointed out that attempts from

the Democratic National Committee to quash CityVote do not necessarily have the President's approval. There are those at the DNC who have an agenda different from the President's, he noted. The DNC is fascinated with power, with how to control elections, and how to rig votes. CityVote is too unpredictable for them, because unforeseen candidates might take off.

No interest in 'wedge issues'

During LaRouche's meeting with city officials at City Hall, Professor Hirsch pointed out that Fayette had just lost its hospital and a textile plant. Other questions raised involved the future of the farm economy, and how to provide adequate medical care for the population. LaRouche later commented that the citizens of Fayette showed that the American people were not interested in the so-called "wedge issues" purveyed by the news media. The top issues in Fayette were the issues of economic survival—and these are LaRouche's issues.

Wedge issues, as theorized by the late Lee Atwater and other Bush advisers, are issues which can be exploited to erode the classical FDR national constituency coalition of cities, labor, farmers, minorities, intellectuals, and others. In the hands of Beltway think-tanks such as the Heritage Foundation and the Cato Institute, wedge issues include term limits, gun control, lobbying reform, the balanced budget, welfare, abortion, affirmative action, taxes, and the GOP Contract with America. The wedge issues include the "hot-button" social questions which Pat Buchanan had in mind when he called for a "new war of religion" in this country. The good news from Fayette is that a sense of reality is gaining ground. The GOP and the DNC have made the average American into a "forgotten man" of the type Roosevelt promised to empower in 1932.

A mid-September CityVote poll in cities such as Boston, Tuscon, the Twin Cities, Pasadena, Fayette, and localities in Idaho, New York, and Washington state shows that 23.3% of registered voters are very familiar with LaRouche—comparable to the figures for Bill Bradley, Arlen Specter, and Pete Wilson, and about double the ratings of Lugar, Dornan, or Forbes. Of these 23.3%, 5.7% expressed strong approval of LaRouche, indicative of a durable base of committed support; 81.2% expressed strong disapproval—the highest negatives of any candidate. Given the frameup and jailing of LaRouche and endless slander barrage by the media, the high negatives are not surprising, and often do not represent deeply held beliefs. When asked for whom they would vote, 0.2% chose LaRouche. LaRouche is ahead of Fletcher and Forbes, tied with Dornan, and less than 0.4% behind Specter, Weicker, Keyes, Alexander, and Lugar. Given the plus or minus 3% margin of error, this result is comparable to those for Buchanan (2%), Gramm (1.7%), Jesse Jackson (2.2%), and Wilson. The CityVote poll shows 35.5% are committed to vote for Clinton, as compared to 13.1% for Dole and 12.2% for Colin Powell, with 15% undecided.

Dole revives move of embassy to Jerusalem

Senate Majority Leader Bob Dole (R-Kan.) on Oct. 13 revived a measure that would force the U.S. government to move its embassy in Israel from Tel Aviv to Jerusalem. Sixty-one senators have co-sponsored the bill, which will throw a monkey wrench into the Middle East peace process. The Israeli government of Prime Minister Yitzhak Rabin and the Palestine Liberation Organization have put the issue of Jerusalem's status at the very end-phase of the peace process because of its controversial nature.

The measure is strongly supported by the Anti-Defamation League of B'nai B'rith, which has not coincidentally also attacked the peace process and Prime Minister Rabin. The United States and most other nations have not moved their embassies to Jerusalem precisely because of the city's disputed status.

Jews, Christians, and Muslims consider Jerusalem a holy city. The eastern half of the city was taken by Israel during the 1967 War, but it is claimed by the Palestinians. U.S. ambassador to Israel Martin Indyk warned that if Congress thus acts to recognize Jerusalem as Israel's capital, it "would explode the peace process" and "put us out of business as a facilitator."

Cuba sanctions stalled by Democratic filibuster

Senate Majority Leader Bob Dole (R-Kan.) failed, in a 56-37 vote (short of the necessary 60 votes) on Oct. 12, to invoke cloture and end a Democratic filibuster against a bill that would tighten sanctions against Cuba, an initiative sponsored by Jesse Helms (R-N.C.) in reaction to President Clinton's move to relax travel and finan-

cial restrictions against the island nation. Similar legislation has been introduced in the House by Dan Burton (R-Ind.).

Dole plans to make another attempt to pass the measure, but ultimately, in order to override what would be a certain Presidential veto, Dole would need 67 votes.

The legislation is meant to isolate Castro and strangle his regime financially, to "set his tail feathers afire," said Helms. One provision would reduce or cut off aid to Russia and other former Soviet bloc countries that do business with Cuba. Another would allow U.S. citizens to sue foreign interests that knowingly buy, use, or profit from property confiscated from those individuals, even if they were not U.S. citizens at the time—a measure that would clog the U.S. courts with litigation.

Republicans tying tax cut to debt limit

Republicans are intent on linking their "balanced budget" to an extension of the nation's debt limit, according to Sen. Connie Mack (R-Fla.), chairman of the Joint Economic Committee. This risks the credit standing of the United States.

Mack repeated the insane arguments of House Speaker Newt Gingrich (R-Ga.), that if the United States defaults on its debt as a result of the debt ceiling not being raised, the markets would react positively. In fact, such a default could trigger a collapse of the financial markets. At the moment, it seems as if there is a standoff between the Republican Congress and the Clinton administration.

"It seems logical to me," said Mack, "that if the Congress of the United States is being asked to increase the debt limit of the nation, we

ought to have a plan about how we're going to deal with taxing and spending over the next seven years. And therefore, if there is no plan, there should be no increase in the debt ceiling."

On "Face the Nation" on Oct. 15, Deputy White House Chief of Staff Harold Ickes warned that the administration is not going to be blackmailed by Republican tactics of waiting until the last minute to send the appropriations bills to the President in a gesture of "sign or else." Treasury Secretary Robert Rubin warned on Oct. 12 that the federal government will reach the limit of its borrowing authority on \$4.9 trillion in debt on Oct. 31, rather than on Nov. 15, as Republicans claim.

Capital gains tax cut nears committee okay

Republican members of the Senate Finance Committee on Oct. 13 reached agreement on a \$245 billion capital gains tax cut that would reduce tax rates on the sale of investments that have increased in value since their purchase. In order to give this tax break for the wealthy a more populist garb, Republicans have added an annual \$500-per-child tax credit for middle-income families starting next year.

The credit, worth \$147 billion, would go to single parents earning less than \$75,000 a year and couples earning less than \$110,000 a year. The House version would extend the tax credit to families earning up to \$200,000 a year. In addition, the legislation includes expanded write-offs for business investments, inheritance tax reductions, and a 50% tax exclusion for people who realize capital gains from the sale of stocks, bonds, or other investments. The House version would even allow big corporations to raise revenue by withdrawing "excess" money from their pension

funds, and would then tax the withdrawals! There is a consensus among pension experts that such a prerogative would endanger the retirement security of U.S. workers.

Medicaid coverage for disabled threatened

Senate Republicans, in their attempt to whittle down the Medicare insurance program, are now considering eliminating Medicaid coverage for the disabled. The move reverses a compromise that had been made with John Chafee (R-R.I.), who had insisted upon an amendment assuring Medicaid coverage for the disabled, pregnant women, and impoverished in exchange for his support for the Republican plan.

The committee passed the Chafee compromise in a 17-3 vote. But then, Utah Gov. Michael Leavitt and 23 other Republican governors protested, saying that the compromise would be an entitlement and thus become an "unfunded mandate," something the Republican-dominated Congress had earlier voted to eliminate. Under pressure from the Republican governors, Republican senators reneged on the compromise. The attack on the disabled could endanger support for the plan from moderate Republicans.

Democrats and advocates for the disabled have accused Republicans of reneging on the commitment to Chafee. Jay Rockefeller (D-W.V.), a member of the Finance Committee, charged the Republicans with "closed-door dealings" to subvert the will of the committee. "Is this the United States Senate or the Twilight Zone?" he asked. "We are through the looking glass, folks—when votes don't count and history can be rewritten."

About 4.9 million Americans with

physical and mental disabilities now qualify for Medicaid. Martha Ford, assistant director for government affairs for the ARC, a national organization on mental retardation, commented, "To disregard people with disabilities that easily, is frightening for us and outrageous."

Gingrich book deal may go to an independent counsel

The House ethics panel, consisting of five Republicans and five Democrats, must now decide whether a special counsel should be appointed to continue the investigation of House Speaker Newt Gingrich (R-Ga.).

Republicans on the panel want to limit the counsel's scope to possible violations of tax law in the funding of a college course Gingrich taught in Georgia while in Congress.

However, the committee is now trying to determine who made bulk purchases of Gingrich's book *To Renew America*, published by Harper-Collins, a firm owned by media mogul Rupert Murdoch. If sales were prearranged, or were made by groups or individuals with an interest in Gingrich's legislative agenda, this would be a violation of House rules.

Rural America hit by GOP cuts, Dems say

Democrats from the House, Senate, and the administration denounced Republican-proposed budget cuts as a severe blow to farmers and rural America, at a press conference on Oct. 11, calling it "The Raid on Rural America." House Minority Leader Richard Gephardt (D-Mo.) said the cuts in Medicaid and Medicare will have a disproportionate effect on rural hospitals, and labeled it a "scorched-

earth policy." He said 2 million people will be affected by the cuts.

White House Chief of Staff Leon Panetta said that 1 million children would lose benefits, and that this would hurt the elderly and the disabled. Agriculture Secretary Dan Glickman said he wanted to be an advocate for rural America, which is struggling with 40% of its population already below the poverty line.

Senate Minority Leader Tom Daschle (D-S.D.) said rural residents will be facing a situation in which they will have to drive 100 miles to a hospital because many hospitals will close because of the Medicare and Medicaid cuts. Sen. Bryon Dorgan (D-N.D.) remarked that the ruling party knows how to eat, but they don't know where food comes from. Sen. Kent Conrad (D-N.D.) compared the effects of the proposed cuts to a neutron bomb—the buildings will be there, but the people won't.

Clinton threatens to veto GOP budget measure

The House Budget Committee passed a budget reconciliation resolution in a 24-16 party-line vote on Oct. 12. President Clinton said that he would rather lose an election than sign the legislation, calling the cuts "excessive" and "not necessary" to balance the budget.

The vote came two days after Republicans broke off talks with the White House on a budget compromise. The committee avoided action on several measures which the Republicans felt would hurt them politically, including Medicare, which Republicans intend to cut severely; tax cuts, which must be reduced to \$245 billion from the \$354 billion promised by the Contract with America; and welfare reform measures.

National News

British nobility claims Powell has royal genes

General Colin Powell is a cousin of Queen Elizabeth II, and a direct descendant of England's King Edward I, says British breeding expert Harold Brooks-Baker, publishing director of *Burke's Peerage*, the tout sheet for Britain's top dogs.

The news may or may not be welcome to General Powell, whose Presidential feelers have already been nipped by his acceptance of a knighthood from the queen, for service to ex-President George Bush in the genocidal war against Iraq. Holders of foreign titles are legally barred from becoming President of the United States.

The director of *Burke's Peerage* remains unbowed, however, and claims that Powell is descended from Sir Eyre Coote (1762-1824), the British governor of Jamaica, and his slave named Sally. An earlier Coote in Powell's putative lineage, Sir Charles Coote, is credited with enslaving Ireland. According to Brooks-Baker, Powell is thus a direct descendant of England's King Edward I (1239-1307), who spent most of his reign trying to butcher Wales and Scotland into submission to English rule.

Pushing genealogy beyond all previously known domains, Brooks-Baker claims that Powell possesses the "royalty and leadership gene" which has ensured electoral victory to every President since George Washington.

Clinton notes threat of 'unbridled' world market

Addressing the annual meeting of the International Monetary Fund and World Bank in Washington Oct. 11, President Clinton added a note of caution to his endorsement of "free-market economics." The President declared that "these forces have also made all our societies more vulnerable to disturbances that once may have seemed distant, but which now directly affect the jobs and

livelihoods in every nation in the world, from the richest to the poorest."

Clinton also warned that the "unbridled forces of the global market made it more difficult for every nation to sustain the social contract, to sustain individual opportunity for all citizens, to keep families strong, to keep communities thriving, to keep hope alive. . . . We simply must adjust the world's financial architecture to these new conditions. We must forge a system strong enough yet flexible enough to make the most of the historic opportunities and the historic obligations before us. . . .

"We have to devise better ways to prevent financial crises and to cope with the crises that inevitably occur. People will turn away from free markets if they feel helpless, if they feel that they are simply pawns in a global game of winner take all, rather than partners in a global endeavor that seeks to make it possible for all to win. . . . The international financial institutions, the multilateral development banks, must continue to sharpen their focus on giving all people the chance to make the most of their own lives. That means investing in education, in health care, in other programs that attack the roots of poverty."

Minn. senator: Cuts would ruin health care

U.S. Senator Paul Wellstone (D-Minn.) told a rally of senior citizens in St. Paul on Oct. 9 that proposed Republican cuts in Medicare and Medicaid would devastate Minnesota's health care system, which he claimed is one of the best in the country.

Wellstone's review of the potential impact of the cutbacks offered a useful case study of the damage which could result nationwide from the Gingrichites' assault on federal health programs. Medicare and Medicaid not only provide vital assistance for children, the elderly, and the poor, he said; but also supply most Minnesota hospitals with their primary source of income from patients. Medicare is also the largest source of funds for graduate medical education.

Existing federal funding levels are al-

ready too low for hospitals to break even. "Currently, 43% of Minnesota hospitals lose money on Medicare," Wellstone said. In the last nine years, 22 community-based hospitals have closed across the state. If the cuts go through, 67% will lose money.

Both the Medicare and Medicaid populations are projected to increase; yet 70,000 senior citizens in Minnesota already live below the federal poverty line, and half of all seniors have incomes of less than \$20,000, Wellstone declared. Two-thirds of nursing home residents rely on Medicaid to pay the "staggering costs" of nursing home care. Minnesota would have to cover a Medicaid funding shortfall of \$2.4 to \$3.4 billion over the next seven years.

Boston cardinal blasts 'Welfare' proposal

Cardinal Bernard Law of Boston and Massachusetts Democratic House Speaker Charles Flaherty denounced legislation proposed by Massachusetts Gov. William Weld on Oct. 12, which would ban all cash welfare payments to unwed teen mothers. This legislation, dubbed "Welfare" by the *Boston Herald*, comes on top of welfare "reforms" already approved by the federal government which take effect Nov. 1. Those measures include the infamous family cap, and forcing welfare recipients with no children under six to get a job within 60 days, or work 20 hours a week at community service.

Cardinal Law declared that Weld's new scheme for teenage mothers would lead to more abortions. "I am raising my voice this afternoon to tell you that no mother, however poor, however young, should be forced to choose between a poor child and a dead child," Law said. "Illegitimacy is not a problem that can be morally addressed at the expense of lives of children."

Law was joined by House Speaker Flaherty, who said it was an "abomination" that "this administration has arranged things so that there are masses of poor children in Massachusetts." Flaherty charged that 92,000 children have no health care and 11,628 are homeless, and that unem-

ployment rates for youth reached 19% in 1993.

Governor Weld, the blueblood scion of an opium-trading family, claims that limiting unwed mothers aged 13-17 to non-cash benefits—such as food stamps, housing assistance, and health care—would prevent what he calls the “encouragement of illegitimacy” by welfare payments.

Ozone hoax inventors win Nobel Prize in chemistry

The Royal Swedish Academy of Sciences awarded its 1995 Nobel Prize for chemistry Oct. 11 to the three fakers credited with developing the “theory” behind environmentalist claims that the ozone layer was depleted by using CFCs as a chemical refrigerant. On the basis of this hoax, an international ban on CFCs (chlorofluorocarbons)—the basis for vital cooling and refrigeration systems worldwide—is currently being implemented by decree.

F. Sherwood Rowland of the University of California; his former student Mario Molina, now at the Massachusetts Institute of Technology; and Paul Crutzen of the Netherlands, Europe’s “Mr. Ozone,” shared the prize. In its tribute to the winners, the Academy said: “By explaining the chemical mechanisms that affect the thickness of the ozone layer, the three researchers have contributed to our salvation from a global environment problem that could have catastrophic consequences.”

The alleged catastrophe presumes that use of CFCs reduces the thickness of the ozone layer—thus admitting more ultraviolet radiation from the sun, resulting in increased incidence of skin cancer. No competent scientific evidence of such a connection has been produced—but there is ample evidence that a ban on CFCs will eliminate enough existing refrigeration systems, to jeopardize the food, medical, and other supplies which tens of millions of people depend upon for survival.

Among the Nobel Prize-winning quack academics, Rowland had also distinguished himself by endorsing the so-called “Morelia Declaration,” that mankind is essentially

no different from louseworts, snail darters, or other creatures lacking the divine spark of reason. The concluding statement from that bit of lunacy, published twice as an ad in the *New York Times*, reads: “If the latter half of the 20th century has been marked by human liberation movements, the final decade of the second millennium will be characterized by liberation movements among species, so that one day we can attain genuine equality among all living things.”

Whitewater prosecutor demands judge be ousted

Special Prosecutor Kenneth Starr, former solicitor general for President George Bush, is unhappy with the federal judge who dismissed his case against Arkansas Gov. Jim Guy Tucker when Tucker appealed. U.S. District Judge Henry Woods ruled that Starr’s attempt to extend his Whitewater probe of President Clinton, into Governor Tucker’s campaign finances, had “no relation whatsoever” to the issues Starr was authorized to investigate.

According to the Oct. 12 *Washington Post*, Starr has demanded that the federal appeals court bar Judge Woods from hearing Starr’s challenge to the ruling, on the grounds that the judge had a “close relationship” with President Clinton, Mrs. Clinton, and others in the “Arkansas political establishment.”

Starr is well known as a Bush-leaguer. Lawrence Walsh, the former independent counsel who prosecuted officials of the Bush regime for illegal trafficking in the “Iran-Contra affair,” has charged that Starr blocked efforts to sustain the conviction of National Security Adviser John Poindexter. Writing in the Aug. 22, 1994 *National Law Journal*, Walsh claimed that plans to challenge a court ruling overturning Poindexter’s conviction “died in the solicitor general’s office. . . . President Bush had expressed his satisfaction that the appellate court had reversed the conviction,” and Solicitor General Starr made certain that the matter ended there.

Briefly

● **THE EYE OF NEWT** Gingrich was recently focused on Sir Henry Kissinger, the London *Economist* reports. The issue released Oct. 13 puffed “Republican critics” of President Clinton who insist “there is no guiding strategy” to his foreign policy. Claiming that Clinton’s “clever metaphors” will not protect him, the *Economist* took comfort in reporting, “Newt Gingrich spent last weekend in Connecticut in the company of Henry Kissinger.”

● **THE GRAMM-GINGRICH** gang’s master plan should be called “the Grim Society,” conservative commentator Kevin Phillips wrote in the Oct. 4 *International Herald Tribune*. Obsessed by “secrecy,” to keep voters in the dark, they are working eagerly to “ennoble over-privileged speculators and corporate buccaneers,” Phillips declared.

● **LEGAL IMMIGRATION** must be further restricted, *Alien Nation* author Peter Brimelow ranted in a *Washington Post* op-ed Oct. 15 entitled “The Case for Mean-Spitedness.” Brimelow insists that foreign immigrants have been of no benefit to “native-born” Americans, and adds the lying assertion that the nation never had a tradition of welcoming them.

● **THE CULT** Awareness Network will close its doors, if it has to pay the \$1 million judgment awarded to kidnap victim Jason Scott by a Seattle federal jury, according to the Oct. 15 *Chicago Tribune*. Executive Director Cynthia Kisser said that CAN “doesn’t have the money,” and has already told staff members that she “no longer can guarantee that she can pay them.”

● **THE FIRST** White House conference on AIDS will be held on Dec. 6, to “discuss the latest trends and the AIDS epidemic, epidemiological surveys and studies of the AIDS epidemic itself, and the central issues of AIDS research, prevention, care and discrimination,” press secretary Mike McCurry said Oct. 18.

Editorial

Nobel committee disgraces itself yet again

Bertrand Russell was arguably the most evil man of the 20th century; although that "honor" might be shared with Adolf Hitler or Josef Stalin. Russell's vision was to use atomic weapons to police a one-world dictatorship—which might run under the aegis of the United Nations, but which would in fact be the British Empire reconstructed.

Russell did not realize the entirety of his evil vision, but we can give him credit for the present state of affairs, in which we face the possible descent into a new dark age. Russell was one of the founders of the *Bulletin of the Atomic Scientists*, in 1945, and it was he who kicked off the Pugwash movement in 1955. This became a vehicle for a typical British double game. On the one hand, Winston Churchill initiated the Cold War with his Iron Curtain speech, and Russell, on the other, was playing the British card of detente.

Pugwash became an instrument for Soviet as well as British propaganda initiatives, but it was always primarily an instrument of British State policy. Furthermore, while Russell was ostensibly devoted to peace, only a fool will overlook that, up until the Soviet Union demonstrated that it, too, had deployable atomic weapons, he proposed again and again that the United States and Britain level the U.S.S.R. in a repeat of the Hiroshima and Nagasaki nuclear bombings.

On Oct. 13, 1995, Russell's hatchetman and long-time collaborator, Josef Rotblat, was awarded the Nobel Peace Prize for 1995. Rotblat is currently the head of the Pugwash Conference on Science and World Affairs, an international organization. A trained physicist, he emigrated to Britain in 1939, where he worked on building a fission bomb. In 1943, he moved to Los Alamos in the United States to work on the Manhattan Project. He left the program in 1944, when he discovered that there was in fact no German nuclear bomb. Whatever his motives at the time—he says he feared that nuclear weapons would be used against the Soviets—he had no qualms in supporting Bertrand Russell's plans for a one-world dictatorship.

In 1946, Russell had written an article in the *Bulle-*

tin of the Atomic Scientists, in which he advocated the creation of a totalitarian world government whose purpose would be "to preserve the peace." The following quotation from that article gives the flavor of his thinking: "When I speak of an international government, I mean one that really governs. . . . An international government . . . must have the only atomic bombs, the only plant for producing them, the only air force, the only battleships, and, generally, whatever is necessary to make it irresistible."

It would be wrong to imagine that the Nobel Prize Committee overlooked *EIR's* many exposés of Russell, in deciding to give the prize to Rotblat, but the immediate tactical use which Rotblat has made of the award, is not irrelevant to his selection. In an interview following his nomination, he chose to berate both France and China for conducting nuclear tests. This was reinforced by Norwegian Prime Minister Gro-Harlem Brundtland, who said that the committee's decision was motivated by the French tests.

French response to this calculated insult has been to point to the previous Soviet penetration of Pugwash. Thus, Pierre Lellouche, a member of the French Parliament and a former strategic affairs adviser to President Jacques Chirac, protested on Oct. 13: "I am personally, and as a specialist in these matters, utterly scandalized by the fact that an organization [Pugwash] that we know was openly manipulated by the Soviets, should be honored in this way, at a time when everyone knows about the controversy surrounding the French tests."

Lellouche is justifiably scandalized at this vicious attack upon France, at a time when organizations such as Greenpeace are conducting irregular warfare operations against that nation; however, more to the point than past associations of Pugwash to the now-defunct Soviet Union, are the present connections of Pugwash to the House of Windsor. Indeed, Lord Bertrand Russell and his forebears have a long and dishonorable record as servants of the British royal family, and its zeal to crush any nation-state standing in the way of the Empire—especially France.

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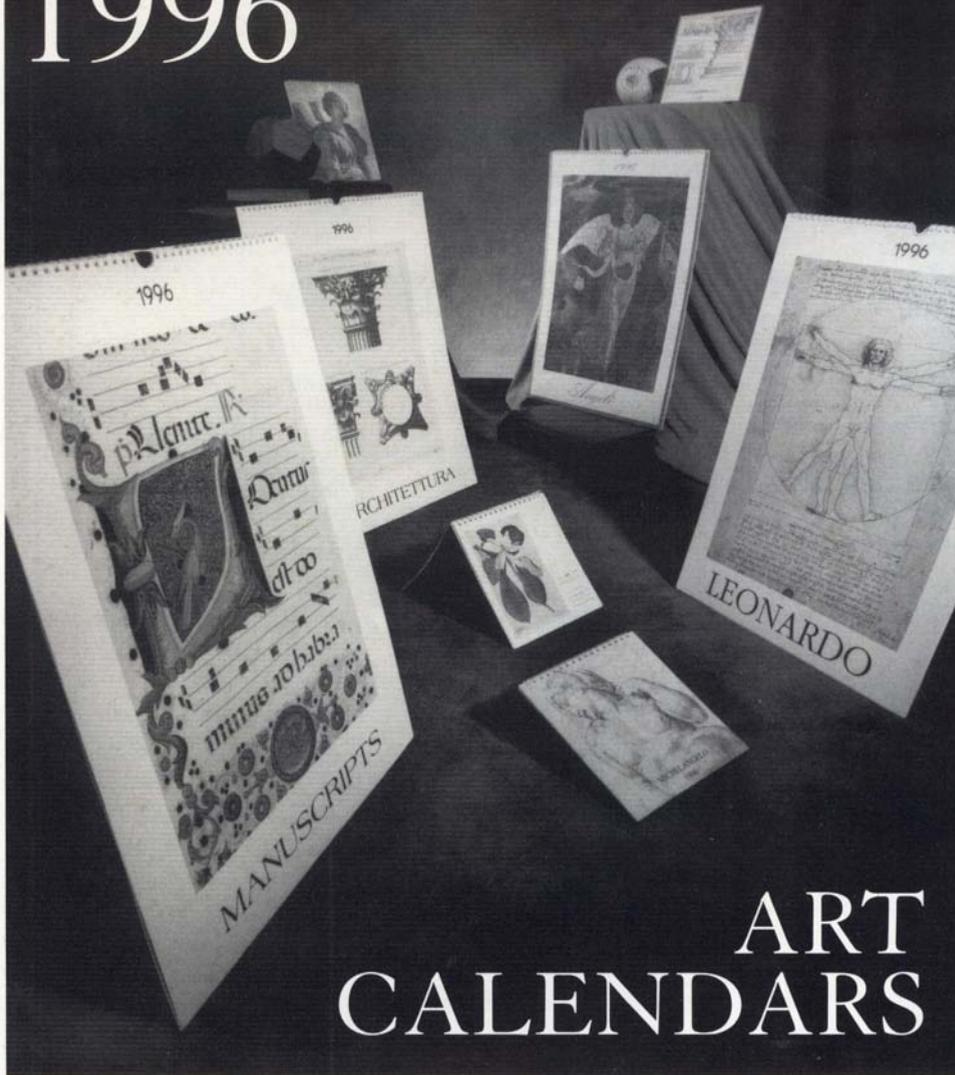
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