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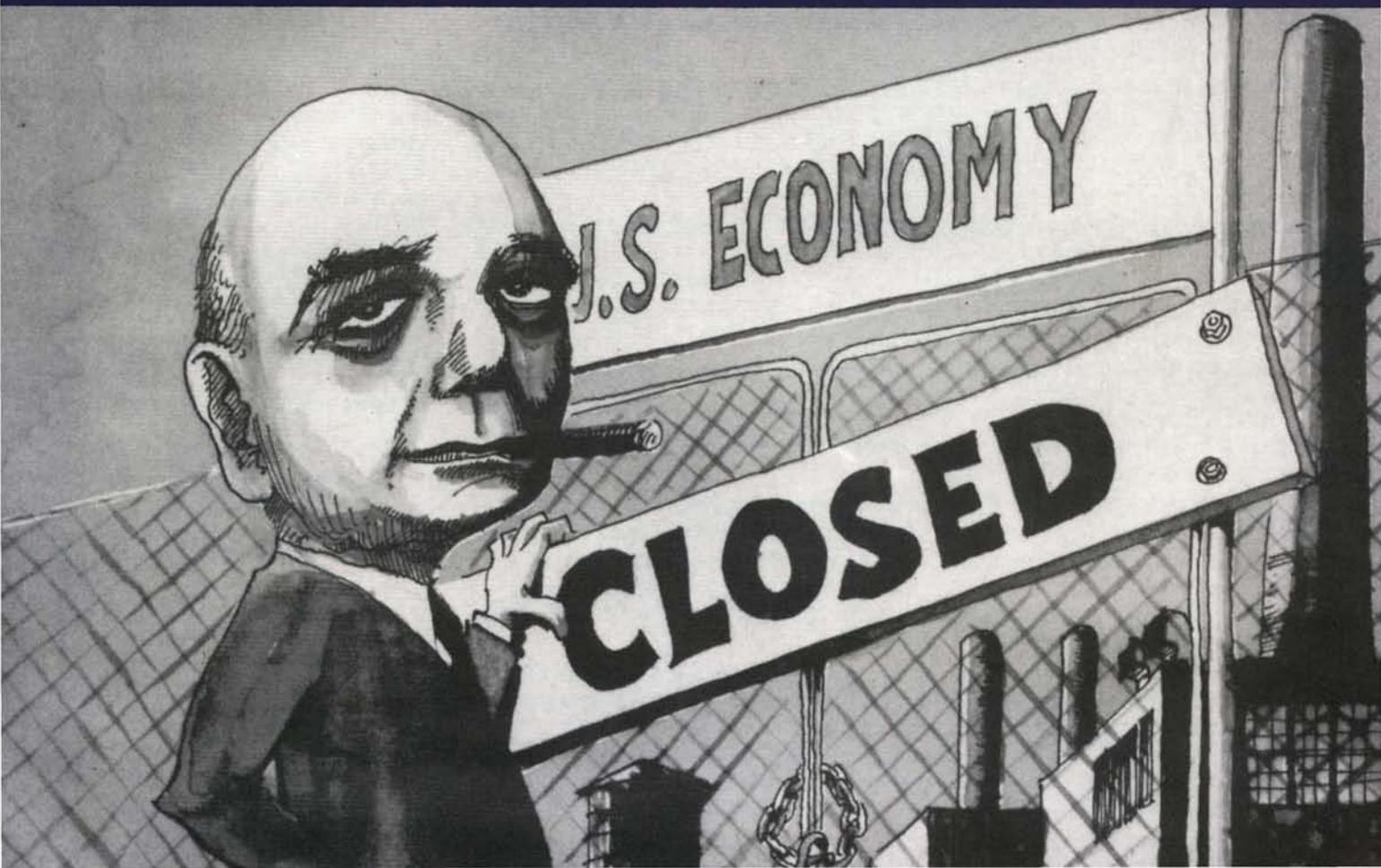
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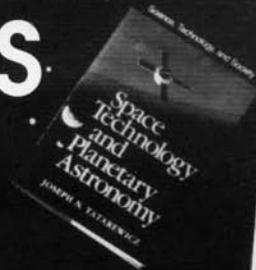
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LaRouche takes his campaign to the hustings

**Why every effort to balance
the U.S. budget has failed**



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From the Associate Editor

In his Martin Luther King Day speech (published in *EIR* on Feb. 2), Lyndon LaRouche demolished the notion—which just about everybody believes—that you have to balance the federal budget of the United States, by using the methods by which a family balances its household budget. In this week's *Feature*, we provide extensive documentation of this point, along with a historical overview of how it happened that every time somebody in Washington decided to "balance the budget," the deficit doubled. This includes the role of Federal Reserve Chairman Paul Volcker, the man shown on our cover, in a cartoon from *EIR* of Oct. 23-29, 1979.

You will find some real zingers in this story, points of irony that are guaranteed to enrage ideologues of the Left as well as those of the Right:

- The idea that government budgets must be balanced like those of families, is not self-evident. Indeed, it originates with none other than John Locke, the British philosopher of empiricism, who wrote a constitution for South Carolina in 1669 based on feudalism and slavery, and whose supporters battled the followers of Gottfried Leibniz, who were the real American Founding Fathers.

- As Anton Chaitkin reported in last week's issue, England was industrialized, not by the free traders, but by Benjamin Franklin. Take that, Karl Marx and Adam Smith! The real story behind the development of science and industry continues in Philip Valenti's article this week, on Leibniz, Papin, and the steam engine.

- Prior to 1921, the U.S. government did not even have a federal budget. The "budget process" was instituted by President Woodrow Wilson, who was also the sponsor of the Ku Klux Klan, the Federal Reserve, and the League of Nations—all abominations which sent the United States down the road to hell, with British help.

Finally, don't miss the report on LaRouche's campaign tour in New England. The fact that 30 New Hampshire state legislators came to hear him talk on the economic crisis, testifies to the importance of the effort to win his exoneration. Forty-eight legislators in that state have signed the letter to President Clinton calling for LaRouche's exoneration, and, being convinced of his innocence, they wanted to hear what he has to say.

Susan Welsh

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Feature



EIR's cover of Oct. 23-29, 1979 hit Federal Reserve Chairman Paul Volcker's high interest-rate policy, which he said was intended to bring on the "controlled disintegration" of the U.S. economy.

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Italian officials investigate Soros for financial crimes

by Paolo Raimondi

Two official investigations have been opened by the Rome and Naples state prosecutors against international financier George Soros, for his personal involvement in the speculative attack against the lira and other European currencies in September 1992. The story broke into the media on Feb. 3, when the nationally circulated daily *Il Tempo* of Rome gave front-page coverage to the news of "Soros, the Lira-Killer, in the Sights of the Magistrates." Several other newspapers, including the Milan-based *Il Giornale*, reported on the case.

Roman state prosecutor Cesare Martellino announced that his office has ordered the financial police (Guardia di Finanza) to open inquiries into the Soros case. In addition, Naples state prosecutor Antonio Guerriero has begun to probe the activities of the Bank of Italy in the monetary crisis at that time. Both Carlo Azeglio Ciampi, then-governor of the central bank, and Lamberto Dini, then-general director, became prime ministers, in two "technical" governments responsible for policies of radical budget cuts and privatization of State-owned industries. The speculative attack of September 1992 led to a devastating devaluation of the lira by about 30%, and to the complete dry-out of the reserves of the Italian central bank, which used up \$48 billion to defend the lira, in vain. That crisis led to the breakup of the European Monetary System.

Soros and Queen Elizabeth

The present investigations were prompted by a legal brief presented in October 1995 by Paolo Raimondi, president of the International Civil Rights-Solidarity Movement, to the state prosecutors of Milan, Rome, Naples, and Florence. The well-known Roman lawyer Giuseppe de Gori will represent the movement in the legal procedures. The movement is associated with the economic and political ideas of Lyndon LaRouche.

The legal brief documented Soros's direct involvement in the attacks against the Italian lira, and the connection between the provoked devaluation of the lira and the secret meeting held on June 2, 1992 aboard Queen Elizabeth II's yacht *Britannia*, during which leading Anglo-Dutch financial and banking corporations met with their Italian counterparts to plot the total privatization of Italian State-owned companies and their sale at rock-bottom prices. Among the participants in that gathering were the leaders in financial derivatives speculation, such as Barings and S.G. Warburg banks; Mario Draghi, general director of the Treasury Ministry; and Beniamino Andreatta, who has held several ministerial posts.

The legal brief concluded with the demand that the Italian judiciary authorities probe Soros's possible violation of article 501 of the penal code, which punishes, with up to four years in prison, those who provoke the devaluation of the national currency and of State bonds by illegal means.

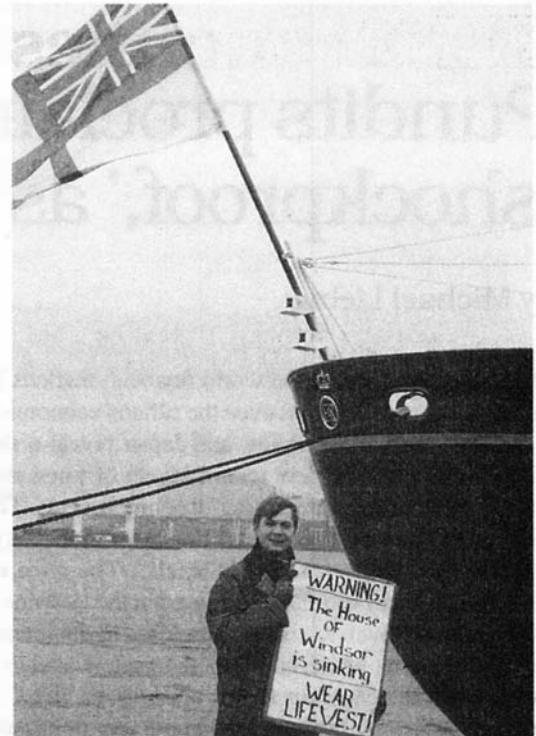
Fighting for the survival of the nation

These actions reflect the will of certain patriotic political forces who are trying desperately to respond in some way to the ongoing process of disintegration of the institutions of the Italian State. The crisis has already gone very far, and is threatening to plunge the country into total chaos; this has opened the gates for a mainly British-inspired financial and economic takeover. On the sinking *Titanic* of the international financial system, the speculative heavyweights of the City of London are planning to cannibalize Italy.

In this context, it is relevant to point out that on Jan. 26, outgoing Prime Minister Lamberto Dini presented to Parliament a report on intelligence and security policy, which says that the Italian secret services have been called in to investigate the continuous financial and economic destabilizations



Two Italian prosecutors are looking into the role of financier George Soros (left) in leading the speculative attack against the Italian lira in September 1992. That speculative attack, which made Soros a cool \$280 million, is being linked to a secret meeting aboard Queen Elizabeth's royal yacht Britannia, in June 1992. Shown here is a demonstration in Copenhagen against the Britannia and the House of Windsor.



of Italy. The report indicates that “the main world stock exchange and currency markets reveal the existence of speculative currents against the Italian lira, which originated, particularly in the most delicate moments of Italian political life, by the uncontrolled circulation of false rumors.” The secret services were mandated “to check eventual strategies of systematic aggression against our economic security at a moment in which one may expect new speculative maneuvers.”

Dini’s report avoided identifying the notorious case of George Soros.

But on the same day, Professor De Gori, on behalf of the Solidarity Movement, sent a letter to the President of the Republic, Oscar Luigi Scalfaro, requesting him to solicit an intervention by the Superior Council of the Magistracy. The day after, Jan. 27, in a speech delivered in Rome at the 50th anniversary of the Ufficio Italiano Cambi (UIC), the office of currency exchanges, Antonio Fazio, the governor of the Banca d’Italia, denounced the fact that “the financial markets are too strong, the central banks can no longer resist the financial operations on the currency markets.” Today, he said, “the central banks cannot change direction or stop the winds” of the financial interventions of the currency markets, because the dimensions of the financial aggregates involved are superior to the “firepower” of the central banks. For Italy, the weather began to change in 1990, and the wind started to blow in 1992, when the UIC used up all its reserves of 8 billion deutschemarks (about \$5.5 billion). Currently, Fazio stated, transactions on the currency markets in Italy reach the level of DM 50 billion daily. For this reason, he added, the Banca

d’Italia and all the other central banks in the world can only adapt themselves to the financial and monetary “winds.”

Demise of the Dini government

All these developments took place in the middle of a crisis of the Dini government. Dini was forced to resign because the leftist coalition led by the Democratic Party of the Left (PDS) and by former Christian Democrat Romano Prodi (now a free marketer), the man who gave Soros his *honoris causa* professorship at Bologna University last Oct. 30, could no longer support Dini’s massive austerity plans. His last program included social budget cuts of about \$50 billion, demanded by the logic of the European Union’s suicidal Maastricht Treaty.

The choice made by President Scalfaro for his new prime minister does not look very promising for the national interests and the future of the economy. The appointed candidate, Antonio Maccanico, has the perfect curriculum vitae of the committed civil servant of the big financial and oligarchical families. He grew up in the British-controlled milieu of the Partitod’ Azione, the fabian anti-Fascist party which was dissolved immediately after the end of World War II, distributing its members to all the other existing parties. Maccanico’s mentor was his uncle Adolfo Tino, leader of the Partito d’ Azione and for 20 years the president of Mediobanca, which is controlled by Enrico Cuccia. Cuccia is the ally of Lazard Frères in Italy. In 1987, Maccanico became president of Mediobanca, to lead the process of privatization of this bank, which has shaped most of the economic history of Italy for the past 40 years.

Pundits proclaim financial system 'shockproof,' as stock prices soar

by Michael Liebig

The price explosion on the world financial markets is going full steam ahead. Whereas even the official economic figures in Europe, the United States, and Japan reveal a shrinking "social product" and new record levels of unemployment, the financial markets are hitting dizzying heights. The stock indexes in New York, London, Frankfurt, and Tokyo keep reaching new "historical record levels." The price volumes on these stock markets have increased in the last nine months by about 40%. Even the rates of increase in the international derivatives trade, which had somewhat attenuated in the first half of 1995, are climbing again.

The "scissors" between monetary and financial aggregates on the one side and the real economy on the other, represented in Lyndon LaRouche's graph of a typical collapse function (Figure 1), has thus opened up even wider. One essential reason for that lies in the attitude of the currency-issuing central banks: In early summer 1995 there developed a "consensus" in the international financier oligarchy, which control the issuing banks and the International Monetary Fund, that the world financial system "cannot sustain a further

crisis of the caliber of the bankruptcy of Barings Bank." Since then, liquidity has been frequently and covertly pumped into the financial system by the central banks. It needs to be stressed in this regard, that this liquidity is flowing into the financial system, rather than into the real economy.

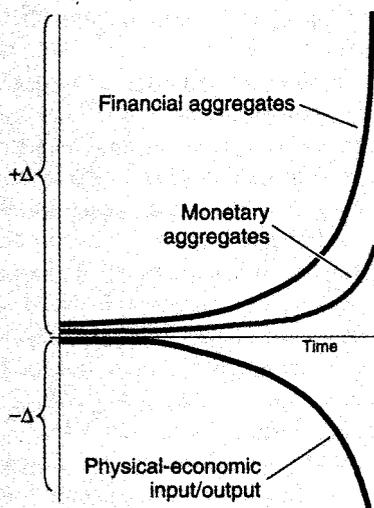
On the contrary, due to budget cuts in the United States—under the watchword "balanced budget"—and in Western Europe—under the watchword "Maastricht criteria"—financial resources have been diverted out of the real economy. The Japanese issuing bank lowered the discount rate in the summer of 1995 to the historical low-point of 0.5%, which means that Japanese private banks can fund themselves with new financing from the Central Bank at practically zero interest. In the United States and Europe this reflation tactic of the issuing banks is not yet so clearly visible. But the U.S. Federal Reserve and Germany's Bundesbank, in the second half of 1995, also persistently lowered the guiding interest rate. The Bundesbank in particular brought down the so-called repo-rate for short-term credit and refinancing to private banks. On Jan. 31, the repo-rate again dropped, from 3.55% to 3.40%, and on the same day the Federal Reserve lowered the discount rate by 0.25% to 5.25%.

As we have said, the monetary liquidity which is being "fed" into the private banking system from the central banks, is not flowing into the real economy. Rather this liquidity is inflating the financial markets. The high-flying financial markets mean nothing other than a massive price inflation in the financial securities traded on these markets. The soaring course of stock prices means the exact opposite of what credulous contemporaries suppose. The price explosion in financial securities will also not be understood by many, because commodities prices are not yet significantly rising. So far, the inflation is confined to financial paper, but precisely because of that, the susceptibility to collapse of the speculative financial bubble will be even higher. The fact that this reality about the inflation of paper values is not ignored by all financiers, is betrayed by the ongoing "flight into gold." Despite the voluminous gold sales by central banks, the gold price in the six weeks since mid-December rose \$35 to \$416 per ounce.

Hysterical denial of the truth

The instability of the world financial system is shown by the lead article in the latest issue of *Foreign Affairs*, the jour-

FIGURE 1
A typical collapse function



This graph, showing the hyperbolic growth rate of financial and monetary aggregates, and the corresponding decline of physical production, demonstrates that a collapse of the economy is inevitable, unless current policies are changed. The graph was developed by Lyndon LaRouche, and was analyzed by him in EIR, Jan. 1, 1996.

nal of the New York Council on Foreign Relations. This “elite” magazine is the mouthpiece of the London/New York financial oligarchy. In open hysteria, CFR research leader E.B. Kapstein announces the “end of the financial crisis”! The world financial system is “shockproof,” he claims. The roots of a conceivable systemic crisis of world finances have been “eradicated.” Under relatively normal conditions *Foreign Affairs* would never let itself get carried away by such obviously absurd assertions. Even President Clinton spoke of “the seeds of potential disintegration” in the world financial system, and French President Jacques Chirac declared that financial speculation has taken on the dimension of “financial AIDS” for the world financial system. The overlap in time between the *Foreign Affairs* article and Lyndon LaRouche’s 30-minute Presidential national campaign television broadcast on Jan. 27, in which he presented the inevitability of the collapse of the financial system, is also characteristic.

Mr. Kapstein does not trouble himself in the slightest to present any grounds for his categorical assertion of the “end of the financial crisis.” He simply asserts that the “international regulatory structures” in the last 20 years have been so “strengthened” that no systemic dangers threaten the financial

system any more. *Foreign Affairs* is not a bit disturbed by the fact that over the last 20 years, the financial markets internationally have been radically deregulated and that this has made the present scale of international financial speculation possible. The undeniable financial crises of 1995—Kapstein mentions the Mexico crisis, the Barings Bank collapse, and the Japanese banking crisis—were merely local phenomena and the work of lone “criminals.” Derivatives speculation is harmless, he says, and only “scared little rabbits” would see in them a danger for the financial system.

In fact, Mr. Kapstein reminds one of the loud speech of little Peter in the dark woods, when he announced, “We have found the way, to stem the [financial] crisis.” The deeply entrenched fear of the near-term collapse of the world financial system has obviously grown so greatly in the financial oligarchy, that it is believed that one can no longer afford to even talk about the condition of the world financial system. So, such discussions will be deliberately throttled and made taboo, because it is feared that the financial collapse might be hastened by it. But unwittingly, *Foreign Affairs* has unveiled the mistrust and inner panic about the state of the financial system, in the financial oligarchy itself.

Kapstein’s curious hoax

This comment was issued by Lyndon H. LaRouche, Jr. on Feb. 4:

The current, January/February edition of the New York Council on Foreign Relations’ *Foreign Affairs*, features a curious piece of whistling-in-the-graveyard fiction, authored by one Ethan B. Kapstein, Director of Studies for that Council. Kapstein’s curious concoction, which appears under the title, “Shockproof: The End of the Financial Crisis,” will go down in the history of the arcane, as the celebrated “Kapstein Hoax of 1996.”

His myth argues, that the world has emerged successfully from what was, for many, a series of critical episodes in international financial crisis. He giggles, “Many Chicken Littles had predicted during the late 1980s and early 1990s that trading in derivatives—futures, swaps, and options—would trigger the next global financial crisis. But they overlooked the important role that derivatives have played in moderating systemic risk, providing banks with increased opportunities to diversify their portfolios and protect themselves from sudden market shifts. . . . The international financial markets have not suffered because the roots of the disease have largely been eradicated.”

Undoubtedly, either the high price of paper has impelled *Foreign Affairs* to cut what it deems not-essential

passages from its contributors’ articles, or author Kapstein did not think the empyreal elegance of rhetoric as wildly absurd as his own, should be marred by reference to relevant facts.

The only serious issue posed to a reviewer by Kapstein’s hoax, is why would *Foreign Affairs* publish such obviously hysterical rubbish at this time? On that account, two facts readily available to anyone travelling in the Washington, D.C. orbit, are outstanding. There is a currently escalating fight within the Democratic Party (and the government) over two issues: Whether or not the President and Democratic Party should pretend to believe in an “economic recovery” which it knows does not exist, for the duration of the 1996 primaries; and whether it is not advisable for the Administration and Party leadership to avoid as much as possible, the charge by certain Bush-league and other Republicans, that the Democratic Party is listening altogether “too much” to the ideas of Lyndon LaRouche.

No one of influence, excepting some Yuppie parasites of the type swarming in the unfumigated corners of the *Wall Street Journal*, actually believes the sort of fairy-tale peddled by Kapstein’s hoax. In no part of the world—for example, France, Italy, Germany, the former Soviet bloc, Japan, the U.S.A.—are economic and financial conditions anything but becoming worse by the week. Only the stock-market and financial indexes continue to rise, as one might expect of any creature in the terminal stage of feverish infection.

Maastricht 'house of cards' is falling

by Susan Welsh

The European Union's Maastricht Treaty, which is supposed to bring about supranational control of the economies of Europe and a unified currency by no later than January 1999, is running into serious difficulty. "The house of cards has started to collapse," reported the Swiss daily *Neue Zürcher Zeitung* on Jan. 29. The European Commission has been forced to take out advertisements to build support for the unpopular treaty, while the London-based agency Idea says that chances for European Monetary Union in 1999 have fallen to 25%, according to the *Zeitung*.

Lyndon LaRouche, addressing a conference of the Schiller Institute in Germany in December 1995, underlined that defeat of the Maastricht program was one of the most important tasks for European patriots in 1996. Branded "the monster of Maastricht" by *EIR* after it was signed in February 1992, the treaty is a supranational European version of Newt Gingrich's deficit reduction plan. It requires that member governments comply with four strict "convergence criteria" by 1997; these involve the national inflation rate, foreign exchange stabilization, the public debt level, and the government deficit level.

Implementation of these criteria will mean a "Europe-wide recession," because it will reduce the national output of all member States by an average of 2%, warned Helmut Kramer, of the Vienna-based WIFO Institute, in an interview with the Austrian journal *Industriemagazin* published on Jan. 31.

As *EIR* has reported, the French strike wave of December 1995 was directed against the Maastricht process, under which the French government was carrying out vicious austerity measures, particularly against public sector workers, the unemployed, and the elderly. The French trade unions have scheduled a new "week of action" for Feb. 11-15, against the program of Prime Minister Alain Juppé. The editor of the journal *Le Monde Diplomatique*, Ignacio Ramonet, wrote in the January issue of that magazine, that the French strikes are a sign of a revolt that is brewing throughout Europe, against the axioms of the current economic system: "economism, liberalism, the totalitarianism of the market, and the tyranny of globalization."

Growing revolt in Germany

The Maastricht Treaty was originally conceived, notably by the late French President François Mitterrand and his Brit-

ish controllers, as a weapon against the nation-state, and especially against reunified Germany. Germany's relatively strong industrial economy was to be the anchor for the European Monetary Union, at the same time that the German government was deprived of the sovereign power to make decisions affecting the national economy. But as the crisis in Germany's economy has grown in the past several years, as a result of wrongheaded policies concerning the eastern part of the country, it has become increasingly apparent that even the erstwhile German powerhouse would not be able to meet the Maastricht criteria.

This is shown by the annual economic report of the Bonn government, which was released to the press on Jan. 26. It makes clear that Germany in 1996 will again fail to meet the Maastricht criteria. Official unemployment is expected to rise by 300,000 to 3.9 million in 1996. The budget deficit, in spite of all cuts, will still be 3.5% of Gross Domestic Product, well beyond the 3% Maastricht limit. The report calls for strict fiscal discipline and "reform" of the social security system.

Economics Minister Günter Rexrodt announced that there are 5 million fewer jobs in Germany this year, and so, in order to fight unemployment, he has put together a list of 18 State-owned companies which should be privatized, including Telekom, Postbank, Lufthansa, DG Bank, the Hamburg airport, the Bonn/Cologne airport, and the State-run publishing company.

The growing unemployment and shutdown of industry have led to statements of opposition to Maastricht from the governors of several of the German states. According to the daily *Handelsblatt*, Bavaria's Gov. Edmund Stoiber had a screaming match over the issue with all the ministers in the Bonn government from the Christian Social Union, during the early January CSU gathering at Wildbad Kreuth; in particular, he refused to enter the 1998 Bavarian elections with a pro-Maastricht program. Lower Saxony's Gov. Gerhard Schröder, in an interview with the *Berliner Morgenpost* on Jan. 15, called for postponement of the single European currency and for a "renegotiation of the Maastricht Treaty."

Bundesbank director Otmar Issing, in an interview with *Der Spiegel* magazine the week of Jan. 15, said that he was "skeptical, whether the European States can manage the great project in the relatively small time remaining, in a way that the European monetary policy can start under favorable circumstances with a common currency."

Despite the opposition, the governments of Europe are stubbornly sticking with Maastricht. This is taking a disastrous toll, as shown by the Jan. 22 decision of the ministers of economics and finance of the European Union to deny additional funding for 14 priority infrastructure projects, under the so-called "Delors Plan" adopted last year. That plan for construction of railroads and highways, if properly implemented, could provide the basis for launching the industrial recovery of Europe.

'Fig leaf' laws won't stop money-laundering

by George Gregory

German Interior Ministry Ministerial Director Dr. Günther Krause, speaking at a private seminar titled "In the Sights of the Mafia," in Celle, Germany at the end of 1995, provided a review of the effects of Germany's October 1993 law against drug-money laundering. The seminar was one of a series, sponsored by the editor of the German police journal *Magazin für die Polizei*, Robert Harnischmacher, together with the Association of Federal Border Police. The seminars are a gathering place for top law enforcement officials, police practitioners, and politicians, to discuss the hard facts of life in combatting organized crime.

Dr. Krause insisted, that he did not want to sow pessimism, but his report was "sobering," as the Germans say. In 1994, banks in Germany reported 4,700 cases of "suspicious transactions"—large cash deposits in which a bank employee thought he had reason to suspect that the money derived from drug trafficking. Of these 4,700 cases, 4% ultimately resulted in concrete police investigations and/or indictments. A fraction of that 4% resulted in convictions. Dr. Krause argued that more experience in applying the law would improve the results.

Immediately after Dr. Krause finished speaking, a police organized-crime investigator rose to his feet: "Dr. Krause, I would like you to bear a message back to Bonn, to the people who told you to tell us these things about our law: 'You can take your law, and shove it!'" The police officer had the unanimous support of the specialized audience—no abstentions.

The political battle

The only note of optimism on the organized-crime front in Germany is President Bill Clinton's Executive Order 12987, "Blocking Assets and Prohibiting Transactions with Significant Narcotics Traffickers," issued Oct. 22, 1995, and the accompanying Presidential Decision Directive 42, with the prospect for targetting the "offshore" money-laundering centers, located mostly in areas of the British Commonwealth or former Dutch colonies. A high German government official, in an off-the-record discussion, was pleased with the U.S. actions: "If we are left to stew in our own juices, we will continue to cook up British-model fig-leaf law. But if the U.S. really wants to get serious, we will work overtime to make sure it works."

The heated background discussions and debates among law enforcement officials runs directly counter to the official

German government adherence to the Maastricht Treaty and "free market economics." In fact, the debate about how to effectively fight organized crime, is an economic policy debate at the same time.

One State Attorney, who specializes in drug cases, stated point blank: "The people who framed our current law knew it would be a flop, and they wanted it that way. Behind the scenes, but explicitly, the argument was, that, for the sake of 'social peace,' we had to permit illicit funds—and the lion's share of that is drug funds—to flow into the legal economy. Money laundering?—Take the supermarket chains in the eastern states of Germany: I'll tell you where the money came from to build *some of them* up, and I'll tell you what they are used for. But, under the current law, I can't prove it, not to speak of prosecuting it." Now, however, "this process is destroying the democratic fabric of our society."

The government official cited before "on background" insisted that "the time is actually more than ripe to return to List's economics," referring to the German "American System" economist Friedrich List. "But if Friedrich von Hayek were to stroll through this town [Bonn] today, he would be denounced as a dirigist." As far as current German anti-money-laundering law is concerned, this official said the real policy is quite simple: "No honorable tax-evader should lose sleep over our laws." Under the Maastricht Treaty, there is practically nothing left of German's economic or financial sovereignty: Despite the appeasement of drug-money launderers in the 1993 law, there is a pattern of capital flight from Germany into Switzerland.

'No' to the British model

Germany is more successful than the British, at least, in applying British-modelled law. According to a review by Michael Levi from the University of Wales "White Collar and Organized Crime Unit," only 4 out of every 1,000 reported "suspicious transactions" in Britain "have triggered new investigations or have made a major impact on existing investigations." That is only 0.4%, in comparison to the German "hit rate" of 4%. Levi's review, published in the No. 2/1995 edition of the Swiss *Criminology Bulletin*, touted Britain as the "most advanced European country in implementing formal anti-laundering measures." Like British law itself, Levi's review was based on a presupposition: "One of the first points to emphasize is our conclusion, based not only on interviews but also on a priori reasoning, that there is a tendency to overestimate the amount of money that is laundered." Of course, British law only considers "suspicious" funds which are brought in a suitcase, for example, to a bank. Real money-laundering through front companies, drug money hidden in the cash flow of "legitimate" enterprises, or hidden in the capital flight and other illicit transactions from Russia, is not touched.

That is why British law is called an "alibi," a "flop," and a "fig-leaf" in Germany.

Russians seek help to revive agriculture

by Rosa Tennenbaum

Berlin's international "Green Week" has become an important meeting ground between East and West in recent years. This Jan. 19-20, it provided an opportunity for discussions among Russian and German officials and businessmen. The Russian representatives presented a stark picture of the crisis in their agricultural system, and solicited the partnership of German entrepreneurs to rebuild the economy, which has been wrecked by the International Monetary Fund's shock therapy policies.

In a seminar titled "Economic Partner Russia," the Eastern Committee and the Cooperation Office of the German Economy offered assistance to those searching for economic partners. They had invited members of the Russian government to participate, as well as leading representatives of 12 of the 89 regions of the Russian Federation. These Russian spokesmen identified many specific projects for which they would like to have western participation. One hundred entrepreneurs from Germany's medium-sized industry attended, and translators were provided to enable them to discuss concrete plans with the Russian guests.

Lack of technology

What the Russians were most interested in, was German technology. Russia's food industry is antiquated and works very ineffectively and unprofitably. The representative of the district of Altai said, for example, that it costs twice as much to process milk, as what the consumer pays—and the price of milk in the grocery store is not low. Processing, storage, transport, and distribution of meat and milk are all very ineffective, and, as a result, unprofitable. The Russians are seeking western partners in all these areas, whether to build joint enterprises with the Russians, or to establish their own enterprises.

The district of Samara was named as a successful example of cooperation. With the help of some German enterprises, at the Amazone farm equipment firm, the production of potatoes was started on a 3,000-hectare area, three years ago. This pilot project became a profitable business in a very short time, since the seeds of Samara are of an extraordinary quality.

Disaster of shock therapy

Russian Deputy Agriculture Minister Ivan Usachov, addressing the group, emphasized that relations with Germany

mean "a pilot project to modernize our agricultural economy." Russia has just had the worst year in its recent history. The grain harvest was 56 million metric tons, the worst in 30 years. The average yield decreased to 1.18 metric tons per hectare, the use of fertilizers to 11 kilograms. Had Russian bankruptcy law been enforced, up to 60% of agricultural firms would have gone bankrupt. In 26 of 89 districts, the harvest was nearly totally destroyed by drought. According to Usachov, the drought is a "punishment of God" for the shock therapy policy. "We carried out major surgery, instead of therapy."

Big mistakes have been made in the privatization of State-owned enterprises, Usachov admitted. "We have forgotten the producers, and have built up monopolies." Food-processing has decreased 70% since privatization began. Russia cannot even supply half of its domestic requirements. The rest comes from foreign countries—not only the finished goods, but frequently even the raw materials. The big cities are supplied 70% by imports. Usachov's ministry has worked out a program for building up the food industry and the agricultural economy past the year 2000, and he hopes that it will be accepted.

The next day, Russian government representatives were even more harshly critical of shock therapy, at a seminar titled "The East-West Agrarian Forum." The West has to understand that the reforms have a negative side; an enormous economic collapse has taken place, Usachov said. The situation has come to such a point that "we have to talk about a national food-guarantee program." Deputy Economic Minister Starikov complained that within the privatization policy, the main question was to increase trade. But the measures that were carried out had a quite different effect "in the Russian reality." No investment is going to the physical economy and agriculture, but only to the stock market and the banks. Through speculation, a great deal of "hot money" was earned, and later was partly returned to agriculture. We would call this money laundering, he said.

The German view

The German side emphasized that it is not enough just to export. Business in the medium and long term can only be carried out if money is invested in Russia's processing industries. It is an illusion to think that Russia can be supplied through imports. "Domestic production is the future," the hosts underlined, "and Russia's economic reconstruction non-negotiable." Only in that way can the living standards of the population be raised, thereby ensuring that there will be customers found for German products.

This meeting revealed a welcome contrast to the policy that is being promoted by banks and international organizations. The representative of the administrative district of Tyumen summed it up in the following way: "We're not asking you for help; we're offering partnership. Share with us the responsibility to rebuild Russia."

Congress okays telecom deregulation boondoggle

by Anthony K. Wikrent

The U.S. Congress passed the massive Telecommunications Reform of 1996 on Feb. 1, throwing out the legal structure which has governed the nation's telephone, television, and radio industries since the 1930s. The new legislation is basically another deregulation boondoggle, of the type that has decimated national airline, trucking, and railroad service over the past 15 years, isolating many smaller and rural communities, and destroying wage levels in those industries. That the legislation enjoyed massive bipartisan support (it was a pet project of Vice President Al Gore), passing by votes of 414-16 in the House, and 91-4 in the Senate, and gaining a quick pledge to sign it by President Clinton, demonstrates how blindly wedded the nation's political institutions remain to the disastrous economic and financial policies of the past three decades.

The "free market" thinking behind the bill is concisely captured in comments by Rep. John Linder (R-Ga.), who

managed the floor fight for the bill, and who told the *New York Times* on Aug. 3, 1995: "The most extraordinary development has come in those nations that have put their trust in the power and potential of the marketplace. . . . This bill states that government authority and mandates are not beneficial to economic development." Countless similar statements were made by both Republicans and Democrats since then. Rep. Ed Markey (D-Mass.) has been pushing for telecom deregulation since the late 1980s, and led Democratic support for the bill.

All five commissioners on the Federal Communications Commission quickly issued statements supporting the legislation to some degree or another. Fairly typical was Commissioner Rachele Chong Hails, who declared on Feb. 1: "Up to now, we've been regulating in a Star Trek era saddled with Gunsmoke-style regulations. This bill tears down outdated barriers to communication, and unleashes communications companies to offer exciting new services to Americans. It allows government to get out of the way."

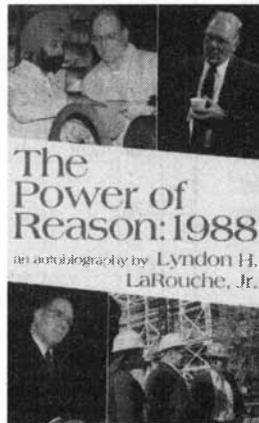
Less competition, but higher rates

About the only opposition to the legislation came from a handful of consumer groups who fear that deregulation will allow large corporations, such as Rupert Murdoch's News Corp., or the seven Regional Bell Operating Companies (RBOCs), to eventually drive out smaller companies, with the end result that in a few years, there will actually be less compe-

Books by Lyndon H. LaRouche, Jr.

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

—Former U.S. Attorney General Ramsey Clark

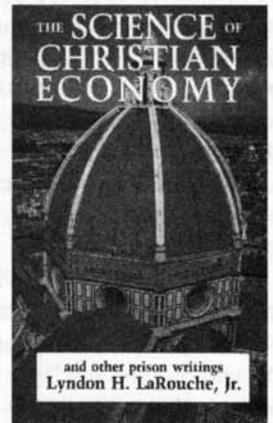
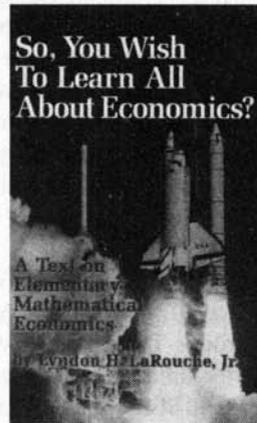


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tion, not more. The consequence will be that in those markets where such a communications monopoly or oligopoly emerges, prices will be much higher. This is exactly what has happened in the airline, railroad, and trucking industries since the deregulation of transport in the late 1970s.

These are some of the bill's provisions:

- Current federal limits that prevent any one company or network from owning TV stations that reach more than 25% of the U.S. population, would be lifted to 35%. A group of network affiliates (local TV stations) had lobbied hard against the bill, warning they would lose their autonomy from the networks, with the loss of much local broadcasting, and apparently succeeded in eliminating the provision in the House version that would have raised this particular limit to 50% after one year.

- The current federal limit on no one entity owning more than 20 AM plus 20 FM radio stations around the country has been eliminated. Caps are placed on four levels of local markets; for example, in a market with 45 or more radio stations, no one entity may own more than 8. However, the FCC is instructed to provide exceptions to these local caps, if there is an increase in the number of stations operating in that area.

- Current federal limits that prevent one entity from owning all the major newspapers, TV stations, and cable TV providers, in the same city or locality, or at the same time, would be greatly relaxed.

- The seven RBOCs, formerly all subsidiaries of AT&T, will be allowed to offer long distance service, providing that they can demonstrate that they have opened their local phone market to a level of competition to be determined by the FCC within six months of the bill becoming law. Cable TV providers, for example, will be allowed to offer local phone service. The RBOCs will also be allowed to begin manufacturing telecommunications equipment, which they are currently banned from doing under the judicial provisions of the AT&T 1984 break up.

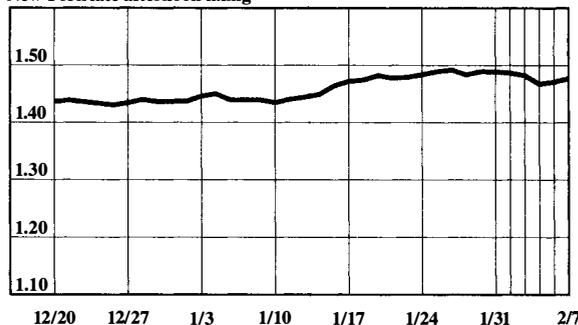
- The RBOCs will also be allowed to offer cable TV and other services: This provision especially alarms local public television stations and consumer groups. The Center for Media Education argues that "Free over-the-air broadcast television will most likely disappear as cable and fiber optic systems become the primary means of distribution. While certain basic services may be available for a flat monthly fee, most programming in the future may only be offered on a pay-per-view, or even 'pay-per-minute' basis. Public, educational, and governmental access channels, and other local services on cable television could vanish as cable companies are replaced by phone companies who will not be required to go through the franchising process to begin their operations."

This just might be a hidden blessing: As the economic collapse continues to decimate wage levels, fewer people will pay to watch TV, and thereby escape this pernicious instrument which has brainwashed people into accepting such silly ideas as deregulation.

Currency Rates

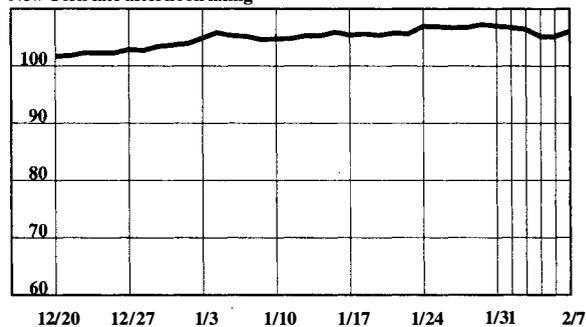
The dollar in deutschemarks

New York late afternoon fixing



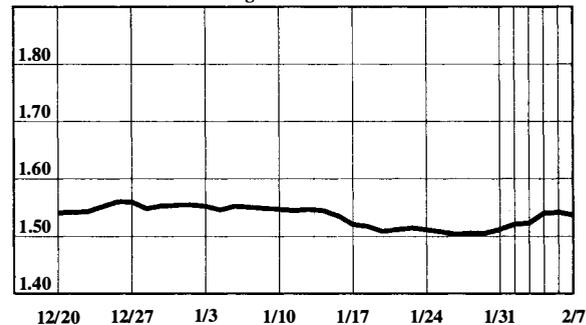
The dollar in yen

New York late afternoon fixing



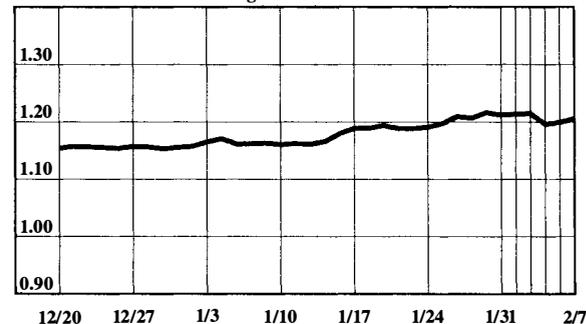
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Venezuelan Brady bond market was a laundry

by David Ramonet

On Jan. 24, Venezuelan Finance Minister Luis Raúl Matos Azócar issued a resolution to control the sale of so-called Brady bonds on the Caracas stock exchange. The Brady bond market had turned into a homegrown caricature of speculation on financial derivatives, de facto setting the exchange rate between the bolívar and the dollar on the black market. Venezuela's President Rafael Caldera explained the same day, in a television interview on his 80th birthday, that this manipulation of the "Brady market" serves the aims of an economic war "to try to distort the recovery of the economy." He added that "the propaganda being made around the Brady bond dollars is intended to put more and more pressure on for a senseless devaluation, which we are doing our utmost to face down."

For over a year, the financial warfare pros in the media, such as the *Wall Street Journal*, the London *Financial Times*, the *Economist*, and the *Economist Intelligence Unit*, have relentlessly campaigned for the bolívar's devaluation, to force the government to accept the International Monetary Fund's shock therapy. Caldera's government has resisted, and has now imposed controls on the weakest link in the financial chain, the Brady bond market.

So-called Brady bonds are securities which replaced the external bank debt in 1991, under then-U.S. Finance Secretary Nicholas Brady's plan. The dollar-denominated bonds are issued by Venezuela, with terms ranging from 5, 6, and 7 to 30 years, and with variable rates of interest. Until last June, these transactions were only carried out in foreign financial centers, such as New York, London, or Frankfurt. Then, the Venezuelan government acceded to allowing transactions on the Caracas Stock Exchange, as a safety valve for the demand for dollars. But the valve turned into the marker for the exchange rate on the black market, a conduit for dirty money, and a lever for the destabilization of the national economy, as was discovered by investigators from the Anti-Organized Crime Division of the Technical Corps of the Judicial Police.

On the Caracas exchange, the Brady bonds, although denominated in dollars, are paid with Venezuelan currency at the official controlled exchange rate of 290 bolívares to the dollar. They are quoted at a discount, i.e., a percentage of their nominal value is offered, and whoever offers the highest percentage, gets them. From the difference in the quotation between Caracas and New York, an implicit exchange rate is thus obtained. For example, in New York, the Venezuelan Brady bonds could be quoted at 50% of their face value,

while in Caracas the quotation has gone as high as 100% and even more.

A theoretical example of how the devaluation was triggered, when the controlled exchange rate was 170 to the dollar: A person buys a \$1 million face-value bond, offering 100% in Caracas, for which he pays 170 million bolívares in November. The buyer sells the bond in New York to get dollars, but he is only offered 50% of its nominal value, and he only gets \$500,000 for it. Thus, this individual has bought \$500,000 for 170 million bolívares, implying that each dollar was bought at 340 bolívares.

How phony transactions 'fix' black market

According to *Wall Street Journal* propaganda, Venezuelan businessmen had to go along with this scheme, because of the supposed dollar shortage due to the exchange controls. But in reality, in one day on the Caracas Stock Exchange, only one bond changed hands—and generally the bond did not really exist, because it only involved the word of a broker who asserted that "I have a Brady bond from this or that company"—and it passed through more than 15 hands.

This was explained to me by Luis Benchimol of Inverworld, a director of the Stock Brokers Association. I asked if it were true that the "Brady market" was replacing the controlled currency market, since allegedly some \$800-900 million passed through it monthly in November and December. "Well, it is not quite that way, because there is an immediate buy-sell process."

According to the Judicial Police, 95% of the transactions never existed. Typically, in the morning, a broker would offer a nonexistent bond, and another would pretend to buy it. That's how they fixed the quotation. Later the second guy "resold" it, and the quotation went up. By day's end, a sum of nonexistent dollars had piled up, and all the "transactions" had the sole purpose of setting the exchange rate for the dollar black market.

At the end of the "Brady market" session, the same brokers went hunting for people seeking dollars. Sometimes, according to *El Nacional* investigative reporter Yolanda Ojeda Reyes, the dollars were offered at below the implicit exchange rate of the Brady market. The suspicion that drug-trafficking dollars were getting laundered, led the U.S. Drug Enforcement Administration to get involved in one phase of the Judicial Police's probe.

The Finance Ministry's new measures oblige brokers to keep a detailed record of all operations in securities denominated in foreign currencies. Plus, the buyer cannot resell the same security until six days later. Although the speculators have protested against the measures, Brokers Association president José Gonzalo Muci, admits that the Brady market cannot go on marking the parity of the bolívar, "because it is a market in securities and not currencies." Fifteen members of his association are under the scrutiny of the Anti-Organized Crime Division.

Financial Chernobyl ahead?

Bad real estate debt heralds a chain of major bankruptcies—but French politicians are in a state of denial.

The hunch that a huge financial crisis might soon explode in France is growing by the hour, as the list of potential bankruptcies among banks and companies continues to swell. Banking and financial experts are sounding the alarm over the dangers hovering over the French financial sky. The most explicit so far is Eric Leser, who, in an article in *Le Monde* of Feb. 5, warned that without being “overpessimistic, the increasing number of accidents [bankruptcies] should incite us not to feel totally protected from a financial Chernobyl.”

Indeed, unlike former Prime Minister and current Mayor of Lyon Raymond Barre, who is echoing in France the analysis published by the Council on Foreign Relations that the economic and financial crisis is now over, Leser’s description of the financial scene is particularly accurate for France.

The year-end reports published by banks and companies have been the occasion to measure the depth of the crisis. After the near-bankruptcy of Crédit Lyonnais in recent years, other banks, insurance companies, construction firms, and infrastructure giants are either on bankruptcy’s edge or, at least, deep in the red. The worst case is Crédit Foncier de France, a public bank for real estate loans. France’s bad real estate debt is estimated at nearly 300 billion francs (about \$60 billion). Crédit Foncier has a total of 200 billion francs tied up in special State-backed loans for real estate investment under a program called the PAP. In normal times, the bank would have absorbed all those loans

in five years, but today it is squeezed between the State, which ended its special PAP-backed loans, and the markets, which refuse any further credit to this bank because the State eliminated the PAP loans. Since Crédit Foncier relies on the money markets to get its cash to the tune of 24 billion francs per year, the bank is nearly bankrupt; only a 20 billion franc cash line extended *in extremis* by another public bank, the Caisse des Dépôts, keeps it afloat.

Several other top companies are in very bad shape due to overextension in the real estate markets. The Compagnie Générale des Eaux, an infrastructure giant which was always called one of two real powers of France (the other being the government), has, for the first time, announced a mammoth loss of 3.5 billion francs, due to bad real estate investments. The worst might yet be to come, because the company is still holding 11 billion francs in real estate, at a point when real estate prices are in free fall.

The construction giant Bouygues is, for the first time, in deep water. Bouygues had to increase its funding by 4 billion francs this year, 2 billion of which was to cover for depreciated costs of real estate stock. Danone, one of the top world producers of dairy products, as well as Alcatel Alsthom, the producer of the French TGV high-speed trains, are both having to fund themselves in the billions in order to meet big restructuring requirements.

The posture of the government and the majority of the French politicians

is one of hysterical denial of the scale of the financial crisis, and hysterical clinging to small administrative reforms to try to solve it.

Instead of attacking head-on the deregulation policies which have led to massive speculation in finance and real estate, the government is stubbornly attacking the remaining productive sectors. Prime Minister Juppé and his Labor Minister Barrot have found new scapegoats for the crisis: the French people, who refuse to consume and only stash their money under their mattresses; and the companies, which refuse to hire new personnel, despite all the tax breaks they have gotten from the governments in recent years. The measures announced by Juppé to relaunch the economy are aimed at forcing these two sectors to act according to the government’s fantasies. The remuneration on savings offered by the State through one of its public banks was cut from 4.5% to 3.5% in order to force people to take out their money and consume. The government has also started a public campaign attacking businesses for not creating new jobs. The growing poverty of the general public, as well as the fact that the companies don’t have enough orders to hire new personnel, are facts totally unknown to this government.

Some people are even further into fantasyland. At the recent Davos conference in Switzerland, Raymond Barre averred that the crisis is over, and “the world has entered, since the beginning of the 1990s, a new phase of long-term growth—an ascending phase of Kondratiev cycle—an expansion nourished by new technological innovations, price stability, and development of exchanges stimulated by a flow of capital radiating throughout the planet.” The recession in Europe is, according to Barre, just “a natural breather.”

Organized crime takeover bid exposed

The Brazilian government is dooming itself if it ignores the implications of UBP's takeover of Banco Econômico.

In January, the Brazilian chapter of the Ibero-American Solidarity Movement (MSIA) issued a statement warning that the purchase of Banco Econômico by the association of Banco Excel and Union Bancaire Privée (UBP) would mean handing over Brazil's sixth-largest banking institution to the international money-laundering mafias. Less than two weeks later, in its Jan. 28 issue, the daily *O Globo* published a front-page article on the suspicious origins of the UBP and its controller, Edgar de Picciotto.

Brazilian police had already suspected UBP because it was one of the institutions in which former judge Nestor de Nascimento hid part of the millions of dollars he stole from the Brazilian Social Security Institute. This was one of the biggest corruption scandals to occur in recent years.

O Globo's Geneva correspondent Deborah Berlinck conducted an interview with Swiss congressman Jean Zigler, a critic of the Swiss banking system, who attacked De Picciotto's modus operandi. "The problem is a simple one: How do you manage to become the fourth-largest private bank in Switzerland in five years? In Paraguay, a guy can walk in and create a large bank. In Switzerland, this raises eyebrows." As for De Picciotto, his only defense is the worn-out line that he is the victim of an anti-Semitic campaign.

On Jan. 29, the day after *O Globo's* exposé appeared, prominent journalist Rubem de Azevedo Lima repeated the charges in his column in *Correio Brasiliense*, the leading

newspaper in Brasilia. "Senator Antonio Carlos Magalhães thought the Central Bank's solution a good one, that is, the sale of the collapsed Banco Econômico owned by his ex-friend Calmo de Sa, to the Excel-UBP association, based in Geneva, Switzerland. Although this column had already commented on the operation, a dossier delivered to this reporter by Mexican journalist Lorenzo Carrasco, opens the matter once again and destroys the optimistic impression of ACM," as the powerful senator and representative of Bahía's oligarchical families, is known.

Azevedo Lima concluded that *EIR's* dossier "shows that the network to which UBP belongs is involved in prostitution, blackmail, and technological espionage. To track Calmon de Sa's accounts, the Central Bank hired Kroll Associates, an international detective agency which works for the CIA, MI-5, the Israeli Mossad, and Wall Street. Kroll found the secret accounts of Manuel Noriega, Ferdinand Marcos, Saddam Hussein, and Alan García, but couldn't find the international connections of [deposed President Ferdinand] Collor de Mello, having only discovered dollar remittances made by [Collor's campaign treasurer] P.C. Farias through Excel. It is remarkable that neither the government nor the Congress are investigating the sale of Econômico to UBP, a transaction which will bring Brazil into the first world . . . of organized crime."

On the following day, Azevedo Lima's article was read in the Senate by Sen. Lauro Campos, who endorsed the

journalist's call for an official investigation of the affair. The intervention brought an immediate response from Senator Magalhães, who charged that the exposé was the work of "people who will benefit from the cancellation of the operation." When Senators Lauro Campos and Bernardo Cabral responded in defense of Rubem de Azevedo Lima's honesty, ACM replied that he was "referring to the Mexican journalist," Carrasco.

A logical assumption stemming from this string of denunciations is that UBP's purchase of Banco Econômico will be cancelled. However, Central Bank President Gustavo Loyola insists that the deal is moving forward. But the problems for the government and its congressional allies who backed the deal, such as ACM, have only begun.

So intent is it on preventing cancellation of the UBP purchase from provoking an explosion of the country's banking crisis, that the government appears oblivious to the attacks on the deal. This behavior clearly shows that the current economic model of world globalization, which relies on hot money flows, has become a banking paradise for money-laundering mafias who see their power increase as governments deregulate and destroy traditional banking controls. This is the context in which Brazil is becoming one of South America's major money-laundering centers.

But by turning a blind eye to these denunciations, the government is also dooming itself. At the very least, by failing to act on police suspicions of dirty-money laundering, it faces a political scandal of vast proportions. The UBP case is not limited to journalistic exposés, since several governments, including that of the United States, are tracking the money-laundering mafias among whose networks the UBP and Excel can be found.

Business Briefs

Corporate Strategy

German firms avoid 'modern' management

Small and medium-size German firms, known as the *Mittelstand*, have generally managed to remain productive and escape the disasters of big industry, because they oppose "modern" management methods and stick to traditional methods of corporate "common sense," Hermann Simon, a former marketing specialist at the University of Mainz, documents in *The Secret Winners*, according to a review in the Jan. 30 *Frankfurter Allgemeine Zeitung*.

The book is based on studies of about 500 firms in Germany. "They disregard the rules of management gurus, don't think much of outsourcing, strategic alliances, or modern marketing methods," the review began. Those firms, "though largely unknown to the public, are leading firms in their respective markets."

One of the traditional aspects of corporate solidity is that these firms used to build their own machine tools, and favor a high rate of technological innovation: Simon found firms that have 20-25 patents per 100 employees, while Siemens Corp., which is the world leader in the total number of patents held, has a ratio of only 10 per 100 employees.

The concentration on concrete requirements of production does not permit the firms to build up an unproductive bureaucracy—"more work than heads," is the phrase used by Simon.

Labor

Russia, Ukraine face growing strike wave

Russia and Ukraine are facing growing labor unrest. Nationwide strikes of coal miners began on Jan. 31, involving about a half-million miners in each country, Itar-Tass reported on Feb. 1. The strikes were called by the independent miners unions, to demand the payment of back wages. In most cases, miners have not been paid since October.

"The economic crisis is a consequence of the reforms that have been undertaken," said Natalya Vitrenko, a deputy of the Ukrainian Parliament, wire services reported. "This is a scenario to destroy all our industry as proposed by the International Monetary Fund."

In Russia, on Feb. 3, miners suspended their two-day-old strike after Prime Minister Viktor Chernomyrdin signed a 10.4 trillion ruble (\$2.2 billion) financing package, including \$133 million in overdue wages, for 1996. But they threatened to strike again if the government did not follow up pledges to finance their crumbling industry. The strike had taken on a political character, with many miners demanding the resignation of Chernomyrdin.

The coal miners strike overlapped a three-day nationwide Russian teachers strike that began on Jan. 30, involving 250,000 teachers in 51 regions.

In Severomuysk, near Lake Baikal, where a 15-kilometer tunnel has been under construction for 20 years as part of the Baikal-Amurskaya railroad, appalling work and living conditions have led workers to threaten that they may go on strike; a strike could lead to the flooding of the tunnel.

Finance

Casino economy, not wages, causing problems

The problems of the German State are not caused by high wages or spending for social programs, but by international capital flows, which have turned the world economy into a casino, Arne Heise, of the trade union-related Institute for Economic and Social Sciences in Düsseldorf, charged in the February issue of the monthly *International Politics and Society*, published by the Friedrich Ebert Foundation in Germany.

Heise warned that financial speculation is destroying the sovereignty of States in respect to social policies. Germany, in particular, is a victim of global speculation and the flow of speculative capital. This is the problem for German exports, and not high wages, he said.

Even Social Democrats and trade union-

ists have capitulated to the illusion of inevitable globalization, and therefore are now losing political support, he said. The so-called inevitability is nothing but coercion of national policy by globalized financial markets. He attacked efforts to replace State emphasis on social policies with a free trade "competition State." However, his strange conclusion is, that the social State cannot be sustained under these circumstances, and should be reestablished on a supranational basis.

Economic Policy

Polish model a disaster, says Moscow professor

The "Polish model" of privatization and other International Monetary Fund-dictated policies should not be followed by Russia, warned Prof. Taras Muranivsky, in an article entitled "Where Is the Polish Road Taking Us? Six Years of Reform in Poland," in the Moscow daily *Nezavisimaya Gazeta* on Jan. 23. Dr. Muranivsky is president of the Schiller Institute for Science and Culture in Moscow.

Russians generally receive only the most "optimistic" information about the Polish reforms, Muranivsky wrote, yet the defeat of Lech Walesa in last year's Presidential elections was more due to the social consequences of the reforms, than to "image" or other factors. This is an important lesson for Russia, whose reforms were launched on the Polish model, he said.

While Poland has had two parliaments and six governments in six years, one thing has been constant: "the illusion of 'free market reforms' under IMF supervision," which, in reality, entails the massive sell-off of national industry to foreign companies, which are interested in cheap and relatively skilled labor." Muranivsky cites the research of "the Polish economist from the U.S., Anna Kaczor-Wei" (published in *EIR*), who "is of the view that Poland is coming more and more to resemble certain Latin American countries, particularly Mexico. . . . Essentially, Poland is becoming one big *maquiladora*."

Muranivsky summarizes Kaczor-Wei's

findings on the flow of investments into Poland, out of the productive sector and into finance and banking. He quotes Member of Parliament Wojciech Blasiak, who said during a parliamentary debate on the new privatization law, that Poland was losing its economic independence and becoming a Third World country.

Muranivsky writes, "Further privatization measures in Russia . . . resemble today's reforms in Poland. . . . The struggle against privatization is sometimes shrugged off as communist propaganda, but that is not the point. Economic life in Poland today, and now in Russia, rests primarily on trade in imported goods. But it is well known, that that is a road to nowhere." The State must intervene, to invest in the productive sector and infrastructure. "Purely monetarist methods, and privatization based on them, can ruin the entire economy."

Gold

Price surge reflects strategic decision

The spot price of gold, which stood at \$387 per ounce on Jan. 1, surged past \$416 per ounce on the London gold market on Feb. 2, bringing it to a six-year high. Speculative hedge funds, such as George Soros's Quantum Fund and Mercury Asset Management (a division of S.G. Warburg, which is now owned by Swiss Bank Corp.), which already hold huge positions in metals on the London Metals Exchange, are pouring fresh cash into gold futures on the New York Commodity Exchange, the London *Financial Times* reported.

At the same time, Barrick Gold of Canada, one of the world's top-five gold producers, run by the speculator Peter Munk of Canada, and which includes on its board J. Trevor Eyton, chairman of the Bronfman family's Brascan Ltd., announced that it was reducing its hedging position by 100 tons.

Gold producers, such as Barrick, have tended to inhibit any price rise in the recent past, by taking advantage of higher prices to sell their production forward, which is a form of hedging. This dumps gold onto the mar-

ket, driving its price back down. If Barrick and other producers reduce their hedge positions, this will tend to push gold's price higher. Thus, Barrick's decision is strategic, and could have come after consultation with other members of the raw materials cartel.

"The break and close above a key level around \$409 was the turnaround point for gold," said one European analyst. "It really looks as if we could have the makings of a major bull run." The increase in commodities' prices over the past 18 months represents the stampede by the Anglo-Dutch oligarchy, grouped around the House of Windsor, out of financial holdings, which are on the verge of disintegrating, into hoarding of raw materials, including increasingly scarce food supplies, base metals, and precious metals.

Banking

Two Japanese banks take losses, restructure

Two Japanese banks, including the Long-Term Credit Bank of Japan (LTCB), one of Japan's top 21 banks, announced Jan. 31 that they would write off large amounts of bad loans and begin major restructuring programs, including workforce reductions and cuts in foreign operations.

An LTCB spokesman said the bank aimed to cut jobs by 10% through attrition. It has about 3,900 employees. LTCB will close offices in Milan and Melbourne, and a branch in central Tokyo, and may also sell Greenwich Capital Markets, its U.S. securities unit, and shut its unit in Belgium. LTCB is thought to have some \$20 billion or more in bad loans, including \$500 million to the bankrupt *jusen* home loan companies, out of a loan portfolio of some \$200 billion.

Hokkaido Bank, a smaller regional institution, said it would close all its overseas operations (a branch in New York, an office in London, and an office and a subsidiary in Hongkong) by the end of March. It said it planned to write off bad loans of \$747 million in the year to March 31, 1996, and to post a loss of \$364 million. Even after the planned write-offs, it would still have problem loans of \$1.66 billion.

Briefly

CHINA will build two power stations in Nigeria, the government announced Jan. 10, Reuters reported. A World Bank loan fell through, because it "insisted on Nigeria increasing electricity charges," the wire said. In December, the two nations signed a \$500 million deal for China to modernize Nigeria's railways.

BENIN President Nicephore Soglo threatened on Jan. 25 to use edicts to implement the International Monetary Fund-dictated third structural adjustment program, which has been postponed three times by Parliament. He insisted that any decision taken by the World Bank "cannot be put into question."

MONT PELERIN Society founder and Nazi economist Friedrich von Hayek's triumphant moment was when he received the "Companion of the Queen" honor from Queen Elizabeth II of Great Britain, a Mont Pelerin Society member and friend of von Hayek told a caller recently. "Von Hayek was through and through British."

AUTOMAKERS are reducing their first-quarter production 9.6% below 1995, to reduce inventories of passenger cars, which have swelled from 60 to 65 days, to 76 days. Fifteen car assembly plants plus four light truck assembly plants, in the United States, Canada, and Mexico, are being idled for at least one week.

GERMAN pensioners are warning that they will "march on Bonn," if there are pension cuts. Walter Hirrlinger, the president of the Association of Pensioners, Handicapped, and War Victims, told the daily *Bild am Sonntag* on Feb. 4, that his group will begin collecting signatures, which will be presented to Chancellor Helmut Kohl on March 10.

FRENCH unemployment is 11.7%, according to government figures released on Jan. 31. In the southern port city of Marseilles, 23% of those under 25 years of age are unemployed. A new wave of strikes has begun.

Britain sabotaged the steam engine of Leibniz and Papin

The Royal Society and Isaac Newton successfully obstructed the industrial and maritime use of steam power for 100 years, and then claimed the discovery for themselves. Philip Valenti reports.

This article is published as part of our ongoing series on the real origins of the American System. See EIR, Dec. 1, 1995, "The Anti-Newtonian Roots of the American Revolution," and Feb. 2, 1996, "Leibniz, Gauss Shaped America's Science Successes." The article that follows is adapted from a longer version, first published in Fusion magazine, December 1979.

The early history of the invention of the steam engine shows without doubt that the British Royal Society, including Isaac Newton personally, deliberately prevented the industrial and naval applications of steam power for nearly 100 years. In fact, the Royal Society was so intent on burying Denis Papin's 1690 invention of a paddle-wheel-driven steamship, worked out in collaboration with Gottfried Wilhelm Leibniz, that it stole his work, and created a mythical story of how two British "Newtonian" heroes invented the steam engine for the sole purpose of raising water from coal mines—a myth that has persisted in the history books until today.

The project of discovering and perfecting a new source of power capable of effecting a dramatic human advance, was first initiated as a national effort by Jean-Baptiste Colbert (1619-83), the minister of the young French King Louis XIV.

In 1666, Colbert established the Academy of Sciences at Paris for this purpose, recruiting the Dutch scientist Christiaan Huygens (1629-95) as its first president. Huygens's program included "research into the power of gunpowder of which a small portion is enclosed in a very thick iron or copper case. Research also into the power of water converted by fire into steam," as well as experiments with vacuum pumps, wind-powered engines, and the communication of force by the collision of bodies.

In 1672, Huygens acquired two young students and collaborators: German diplomat Gottfried Wilhelm Leibniz

(1646-1714); and Denis Papin (1647-1712?), a medical doctor introduced into the Academy by Madame Colbert. Within a year, Huygens and his new colleagues had successfully modified the von Guericke air pump, into an engine capable of transforming the force of exploding gunpowder into useful work.

Huygens proposed to create a vacuum within a cylinder under a piston, by exploding a charge of gunpowder at the cylinder's base. After the air was expelled through two valves fitted with leather collars, the collars collapsed, preventing air from reentering the cylinder. The pressure of the atmosphere then pushed the piston downwards into the cylinder, the motion of the piston being applied to perform work (**Figure 1**).

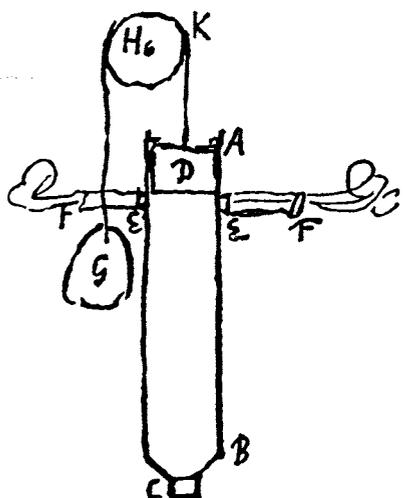
After successfully demonstrating a model gunpowder engine to Colbert, Huygens proposed, that since "the violent action of the powder is by this discovery restricted to a movement which limits itself as does that of a great weight," his invention might be used to "raise great stones for building, to erect obelisks, to raise water for fountains or to work mills to grind grain." It would also, he argued, permit the discovery of "new kinds of vehicles on land and water. And although it may sound contradictory, *it seems not impossible to devise some vehicle to move through the air*" (emphasis added).

While Papin advanced Huygens's work with improved engineering designs, Leibniz proceeded, in deliberate fashion, to discover and develop the science of dynamics and its mathematical tool, the calculus.

The new science of dynamics

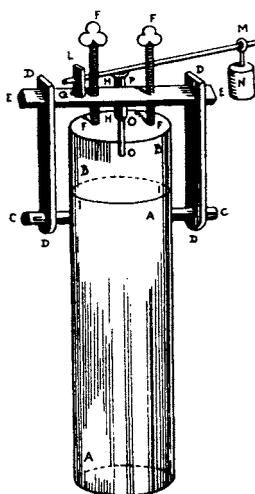
As opposed to the Newtonian dogma of "hard atoms" interacting in the "vacuum" of empty space, Leibniz proposed to study the supposedly "impenetrable" interior of things, to discover the true "geometrical" cause of phenomena. This

FIGURE 1

Huygens's gunpowder device

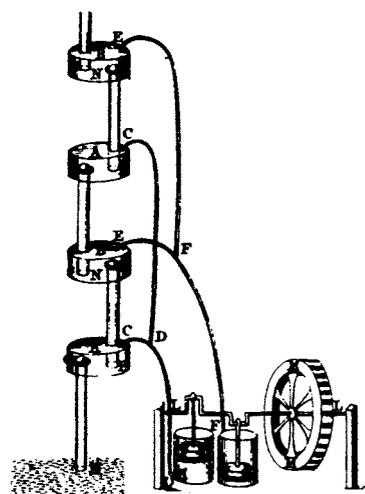
Christiaan Huygens designed this earliest internal combustion engine in 1673, using a charge of gunpowder to create a vacuum in a cylinder under a piston.

FIGURE 2

Papin's digester

Denis Papin's 1680 steam pressure cooker or "digester," with an adjustable safety valve at the top.

FIGURE 3

Papin's pneumatic fountain

In 1687, Papin illustrated the operation of his pneumatic pump by constructing a model fountain. Water was raised by alternate suction and pressure exerted by a pair of air pumps.

project led him to discover the grounds for universal progress, and the basis for a new science—*dynamics*. For Leibniz, matter cannot be divided linearly, like marks on a ruler, but rather in a manner suggestive of the modern Riemannian conception of nested manifolds, or "Worlds within Worlds." Thus, Leibniz develops his own concept of "infinite divisibility" in the *Monadology*:

"Each portion of matter is not only divisible *ad infinitum*, as the ancients recognized, but also each part is actually endlessly subdivided into parts, of which each has some motion of its own; . . .

"Each portion of matter may be conceived of as a garden full of plants, and as a pond full of fishes. But each branch of the plant, each member of the animal, each drop of its humors is also such a garden or such a pond. . . .

"Therefore there is nothing fallow, nothing sterile, nothing dead in the universe, no chaos, no confusion except in appearance. . . ."

Such an endless subdivision, Leibniz said, can account for the "perpetual and very free progress of the whole universe":

"Even if many substances have already reached great perfection, nevertheless on account of the infinite divisibility of the continuum, there always remain in the depths of things slumbering parts which must yet be awakened and become greater and better, and, in a word, attain a better culture. And hence progress never comes to an end."

Equipped with a matter containing unlimited resources ("slumbering parts which must yet be awakened"), Leibniz transcended the science of mechanics that had dominated

Western thinking since Archimedes. Where mechanics pertained to the passive effects of ancient machines—the lever, pulley, inclined plane, etc.—*dynamics* was conceived as the science of the active, living force (*vis viva*, or kinetic energy) of "violent actions"—like the explosion of gunpowder, and rapid expansion of high pressure steam.

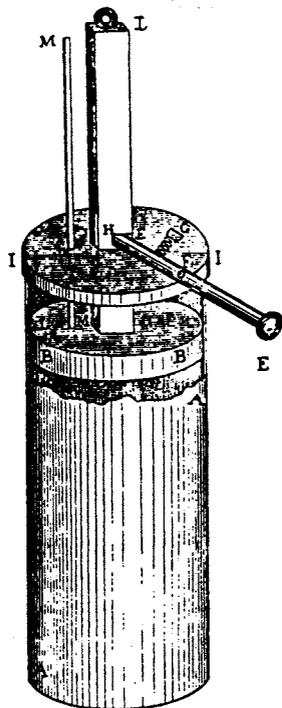
Since it is limited to the study of, in Leibniz's words, "harmless sorts of effects," mechanics considers the total absolute force of bodies acted upon by the ancient machines, as directly proportional to the acquired velocity, or $F=mv$. In contrast, Leibniz considered the equivalence of the kinetic energy of a heavy body falling from a given height (violent action), to the work required to raise it to that height, and determined that the live force of a body in motion is directly proportional to the *square of the velocity*; that is, $F \propto mv^2$.

Leibniz's practical goal became to harness the most violent actions, i.e., those of the greatest velocity, for the purpose of advancing the material conditions of mankind. By applying the law of the conservation of *vis viva* to maximize the conversion of the kinetic energy of such actions into useful work, Leibniz envisioned mastering the direct force of explosions to power ships, carriages, airplanes, and factories. In contrast, how could a scientific establishment possibly invent anything useful while insisting, as the British Royal Society did throughout the 18th century, that one's preference between measuring force by mv or mv^2 is simply a matter of personal taste, or that Newton's useless "method of fluxions" is equivalent to Leibniz's calculus?

By 1675, the impact of the reactionary shift in the policies

FIGURE 4

Papin's 1690 engine



The first steam engine using a piston and cylinder was invented by Papin in 1690. He proposed to use steam instead of gunpowder to create a vacuum under a piston.

of Louis XIV, which began with the French invasion of Holland in 1672, reached Colbert's Academy. The result was a forced exodus of Protestant scientists several years before Louis's 1685 revocation of Henri IV's 1598 Edict of Nantes that had decreed religious tolerance. Leibniz left Paris reluctantly to accept a post as librarian in the German state of Hanover, while Papin left for England.

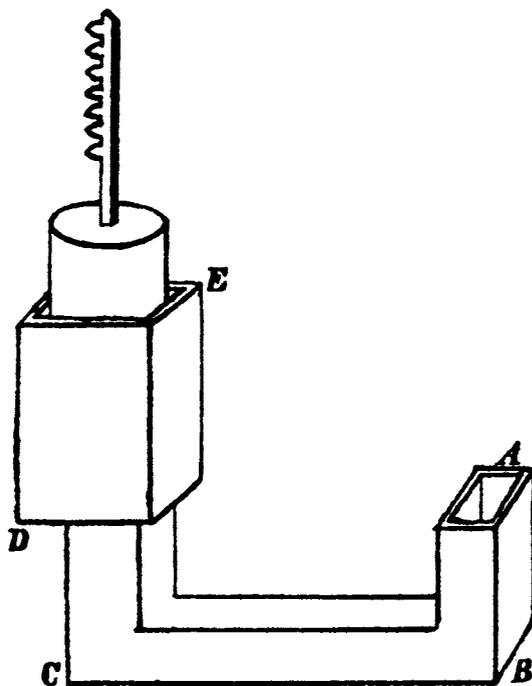
By 1680, Papin had made a breakthrough toward controlling highly compressed steam, in the form of his "New Digestor for softening Bones, etc."—a steam pressure cooker. This device consisted of a cylinder with thick walls (as prescribed by Huygens in his 1666 program), in which was enclosed water along with bones, tough meat, and so forth. The whole device was then placed on a fire to cook (Figure 2).

Although Papin's immediate motive was, as he wrote to Huygens, "to relieve poverty, and to get wholesome and agreeable foods from things that we ordinarily reject as useless," his digester was also a major advance toward the steam engine, because of a totally new feature: the safety valve. This allowed Papin to safely contain pressure many times that of the atmosphere and greater than any pressure previously controlled, limited only by the strength of the cylinder.

In 1687, Papin unveiled a new invention to transmit power pneumatically, in order to develop a means of spreading industrialization to areas where water power was not available (Figure 3). This idea was hotly opposed in the Royal Society, and Papin left England to accept a chair of mathematics at the University of Marburg in Hesse, bordering Hanover.

FIGURE 5

Piston with teeth for use with paddlewheel



In his 1690 treatise proposing an atmospheric steam engine using a piston and cylinder, Papin described how his engine could be used to rotate the axle of a paddlewheel and "propel ships against the wind."

Steam power for transport

In 1690, Papin published an historic article in the *Acta Eruditorum* of Leipzig, "A New Method of Obtaining Very Great Moving Powers at Small Cost," where he proposed a means of using the power of expanding steam to operate a piston/cylinder engine. In the new invention, steam replaced the gunpowder charge of Huygens's cylinder, creating a more complete vacuum under the piston, and thereby taking advantage of the full force of atmospheric pressure (Figure 4).

Papin's concept was appropriated *in toto* in the Newcomen engine more than 20 years later. However, although Papin mentioned in passing the utility of his invention to "draw water or ore from mines," the article featured a lengthy and detailed discussion of the application of steam power to propelling ships equipped with paddlewheels:

"So, no doubt, oars fixed into an axis could be most conveniently driven round by my tubes, by having the rods of the pistons fitted with teeth, which would force round small wheels, toothed in like manner, fastened to the axis of the paddles. It would only be requisite that three or four tubes should be applied to the same axis, by which means its motion could be continued without interruption" (Figure 5).

Papin began to tackle the problem of "making very large

tubes” by studying the means of refining ores more efficiently, and of manufacturing cylinders with appropriately smooth surfaces. This led him to the invention of an improved furnace, capable of reaching higher temperatures with a more efficient consumption of fuel. By 1695, Papin had adapted this hotter furnace to the rapid production of high-pressure steam, by constructing the furnace so that the fire surrounded the water, allowing the maximum surface area of water to be heated directly.

With this discovery, Papin was prepared to initiate a qualitative technological advance—not a linear extrapolation from his 1690 results, such as building larger atmospheric engines, but a proposal to directly harness the violent force of expanding steam. Papin wrote to Leibniz on July 25, 1698:

“The method in which I now use fire to raise water still rests on the principle of the rarefaction of water. But I now use a much easier method than that which I published. And furthermore besides using suction, I also use the force of the pressure which water exerts on other bodies when it expands. *These effects are not bounded, as in the case of suction.* So I am convinced that this discovery if used in the proper fashion will be most useful. . . . For myself I believe that this invention can be used for many other things besides raising water. I’ve made a little model of a carriage which is moved forward by this force: And in my furnace it shows the expected result. But I think that the unevenness and bends in large roads will make the full use of this discovery very difficult for land vehicles; but in regard to travel by water, I would flatter myself to reach this goal quickly enough if I could find more support than is now the case. . . . It gave me much joy to find that you also have some plans to put the moving force of fire to use, and I strongly hope that the little test you told me of succeeded to your satisfaction” (emphasis added).

Leibniz’s concern, however, was much greater than simply using the “force of fire” to propel ships and carriages. He saw in Papin’s work the unique experiment capable of irrefutably establishing the truth of his dynamical science, as well as advancing that science by the process of applying its principles to the measurement of the thermodynamic efficiency of Papin’s machines, the “little test” referred to in Papin’s July 25, 1698 letter.

Consider the implications of the Papin-Leibniz discussion once the word *effect* is translated to the modern term *work*. Both Leibniz and Papin agreed that the useful work performed by a heat engine, was to be measured by the height to which it could raise a given quantity of water. In his dynamics, Leibniz had used the example of the equivalence of the work required to raise a heavy body a given height, to the *vis viva* acquired by the body in falling from that height. Whereas in the case of the falling body, the *vis viva* is measured by the body’s velocity, Leibniz proposed to measure the *vis viva* of expanding steam by its temperature. Applying the principle of the conservation of *vis viva*, Leibniz developed the following sort of relation:

$vis\ viva\ consumed\ by\ machine = useful\ work + heat\ lost\ in\ overcoming\ friction + heat\ lost\ to\ superfluous\ cooling + \dots [other\ inefficiencies]$

(where useful work is the height a given quantity of water is raised)

With this sort of analysis, Leibniz was prepared to compare the thermodynamic efficiencies of heat engines by measuring “the degree of heat required to make a given effect.” This also led him to the formulation of his unique experiment: demonstrating that steam can “raise more than a column of air,” i.e., that the direct power of expanding steam is greater than mere atmospheric pressure, as he wrote on Aug. 28, 1698:

“There is nothing which merits development more than the force of expansion [*la dilation*]; if one objects that expanded water can do no more than raise a cylinder of air, and that the stronger it [steam] is the higher it [cylinder of air] is raised and that therefore it is sufficient to use the weight of the falling cylinder—I reply that this higher elevation requires more time, allowing the steam to gradually cool, than a *quicker elevation of a heavier weight*. Thus either force is lost or more fire must be used” (emphasis added).

Clearly at issue in this “little test” is the validity of the mechanical worldview, which threatened to impose itself on emerging technology. Was steam power to be constrained to act passively, slowly pushing and pulling weights like some grotesque Rube Goldberg type of lever or pulley, or was it to be freed in all its violence—maximum *vis viva*—to effect a qualitative human advance?

Papin’s invention stolen

Despite the publicity given to Papin’s invention, the British Parliament awarded an exclusive patent for “Raising Water by the Impellent Force of Fire” to one Thomas Savery, variously described as a “sea captain” and a “military engineer.” The terms of the patent meant that any steam-powered device Papin might invent in England would come under the control of Savery.

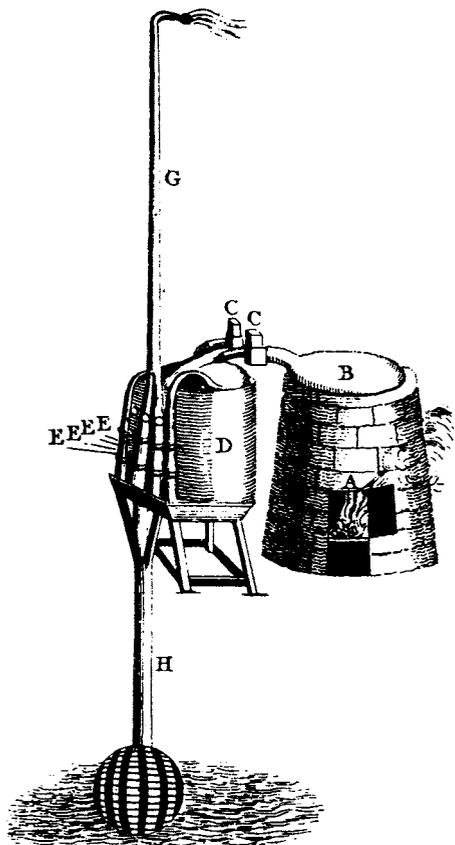
Although news of Savery’s patent reached Germany by 1699, it was not until 1704 that Leibniz, via “Hanoverian envoys” in London, was able to acquire some sort of description of Savery’s device. Leibniz forwarded a sketch of the English “engine” to Papin, along with an evaluation of its capabilities. Based on further intelligence reports from his envoys, Leibniz concluded—correctly—that Savery’s device did not work in full size (see **Figure 6**).

Savery proposed to doom steam to play the role of the ancient horse-driven windlass (hoist) and pulley, pulling water up one pipe and pushing it out of another, with one significant difference—Savery’s “fire engine” was much more expensive than horses!

Leibniz continued to maintain friendly pressure on Papin throughout 1704, insisting that he accelerate research into

FIGURE 6

The Savery engine



In 1699, Thomas Savery was granted an exclusive patent by the English Parliament for a “fire engine,” which did not work in full size.

applying violent force (including the combustion of alcohol) to the propulsion of ships and carriages, if not to airplanes. Leibniz argued that such a breakthrough would have the greatest world strategic impact.

Papin finally agreed, and in a letter (March 13, 1704), he revealed that he had already built a model paddlewheel boat, “which can carry about 4,000 pounds,” and that he had developed a complete theory of rowing, “which can also be applied to land vehicles.”

‘Augment the powers of man to infinity’

By January 1705, Papin had received Leibniz’s sketch of Savery’s engine. This had the expected effect on Papin’s thinking, as well as on the attitude of the Landgrave of Hesse, who took a renewed interest in Papin’s work. In March, a self-confident Papin wrote to Leibniz:

“I can assure you that, the more I go forward, the more I find reason to think highly of this invention which, in theory, may augment the powers of man to infinity; but in practice I

believe I can say without exaggeration, that *one man by this means will be able to do as much as 100 others can do without it*” (emphasis added).

What Papin achieved within two years of receiving Leibniz’s sketch of the Savery device, was a genuine, direct-action steam engine, capable of being immediately applied to ships. Papin’s engine successfully incorporated the dynamical innovations of 40 years of research, that began with the project initiated by Huygens in Colbert’s Academy (Figure 7).

In the preface to his 1707 treatise, “New Method of Raising Water by the Force of Fire,” Papin gives Leibniz full credit for providing the necessary impetus to advance his experiments. In Chapter 3, Papin comments on the “means to augment the effect of the machine” by increasing heat efficiency and pressure, arguing that, “in such a case one man could create almost as much of an effect as 500 others who have only those inventions used up to the present.”

Although Leibniz and Papin had succeeded in bringing modern dynamical technology into being, making the industrial transformation of society possible for the first time, they were working within an increasingly aversive environment. Leibniz’s loyal student and protector in Hanover was the Electress Sophie, who, until her untimely death in 1714, was next in line to become the ruling Queen of England, which made Leibniz the rallying point for the anti-imperialist faction in England and in the American colonies (see last week’s *Feature*). This also made Leibniz the number-one enemy of the fledgling British Empire.

However, the relative tranquility of London again became attractive to Papin, and he resolved to go to England to demonstrate before the court and the Royal Society, the incontestable superiority of his model paddlewheeler and steam engine over Savery’s device.

In a letter to Leibniz (Sept. 15, 1707), Papin asked that he help obtain the required permission for passage up the Weser River through Hanover. Leibniz tried to intervene with his friends among local magistrates, but Papin got no further than Munden before encountering the ignorant opposition of the Boatmen’s Guild, no doubt incited by corrupt elements of the court. An official of Munden reported to Leibniz, on Sept. 27, 1707, that Papin “had the misfortune to lose here his little machine of a paddlewheel vessel . . . the Boatmen of this town having had the insolence to stop him and to take from him the fruit of his toil, with which he thought to introduce himself before the Queen of England. . . .”

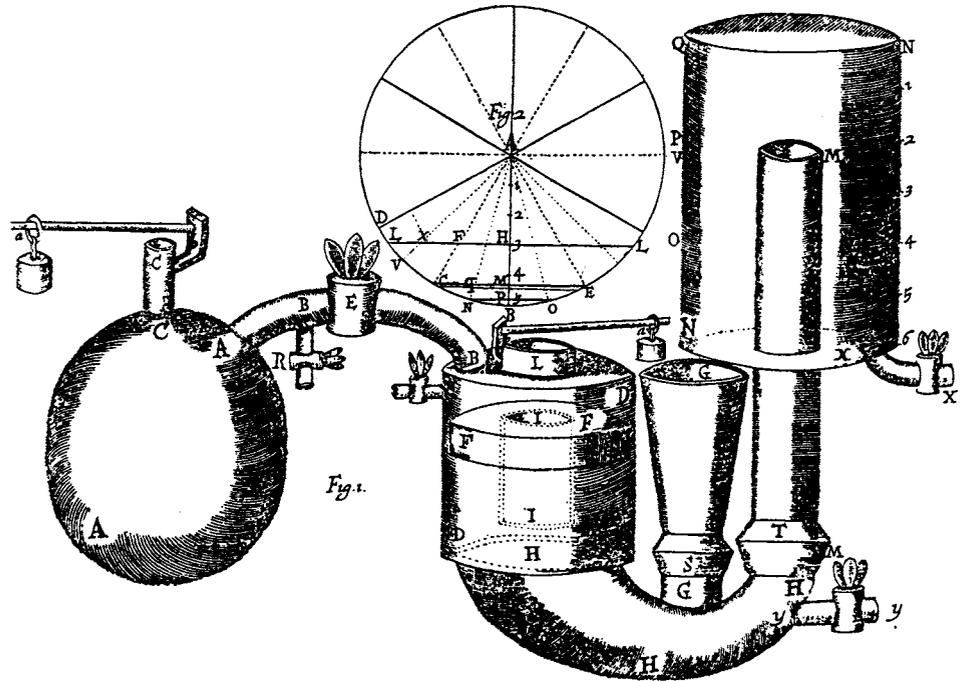
At the mercy of Newton’s mob

Despite the tragic encounter with this “mob of boatmen,” Papin continued on to London, only to encounter an even more vicious mob—the British Royal Society, at the time headed by president-for-life Sir Isaac Newton.

When he arrived in England, Papin presented a copy of his treatise to the Royal Society along with a proposal, “Proposition by Dr. Papin, concerning a new invented boat

FIGURE 7

Papin's 1707 engine



Papin invented and successfully operated the world's first direct action steam engine, publishing his results in 1707. In 1708 he built the world's first steamboat, 100 years before Robert Fulton.

to be rowed by oars, moved with heat," which was recorded in the Royal Society Register of Feb. 11, 1708.

One pro-British history contains a succinct account of the fate of Papin's proposition:

"Papin, then at Cassel, submitted with his paper, a request for fifteen guineas to carry out experiments, but the Royal Society, like our own, did not hand out fifteen guineas at a time. Instead, the matter was referred to Savery in 1708, and in his letter of criticism turning down Papin's design there is a passage in which he damned the cylinder and piston, saying it was impossible to make the latter work because the friction would be too great!"

Papin then argued for his proposal before Newton himself, who rejected it, on the absurd and malicious pretext, that it would *cost too much*. Papin was then stranded in England without any means of support, completely at the mercy of Newton and Savery, whose exclusive patent covering all conceivable "fire engines" was still in effect. No record remains of Papin's subsequent activity in England besides a mere seven letters to the Royal Society, mostly repeated requests for money to carry out a variety of experiments. In his last letter, Jan. 23, 1712, Papin complained that a number of his inventions presented before the Royal Society had deliberately not been registered under his name:

"So there are at least six of my papers that have been read in the meetings of the Royal Society and are not mentioned in the Register. Certainly, Sir, I am in a sad case, since; even by doing good, I draw enemies upon me. Yet for all that I fear nothing because I rely upon God Almighty."

In 1712, Papin apparently vanished without a trace, not even a death notice. The witchhunt against the Leibnizians was reaching frenzied heights, based on the Royal Society's fraudulent and politically motivated frameup of Leibniz as a "plagiarizer" of the calculus from Newton (see *EIR*, Dec. 1, 1995.) Also, in 1712, "Thomas Newcomen" suddenly appeared to build his fabled fire engine "near Dudley Castle."

Newcomen's engine was simply a scaled-up atmospheric steam pump, based completely on a combination of two of Papin's earlier ideas: 1) the use of steam to create a vacuum and drive a piston (1690); 2) the use of a lever mechanism to transmit power from one pump to another (1687).

Compared to the level of conception and design achieved by Papin, Newcomen's "exotic lever" was a great step backwards. The realization of steam power would have to await the intervention of Leibniz's intellectual heirs in America.

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‘Budget-balancing’ is an exercise doomed to failure

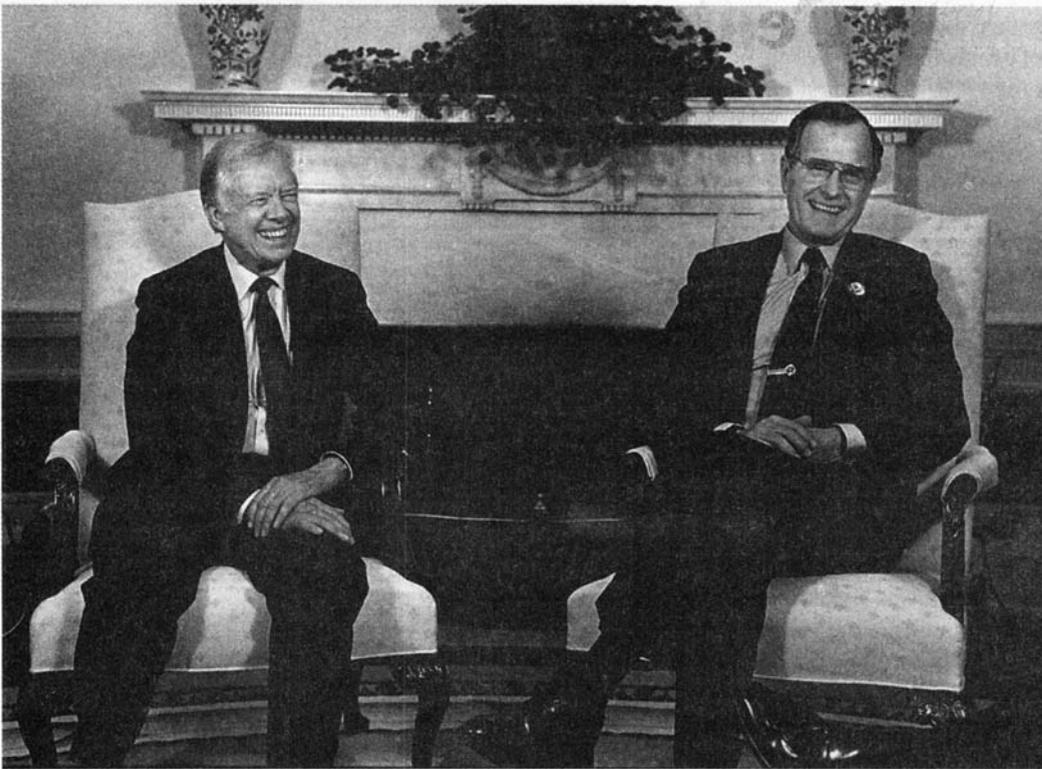
by Richard Freeman

Lyndon LaRouche proved in his Jan. 27 nationwide Presidential campaign television address, that any attempt to balance the federal government’s budget deficit using the same methods employed to manage a household’s budget, is a piece of insanity, doomed to failure.

Here, we are going to review the recent history of such attempts, proceeding from the 1977-80 Presidency of Georgia peanut farmer Jimmy Carter, when this approach first became institutionalized at the level of the federal government, to demonstrate that not only has the approach not worked, but that its consistent results have always been to double the budget deficit in the period immediately after the enactment of measures designed to proceed as a household would, namely, by cutting expenditures to bring them in line with apparent income.

Since those involved in the present round of budget cutting mania, such as Speaker of the House Newt Gingrich (R-Ga.) and Sen. Phil Gramm (R-Tex.), also happen to have been involved in the earlier such dismal failures, one ought really to ask what it is they think they are doing, just as LaRouche posed the question in his television broadcast. If they are doing what they say they are doing, then how come neither they, nor apparently many other people, have noticed that all their previous efforts have failed? What, after all, is the present budget deficit, if not the result of these characters’ earlier, failed, efforts to reduce the budget deficit?

To continue on a course that has produced, consistently, such ludicrously ignominious results, says something about the intellectual powers, and moral qualities, of the minds that so obsessively persist. Or, maybe there is something else involved. Either the fanatical budget-cutters have to be out of their gourds, that is, if their actions are supposed to correspond with their words, or, their actions actually assert other motives, in which case they must still be considered insane, by their results. What then, though, about the rest of the population, who so regularly seem to choose the words over the actions, while re-electing lunatics whose radicalism on behalf of failed policies increases seemingly in proportion to the increasing failure of their policies?



Presidents Jimmy Carter (left) and George Bush at the White House, March 1990. Their hatred of the American System of political economy, its high rates of investment in infrastructure and science and technology, ensured that their axiomatically flawed attempts to “balance the budget” would further destroy the U.S. economy and increase the deficit.

House Speaker Gingrich claims to be a former professor of history, Senator Gramm claims to be a former professor of economics; they should have seriously studied the economic history of the past 45 years. If they had, these two unbalanced minds would have realized that their view that slashing the budget will produce a balanced budget is contradicted irrefutably. The United States does not need a balanced budget amendment; as LaRouche said, it needs an amendment to balance Gingrich’s and Gramm’s minds.

Not a single one of the so-called theoretical arguments or kamikaze political tactics, government shut-downs, or threats to default on the federal debt that Gingrich and Gramm have been using over the past year, are in any way new. First, today’s Gramm-Gingrich Newtzi effort to attempt to attach to a resolution to increase the federal debt ceiling a draconian budget-balancing bill and, in the process, to shut down the functioning of the U.S. government, is *not* the first time this has been done. The City of London and Wall Street did this before: This is exactly what was pulled in 1981 to force passage of the Kemp-Roth Act, and in 1985, to force passage of the Gramm-Rudman-Hollings Act.

Second, the attempt to specify a set number of years during which the budget will absolutely be balanced has been tried three times before. President Jimmy Carter was a major force pushing for budget-balancing. He ran his 1976 Presidential campaign on the basis that he would bring about a balanced budget within four years. He introduced, as early as 1980, a budget that would supposedly eliminate the federal deficit by 1981. In 1980, campaigning for President, Ronald

Reagan promised to balance the budget in three years. In 1985, when the Gramm-Rudman-Hollings Act was passed, it promised iron-clad to balance the budget in five years, and had a detailed timetable, with dollar deficit limits, in descending size, specified for each of those five years. The budget wasn’t balanced by any of these three efforts: The deficit kept growing ever larger—actually, it doubled every time.

Why? Because the underlying approach and axiomatic method of thinking about the economy and budget of Jimmy Carter; of the City of London-Wall Street boys who ran the Reagan economic policy (including the role of George Bush and Jack Kemp); and of the Gramm-Rudman-Hollings gang, was fatally flawed. It cut real economic activity and encouraged speculation. To change the outcome of a process, don’t do what you were doing that was failing before, but three or four times harder. Unlike what football coaches tell you, it is not a matter of “true grit.” It is a matter of changing the axioms of one’s thinking.

Today, Gramm and Gingrich still employ the same flawed methodology that unbalanced the budget for the last two decades. They will tell you that the problem in the past was that liberals controlled the Congress, that government was too big, and a thousand other feeble excuses. The historical record, which is presented here, refutes them.

Who threw the budget into deficit, and how they did it

Let’s go back to 1978-82. Those were the years in which the insanity was institutionalized. During those years, five

events occurred which together were crucial in shifting the entire process. The series of events included:

1. The second oil hoax, of 1978-79. The first oil hoax of 1973-75 had raised the price of oil from \$3 per barrel to \$12 per barrel; the second hoax, like the first, orchestrated by Royal Dutch Shell and the other Seven Sisters oil companies, shot the price of oil up from \$12 per barrel to \$36 per barrel.

2. The Steiger Act of 1978. In 1978, Rep. William Steiger (R-Wisc.) introduced a bill, which became law in 1979, cutting the capital gains tax rate from 49% down to 28%.

3. Federal Reserve Board Chairman Paul Volcker's actions, starting in October 1979, to force up interest rates. By early 1980, the prime lending rate had reached 21.5%, and rates on Treasury bills and all other instruments were shooting upward. This implemented the policy of "controlled disintegration" advocated by the New York Council on Foreign Relations in its "Project 1980s" reports.

4. The Kemp-Roth Tax Act of 1981, formally called the Economic Recovery Tax Act, which was signed into law in August 1981. This was the underpinning of the "supply-side" push. It was the enabling legislation for huge tax breaks for real estate investments and speculation, such as the setting up of "passive tax shelters," in which one could invest \$1 and, in return, get \$2-4 of losses to write off against one's taxes. This kicked off a boom in the New York, Boston, and other real estate markets. The Kemp-Roth Act also lowered the top tax rate on capital gains tax further, from 28% down to 20%.

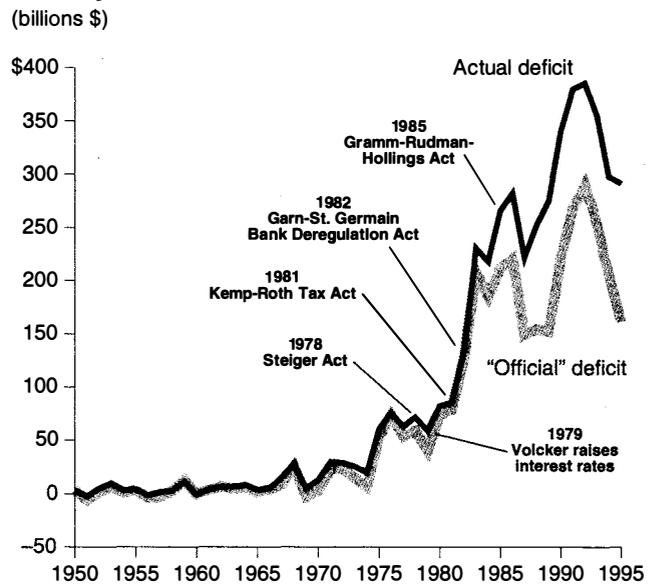
5. The Jake Garn-Ferdinand St Germain Act, formally called the Depository Institutions Act, which was signed into law in October 1982 and deregulated the entire banking system (the savings and loan institutions and the commercial banks). Vice President George Bush had been the head of a White House committee which studied, recommended, and oversaw the banking deregulation. One of the effects of deregulation, is that previously, S&Ls had been restricted by law from investing more than 5% of their loans in commercial real estate. Now that restriction was lifted entirely.

Readers of *EIR* since 1977, will remember where we stood, and where our opposition stood, on each issue. They will also know who has been proven right, repeatedly.

The combined effects of these events are not hard to find. The oil price increases, and the subsequent interest rate increases, pushed the economy below break-even, bankrupting businesses and dramatically increasing unemployment. In combination, they destroyed the wealth-producing potentials which undergirded the nation's tax base. All other opinion to the contrary, there has been no recovery since.

The legislation adopted, freed up the liquidity to invest in the real estate partnerships and trusts set up under the Kemp-Roth Act, which, thanks to Volcker forcing up interest rates, set rates of return in real estate at 20% and above per annum. The Garn-St Germain Act also shoveled money into the stock market leveraged-buyout fever, which the Steiger Act had helped unleash. The cumulative effect was to shift, radically and permanently, the economic-financial geometry of the

FIGURE 1
U.S. budget deficit, actual and 'official,'
fiscal years 1950-95



Sources: Budget of the United States Government, Fiscal Years 1995 and 1996, Table 1.4, "Receipts, Outlays, and Surpluses or Deficits by Fund Group: 1934-2000."

United States and the world. Financial speculation became the ordering principle shaping the economy; capital-intensive, energy-intensive production in manufacturing, agriculture, and basic infrastructure, which had functioned until approximately the November 1963 murder of President Kennedy, and which had hung on gamely for another four to five years after that, was decapitated. The budget and the economy were destroyed.

When the Gramm-Rudman-Hollings Act was signed into law in December 1985, and put into effect in the fiscal year 1986 budget, this pushed deficits into the stratosphere. It also served as the coup de grâce of the defense industry.

The effect of these actions on the U.S. budget deficit is depicted in **Figure 1**. (See also the box on *EIR*'s method of calculating the deficit.) Two periods are governed by two distinctly different characteristics. First, in 1950-70, the United States was not immune to speculation, but the nation was largely governed by an emphasis on investment in manufacturing, agriculture, and infrastructure. During this period, the United States recorded only three years when the budget deficit exceeded \$10 billion. The highest deficit recorded was in 1968, when it reached \$28.4 billion, which reflected the influence of the 1967-68 recession. By fiscal year 1969, the deficit was down to \$4.9 billion. (A similar blip occurred during fiscal years 1975 and 1976, reflecting the 1973-75 worldwide depression.)

But starting in 1977, things changed radically. When President Carter took office, he was soon presenting "lean and

EIR's method of calculating the deficit

The official deficit figure fraudulently includes the surpluses of Social Security and other government trust fund accounts. The actual deficit, which is what *EIR* uses, is the amount the on-budget, or general revenue budget, runs as a deficit. This is called by the Office of Management and Budget the "Federal Funds budget."

These trust funds include: the Social Security trust funds, the Medicare trust funds, the Civilian and Military Retirement trust funds, the Airport and Aviation trust fund, the Federal Deposit Insurance Corp., and a few others. These funds are 85% or more funded by separate revenue sources, and their revenues and expenditures are not part of the general revenue budget. For example, a payroll tax, called FICA, is dedicated just to funding the Social Security System; the Highway Trust fund is 85% funded by a gasoline tax paid by motorists, and a trucking and tire tax for trucks; and so forth. Plus, the U.S. government is also responsible for the deficit-debt of some off-budget agencies, particularly the Federal Financing Bank.

In fiscal year 1995, the actual budget deficit was \$282 billion. Not accidentally, this is the amount that the U.S. debt ceiling rose. The debt ceiling limit was \$4.605 trillion at the end of FY 1994, and it was \$4.887 trillion at the end of FY 1995, an increase of \$282 billion. This is the amount of new U.S. Treasury bonds, notes, and bills that had to be issued to cover the actual U.S. budget deficit in FY 1995.

Republican and Democratic administrations alike have included the trust funds in their calculations in order to make the deficit appear smaller. For example, in FY 1995, the trust funds, led by Social Security, ran a surplus of \$120.5 billion. This was mixed in with the actual deficit of \$282 billion, to arrive at a fraudulent "official" budget deficit of only \$161.5 billion. To keep the surplus of the transportation (Highway, Airport and Aviation, and Waterway) trust funds at a level that is now \$33 billion, over the past 15 years, administrations have held up construction of highways, roads, bridges, whose money has already been appropriated. Thus, the building up of surpluses in these trust funds has further debilitated the economy.

The Conservative Revolution Republicans project a balanced budget, showing an "official" surplus of \$3 billion in fiscal year 2002. But, calculated on the actual basis, they have not produced a surplus, but a \$183 billion deficit.

austere" budgets, in order to deliver on his 1976 election campaign promise. In 1981, the Kemp-Roth Act to cut taxes and balance the budget (through the trickle-down effect of speculation) was passed. In fiscal year 1982, the budget deficit was larger than \$100 billion for the first time in U.S. history. By fiscal year 1984, the United States recorded the first budget deficit in excess of \$200 billion in its history.

In 1985, the Gramm-Rudman-Hollings Act was passed. It specified that the budget would be balanced by the close of fiscal year 1990. However, at the end of that year, the U.S. budget deficit exceeded \$300 billion for the first time in history. By fiscal year 1992, under "fiscal conservative" George Bush, the U.S. budget deficit was nearly \$400 billion.

Gramm echoes John Locke

The failure of budget-cutting can be traced hereditarily to the axiom which underlies its thinking: that one can manage a national budget the way one manages the budget of a household. This insanity derives from John Locke's misbegotten conception of economics.

On Feb. 24, 1995, Sen. Phil Gramm, in announcing his intention to run for President, stated, "As President, I will balance the federal budget the way you balance the family budget." In 1691, Locke stated, in his pro-usury tract "Some considerations of the Consequences of lowering the Interest and raising the Value of money": "It is with a kingdom as with a family. Spending less than our commodities will pay

for, is the only sure way to grow rich." This is the same John Locke who, as the English Commissioner of Trade from 1696 through 1701, tried to shut down all native American manufacture, and who in drafting a constitution for the colony of Carolina in 1669, called for the institutionalization of an aristocracy and of slavery (see *EIR*, Dec. 1, 1995, "The Anti-Newtonian Roots of the American Revolution").

This outlook has seeped deep into the thinking of many Americans, who do not question its underlying premise.

Constitutional government and the economy

The insane budget-cutting ideology founders on the most fundamental issue of economics: the source and process of generation of economic wealth which sustains and advances civilization. LaRouche has demonstrated that the crowning achievement of the 1439-40 Council of Florence, is the creation of the modern nation-state, which was first set up by King Louis XI in France in 1461-81. This achievement began to eliminate feudalism's dichotomy, under which 5% of the population (the so-called "elite" and their hangers-on) were supported by the 95% of the population who served as illiterate, miserable beasts of burden.

Creative discovery by man made in the image of God, expressed as revolutions in the sciences and the arts, is the abiding source for the flowering of economic wealth. These discoveries are made by the sovereign mind of the individual, but are fostered, realized, and spread throughout the economy

Entitlements are not eating up the budget

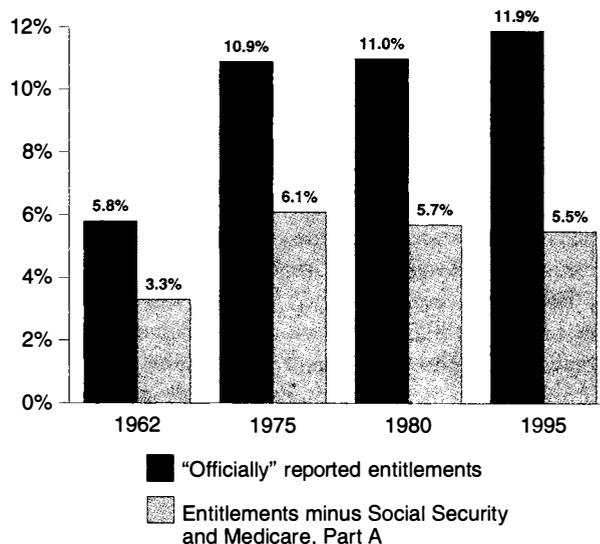
The accompanying figure shows the level of entitlement spending by the federal government, taken as a percentage of Gross Domestic Product for that year. According to the Congressional Budget Office, entitlements are "programs that make payments to any person, business, or unit of government that seeks the payments and meets the criteria set in law." Criteria often are based on age or income levels. Entitlement programs range from Social Security and Medicare, to unemployment insurance and food stamps.

Total entitlement program spending doubled, from 5.8% of GDP in 1962, to 11.9% in 1995. But what the Contract with America gang doesn't tell the public, is that two of the biggest entitlement programs are trust funds which are *self-financing*, with their own dedicated tax base. Every week, your paycheck is debited for the Social Security System, formally called the "Federal Old-Age and Survivors Disability Insurance trust funds" (OASDI), and Medicare, Part A, formally called the "Federal Hospital Insurance trust fund" (HI). Technically, they do not draw revenues from the general budget (except for a small part of Medicare, Part A). Therefore, to say that these funds are "busting the budget," when they don't draw any funds from the general budget, is absurd.

The remaining entitlement programs (called "on-budget entitlements") are largely financed from the general revenue budget. But these entitlements today, at 5.5% of

Corrected on-budget entitlement expenditures, as a percent of GDP, have been shrinking since 1975

(percent of Gross Domestic Product)



Sources: Budget of the United States, Fiscal Years 1995 and 1996, "Historical Tables;" Congressional Budget Office, "The Economic and Budget Outlook: Fiscal Years 1996-2000."

GDP, constitute a lower share of GDP than they did 20 years ago in 1975, when they were 6.1%. If anything, the so-called "burden" of entitlements has been shrinking.

by the nation-state. The fostering of the transmission of scientific ideas by the nation-state into the economy is the source for the profit of the economy, which accounts for the explosive increase in the rate of potential relative population density since 1439-40. Prior to that, feudal society was incapable of producing sustained social surplus or profit. It constantly collapsed, imploding from within. The nation-state injects scientific revolutions into the economy through the capital-intensive, power-intensive configuration of the machine tool sector and infrastructure, in particular.

A nation-state has responsibilities which no individual or family has. A nation-state has the power to issue and regulate credit, to coin currency, to regulate trade. It has the authority (and responsibility) to develop the full range of infrastructure, the *sine qua non* of economic activity, including hard infrastructure (transportation, power supplies, and fresh water management) as well as soft infrastructure (education, health services, and scientific research). The family has none of these functions, or powers.

The nation-state mobilizes the creation of credit, through

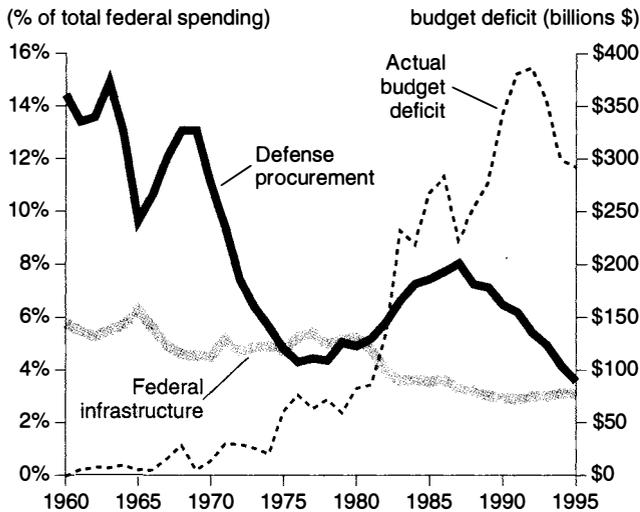
a national banking system, to stimulate manufacture, agriculture, and other productive activities.

This defines the difference in budget functions between the family and the nation-state. A State does not try to decide how to allocate a fixed income, like a household does. It does not try to balance budget inflows and outflows. The State's function, if properly implemented, ensures the margin of profit in the economy. *The State's budget deliberations, carried on by Congress, decide the credit, infrastructure, and general welfare policies that will lawfully create a desired range of increased economic activity.* Alexander Hamilton, America's first treasury secretary, stated in his series of the *Federalist Papers* and his 1791 "Report on the Subject of Manufactures," that if the State, acting dirigistically, providing indispensable functions which only the nation-state can provide, successfully increases economic activity, this will generate greatly increased flows of tax revenue, which more than cover the spending functions of the State. The budget will balance itself.

Conversely, the slashing of the budget, especially for in-

FIGURE 2

Infrastructure and defense collapse as percent of total federal spending, while budget deficit soars



Sources: Budget of the United States Government, Fiscal Years 1995 and 1996; Congressional Budget Office, "Public Infrastructure Spending and an Analysis of the President's Proposals for Infrastructure Spending from 1996 to 2000," issued June 1995; U.S. Department of Commerce, "Statistical Abstract of The United States," various years; Office of Management and Budget.

Infrastructure, the procurement side of defense spending, and services providing for the health and education of the citizenry, wipes out the physical reproduction of the economy, in the present and the potential for the future. The reduced economic activity blows out tax revenues. Thus, budget-cutting achieves the opposite of its stated purpose: Instead of balancing the budget, it explodes the deficit. This lawfully follows from the monetarists' conception of economics.

Infrastructure and defense

Figure 2 plots the federal government's spending for hard infrastructure and for defense procurement, which is the portion of the defense budget spent on capital goods and defense building. Both are represented as a percentage of total budget outlays, on a year-by-year basis. The U.S. budget deficit is plotted against these two curves. The contrast is striking. As spending for infrastructure and defense spending decline, showing a reduction of total federal spending, contrary to the "common sense" view that the budget deficit should decline—because a "boondoggle expense" has been eliminated—the deficit skyrockets.

Defense procurement spending has an analogous function to infrastructure. Defense spending is not productive: the final product is wasteful, from the standpoint of the reproduction of the physical economy. But through the ages, defense spending, with its high technological attrition, has often embodied the most advanced technological concepts and designs. By

TABLE 1

Defense spending plays a large role in several manufacturing industries

	SIC code	Purchases (millions \$)	Purchases (% of industry)
Ammunition, except small arms	3483	\$3,733	84.5%
Shipbuilding and repair	3731	\$8,111	79.0%
Ordnance and accessories	3489	\$2,298	72.2%
Guided missiles, space vehicles	3761	\$8,678	71.9%
Aircraft	3721	\$17,104	55.3%
Aircraft equipment	3728	\$11,542	54.3%
Tanks and tank components	3795	\$2,445	52.1%
Radio and TV communication equipment	3662	\$32,610	50.9%
Aircraft engines and engine parts	3724	\$7,174	50.7%
Primary nonferrous metals, except copper and aluminum	3339	\$786	49.3%
Electronic measuring instruments	3825	\$6,517	48.8%
Electronic resistors	3676	\$605	42.1%
Small arms ammunition	3482	\$399	40.4%
Explosives	2892	\$416	39.7%
Nonferrous forgings	3463	\$504	36.7%
Electronic capacitors	3675	\$480	35.7%
Engineering and scientific instruments	3811	\$1,618	34.6%
Electronic coils and transistors	3677	\$431	30.9%
Industrial trucks and tractors	3537	\$1,086	29.5%
Semiconductors and related items	3674	\$4,065	27.6%
Electronic connectors	3678	\$901	25.1%

Sources: Office of Technology Assessment of the U.S. Congress, "Redesigning Defense: Planning the Transition to the Future U.S. Industrial Base," issued July, 1991, p. 48. Figures are for 1987.

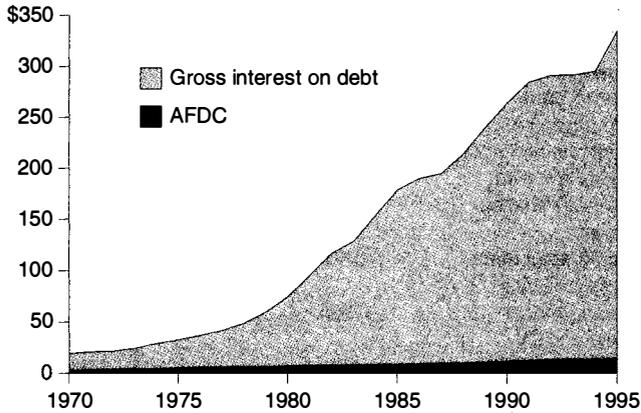
pushing those advances into the machine tool sector, and because defense industry engages a sizable part of the manufacturing capacity of the nation (see Table 1), it has a net beneficial effect on the economy overall.

Federal spending on infrastructure (which for purposes of this study includes highways, mass transit, rail, aviation, water transportation, water resources, and wastewater treatment) as a percentage of federal government outlays was 5.77% in 1960. It rose to 6.27% in 1965, under the Kennedy economic development programs of 1961-63. By 1970, it fell to 4.51%; rose again, but then under the assault of Carter, fell so that, by 1982, it was below 4%. It has drifted down progressively, so that today, at \$47.2 billion, federal hard infrastructure spending is only 3.07% of federal outlays. This is less than half its Kennedy-generated peak achieved in 1965.

FIGURE 3

Gross interest, not welfare (Aid to Families with Dependent Children), is the real problem

(billions \$)



Sources: Congressional Budget Office, "Federal Debt and Interest Costs," issued May, 1993; Congressional Budget Office Budget Analysis Division, Projections Unit; House of Representatives Ways and Means Committee "Green Book," Budget of the United States, Fiscal Years 1995 and 1996.

In 1963, before the Vietnam War really got going, defense procurement spending represented 14.91%, that is, one-sixth, of all government spending. This level fell sharply after the end of the Vietnam War in 1969-70. By 1978, it was down to 4.36%. It rose some during the Reagan administration, reflecting in part the positive impact of the Strategic Defense Initiative program. But, contrary to the myth that the Reagan defense buildup was huge, it achieved its highest level in 1987 at 8.04%, only half the level in 1963. The Gramm-Rudman-Hollings Act specifically targeted defense procurement spending. Today, it is 3.57% of total federal spending.

The federal deficit is the mirror image of infrastructure and defense procurement spending. As the latter two plummet, the deficit soars upward. Is this just an interesting correlation? No, it is lawful. The close-down of the defense industry, and the lack of new or replacement infrastructure, has cost the economy as a whole, counting the multiplier effect, millions of jobs, and tens of billions of annual tax revenues.

At the same time that they are slashing the budget, Gingrich and Gramm are encouraging speculation, through the capital gains tax rate cut and other bonanzas for Wall Street. The history of the past 20 years shows, it is this speculation, conjoined to usury, that has blown out the spending side of the budget. On this, Gingrich, Gramm et al. are mum.

Figure 3 shows the gross interest on the debt, and payments under Aid to Families with Dependent Children (AFDC), the dominant welfare program, for fiscal years 1970-95.¹ In fiscal

1. Gross interest on the debt has been chosen, rather than the more commonly used net interest on the debt. They both follow the same trajectory for the same period, but with net interest at a lower absolute level. The net interest represents the amount of interest the U.S. government must pay to public

year 1995, gross interest on the public debt, at \$335.6 billion, constituted 21.8% of all U.S. government outlays, more than one in five dollars spent. It got that way through usury. In October 1979, Federal Reserve Board Chairman Volcker began jacking up interest rates, so that by February 1980, the prime lending rate charged by commercial banks stood at 21.5%, and the interest rate charged on U.S. Treasuries skyrocketed. Volcker said he was "fighting inflation"; he was actually carrying out the policy of "controlled disintegration" of the economy.

Over 1979-85, the interest-rate yield charged on 30-year U.S. Treasury bonds averaged 11.59%. Such bonds are callable after 25 years, meaning that after 25 years, the Treasury can call in the bonds, pay off the principal owing, and retire them, but until then it must pay the stated interest-yield on the bond. A billion dollars of debt, at an 11.59% interest rate, means that over 25 years, \$2.897 billion in interest must be paid in addition to the principal, an amount nearly three times the face value of the bond. This was done with trillions of dollars of debt, both long- and short-term, ratcheting up the federal budget deficit at lightning speed. Banks, insurance companies, private partnerships and trusts, which hold a great deal of the Treasury debt, made out like bandits.

In fiscal year 1979, the gross interest on the debt was \$48.7 billion. By the end of FY 1985, it was \$178.9 billion: a near quadrupling in only seven years. Nothing like this had ever been done in American history. Gingrich and associates never speak of this. Yet, this is one of the principal causes holding the United States hostage to a deficit over the past 15 years.

Instead, Gingrich and associates blame welfare recipients. But in FY 1995, spending for AFDC was \$14.7 billion. *The federal government outlay for gross interest on the public debt is a staggering 22.8 times greater than that for AFDC recipients.*

The latest round

The Contract with America gang now proposes cuts in the federal budget over the next seven fiscal years totaling between \$969 billion, based on the December 1995 Congressional Budget Office baseline projection numbers, and \$1.117 trillion, based on the earlier, less optimistic August 1995 Congressional Budget Office baseline projection.

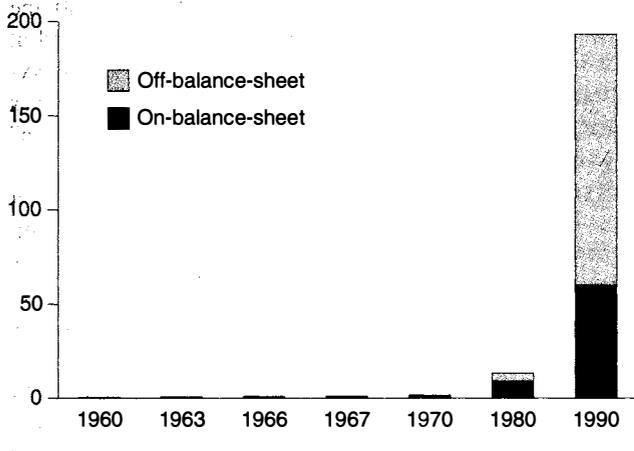
The \$1.117 trillion in cuts include \$440 billion in cuts in discretionary programs. This will slash education and soft

holders of U.S. Treasury debt: banks and insurance companies, foreigners, trust funds, etc. The gross interest on the debt includes the interest owed to the public, and to primarily U.S. agency trust funds (such as the Social Security trust funds, the Medicare, Part A trust fund) which hold U.S. government debt. Clever Wall Street accountants say that these latter obligations are just inter-governmental interest obligations, so they don't have to be taken account of. But, trust funds, like Social Security, have obligations to pay monthly payments to recipients of their programs, (i.e., retired people), which requires, at some point, drawing down the interest they have earned from holding U.S. Treasury securities. This is a real payment, and the interest the U.S. government pays had better be real to cover it. Therefore, gross interest on the debt must be counted.

FIGURE 4

Growth of financial turnover, compared to the physical economy

(index 1967=1)



Source: Bank for International Settlements; Board of Governors of the Federal Reserve System; Public Securities Association; Chicago Board of Trade and Chicago Mercantile Exchange; United Nations "General Industrial Statistics," various years; U.S. Department of Commerce, Bureau of Economic Analysis; American industrial associations; EIR.

infrastructure, and gut hard infrastructure. The House-Senate Republican conference resolution budget, also includes \$577 billion in cuts in entitlements, led by cuts of \$270 billion in Medicare and \$182 billion in Medicaid. These programs provide medical assistance to, respectively, 37.6 million elderly and 36 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 3-4,000 hospitals and health clinics; double premium payments, for those still retaining coverage; and herd the elderly and poor into Health Maintenance Organizations, where the quality and extent of medical coverage is truncated in order to minimize costs.

Thus, the Contract gang is fighting to pass huge tax bonanzas for speculators, destroy the economy, slash the tax base, kill the elderly and poor, all in the name of a budget-balancing approach that doesn't work. But it is worse.

Figure 4 shows for the United States, the level of turnover of all financial instruments, including derivatives, bonds, stocks, etc., relative to the level of physical output, measured by the EIR market basket, which measures the input-flow of physical producer and consumer goods, per household and per capita. In 1990, there was \$192 of financial turnover per unit of market basket. Each unit of turnover has a rate of return or yield, which is a claim on the physical economy. The hyperbolic rate of growth of this curve dictates that the economy will explode. The precise date of this explosion is not known; that it will explode, is certain. Under such a collapse, no one can predict accurately revenues for fiscal year 1996 or 1997, let alone past the year 2000.

Tax breaks to benefit parasites

by Richard Freeman

The Contract with America's tax package contains tax breaks worth tens of billions of dollars, for those who truly need it least: blue-blood wealthy families, Wall Street coupon-clippers and take-over artists, and speculators. The windfalls will widen the budget deficit further, demonstrating that balancing the budget is not motivating the radical Republicans' actions. The real reason for holding up the debt ceiling bill, and shutting down the government, was to get these tax breaks through. They are a rip-off for the speculators who financed the 1994 election campaigns of Gingrich's handpicked GOPAC candidates, and who stand ready to finance them again in 1996.

The Contract's tax proposals are in the tradition of the 1981 Kemp-Roth Tax Act, which was a Christmas tree of goodies for speculators. It, too, purported to spur growth and balance the budget, but wrecked the tax base and unbalanced the budget.

The principal tax bonanza contained in the Contract plan is a cut in the top rate of the capital gains tax by half. According to studies by the Treasury Department and Joint Committee on Taxation of the Congress, this tax cut will create a windfall for speculators of \$36-40 billion by the year 2002, which will grow to approximately \$65-80 billion by the year 2005, and \$160 billion by the year 2010. There is also a proposed cut in the inheritance tax, which benefits the very wealthy.

Capital gains are realized as a result of the appreciation of an asset, whether that asset be stocks and real estate (which account for more than 70% of capital gains), or a piece of antique furniture, an art work, etc. For example, if one bought an apartment building for \$50 million, and sold it two years later for \$150 million, then \$100 million is one's capital gain, even if the upkeep and repair of the apartment building has not been maintained, and the building, in physical terms, is really worth less than it was two years before. The object of the speculative economic process that has submerged America, has been to rig an appreciation in the market price of paper financial instruments or pieces of land, and then record profits through the instruments' sale. These are capital gains profits—part and parcel of the worldwide financial bubble.

The proposed capital gains tax rate cut has two objectives. First, to increase the size of, and give six months or

more new life to the bubbles in stocks, derivatives, and real estate. The historical record shows that each time a capital gains tax cut has been enacted during the last 20 years, speculative activity has boomed. Second, it lowers the tax rate that the speculative parasite pays on his ill-gotten gain, which, meanwhile, has been enlarged through the effects of the capital gains tax cut. So the speculator pays less tax on a much bigger take. As Al Capone would say, "Nice work, if you can get it."

In 1978, Rep. William Steiger (R-Wisc.) introduced a bill which reduced the capital gains tax rate from 49% to 28%. That law took effect in 1979. Then, in 1981, the Kemp-Roth Tax Act reduced the capital gains tax further, to 20%. (In 1986, the Tax Reform Act raised the capital gains tax rate back up to 28%.)

Between 1978 and 1986, the double-dose of capital gains tax rate cuts—in combination with the 1982 deregulation of the U.S. banking system, and then-Federal Reserve Board Chairman Paul Volcker's high-interest-rate regime—fueled a further speculative boom. For example, during 1978-86, the capitalization of the New York Stock Exchange (the capitalization is the total number of shares times the stock price of each of those shares) soared from \$823 billion to \$2,199 billion, an increase of 2.67 times in just eight years. The real estate market also boomed.

Two incentives

The Contract proposal, thus far, contains two capital gains incentives: 1) a 50% capital gains deduction, and 2) indexation of the basis of capital assets to eliminate inflationary gains, which would go into effect in FY 2002.

For example, let us say that Mr. Boesky realizes a \$2 million capital gain. Under current law, Boesky's capital gains tax would be his \$2 million capital gain times the 28% capital gains tax rate, or \$560,000. This would leave him an after-tax profit of \$1.440 million. Under the proposed law, Boesky would deduct one-half the \$2 million capital gain (\$1 million), which would not be subject to tax. If Boesky is in the highest personal tax bracket (39.5%), under the proposed change, he would pay a tax on the remaining half of his capital gain (\$1 million " 39.5%) of \$395,000, leaving him an after-tax profit of \$1.605 million. He would earn an extra \$165,000 in after-tax profit.

However, historically, the way the capital gains tax works (intentionally), is that it simultaneously fuels the speculative markets. So, Boesky could realize 1.5 times (or more) as much capital gains as he currently does. Let us assume that under the Contract program, Boesky realizes \$3 million in capital gains, as opposed to the \$2 million currently. As a result, his capital gains taxes would be \$594,500, but his after-tax profits would rise to \$2.4 million—nearly twice current levels.

Indexation of capital gains to inflation, under the Contract proposal, would add a whole new element of financial

scam, because it indexes the speculator's assets against the inflation rise, but the speculator can borrow money which is not indexed. For example, assume a 4% rate of inflation. Under indexation, if, over the course of a year, an asset's value rises by 7%, the speculator would pay tax on just 3% of the gain (7%-4%). However, if the speculator bought this particular asset with borrowed money, he pays the borrowed money back the next year with dollars which are worth (and thus cost him) 4% less (due to the 4% inflation rate). Indexation would significantly lower the amount of tax the speculator pays, lowering the tax revenue the U.S. government collects, and further increasing the speculator's after-tax profits.

The Treasury Department and the Joint Committee on Taxation studies, and committee personnel, place the tax revenue losses to the U.S. Treasury by the year 2005, due to the current version of the Contract capital gains tax cut proposal, at \$65-80 billion. While Gingrich and his ilk claim that this tax break benefits everybody, only 8.5% of all taxpayers pay capital gains taxes, according to the U.S. Treasury Department. That means, 9 out of 10 taxpayers—the average working man—realize no capital gains whatsoever. Moreover, 65.3% of the total dollar amount of capital gains are made by those who earn \$200,000 or more in income. This minuscule group, which represents less than 1% of all Americans who file tax returns, are the prime beneficiaries.

Inheritance tax breaks

But there is a second level to this. A speculator does not pay tax on the capital gain of an asset until he sells it. The sale is called realizing the capital gain of the asset. There are various ways of sheltering the realization of the asset, but this is where what is called the "death loophole" takes over. If a speculator does not realize the capital gain during his lifetime, he pays no capital gains tax. But the person or persons who inherit the speculator's estate, do not pay a capital gain. They simply pay an inheritance tax, on a sliding scale based on the size of the estate. The tax is paid as if there was no capital gain at all.

Moreover, there is an exemption on inheritance taxes. In 1981, the exemption was \$175,625. The Kemp-Roth Act increased the exemption to \$600,000 by 1987. The current Contract tax proposal would increase that exemption to \$750,000. Most Americans do not leave behind estates valued at three-quarters of a million dollars. This strictly benefits the wealthy. The estimates are that the proposed increase in inheritance exemption, and other gift and estate tax changes, will lose the Treasury an additional \$12 billion in revenue by the year 2002. There is an additional \$11.7 billion that will be lost because of more generous tax rulings for Individual Retirement Accounts (IRAs).

Meanwhile, the Contract with America would eliminate the Earned Income Credit, which benefits working people with lower incomes.

A history of the push for a balanced budget

by Richard Freeman

As the first article in this *Feature* demonstrates, the budget-balancing mania has thrown the U.S. budget far out of balance. The process leading to that growing imbalance began in earnest in 1978-82, and includes the policy decisions during the Carter years, and the early years of the Reagan administration, particularly the disastrous Kemp-Roth "Economic Recovery Tax Act" of 1981.

The addition of the Gramm-Rudman-Hollings "Balanced Budget Act" of 1985, guaranteed that the United States would record a budget deficit of \$341.6 billion by fiscal year 1990, and \$386.4 billion by fiscal year 1992.

The following is a chronology of the critical policy steps that have shackled America's ability to deal with the budget in a reasoned manner.

I. The Carter years

During the 1976 Presidential campaign, Jimmy Carter pledged that he would balance the budget during his first term in office. During his first year in office in 1977, Carter proposed a stimulus package to get the economy going, which was still suffering from the effects of the 1973-75 worldwide depression. However, when he deemed the economy was doing well enough, Carter scaled back the stimulus package, and began the process of attempting to balance the budget.

In 1976, when he campaigned for President, Carter was a little-known former governor of Georgia. Essentially his campaign linked incumbent President Gerald Ford, through guilt by association, with the 1973-74 Watergate scandal of President Richard Nixon. Candidate Carter's relative obscurity and short track record on which to judge him, endeared him to his handlers. These included Trilateral Commission founder and chairman David Rockefeller, who was also chairman of Chase Manhattan Bank. Rockefeller and his Wall Street friends bankrolled Carter's Presidential bid. Another prominent handler of candidate Carter was the New York Council on Foreign Relations (CFR).

Starting in the early 1970s, the CFR had been conducting a study, to which it attached a great deal of importance, called the "Project 1980s." This "Project" had many study teams and eventually wrote and produced over 30 "Project" books, which were published by McGraw-Hill. The studies were

conducted under the guise of a series of projections of what the 1980s would look like under certain policy constraints. Only it wasn't crystal-ball gazing; the "Project" was drawing up a blueprint, which it intended to carry out by orchestrating certain financial and economic shocks and by getting its members into government.

The theme of the "Project 1980s," was a work by economist Fred Hirsch, "Alternatives to Monetary Disorder," which spoke of the policy for "controlled disintegration." It explained that there would be a series of shocks to the economy—interest rate increases, energy price increases, credit cutoffs—which would cause zero, and eventually negative economic growth. The economy would disintegrate, but, hoped the leaders of the CFR's "Project" team, it would be "controlled," not unmanageable. Four members of the CFR's "Project 1980s" team, Paul Volcker, Cyrus Vance, Zbigniew Brzezinski, and Michael Blumenthal, were appointed by Carter as chairman of the board of the Federal Reserve System (in August 1979), secretary of state, national security adviser, and secretary of the treasury, respectively. The Carter administration became the administration of "controlled disintegration."

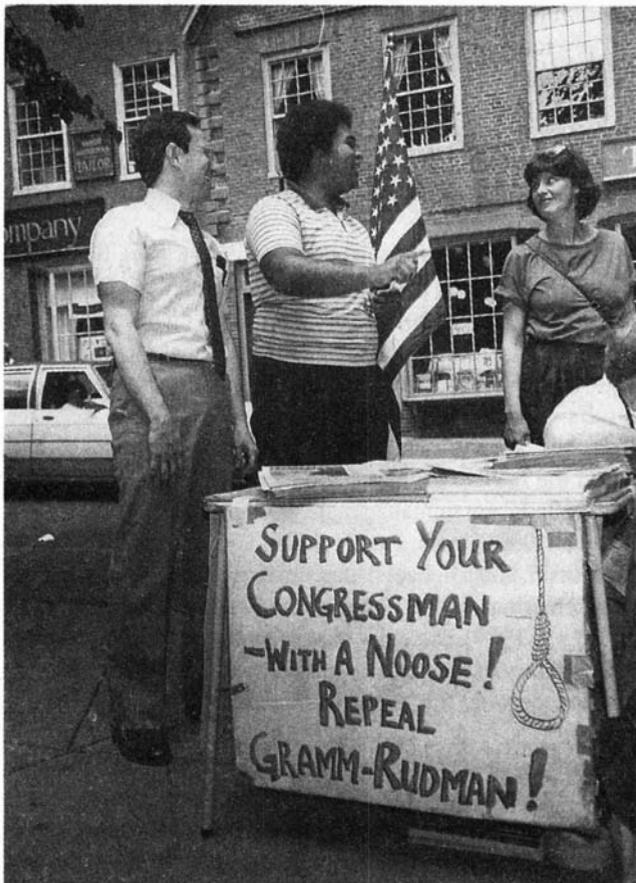
Carter's austere budget-cutting was augured in his agenda for energy conservation, water public works projects, and nuclear energy. Carter was a fanatical pusher for energy conservation. In April 1977, months after taking office, he put forth this agenda:

- a new federal agency, the Energy Mobilization Board, to cut government red tape, including certain state and local regulations, inhibiting rapid development and construction of priority energy projects—largely projects of low energy-throughput per cubic volume of surface area;
- a surcharge on imported gasoline;
- a proposed tax on the wellhead price of domestic oil;
- stiff penalties on "gas-guzzling" automobiles;
- penalties for companies that refused to switch from natural gas and oil, to coal, for their heating and other energy needs. Carter asked Congress to approve \$3.6 billion to pay for utilities to convert their power plants to coal.

In most cases, the spending represented pure waste, or a shift from relatively less expensive, higher-technology forms of energy, to relatively more expensive, lower-technology energy use. It decreased the overall efficiency of the economy.

Nuclear energy and water projects

Carter was the most anti-nuclear President the United States has ever had. In 1977, Congress abolished the Joint Atomic Energy Committee (JAEC). Some of its functions were divided up among other committees, but the centralized thrust for nuclear energy was gone. In 1977, Carter vetoed legislation authorizing funding for design work on a breeder reactor demonstration plant in Clinch River, Tennessee, which was the nation's leading fission nuclear project at the time. Although Carter and the environmentalists were unable



The political movement associated with Lyndon LaRouche has consistently opposed attempts to balance the budget, because such attempts are doomed to failure. Here, a National Democratic Policy Committee rally in Boston in 1986, attacking the Gramm-Rudman-Hollings balanced-budget law.

to kill that project until the “fiscal conservatives,” such as the Heritage Foundation and the National Taxpayers Union, joined forces during the Reagan administration, it was an important blow to the development of technology to close the nuclear fuel cycle. In March 1979, the Three Mile Island, Pennsylvania nuclear power plant was shut down, with considerable evidence pointing to the possibility that the plant had been sabotaged. Within this atmosphere, Carter reorganized the Nuclear Regulatory Commission, giving it a pro-environmentalist direction. The construction of nuclear power plants per annum fell off sharply, and was soon at zero.

Carter also pushed the “Alaska lands legislation,” which locked up huge portions of Alaska, preventing economic development and human settlement. He also had large tracts of land in Idaho and Colorado designated as “wilderness areas.”

Early in his first year in office, Carter drew up what he called a “hit list” of water projects. He issued a list of 18 ongoing water public works projects that he wanted canceled, plus five others that he said should be modified. Carter justified the cuts on the grounds of pursuing a “cost-effective approach.” After a fierce fight, Congress agreed to terminate

9 projects, and modify 3 of the 5 on the President’s proposed list. In 1978, Carter vetoed a water projects appropriations bill because Congress had tried to restore some of the water projects he had eliminated. Carter also tried to block the access of various California agricultural interests to federal supplies of water for irrigation. During this period, Carter also superintended the deregulation of the airlines and trucking industry, with disastrous effects for the economy.

The oil hoax and interest rates

During 1978-79, the CFR activated the blueprint contained within their “Project 1980s” policy documents. Following the November 1978 occupation of the U.S. Embassy in Teheran by followers of Khomeini, a second Middle East oil boycott was begun, ostensibly by the Organization of Petroleum Exporting Countries (OPEC). But there was no OPEC oil cutoff. Oil tankers filled with oil sat 10 deep offshore from U.S. ports. It was the Seven Sister oils companies, led by the Anglo-Dutch energy cartel Royal Dutch Shell, which were responsible for the oil cutoff, just as they had been responsible for the first so-called “OPEC oil boycott” of 1973-75. This was an oil hoax: During the first oil hoax of 1973-75, the price of oil had increased from \$3 per barrel to \$12 per barrel. During the second oil hoax, the price of oil shot up threefold, to \$36 per barrel.

The price of oil acted like a floor under energy prices. Soon the prices of coal, natural gas, and other energy supplies were rising, creating worldwide inflation and bankrupting nations dependent on oil imports.

In October 1979, Federal Reserve Chairman Volcker started raising interest rates, by exercising the Fed’s power to raise the discount and federal funds rates, which determine the interest rate charged by commercial banks. By February 1980, the prime lending rate stood at 21.5%, and the interest rates on Treasury securities and all other instruments surged. In the hot-house atmosphere of high interest rates, speculation flourished, but production crumbled. Volcker publicly postured that he was fighting inflation, but in November 1978, in a speech in Leeds, England, Volcker declared his real intentions, stating, “Controlled disintegration is a legitimate objective for the 1980s.”

The Steiger Act

In 1978, the Steiger Act, introduced by Rep. William Steiger (R-Wisc.), was passed, and took effect in 1979. It reduced the top tax rate on capital gains from 49% to 28%. The 49% level was a reasonable rate; in fact, it should be much higher. The 49% rate cut down the short-term trading of stock for artificial price appreciation, and encouraged people to hold stock in a company which is making real industrial investments and profits. Short of such investments, the stock’s price would not increase.

Part of the purpose of the Steiger Act was to stimulate the Dow Jones Industrial Average, which had been languishing during the 1970s below 1,000. The act also gave a windfall to

Steiger's speculator friends. This opened the door for Drexel Burnham, Kravis Kohlberg and Roberts (KKR) et al. to binge on leveraged buyouts, which artificially appreciated stocks, causing higher capital gains, but with less taxes to be paid. This accelerated the spree of takeovers and asset-stripping of companies.

Attempts at budget-balancing

Carter released his fiscal year 1979 federal budget on Jan. 23, 1978. This was the first budget produced entirely by the Carter administration (earlier budgets had been shaped, in part, by the Ford administration). According to *Congress and the Nation* (Vol. V), the Carter budget "document hewed to the President's philosophy that government should be limited. That view was revealed by Carter's proud assertion that he was holding real spending growth above current-service levels [to] under 2%."

In opposition to Carter, House Majority Leader Jim Wright (D-Tex.) succeeded in having the House Budget Committee approve a plan that added \$2.5 billion in budget authority and \$300 million in outlays for accelerated public works.

On Jan. 22, 1979, Carter sent his fiscal year 1980 budget to Congress. "The policy of restraint . . . is an imperative if we are to overcome the threat of accelerating inflation," Carter said at the time. He stated that his "lean and austere" budget for fiscal year 1980 would have a deficit target of only \$29 billion. The Congress voted out a budget with a deficit target of \$23 billion. During this period, James Dale Davidson's National Taxpayers Union did get its proposal for a balanced budget amendment raised in Congress. In late 1979, the Senate Judiciary Committee on the Constitution approved a balanced-budget constitutional amendment by a 5-2 vote. It was drafted by Sen. Orrin Hatch (R-Utah) and introduced by Sen. Dennis DeConcini (D-Ariz.). The full Senate Judiciary Committee, on March 18, 1980, voted 9-8 to reject the proposed constitutional amendment. It should be pointed out that the actual budget deficit registered for fiscal year 1980 was not \$29 billion, as Carter planned, nor \$23 billion, as Congress planned, but rather \$73.8 billion, i.e., *triple* the level Carter said it would be, according to his professed policy of "fiscal restraint." The real world had intervened.

On Jan. 28, 1980, Carter sent to Congress his fiscal year 1981 budget. Because inflation continued, Carter revised his budget in March 1980, working out \$15 billion in additional spending reductions. In the budget, Carter assumed a \$28 billion revenue increase (\$12.6 billion of which was to come from a surcharge on oil imports) and, therefore, a fiscal year 1981 budget that would be in surplus by \$16.5 billion. Instead, because of Carter's policies, it was in deficit by \$78.9 billion.

II. Kemp-Roth

As with the Gramm-Rudman-Hollings bill that was to come after it, and like the tactics that House Speaker Newt

Gingrich (R-Ga.) and Sen. Phil Gramm (R-Tex.) are trying to apply today, the Kemp-Roth Tax Act was attached as an amendment to the resolution raising the federal debt ceiling.

Kemp-Roth is presumptuously called, "The Economic Recovery Tax Act of 1981." (The "Contract on America" calls the bill which contains the proposed capital gains tax rate cut, the "Full Growth and Employment Act of 1995." The Wall Street types mislabel their proposals.) The authors of this "supply-side" bill were, ostensibly, economists Jude Wanniski, Art Laffer, and Robert Mundel. Mundel was a professor at Columbia University, is the mentor of Wanniski, and is tied into the Mont Pelerin Society and different layers of the European oligarchy. Then-Rep. Jack Kemp (R-N.Y.) and Sen. William Roth (R-Del.) first introduced the legislation in 1977. President Ronald Reagan signed the legislation into law on Aug. 13, 1981.

The act was a speculator's delight:

- It reduced the capital gains top tax rate from 28% to 20%.

- It reduced the maximum tax rate on investment, or "un-earned income" (income from interest and dividends) from what was then 70%, to 50%. This tax cut, like the capital gains tax cut, benefitted the wealthy.

- It increased the 10% investment tax credit for the rehabilitation of old buildings to 15% for buildings 30-39 years old, 20% for buildings 40 years and older, and 25% for certified historic structures. This accelerated the gentrification process of converting old warehouses into apartments, especially in New York, where people such as the Milstein brothers of Integrated Resources, and the Drexel Burnham Lambert and KKR crowd, closely tied to the Anti-Defamation League (ADL), benefitted.

- It reduced all individual income tax rates by 5% on Oct. 1, 1981, 10% on July 1, 1982, and an additional 10% on July 1, 1983. The cuts averaged 23% when fully phased in (the original act had proposed a full 30% in cuts in income tax rates). Simultaneously, indexing was introduced. This increased individual income tax brackets, the zero bracket amount, and the personal exemption, to reflect annual increases in the Consumer Price Index beginning with the 1985 tax year. The personal tax cut and indexing led the way in causing a big drop in revenues.

- It accelerated depreciation. Kemp-Roth replaced the existing system for depreciating assets over their useful lives with a new approach called "Accelerated Cost Recovery System" (ACRS). This sped up depreciation. For example, automobiles, light trucks, racehorses, and machinery and equipment that, under existing law had a depreciation range of up to four years, could all be written off in three years. Plus, a one-time, 6% investment tax credit would be allowed; all other machinery and equipment, single-use farm structures, such as hen-houses, petroleum storage facilities, and public utilities with a depreciation range up to 18 years, all could be written off in five years, with a one-time 10% investment tax credit allowed; public utility property with a current deprecia-

tion range of 18 years to 25 years, railroad tank cars, mobile homes, and theme parks, all could be written off in 10 years with a one-time 10% investment tax credit allowed; and finally, public utility property with a current depreciation range of more than 25 years, and all other buildings, could be written off in 15 years, with a 10% one-time investment tax credit allowed.

This allowed some accelerated depreciation of what we would consider to be useful plant and equipment. But, on the other hand, it led to a huge accelerated depreciation of computers and mostly office equipment, whose effect on the economy was minimal to zero. Also, the depreciation was often packaged with leasing arrangements, so that companies could skip out on a lot of their taxes.

- It liberalized leasing laws to make it easier to transfer

investment tax credit and accelerated depreciation benefits to businesses that could use them. The generalized spread of leasing created a new tax scam. Companies with clever accountants could figure out, through leasing, how to shelter and avoid taxes.

- It increased from 15 to 25 the maximum number of shareholders a small business could have and still retain the option of having its individual shareholders, instead of both the shareholders and corporation, taxed on income.

- It massively increased Individual Retirement Account (IRA) and Keogh (self-employed) retirement plans, which shelter income from taxes. It increased to the lesser of \$2,000 or 100% of compensation, the amount an individual could deduct for annual contributions to a tax-exempt IRA plan, and increased from \$7,500 to \$15,000 the amount a self-employed

KKK backer started the 'budget process'

Prior to 1921, the government of the United States did not have a federal budget. The Executive and Legislative branches of government did not concern themselves with the accounting procedure of balancing revenue against expenditures. In today's terminology, those former elected officials might have considered that to be an exercise in "virtual reality." Seventy-five years later, the budget-balancing process has caused the shutdown of the federal government, and consumes most of the time of Congress. And, it doesn't work.

Maybe our forebears knew something that today's Conservative Revolutionaries have overlooked. Or, more precisely, perhaps those Revolutionaries have a governmental philosophy totally antithetical to that of our Founding Fathers.

What do the federal budget process, the Ku Klux Klan, the Federal Reserve Act, and the League of Nations have in common? They were all sponsored by Woodrow Wilson.

Wilson's sponsorship of the KKK, the League of Nations, and the Federal Reserve occurred during his Presidency. His advocacy of a budget procedure began in 1884, when, as a university professor, he wrote *Congressional Government*. The book is an assault on the U.S. Constitution and an embrace of British parliamentary and administrative procedures.

Wilson attacks budget surpluses

Some of today's budget-cutters would be aghast to learn that the father of their cause actually attacked the

frequent budget surpluses of the U.S. government! Wilson stated, "From almost the very first they [Congress] have had boundless resources to draw upon, and they have certainly of late days had free leave to spend limitless revenues in what extravagances they pleased. . . . The chief embarrassments have arisen, not from deficits, but from surpluses." He continued, "The object of our financial policy, however, has not been to equalize receipts and expenditures, but to foster the industries of the country." He then praised the British Chancellor of the Exchequer, for whom "the support of the government is everything," and attacked the U.S. House Ways and Means Committee, for which "the care of the industries of the country is the beginning and end of duty." Wilson boasted that he was among the "first Americans . . . to entertain any serious doubts about the superiority of our own institutions as compared with the systems of Europe."

Therein lies the purpose of the budget process. It has nothing to do with deficits or household budgetary methods. It has always been an attack on the federal government's support for the conditions of physical economic growth.

How is it that the U.S. government, prior to Wilson and his cronies' imposition of a "budget process," managed to generate those horrible surpluses? There was no consolidated Executive branch budget. Each department—Agriculture, Interior, Navy, etc.—simply sent its individual budget to its parallel authorizing committee in Congress. And each committee authorized what the department needed. Coupled with the American System policies of internal improvements, protective tariffs, and government-generated cheap credit for production, this produced a surplus.

Wilson's British sponsors set out to transform the U.S. government, into a debt collection agency for the financial oligarchy. While the machinations were in progress for the imposition of the other elements of the coup, namely, the

individual could deduct for contributions to a tax-exempt Keogh retirement plan. Kemp and Roth said that these lavish tax breaks encouraged savings; many tax experts disagreed, saying that the money would have been saved anyway, without the IRA-Keogh tax breaks, which lose billions in tax revenues for the U.S. government.

- It vastly increased the exemption for the wealthy on estate taxes. It increased gradually, from \$175,625 to \$600,000 by 1987, the total amount that would be exempt from estate and gift taxes. By 1987, less than 1% of all estates would be taxed.

- These tax law changes, and some additional ones, created a bonanza for "investment partnerships." "Passive investment partnerships" were set up, whereby one could invest \$1, and get back \$2-4 in tax losses to apply against one's taxes.

Federal Reserve System and the income tax, a series of commissions was established between 1910 and 1920, demanding that the inefficiencies of representative government be replaced by "scientific" methods of fiscal management. By 1921, a Bureau of the Budget was established, under the directorship of Charles Dawes (whose infamous "Dawes Plan" ensured the wrecking of the German economy in the 1920s, and thus abetted the later rise of fascism). And so, the federal budget was born.

Congress capitulated by establishing the Appropriations Committee as a buffer between federal departments and their authorizing committees. We have gone one step further today, by placing the House and Senate Budget committees in authority over both the authorizing and appropriations committees.

Subverting representative government

The purpose has always been one of severing elected officials from economic policymaking, and handing power over to the financial elite's "administrators." William F. Willoughby, a member of one of those early commissions, admitted in a 1934 book, "It is desirable to point out the great possibilities that are embraced in a system determined by an outside organization which has no legal status and has no control other than that which it is willing to impose on itself." Fifty years earlier, Wilson had declared, "Probably the best working commission would be one which should make plans for government independently of the representative body."

Or, as Rep. John Fitzgerald (D-N. Y.) insisted, in fighting the 1921 creation of the Bureau of the Budget, "Many who are urging the adopting of a budget in the U.S. are really in favor of a very revolutionary change in the whole system of government."

The Conservative Revolutionaries would agree.

—Susan Kokinda

This provision was massively exploited by the ADL-linked real estate interests.

The Joint Tax Committee, a bipartisan committee that evaluates the impact of all tax bills put forward in Congress, estimated that the Kemp-Roth "Economic Recovery Tax Act" would reduce federal tax revenues by approximately \$749 billion over the five-year period from FY 1982 to FY 1986. The retort of the Kemp-Wanniski-Laffer-Mundel wise guys was that this would stimulate the economy on the "supply side," generating growth, and thus would increase the tax revenue base. But, as can be seen from a review of some of the leading tax cut features of Kemp-Roth, the thrust of the act was to increase speculation in real estate, leveraged buyouts in the stock market, and other forms of speculation. Combined with the reduction in the capital gains tax rate, Volcker's high interest rates, and the 1982 Garn-St Germain deregulation of the banking system (see below), Kemp-Roth led to a ballooning of the speculative financial bubble and a withering of the physical economy, which threw the budget deeper into deficit.

Banking deregulation

On Oct. 12, 1982, one year after the Kemp-Roth Act passed, the Garn-St Germain Depository Institutions Act, which deregulated the banking system, was signed into law. Sponsored by Sen. Jake Garn (R-Utah) and Rep. Fernand St Germain (D-R.I.), it deregulated the entire banking system: the commercial banks and the savings and loans institutions. Vice President George Bush had been the head of a White House committee which studied, recommended, and oversaw banking deregulation. Previously, S&Ls had been restricted by law from investing more than 5% of their loans into commercial real estate. Now, that restriction was lifted entirely. This freed up liquidity for investment in the real estate partnerships and trusts set up under the Kemp-Roth Act, which, thanks to Volcker's forcing up interest rates, set rates of return in real estate at 20% and above per annum.

Moreover, the Garn-St Germain Act, coupled to the Volcker high-interest-rate regime, led to the bankruptcies of the S&Ls during the 1980s. During the 1970s, S&Ls made 20- to 30-year mortgage loans at interest rates of 3-5%. But when the prime lending rate averaged nearly 19% in 1981, the S&Ls had to be prepared to offer 15-16% on interest-bearing savings accounts and certificates of deposits. They had to pay 16% short-term, but were only earning 3-5% long-term—a formula for bankruptcy. Originally, many S&Ls fought the Volcker high interest rates politically. But, the Garn-St Germain Act enlisted the S&Ls in a scheme to recoup their money in quick-buck, high-yield commercial real estate deals, which previously had been off-limits.

The Garn-St Germain Act also allowed the S&Ls to shovel money into the stock market leveraged-buyout fever, which the Steiger Act had helped create.

It should be noted that the Kemp-Roth Act proved to be such a fiasco, that, led by Bob Packwood (R-Oreg.), the Senate passed the Tax Reform Act of 1986, to revoke, fully or

partially, some of the most egregious tax giveaway provisions of the Kemp-Roth Act. This included raising the capital gains top tax rate back to 28%, and closing some of the real estate tax loopholes. The effect of the closing of the loopholes was to blow out the New York real estate market in 1987-90, leading to the bankruptcy of the big New York and Boston banks, which Congress and Federal Reserve Board Chairman Alan Greenspan then began bailing out, both on and off the books, in 1987-93.

However, many of the tax scams in Kemp-Roth Act, while scaled back, are still on the books today.

III. Gramm-Rudman-Hollings

On Oct. 3, 1985, the Senate was scheduled to take up a resolution to increase the debt ceiling limit. But in late September, Senators Gramm, Warren Rudman (R-N.H.), and Ernest Hollings (D-S.C.) introduced S. 1702, setting deficit targets for each of the five succeeding years, requiring a balanced budget by FY 1991. President Reagan signed it into law on Dec. 12, 1985. The bill, called the "Balanced Budget and Emergency Deficit Control Act of 1985," required that the federal deficit be eliminated using conventional legislative means, or, failing that, through "sequestration," an unprecedented, unconstitutional process that required automatic,

across-the-board spending cuts, with the size of the cuts decided, not by Congress, but by the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO), in consultation with the General Accounting Office (GAO). This was, in effect, an extra-legal dictatorship set up over Congress.

At this time, the budget deficit for FY 1986 was projected to be above \$200 billion. The new law set annual maximum allowable deficits, declining by \$36 billion each year, to zero by Oct. 1, 1990, the start of FY 1991.

Gramm-Rudman-Hollings (GRH) was passed using the same blackmail tactics as Gingrich and Gramm are using today: blocking the vote to raise the federal debt ceiling limit needed to keep the government functioning, until Congress first voted up the GRH bill. Sen. Bob Dole (R-Kan.) attached GRH to the resolution to increase the debt ceiling limit. Congress was stampeded into voting for the measure without much chance for thought. *Congress and the Nation* (Vol. VII, p. 44) describes the process:

"The budget measure swept through Congress with gale force after its introduction in late September [1985]. . . . The measure . . . was attached to an urgent bill raising the national debt limit and was enacted without benefit of the usual legislative process of committee hearings and markups. Even the floor action was telescoped, and crucial conference negotiations were conducted in private by House and Senate leaders of both parties."

Congress and the Nation states that "there had been no conventional committee action in either chamber on S. 1702, and there was a dearth of background material for the floor debate." A 66-member House-Senate conference committee voted out a final version of the bill on Dec. 10, 1985. Most members of Congress had little input. It was voted up by both houses of Congress on Dec. 11. President Reagan signed it into law on Dec. 12, 1985. Rep. Mike Synar (D-Okla.) challenged the constitutionality of a pivotal feature of GRH in the courts: the mechanism whereby the OMB, CBO, and GAO determined the level of the budget, in the event that Congress could not agree upon a figure for the cuts. On July 7, 1986, the U.S. Supreme Court upheld a lower court ruling that the procedure was unconstitutional. The court held that the GAO's role in ratifying the amount and scope of the automatic cuts violated the separation of powers doctrine. Anticipating such a result, the sponsors of the bill included a fall-back procedure giving the OMB final authority to determine the magnitude of cuts. This would turn the OMB, typically staffed by Wall Street budget-cutters, into a technocratic dictatorship over the budget.

Some of the features of Gramm-Rudman included:

- Deficit limits. It established maximum allowable federal budget deficits as follows: for FY 1986, \$171.9 billion; FY 1987, \$144 billion; FY 1988, \$108 billion; FY 1989, \$72 billion; FY 1990, \$36 billion; FY 1991, zero.

What happened? The actual budget deficits were:



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TO REACH the campaign by electronic mail:

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FY 1986, \$283.1 billion; FY 1987, \$222.4 billion; FY 1988, \$252.9 billion; FY 1989, \$276.0 billion; FY 1990, \$341.6 billion; FY 1991, \$386.4 billion.

Instead of a mandatory balanced budget, because of its flawed methodology, Gramm-Rudman-Hollings generated a nearly \$400 billion deficit.

- Budget process revisions. It established a new, accelerated timetable for Presidential submission of budgets and approval of budget resolutions, reconciliation (deficit reduction) measures, and appropriate legislation.

Reconciliation instructions and budget resolutions had the effect of requiring committees to recommend changes in laws under their jurisdiction, so as to achieve savings assumed by the budget resolution. In appropriations bills, Congress was to decide how much might be spent in a given year for a federal program.

- It established a special procedure under which the Senate Budget Committee could initiate a partial or full affirmation of a sequester order under procedures similar to those used for budget reconciliation. The Senate Budget Committee could require other Senate committees to submit legislative proposals to alter the order, and if a committee failed to submit the required alternatives, the Senate Budget Committee could draft the legislation itself.

- It set the amount by which program spending could be reduced in health programs, including: Medicare, veterans health, Indian health, community and migrant health centers. These programs could be reduced by no more than 1% in fiscal 1986, and by no more than 2% thereafter. Programs such as Medicaid, Aid to Families with Dependent Children, Supplemental Security Income, Food Stamps, and Child Nutrition were supposedly not to be cut.

- If, in fiscal years 1987-90, the CBO-OMB-GAO report projected a deficit exceeding the level specified for the upcoming fiscal year by \$10 billion or more, it required the President to issue an emergency "sequester" order reducing federal spending, with certain exemptions, by a uniform percentage, as spelled out in the report.

- It designated as "out of order" a series of actions that would normally be taken by both houses of Congress. Once ruled out of order, these matters could not be brought up until three-fifths of the members of the House voted to allow it to be so ruled. The three-fifths level is a difficult level to achieve.

Between fiscal years 1986 and 1991, Gramm-Rudman carried out massive cuts in federal programs, but it produced a deficit of nearly \$400 billion in FY 1991.

The GRH put the heaviest emphasis on cutting discretionary programs, including defense, education, some agriculture programs, and most transportation and housing programs. GRH was the coup de grâce for the defense industry: It triggered the process of massive shutdown. GRH cut some entitlement programs, but by lesser amounts. Gramm and Gingrich, this time around, plan to permanently eliminate every entitlement program, while cutting discretionary programs.

NTU: weapon against the United States

by Anthony K. Wikrent

According to the *Congressional Quarterly's 1979 Chronology of The Federal Budget*: "The balanced budget, an idea that appeared on the verge of losing its political sanctity, was resurrected during President Carter's term as an expression of the anti-spending, anti-Washington temper of the times. The chief promoter of the balanced budget movement [was] the National Taxpayers Union."

It does not require close examination to see that the National Taxpayers Union (NTU) is a foreign entity controlled top-down from London. Its founder and president, James Dale Davidson, is a business partner of Lord William Rees-Mogg, former editor of the London *Times*, the mouthpiece of the British monarchy-led Club of the Isles. Davidson and Rees-Mogg publish *Strategic Investment*, a newsletter which has been leading the many spurious attacks on President Clinton, such as Troopergate, Whitewatergate, and over the Vincent Foster suicide.

Grooming of an oligarchical stooge

Davidson was educated at the University of Maryland, where he supposedly set up the NTU as a young Republican disillusioned with President Richard Nixon's failure to attack "big government." This profile of a young American, who, though appearing to be "straight," was interested in tearing down his own government, no doubt attracted the attention of the British intelligence services. Davidson went on to Pembroke College, Oxford, England, for "graduate study."

In 1980, Davidson began popularizing the oligarchical economic outlook, writing *The Squeeze*, a primer on the "overall economic decline of America." For anyone conversant with the basic principles of Christian humanism that led Gottfried Leibniz to establish the foundations of modern physical economy, *The Squeeze* is clearly intended to steer the populist rage engendered by the post-industrial collapse of the U.S. physical economy, into channels the oligarchy could use to assault the U.S. government, specifically, and republican governments in general.

Davidson begins by arguing that the U.S. middle class is being driven into despair by a failure of "progress," the belief that "the future will almost necessarily be better than the present." At this point, there would be no ground on which to object to Davidson. But as he begins to define the *sources* of



The National Taxpayers Union and Friends of the Earth held a press conference in Washington, D.C. with Rep. Scott Klug (R-Wisc.) on Jan. 31, 1995, to release a report on what they claim are federal programs that damage the environment and cost the taxpayers billions of dollars. Left to right: Anna Aurilio, U.S. Public Interest Research Group; Ralph De Gennaro, director, appropriations project, Friends of the Earth (at podium); Jill Lancelot, NTU; Representative Klug.

progress, the mask of civility is dropped, and Davidson's leering oligarchical countenance is revealed. The "development that made gradual material advancement possible," Davidson asserts, is "*the accumulation of capital*" (emphasis in original). Davidson thus rejects the true source of capital, indeed, of all wealth, namely, the creative mentation that all human beings have been endowed with by their Creator—the basis of the crucial Renaissance idea of *imago viva Dei*, that man is created in the image of God. Davidson argues that there is "an inherent antagonism between religion and progress," and that the "accumulation of capital" became possible only after "the decline of Christian faith" over the past few hundred years.

Davidson distinguishes among three types of capital: productive, static, and transcendental. "Productive capital," as Davidson defines it, "includes any investment which has as its object the creation of additional goods and services for sale in the marketplace." Static capital "includes any tangible item of value which is not employed in the production of additional goods and services," such as a "diamond, a rare stamp, a Honus Wagner 1913 baseball card, a bar of gold."

Lastly, there is transcendental capital, which "is not capital at all in the conventional sense, it is merely a substitute by which an individual enjoys returns on the capital owned by someone else." The example used by Davidson is quite illustrative: a judge, imposed on the Tellina Valley of northern Italy in 1512 by the conquering Raetian Republic, "who passed an arbitrary death sentence on anyone who appeared

before him, for whatever reason." This judge amassed a vast fortune in just 15 months, thanks to "the catalyzing effect of fear on human generosity."

Rather than outright call this "stealing," "theft," or "looting," Davidson simply observes that "by far the most profitable method of accumulating wealth these days is in the form of transcendental capital." He adds, "*The increasing value of transcendental claims reduces the net worth of every productive asset, drawing away and consuming hundreds of billions of dollars annually*" (emphasis in original).

An intriguing statement, because it echoes the attacks U.S. physical economist Lyndon LaRouche has repeatedly made against the Wall Street and City of London financiers and usurers who have destroyed so much of the world economy in the past three decades. But, Davidson is not about to attack his mentors and controllers. Rather, he launches into diatribes against "millions of persons directly dependent upon government for their livelihoods, [and] millions of others [who] have their current income enhanced or guaranteed by a transcendental-capital claim."

Just in case his reader hasn't grasped the essence of the matter yet, Davidson writes: "Among the more depressing transcendental-capital claims are those which are, in effect, subsidies for the incompetent or the incapacitated. They include such familiar expenditures as welfare payments, unemployment compensation, and a wide variety of income-transfer programs which have come to include federal disability pay for just about any form of hurt."

Assault on duties of citizenship

This assault on the nation-state and on the general welfare clause of the U.S. Constitution's Preamble, is a campaign that Davidson and his controller, Lord Rees-Mogg, have kept up for over a decade. Their campaign puts the attack on entitlements in the forefront in order to appeal to populist rage. For example, in the Aug. 31, 1995 London *Times*, under the headline "The End of Nations: In the Next 30 Years, the Cyber-Economy Will Overtake Conventional States," Rees-Mogg wrote: "The monolithic 20th-century nation-state has been built on the ability, developed in two world wars, to tax, and spend up to half the national income for state purposes, basically war and welfare. The communications of 2025 will have long since taken many, and perhaps most, of these taxable transactions into cyberspace. That is a country with no taxes, the greatest tax haven of them all, Bermuda in the sky with diamonds."

Taxation has been a primary bugabear for Davidson and Rees-Mogg, and their agitation is slyly designed to subvert the citizen's duty to provide for the maintenance of government. Davidson was very explicit in the final chapter of *The Squeeze*, "What You Can Do," in which he instructs his readers: "Another possibility for you to entertain is outright tax resistance, or what *The Economist* calls 'the private guerrilla warfare of tax avoidance.' Even if you determine after study that the risks are too great to break the law yourself, you should at least extend warm support to those who do."

For his efforts, in 1983, Davidson was made business partner with Rees-Mogg, in publishing *Strategic Investment*. From 1967 to 1981, Rees-Mogg served as editor of the *Times*, one of the most important public profile positions in the Club of the Isles apparatus; the function of the *Times* has been described as providing policy guidance to the British permanent bureaucracy, particularly the Foreign Office, especially when "official" statements of oligarchical policy would be, at best, impolitic. Rees-Mogg was knighted upon leaving the *Times*, and was made vice chairman of the board of governors of the British Broadcasting Corp. (1981-86), which is indistinguishable from the Foreign Office and its intelligence services. Because of his years at the center of the British establishment and his close relationship to former Prime Minister Margaret Thatcher, Rees-Mogg was made a Life Peer, or Baron, in 1988. In the promotional material for *Strategic Investment*, the boast is made that Rees-Mogg serves as financial adviser to some of the wealthiest families in Europe, including the Rothschilds.

Slavery in the 'Information Age'

Within four years of establishing their "partnership," Rees-Mogg and Davidson published *Blood in the Streets: Investment Profits in a World Gone Mad*, which pronounced that an unstoppable decline of U.S. world power makes a financial apocalypse imminent and inevitable, but that those in the know can make a killing by buying investments at

panic prices.

In 1991, Davidson and Rees-Mogg co-authored *The Great Reckoning, How the World Will Change in the Depression of the 1990s*, with much the same theme. But this time they were a bit too carried away over the possibility of new computer technologies radically reordering society along more oligarchical lines. "In time, the microchip will destroy the nation-state," they wrote. "It will give small groups and even individuals the capacity to employ violence in ways that could overturn governments and destroy large organizations. . . ."

"Advances in miniaturization and computer technology not only imply the replacement of raw materials with information, they also promise in time to give humans control of nature at the molecular level. . . ."

"Molecular computers would make possible the construction of numerically controlled assemblers for manipulating matter at the atomic level—what is known as nanotechnology. . . . Invisible machines programmed through Artificial Intelligence, could literally force anyone to behave any way the ultimate programmer wished. It would no longer be necessary to put a gun to someone's head to force obedience. You could program the desire to obey directly by altering the genetic programming of the brain on the molecular level. It could be possible to manipulate humans at the molecular level so thoroughly as to turn them to pillars of salt like Lot's wife. . . . When molecular assemblers are unleashed, the distinction between living organisms and other forms of matter would be thoroughly muddled. You could have robots with human characteristics collecting garbage. Or humans with robot characteristics. They could be programmed to love garbage and derive great happiness from dusting antique window sills. . . ."

"Slavery could return. . . . Slaves will be anyone without control of nanotechnology, and they will do anything that might have been asked by Aladdin when he rubbed his lamp. . . . The megapolitics of nanotechnology points clearly to total rule, not just by the few, but by one person, who would have godlike power. . . . He could stabilize his own power by making everyone else too stupid to comprehend nanotechnological secrets. In effect, a new god would cast humans out of the Garden of Eden. . . . In the future, to borrow German philosopher Immanuel Kant's phrase, there could be a new 'perfect freedom,' in the sense most of us would not recognize. The human will would be made to coincide with the will of those programming the replicators. . . . Human population will either be much changed or much diminished in numbers."

Rees-Mogg has more recently reiterated his desire for a return to an oligarchically organized form of society, in a Jan. 5, 1995 op-ed in the London *Times*. The title of the article is summary enough: "It's the Elite Who Matter—In Future Britain Must Concentrate On Educating the Top Five Percent, on Whose Success We Shall All Depend."

True to oligarchical form, Rees-Mogg and Davidson are

unabashedly Hobbesian and Darwinian in their social outlook. Elaborating the theory of “megapolitics” first put forward in *Blood in the Streets*, they explain in *The Great Reckoning*: “According to this theory, historic changes in the way that societies organize are largely determined by the physical limits on the exercise of power. In essence, we imagine how the world would change if there were no laws or constitutions, and human affairs fluctuated solely according to the changing dictates of physical force. . . . In our view, what philosophers used to call ‘the state of nature’ is always with us. . . .”

“The ultimate law is the law of the jungle. The law of the desert. The law of the dark alley in the inner city. It is the law that says that what is yours by right and justice is yours only so long as you—or someone—can protect it.”

Davidson’s “transcendental capital” from *The Squeeze* is reformulated in *The Great Reckoning*, thusly: “To be a loser, a victim, is now an asset that can be utilized to get payoffs from the larger society. And in some ways, the more irrational the claims by the victim, the more effective they are. Irrationality makes the implied shakedown more threatening. The breakdown of law enforcement has further compounded the incentive traps of the welfare state by increasing the returns for antisocial behavior. Crime pays, especially for black criminals, whose misbehavior is rationalized as never before.

“As a consequence, the underclass has gone from a tiny subculture in inner cities during the 1960s to become a dominant culture in many urban areas today.”

Opposition to scientific progress

Despite all his categorizing in *The Squeeze*, Davidson has no real affinity for “productive capital.” His National Taxpayers Union has repeatedly taken the lead in opposing scientific and technological progress, by attacking large-scale science projects, which, being far too risky to attract funding from private enterprise, are funded by the government. In its 1994 annual report, the NTU boasted that it helped lead the charge that led to defunding of the Supersonic Transport in the late 1970s. The result: The United States never developed the technology, while Britain and France did. But, today, the Anglo-French SST is now 25 years old, and has a range that limits it to cross-Atlantic operations only. Thus, crossing the Pacific still takes 12 hours or more, just as it did when the first commercial jetliners began flying in the early 1960s.

Next, the NTU fought alongside the environmentalists against the Clinch River Fast Breeder Reactor, which was finally terminated when the Reagan administration decided the project should be completed as a private enterprise. Predictably, no “entrepreneurs” ventured forth to complete the reactor. The result: The United States has lost all capability to build a breeder reactor, while Britain, France, India, and Japan have brought breeder reactors on line.

The NTU has also been leading opposition to the Integral Fast Reactor, which is designed to use spent nuclear fuel and plutonium waste, at Argonne National Laboratory in Illinois,

In January 1995, the NTU shocked many American conservatives by forming a coalition with a radical environmentalist group, the Friends of the Earth, to issue a report entitled “The Green Scissors Report: Cutting Wasteful and Environmentally Harmful Spending and Subsidies.” The coalition is called Citizens United to Terminate Subsidies (CUTS), and is campaigning for completely eliminating federal government funding for leading-edge scientific projects, such as:

- the \$1.8 billion National Ignition Facility at Lawrence Livermore National Laboratory in California, which is using lasers to ignite deuterium and tritium fuel in a self-sustaining fusion reaction;
- the \$2.6 billion Gas Turbine-Modular Helium Reactor, which would generate electricity by using plutonium fuel, helping to dispose of unwanted plutonium stockpiles.
- \$200 million in subsidies for the development of Advanced Light Water Reactors;
- \$320 million for the Yucca Mountain High-Level Nuclear Waste Repository;
- \$2.2 billion for the Tokamak fusion reactor experiments in Princeton, New Jersey;
- an unspecified amount of money for the Atomic Vapor Laser Isotope Separator (AVLIS) at Lawrence Livermore National Laboratory;
- \$9.1 billion for the Advanced Neutron Source at Oak Ridge, Tennessee, which the “Green Scissors” report itself notes, “would boast the greatest number of neutrons per unit area per second. This would enable certain research to be conducted for the first time . . . [including] materials research and to produce isotopes for research and medical use.”

In addition, the NTU and the Friends of the Earth are targeting a number of coal projects and hydroelectric plants. About the only fuel source the NTU and Friends of the Earth do not attack, is oil and gas—which Davidson pushes as a “safe” investment. In a 1993 promotional booklet, *The Plague of the Black Debt: How To Survive the Coming Depression*, which was reissued in 1994 under at least three different titles, Davidson tells readers that a great investment would be Lakehead Pipeline LP, which “owns the 1,100-mile-long U.S. portion of the oil and gas pipeline which runs 2,300 miles from western Canada to eastern Canada. . . . *This is the only pipeline that transports crude oil from western to eastern Canada.* . . . Come inflation or depression, the folks in eastern Canada will still need oil. It’s a sure bet. . . . This one is so safe,” adds Davidson, “I bought it for my mother” (emphasis in original).

It should also be noted that the Club of the Isles apparatus has historically included the top oligarchical oil companies, which have provided massive funding to the environmentalist “movement.” The present chairman of Shell Transport and Trading, Sir Peter Fenwick Holmes, serves as a trustee of Prince Philip’s World Wide Fund for Nature. The late John H. Loudoun, chairman of Shell during the oil hoaxes of the 1970s, was a cofounder of the 1001 Club (the primary funding mechanism for the WWF) and also served as president of the

World Wildlife Fund. Shell Oil U.S. is a major funder of the Reason Foundation, which shares many directors with the NTU.

Other stooges of note

The members of the advisory board of the NTU is rife with the politico-economic storm troopers of the Club of the Isles, who have numerous cross-links to other subversive organizations, such as the pro-drug-legalization Reason Foundation:

Jerry L. Jordan. President, Federal Reserve Bank of Cleveland. Advisory board, Reason Foundation. Cato Institute, adjunct scholar.

Prof. Allan H. Meltzer. Professor at Carnegie-Mellon University. Director, Sarah Scaife Foundation. Governor, Federal Deposit Insurance Corp. Visiting scholar, American Enterprise Institute.

Robert W. Poole, Jr. President and trustee, Reason Foundation. Member, Young Americans for Freedom. Former head, Radicals for Capitalism.

Dr. Alvin Rabushka. Hoover Institute, and key author and proponent of the "flat tax."

Dr. Anna J. Schwartz. Advisory board, National Bureau for Economic Research. Co-author with Milton Friedman, *A Monetary History of the United States*.

Prof. Gordon Tullock. Professor of economics, George Mason University's Center for the Study of Public Choice. Member, Mont Pelerin Society. Author, with James M. Buchanan, *The Calculus of Consent: Logical Foundations of Constitutional Democracy* (1962). Tullock "has always been a central figure in the effort to revitalize old-style political anarchism as a new brand of libertarianism," according to the book *Great Economists Since Keynes*.

Walter E. Williams. Trustee, Reason Foundation. Heritage Foundation distinguished scholar. Cato Institute adjunct scholar. John M. Olin distinguished professor of economics. Board chairman, Center for Market Processes, George Mason University. Member, Virginia Gov. George Allen's commission for states' rights. Fill-in talk show host for Rush Limbaugh.

Paul S. Hewitt. Vice president for research, NTU. Founder and former president, Citizens for Generational Equity. Adjunct fellow, Hudson Institute. Author of NTU's notorious 1993 study which asserted that the program of the American Association of Retired Persons would "bankrupt America."

Neil Howe. Chief economist of NTU. Former director of research, Citizens for Generational Equity. Former managing editor, the *American Spectator*. Co-author with Peter G. Peterson of *On Borrowed Time: How the Growth of Entitlement Spending Threatens America's Future* (1990).

James M. Buchanan. Former president (1984-86) of the Mont Pelerin Society, the secretive cult of theorists and spokesmen for the oligarchical outlook in the economics profession. Founder of the libertarian Center for the Study of

Public Choice at George Mason University, 1969. Nobel Prize in economics, 1986.

In September 1995, Buchanan was interviewed by *The Region*, a quarterly publication of the Federal Reserve Bank of Minneapolis. After boasting that he has been advocating a balanced budget amendment, and a flat, one-rate income tax since the 1960s, Buchanan was asked about his part-time avocation as a farmer. Buchanan corrected his interlocutor by explaining that, though he was raised on a farm, he "didn't have any real nostalgia for the farm." Buchanan's explanation of why he owns farmland, reveals the rabid hatred of people and technology typically harbored by an oligarch. "When I came back to Blacksburg, in the Virginia mountains," Buchanan said, "I began searching around for some privacy. I like space around me. I bought this century-old log cabin and started fixing it up and added to it and so forth. I kept buying more land, more land, more land. I found out that every step I took toward genuine self-subsistence really gives me a big charge. If I can build a fire in my wood stove and don't need to depend on electric heat if there's a power outage, then I'm that much happier. Or if I can go across the street to the spring and get a bucket of water as opposed to having an electric pump to the well, that gives me a charge. Or if I grow my own vegetables or pick my own berries."

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British general sabotaged NATO bombing of Serbs

by Umberto Pascali

A dramatic confirmation of *EIR*'s exposé of the treacherous British role in Bosnia came on Jan. 29, from a British newspaper, the *Guardian*. Quoting U.S. intelligence sources and other U.S. officials, the London daily proves that the man who secretly sabotaged NATO air strikes aimed at stopping the Serbian slaughter of Bosnians in the "U.N.-protected area" of Bihac, was indeed the man in charge of the U.N. protection, Sir Michael Rose! In November 1994, General Rose, then military chief of the U.N. Protection Forces (Unprofor) in Bosnia, ordered the special contingent of British elite forces, the Special Air Forces (SAS), which was charged with supplying the coordinates to the NATO planes deployed to stop the assault on Bihac, to refuse to do so.

Rose is a former commander of the SAS, which is deployed for special tasks and secret intelligence operations. Some of the SAS men deployed in Bosnia came from another assignment in Northern Ireland, where they were accused of having fueled the violence, using methods such as provocation, infiltration, torture—the whole arsenal of British intelligence's "gang-counter-gang" operations.

The secret war

The NATO planes flying over the Bihac region had to return to their bases without hitting any target at all, while the genocidalists exulted. Actually, the hordes of Bosnian Serb leaders Radovan Karadzic and Gen. Ratko Mladic felt so encouraged by the constant support of the British big brother, both open and secret, that later they overran and butchered the "U.N.-protected" towns of Srebrenica and Zepa, committing the most atrocious mass killings since World War II.

However, the communications between General Rose in Sarajevo and the SAS team in the field were—according to the *Guardian*—eavesdropped upon by U.S. intelligence. It

was from this surveillance that the most incriminating evidence came against the British.

At the beginning of the attack on Bihac, General Rose was pressured, especially by the United States, to make an official request for air strikes against the aggressor. Without that request, according to the byzantine, deliberately chaotic rules of engagement then in effect, NATO could not intervene. Rose refused to make the official request. On the contrary, the Unprofor commander "put the air strike request on hold and set about *negotiating a cease-fire* instead." This paralysis of any U.N. action in defense of Bihac and its starving refugees obviously helped the aggressor enormously. It was a well-coordinated game indeed. Karadzic's paramilitary gangs escalated their offensive and General Rose made sure that nobody would stop them.

As in the case of a mafia assassination, the first thing is to "loosen" the protection around the victim. By November 1994, wrote the *Guardian*, "Bihac had been under siege for 30 months. A French Unprofor battalion had pulled out and been replaced by one from Bangladesh, by then marooned and virtually unarmed. Humanitarian aid convoys had been throttled since May. Halfway through November, the Serbian assault came. A relentless bombardment included the *first reported use of napalm* in the war. Serbian planes mocked the 'no-fly zone' by cluster-bombing the safe area. Bihac was about to shrivel, or else collapse completely."

General Rose's "philosophical" position was expressed openly, especially against those U.S. officials and military officials, such as NATO Commander for Southern Europe Adm. Leighton Smith, who insisted on an effective reaction against the aggressors so that, after NATO air strikes, "we will not have to go back."

Sir Michael countered that the U.N. "cannot be used to

alter the military balance in a civil war [!] . . . a peacekeeping force cannot allow itself to be hijacked by political pressures and become involved in the conflict. . . . There exist obvious limitations on the use of air power in any confused war situation. It is simply not possible to secure safe areas . . . by the use of airpower alone.”

On Nov. 25, General Rose met the U.S. ambassador in Sarajevo, Victor Jakovec, and communicated to him that there was “little” the U.N. could do. The U.S. administration’s reaction, according to this reconstruction, was a clear and strong message delivered by U.S. Ambassador to the United Nations Madeleine Albright to the U.N. civilian head of the Bosnia mission, Kofi Annan: immediate air strikes! That message was delivered to Rose.

“This is what happened,” according to the *Guardian* account. “Gen. Rose heeded Kofi Annan’s request for close air support from NATO—an intervention within the strict rules stipulating that the pilot had to find a smoking gun [a precise military target—ed.] before he could strike. *The men responsible for locating the smoking gun* were the SAS teams in radio contact with Gen. Rose’s headquarters. That night NATO planes took off from the U.S. air force base at Aviano, Italy. . . . For Gen. Rose’s command, there was *only one way* to stop the bombing: They would have to tell the SAS scouts not to identify the target for NATO to bomb. The rules of engagement were clear: no target, no bombs.

“The American intelligence sources now allege that this is what Unprofor command did. It was a careful decision. . . . By the end of the weekend, Serb tanks were blasting their way through the suburb of Bihac.” According to these sources, General Rose’s order to the SAS was: Hold off, do not identify the targets. “The NATO pilots were shown nothing; their planes came and went, impotent. It was a measured instruction highly secret, defiant of NATO.”

The threat against Washington

According to the *Guardian* account, the treasonous actions of the British put the U.S. administration in a situation of isolation, from which it was difficult to find a way out.

It was indeed a blatant provocation. As *EIR* has stressed, the attitude of the British apparatus in Bosnia, and toward those forces that wanted to stop the genocide, was based on pure psychological warfare: “We are running an experiment; we have established a *controlled environment*, and we will keep that experiment going, no matter what. We dare anybody to interfere!”

According to the *Guardian*, “The Bihac debacle had confronted the Clinton administration with a gesture of defiance, forcing the President to choose between maintaining the Atlantic alliance and continuing his support for the Bosnian government.” Apparently, the decision reached at that point was not to challenge the British “defiance” in political terms, but rather to strengthen the military ability of the victims of the Serb aggression.

“In public Mr. Clinton chose the NATO alliance. Within two days, the administration had offered concessions to the Serbs and 10 days later it agreed to recognize the ‘Republika Srpska.’ ” But at the same time, U.S. intelligence was developing new strategies. The CIA/Defense Intelligence Agency operation was, according to these accounts, based in Zagreb, Croatia.

British ‘Islamic fundamentalism’

It is important that part of the truth on the British not-so-secret war against Bosnia is coming out from such an unusual source, within Britain itself. It is equally important that a clear, open differentiation between British and U.S. policy be established. One should never forget that what is at stake with Bosnia, is the potential trigger for World War III. The *Guardian* admits that “U.S. intelligence became enmeshed in the war as the Americans became increasingly exasperated by what they saw as the thwarting of a robust stand against the Serbs. . . . The outcome was a fierce back-stage struggle.”

At this very moment, the assets of the old British Empire are engaged in a new escalation, aimed to provoke a new confrontation between Muslims and Croatian Catholics in Central Bosnia, especially in the capital city of Hercegovina, Mostar. Here, extremist groups identifying with the so-called Herzeg-Bosna are fighting militarily and otherwise against any idea of coexistence with the Bosnian Muslims. At the same time, a modern version of the infamous British imperial “Arab Bureau” is being deployed, to try desperately to create Muslim “fundamentalists,” of any shape or coloration.

Regular readers will remember *EIR*’s exposé, in August 1993, of the role of Britain’s Military Intelligence 6 (MI-6), which overlaps with the SAS. Already in 1992, Croatian counterintelligence had discovered groups of British “volunteers” who had arrived in central Bosnia, at the moment when the Karadzic aggression against Croatia and Bosnia was escalating. The British, who all came from the Royal Navy, suddenly converted to Islam. They created “Croatian” and “Muslim” formations. They armed and trained them, despite the embargo. They instilled reciprocal hatred among the various ethnic groups. They staged provocations. Acts of horrifying terrorism against Catholic or Muslim targets suddenly multiplied. Finally gangs trained both by the same “Navy boys” triggered the bloody *war of the victims*, Muslims against Catholics, in central Bosnia.

According to sources, the same “dark forces” are up to a similar scheme now. The new variation is an attempt to divide the Muslim community in Bosnia, starting with a confrontation to be triggered among the Bosnian elites. This is the scenario being arranged right now, in view of the upcoming September elections. This is the moment when it is possible and necessary to isolate the British “puppet masters.” It is time for an international strategic counter-attack, politically and economically.

Will the British allow Sudan to hold democratic elections?

by Muriel Mirak Weissbach

The International Monetary Fund (IMF) and World Bank have never made a secret of their propensity to use the argument, that a Third World country is a "dictatorship," in order to justify withholding development aid or loans. What happens, then, when governments stigmatized as "dictatorships," move to effect a transition to democratic rule? The answer, quite bluntly, is, nothing. Or rather, that the fraud of IMF propaganda is revealed to be just that.

The case in point is Sudan, which, after six years of military rule, is organizing general elections, for both the National Assembly (parliament), and the Presidency. Rather than rejoice, the international financial oligarchy appears to be consumed with rage. Two signal pieces appeared, in the London *Financial Times* on Feb. 8 and in the London *Economist* on Feb. 3, which spell out the new line. As the *Economist* pontificates, although there will be elections in about 18 African nations this year, there is great skepticism that all this has anything to do with democracy. Why? "The people may have passed the test, but the politicians did not. On the whole they rushed through the door marked winner and slammed it behind them. They used democracy as a route to power, but they did not become democrats." The conclusion drawn, is that "multi-party elections in Africa did not produce democracies."

London's 'good boys'

Yet, the voice of London's financial elite is quick to add, "There are exceptions." And these exceptions "were not produced by western-style multi-party elections." Among them, for the *Economist*, South Africa ranks first, as it succeeded in reaching political stability, despite an election in 1994 considered to be "flawed." The other "exceptions" are more startling: Ethiopia is praised for its considerable economic growth, which the World Bank forecasts will reach 6% this year. Politically, "it is neither a full democracy . . . nor a conventional autocracy: Ethiopians are far freer than before and there is a clear rule of law. Unusually, Mr. Meles [Zenawi] insists on a political system in which parties can represent only ethnic groups."

The other bright "exception," is Uganda, whose "no-party" democracy is just as heterodox. Political parties are allowed in Uganda, but candidates must stand as individuals. . . . Yet Uganda is more stable and prosperous now than for

25 years. The Americans, traditional upholders of universal multi-party democracy, decided last month to give Mr. Museveni's system the benefit of the doubt."

Echoing the *Economist's* complaint that African democracies have not performed as expected, the *Financial Times* lists the "successes" achieved by some nations in the realm of IMF policy implementation: If Ghana was formerly the World Bank model, "now Uganda has taken over as the star performer." It seems not to matter that "President Yoweri Museveni . . . presides over a de facto one-party state, tolerant of opposition, but allowing no fundamental challenge to his administration."

What, then, to think of countries which are about to hold elections? The *Economist* comments, "Supposedly, there will be elections in the army-ruled Gambia, Sierra Leone, and Sudan; and local ones in Nigeria, as part of its three-year transition to civilian rule. Don't hold your breath."

The gist of London's new line on Africa is: Forget the rhetoric about democracy; we will support those regimes which acquiesce to IMF dictates, and which cooperate, as local puppets, in pursuing our strategic aims, including the destabilization of entire nations. This is the secret to the success stories of Ethiopia and Uganda. This is the reason why not only the British establishment press, but also U.S. Commerce Secretary Ron Brown and German President Roman Herzog, have singled out Uganda and Ethiopia as models.

Putting the squeeze on Sudan

Uganda's dictator Museveni was the marcher lord used by the British to invade Rwanda, and unleash chaos and warfare there and in Burundi, leading to the mass murder of over 1 million human beings. Museveni, who is controlled directly by Baroness Lynda Chalker of the British Overseas Development Office, has since been deployed to provide military, logistical, and political backup for the Sudanese rebel forces in the south.

Joining Uganda in its anti-Sudan crusade has been the Ethiopian government of Meles Zenawi; increasingly, since the British-orchestrated assassination attempt against Egyptian President Hosni Mubarak last June in Addis Abeba, Ethiopia has been drumming up hostility against Khartoum. Zenawi's government fabricated charges against Sudan during an Addis Abeba meeting of the conflict resolution commission

of the Organization of African Unity, charges which laid the basis for action in January, at the U.N. Security Council (UNSC), again prompted by Ethiopia.

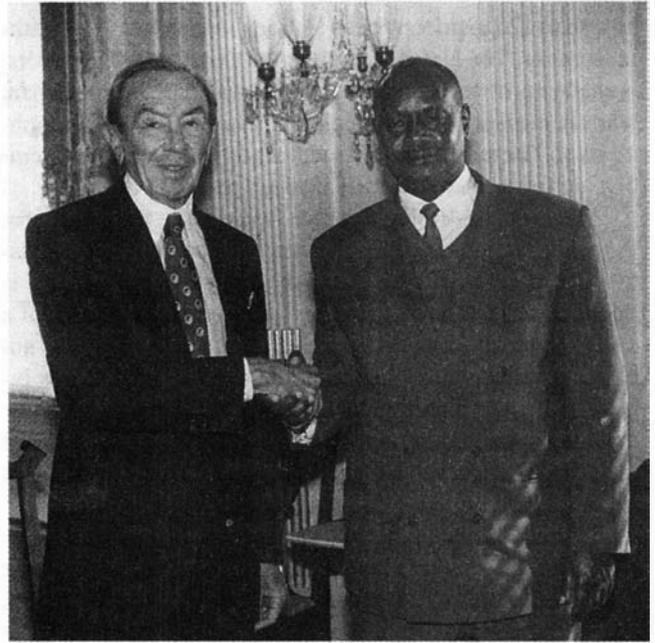
The Security Council's deliberations, together with a U.S. State Department decision to withdraw all diplomatic personnel from Khartoum, signify that Sudan is on the hit list, along with Nigeria, whose government, under Gen. Sani Abacha, has been assailed on grounds of human rights violations, over months.

The pressure on Sudan has increased since the Security Council meeting. It took the U.S. embassy less than a week to pull its staffers out, and send them to an undisclosed location in the region, from which they are to "continue the dialogue" with Khartoum. On Feb. 6, the U.S. denied a visa to the governor of the Bank of Sudan, who was scheduled to attend an IMF meeting in Washington. One day earlier, the Eritrean government (which is as snugly tucked into London's back pocket as is Ethiopia), held a ceremony in the capital city, Asmara, to hand over the building which had formerly housed the Sudanese embassy, to the National Democratic Alliance, a gaggle of Sudanese opposition groups which have been sewn together into a front by British operatives, like Baroness Caroline Cox of Christian Solidarity International. Farouq Abu Isa, spokesman for the NDA in Cairo, made clear that the gesture by the Eritrean government was intended to further the process of stripping Khartoum of diplomatic recognition, which had been begun with the American pullout. "It's an additional recognition of the alliance as the legitimate representative of the Sudanese people. *It implies withdrawal of recognition* from the NIF [National Islamic Front] government in Khartoum," he said. As if on cue, the leader of the Sudanese Peoples Liberation Army, John Garang, announced that his forces were poised to make a renewed attempt to reconquer Juba, a major city in the south of Sudan.

Sudan denounces British role

The response of the Sudanese government has been two-fold: On the one hand, it has denounced the British in no uncertain terms, for being the instigators of this "imperialist plot"; and, on the other, it has redoubled its commitment to holding the planned elections, on schedule. Dr. Ghazi Salahuddin, who has served as minister of state in the President's office and in the Foreign Ministry, issued a statement in Khartoum, which was picked up in the London-based Arabic press on Feb. 7.

Dr. Ghazi, who is currently the president of the National Congress, the leading body in Sudan's political system, denounced "the plot which was trying to condemn Sudan in the United Nations Security Council." According to press reports, "Dr. Ghazi . . . spoke harshly of Great Britain, the U.S., and Egypt. He spoke of an imperialist mentality, and called on the Sudanese government to stand firm, without making any concessions." He further announced that "the National Congress will lead a domestic and international cam-



Ugandan President Yoweri Museveni (right) with U.S. Secretary of State Warren Christopher in Washington, Sept. 25, 1995. Museveni is a dictator backed by the British, who praise him as a "model" of World Bank policy. He is currently providing support for the Sudanese rebel forces.

paign" against the plot. This Congress, he explained, "represents the political will of the Sudanese people, as it includes representatives of the trade unions, the professions, all social groups, and so forth." Dr. Ghazi was quoted saying, the National Congress would "mobilize the population to reverse the UNSC decision." While assailing the United States for "wanting this ridiculous ploy with Great Britain and Egypt," Dr. Ghazi "described the British as an imperialist state, which had looted Sudan's resources for over 60 years, had created the problem in the south, and had withdrawn from Sudan only after having killed tens of thousands of her sons."

One key point was made by Dr. Ghazi, regarding the timing of the British-led machinations. He charged that the assault was launched "in order to stop the progress being made, as Sudan is reaping the fruits of its oil, its agriculture, and its new political system." Specifically, he said, it "came at a time to undermine the constitutional development of the country, as Presidential and parliamentary elections are about to take place."

The coming elections

In December, Sudanese President Gen. Omar Al-Bashir issued the Thirteenth Constitutional Decree, which announced the elections. In it, the Transitional National Assembly, a body of appointed representatives, was dissolved, to be replaced by the National Assembly. During the first three days of January, the National Congress met, to elect its president,

as well as 125 members to the National Assembly, from within its ranks. The National Congress, of over 4,000 members, is made up of representatives of all walks of life in Sudan, who are elected at a local, regional, state, and, finally, national, level. The remaining 275 members of the National Assembly, are to be elected directly through popular vote.

President Al-Bashir's decree laid out the modalities for the elections. Most striking are the qualifications for candidacy. One can run for the National Assembly, if one "a) is Sudanese; b) has attained twenty-one years of age; c) is of a sound mind; d) reads and writes well (is literate); e) has not been convicted within the last seven years of a crime involving dignity and honesty." As for the Presidency, one may qualify as a candidate who "i) is a Sudanese; ii) has attained forty years of age; iii) is sane; iv) has never been convicted of a crime involving honesty, moral turpitude."

What this boils down to, is an open challenge to the opposition, whether in Sudan or abroad. Former President Gafaar Mohamed Nimeiri, now speaking for the opposition in Cairo, could return and run for office. So could rebel military leader John Garang. So, too, could Sadiq al Mahdi, whose government was removed from power by General Al-Bashir in 1989. Al Mahdi, who lives in Khartoum, is said to be considering whether to run or not. Unlike Garang and Nimeiri, Al Mahdi does have a political base of support. According to one political analyst in Khartoum, "Al Mahdi certainly has his people locally, who can feel the pulse of the population." His estimation was, that even though Al Mahdi enjoyed certain support, he could not be sure of victory. If he were to run for office and lose, that would signal the end of his career. If, however, he were not to seize the opportunity presented by elections, that would raise doubts regarding his seriousness.

More than one political figure close to the government, has expressed the view that the government, too, is accepting a challenge by going for elections which will be "real." The elections which took place at the beginning of January, within the National Congress, were hotly contested. Now, parliamentary and Presidential elections could be just as close.

As the *Economist* and *Financial Times* articles indicate, the London-based financial oligarchy has no intention of allowing such real elections to take place, or, if they do, of letting them be recognized as such. Both articles are sending out the message, that such elections are a farce. The Sudanese have issued invitations to all those international bodies which are routinely called upon, to monitor elections, from the Carter Center in Atlanta, to the European Parliament, the International Parliamentary Union, the Arab League, and the United Nations. Thus far, the Arab League is the only association to have responded; it will send one delegate, a far cry from what is required. The European Parliament, which sent 314 observers to the elections in Algeria in December, which were notoriously rigged, has not responded. Whether former President Jimmy Carter will lead a delegation there or not, as he did in the case of the Palestinian elections, is an open question.

Interview: A. Moneim Z. Nahas

Sudan prepares first elections since 1955

Mr. A. Moneim Z. Nahas is a retired deputy chief justice, who now heads the General Elections Authority (GEA) in Sudan. He gave the following interview to Muriel Mirak Weissbach on Jan. 23, 1996.

EIR: Can you tell us about the upcoming elections?

Nahas: This is the first time there will be general elections in Sudan, since 1955. Members to the National Assembly and the President will be elected directly by popular vote; 275 National Assembly members will be elected directly through their election districts. The remaining 125 have been elected indirectly, through the National Congress. The National Congress members, who met in the first days of January, are elected by the state congresses, which are elected by the local congresses, so this represented grass-roots assemblies. There is a legislative body in each state, similar to the American system. In Sudan, we have 26 states, in each of which is a state government, and a legislative body. This decentralization is one solution for the south, where there are now 10 states. Last year, the state assemblies were elected indirectly, i.e., through the state congress, and also directly. Now we are in the process of completing the election process, by voting for members of the National Assembly and President.

EIR: What is the institution which you lead?

Nahas: The GEA is made up of permanent members, appointed by the President. These are people with experience; for example, I was deputy chief justice for five years, another was a member of the judiciary for 35 years. There is a former interior minister, a former general of the Armed Forces, a career politician who was governor of Equatoria for many years, a woman who was assistant minister of education, ministers of local governments, and senior administration officers. The GEA has its own authority, its own budget.

We have just been in a meeting with the representatives of the state government here, who will be supervising elections at the state level. Together with their subcommittees, and administrative officers, they will be arranging the polls and supervising, then counting the votes, and announcing the results. The ballots will carry not only names of candidates, but also symbols, to overcome the problems posed by illiteracy.

In our meeting, we have been setting the timetable for the

vote. At the beginning of February, we will be publishing the lists of registered voters; there will be time allotted for persons to appeal, if they find their names are missing. Then we will publish the list of candidates, again leaving time for appeals. Then, the final candidates' list will appear, and the campaign will officially open. This will all be financed through the government. We want to guarantee equal access to all candidates, to make sure that the population knows the candidates. The campaign will be short, about 10-12 days. Six weeks after the voters' lists have been published, the elections will begin, about mid-March.

EIR: How many candidates will there be?

Nahas: As many as wish to run. The requirements for candidacy are very simple. One must be a Sudanese citizen, 21 (for the National Assembly) or 40 years of age (for the Presidency), of sound mind and body, and without any criminal record. All candidates will have equal access to radio, television, and press, they will all be able to hold rallies. In the past, candidates depended on personal financial resources and on party backing. There were limits posed on campaign expenditures, and each candidate was required to present an audited budget of his expenses, but this was not adhered to.

EIR: Given the continuing war in the south, what are the perspectives for elections being carried out in an orderly fashion there?

Nahas: In the western Gazhal, in the Upper Nile and Juba, there are problems, but when we introduced the permanent group to them, they participated. Seven (of the ten) states have already sent in their lists. It is very important for them to be able to vote. . . .

EIR: Will there be observers at the polling places?

Nahas: By law, there must be observers in the so-called domestic committees. These are made up of members of the Supreme Court, and former senior civil service officials. They must make sure every citizen has a right to vote, and must secure the ballot boxes. The domestic observers will stay until the results are announced. The government wants international observers as well, and has sent out invitations to all relevant regional and international bodies. For example, the OAU [Organization of African Unity], the Arab League, the U.N. electoral unit, the EU [European Union], etc.

EIR: How are members of the opposition responding to the elections?

Nahas: The opposition is mostly outside the country, and is split. Had they so desired, they could have taken part in the state elections, and could have taken over control of the central councils, but they did not. They seem to be aware of their standing among the population. If any opposition leader wants to run for office, his candidacy will certainly be accepted. The government is confident. . . .

Jordan

Cabinet reshuffle portends confrontation

by Our Special Correspondent

Anyone who was caught unawares by the Jordanian government reshuffle announced on Feb. 5, has only himself to blame. If there had been no other hints of such a major political shift, there was the Shubeilat affair, to send a loud and clear signal, that something big was afoot.

The Shubeilat affair concerns a former independent Islamist member of parliament, currently on trial in Amman, for *lèse-majesté*, and shaking public confidence in the economy and currency of the kingdom. Laith Shubeilat's crime, was to criticize the manner in which King Hussein has been pushing through the "normalization" process with Israel, and the economic liberalization policy which the International Monetary Fund (IMF) and World Bank have attached to that process. Although Shubeilat's rejection of the peace agreement with Israel on ideological grounds, may not be shared universally, there is certainly a majority of the Jordanian population which has serious misgivings about aspects of the new arrangements in the region.

The main bones of contention are three: economic policy, relations with Israel (and the United States), and posture toward Iraq. Contrary to promises made at the time of the 1994 treaty with Israel, the "peace dividend" has not been forthcoming, in terms of improved living standards for the population. Instead of vast infrastructure projects, the country has embarked on a series of tourism-oriented projects. To attract foreign investment, Jordan has obeyed the recommendations of the IMF and World Bank, lifting subsidies, protective tariffs, and controls on foreign ownership of land. The rush into privatization, has led to increases in the price of basic goods, creating hardship for the working man and woman.

What has irked even loyalists, supportive of peace with Israel, is the pace and manner in which the "normalization" has been driven forward. Jordanians complain that they feel their country has become a "protectorate" of Israel, and of the United States. Recent military agreements announced on the occasion of U.S. Defense Secretary William Perry's visit to the region, for the delivery of F-16s and for training of Jordanian forces, have raised suspicions that the kingdom is being groomed to take over security responsibilities for large parts of the region.

Neither relations with Israel, nor a beefed up U.S. presence, would have provoked such violent political reactions, had it not been for the fact that Jordan seemed to turn its back on its longtime ally, Iraq, at the same time. Regarding Iraq, Jordan has undergone a shift in outlook, particularly since the August 1995 defection of high-ranking Iraqi figures, who found refuge in Amman. King Hussein's proposal to sponsor a conference of Iraqi opposition figures, to create the conditions for a post-Saddam, federated Iraq, has been reiterated on every feasible occasion, leaving no doubt that the ill-advised plan is being seriously considered. The Swiss daily *Neue Zürcher Zeitung* pointed out Feb. 6, that the Palestinians in Jordan, who constitute the majority of the population, cannot and will not tolerate a break in relations with Iraq, for which they feel solidarity, particularly if it is replaced by warmer relations with the "traditional enemy," Israel.

Regardless of the fact that popular discontent was significant, and growing, King Hussein decided to surge ahead with "normalization," as if driven by the demands of a discreet deadline, and, consequently opted for confrontation with any and all opposition. Thus, the Shubeilat affair, which began in early December. Shubeilat is president of the 35,000-strong Jordanian Engineers Association, which, like the other major professional association, opposes "normalization." Putting him on trial was a way of decapitating this opposition; announcing plans to redraft legislation regulating their activities, and that of the press, was a way of driving the point home.

The government reorganization

Now, the government has undergone wholesale reorganization, to the same purpose. The new prime minister presiding over the 31-man cabinet is former Foreign Minister Abdul Karim Al Kabariti, who will maintain that post and cover the Defense Ministry as well. The fact that King Hussein felt it necessary to replace his cousin and long-term confidant, Zaid Ben Shakr, as prime minister, shows just how far the anti-opposition purge reaches. Ben Shakr, who had accepted responsibility several times before, to preside over governments assigned rather delicate tasks (including an earlier trial against the popular Shubeilat), has been ousted, apparently because he, too, was less than enthusiastic about the break with Iraq. Kabariti is considered malleable, to put it mildly. He will be fully supported by his close friend Awn Al Kasawneh, who has been appointed head of the Royal Court. Also at the Royal Court, the former head of General Intelligence, Mustafa Qaisi, has been appointed an adviser to the king, to replace one of three who quit their posts in the general upheaval.

On the policy level, Kabariti can be expected to accelerate "normalization" with Israel, continue the IMF-directed process of liberalization, and mediate closer relations with the Gulf States, at the expense of links to Iraq. On the eve of the

reshuffle, Jordan announced that it was halving its exports to Iraq, and shortly thereafter the Saudis announced they would be willing to supply Jordan with oil, presumably to replace what the kingdom had been receiving from Iraq. The king is scheduled to travel to Saudi Arabia, probably for a summit with King Fahd, or Prince Abdullah, before the middle of February.

The new prime minister has a lot of enemies. He has come under attack by the Islamic faction in Parliament for his pro-Israel stance. He has been assailed by Iraqi Foreign Minister Al Sahaf since mid-January, for his having interfered into the internal affairs of Iraq. This refers to Kabariti's endorsement of King Hussein's proposed opposition conference. Kabariti has also drawn fire from Damascus, for his new Gulf policy.

But the prime minister will certainly have the full support of his new ministers.

The cabinet is almost more royalist than the king, as the saying goes. The ministers can be classified according to the following categories: those who were actively involved in negotiating the peace treaty with Israel, and fully support "normalization," those who have distinguished themselves for attacking the opposition (even physically), and those who belong to tribes loyal to the crown. In the first category, are Planning Minister Khalaf, Trade and Industry Minister Abul Ragheb, and Minister of Information Marwan Muasher, who was Jordan's first ambassador to Israel. In the second category, are many ministers who are "on the black list" of the Islamic Action Front (IAF), the main opposition bloc in Parliament. Two Members of Parliament, Abdul Salam Al Abadi and Hisham Al Tal, whom the IAF had tried to oust four weeks ago, have become ministers. Almost all the new cabinet members have taken part in heated debates which often degenerated into fistfights in Parliament; those who confronted the IAF seem to have been rewarded with a ministerial post. This is the case of Mufieh Rheimi, minister of state, who went into a physical clash with the Islamists recently. Also of note, is Minister of Justice Abdul Karim Al Dughmi, who made the front page of the *Jordan Times* on Jan. 29, for insulting an IAF deputy, Sheik Abu Zant. It is no coincidence, that the subject of the altercation was the Shubeilat affair; the Islamist parliamentarian had proposed that it be discussed in Parliament, to which Al Dughmi responded with epithets.

Finally, there is the family affiliation factor, which is not insignificant in a country with a tribal structure and heritage. Unlike other governments, 70% of the new cabinet members are members of Parliament, which means, they were elected in the 1993 elections, according to the new law which favored tribal candidacies. Mustafa Shueikat, minister of agriculture, is from an important tribe around Amman; Abdul Hadi Al Majali, minister of public works and housing, has a huge tribe in the south; Abdallah Ensour, minister of higher education, represents a powerful tribe from Salt, the "second capital" of Jordan; Mohammed Daondieh, minister of youth, is from a

large tribe in Tafila, Shubeilat's home town; Abdul Karim Al Dughmi, minister of justice, is a parliamentarian from Mafraq, from the Beni Hasan tribe; Naser Al Lawzi, minister of transport, whose father is head of the senate, represents the big Lawzi tribe; Jamal Saraireh, minister of post and communications, is from a tribe in Karak; Hammad Abu Jamoius, minister of social development, is leader of the Deajah tribe, which owns land in and around Amman; Abdul Salam Al Abbadi, minister of Awqaf and religious affairs, comes from the Hleifat tribes in Irbid. Not only are the tribal groupings traditionally the base of support for the king, but historically, British influence has been exercised through manipulation of tribal loyalties. Mohammed Odeh Njadat, one of the new ministers of state in the reshuffled cabinet, is from the bedouin tribe Huhuweitat, the tribe which fought with the notorious Lawrence of Arabia.

What the composition of the government spells is con-

frontation. An editor of a Jordanian weekly, in discussion with *EIR*, characterized the new government members as "poised for action against the Islamists." When asked for clarification, he said, "It will be a confrontationist government. I am thinking along the lines of what is happening in Egypt." In short, the new government can be expected to move energetically and fearlessly against any and all opposition, be it from Parliament, the press, or the professional associations. Whether or not this confrontationism will reach Egyptian proportions, where opponents are not only muzzled and thrown into jail, but also disappear, is an important question. The danger inherent in the new situation, lies in the possibility that what should have been the stuff of healthy political debate, will become the ignited fuse for social confrontation. Although the situation in Jordan is much changed from what it was in 1970, the specter of Black September still looms in memory. And Shubeilat remains a political prisoner.

Rima Shubeilat calls for a free press in Jordan

The following Open Letter was issued to the president and members of the executive committee of the Journalists Association, in Jordan, by Rima Shubeilat, wife of Laith Shubeilat.

When the daily papers that have the motto: "I only hear what the government hears, I only see what it sees, and I only write what pleases it," become a model and a standard to be desired for the media, and when the weekly papers are considered to cross over the red lines, then things have certainly reached a terrible stage.

Your Association and your good self (as chief editor of one of the most important daily papers) are responsible for this abhorred regression that is dubbed "an advancing democratic process." Is the problem really the recently established weekly papers, or is it the mature, nay aged, dailies? Or is it the clinical death of the media?

To give one example, let us consider the 180-degree turn against Iraq. . . . The government changed its attitude toward Iraq, and the papers could only resist that change for one week, and then started to be their masters' voice. In some cases, the same article appeared in all papers, to prove the journalistic "creativity" and "freedom."

In the Shubeilat affair, which moved a large number of people to defend the freedom of opinion, we find that the papers have chosen total silence . . . for they found nothing important to deserve mention. Our papers were

more free during the reign of martial law.

The issue is not Shubeilat the man, but Shubeilat the cause. How can the papers not have an opinion when the conditions of arrest are so harsh? When his visitors are harassed and interrogated? How can this be, when international papers write about the affair every day? Is the pretext "not influencing the course of justice," a credible excuse [for the Jordanian press not to cover it]?

Please do not think that we are asking you for a certain type of coverage. I am certain that the daily press does not even dare criticize Shubeilat for two reasons: First, the article would backfire, just as it did when the minister of culture replied to a letter from Shubeilat that was not published, and did not even abide by the law that gives Shubeilat the right to reply. Second, an article critical of Shubeilat will prompt other articles to defend him, thus creating an atmosphere of debate that allows differences of opinion to be settled; but the "democrats" prefer to settle those differences in court!

Before Shubeilat was arrested, the press covered extensively the rebellion of the "silent majority" against the president of the Engineers' Association. Yet it did not publish the reply of the elected executive of the Association. Thus the press favored ten people and neglected the 35,000 other engineers.

Gentlemen,

I call upon you to rescind your attitudes that helped gag the press and its independence. I call upon you to stop pressuring the weekly press.

Laith is in jail, yet his spirit is free. . . . I hope that those whose bodies are free would free their own souls and opinions.

U.S. decertification of Colombia is in both nations' national interest

by Andrea Olivieri

The week of Feb. 12 could well prove decisive not just for the fate of Colombia, but for the future of the war on drugs globally. During that week, the Colombian Congress will be handed the evidence, in the form of a formal accusation prepared by the Office of the Prosecutor General, charging that the Colombian Presidency is a bought-and-paid-for asset of the world's largest and most deadly criminal organization, known as the Cali Cartel. With that evidence in hand, the "Accusations Committee" of the lower house of Congress must determine whether to recommend that the Senate pursue impeachment hearings against President Ernesto Samper Pizano. Such a recommendation would most assuredly lead to Samper's immediate resignation, while paving the way for a purge of the cartel's influence from the nation's political life.

But few expect the House of Representatives' tainted "Accusations Committee" to rise to the occasion and seriously investigate the President. That 15-person committee was given a chance to do its duty during a four-and-a-half month probe of the President last year. In December, 14 of its members, the majority of them elected to Congress with drug money themselves, instead voted to shelve the investigation for "lack of evidence." Chances are small that the corrupted committee will redeem itself in this, its second round.

Indeed, even Prosecutor General Alfonso Valdívieso declared to the press, on his way to a meeting with the committee, that "the discrediting of Congress is a fact. . . . It is no new discovery to say so."

Andrés Pastrana, Samper's former rival for the Presidency, issued a statement from Miami, where he has fled in fear for his life after the assassinations of several of Samper's political opponents, declaring his lack of confidence in the Congress' ability to judge President Samper. Numerous congressmen have issued protests, and even gone on hunger strikes, to denounce the Accusation Committee's refusal to reconstitute itself with new, presumably cleaner members.

But popular pressure for Samper to go is also mounting. There are weekly student and other demonstrations against Samper, business and military spokesmen continue to lam-

bast him, and new evidence surfaces daily documenting his close relationship to the Cali Cartel. Will it be sufficient to force him out?

The battleground in Washington

While Samper and company play out their legal stratagems in Colombia, another side of the drama is being enacted in Washington, D.C., the second battleground that is decisive regarding Samper's—and Colombia's—future. The name of that drama is "certification." On March 1, by mandate of the U.S. Congress, President William Clinton must announce whether he will certify Colombia as "a fully cooperating partner in the war against drugs." Despite the fact that Colombia under Samper's corrupt regime is in violation of every criterion for such certification, there are those who insist that decertification would "punish" the people of Colombia, or would constitute undue interference in the affairs of a sovereign nation—as if that ravaged country has not already been brutally enslaved to Dope, Inc. for nearly two decades.

The fact is that the Cali Cartel's Samper is determined to hang on to the Colombian Presidency against all apparent odds, *because* he is convinced that he has sufficient support inside the United States—from the pro-drug Inter-American Dialogue, and from the apparatus associated with former President George Bush and former Secretary of State Henry Kissinger, which is still well-placed in Washington. Confident that these forces will produce a "green light" on certification, Colombia's ambassador to the United States, Carlos Lleras de la Fuente, has dragooned two separate groups of Colombian businessmen—who only a week earlier had been calling for Samper's resignation—into coming to Washington the week of Feb. 12-16, to lobby for certification.

At the same time, however, one of Colombia's well-known anti-drug fighters has entered the fray from the other side. Maximiliano Londoño, the president of the Ibero-American Solidarity Movement of Colombia, will also be in Washington that week, for a series of meetings with U.S. congressional offices and other public and private agencies, where he will be delivering the urgent message that the Clinton administration must decertify the Colombian government



Colombian President Ernesto Samper Pizano: The Cali Cartel financed his election campaign in 1994, and is now battling to keep him in office.

of Ernesto Samper Pizano for its documented gross complicity with the international drug cartels. Londoño has received numerous death threats from the drug cartel in Colombia for his outspoken views against Samper's corrupt regime, and has been denied repeated requests for protection.

In a statement issued before his departure for Washington, Londoño explained: "Decertification is in the best national interest of both Colombia and the United States. There are growing mountains of evidence which prove that President Samper is in bed with the Cali Cartel, and has been for decades. For Colombia to recover its sovereignty, let alone its national dignity, Samper must go. But the fact is that he has no intention of leaving office willingly, and has been strengthened in that resolve by those in Washington and elsewhere urging certification."

Londoño elaborated: "I am talking about:

- Powerful political forces associated with George Bush and Henry Kissinger, such as Brent Scowcroft's Forum for International Policy, which on Jan. 31, 1996, issued a statement urging certification. Inside Colombia, Samper's most powerful supporter is beer magnate Julio Mario Santodomingo, a Kissinger intimate who, in April 1995, joined the former U.S. secretary of state for a tour of South America.

- The Inter-American Dialogue, the Washington-based bankers' lobby which favors drug legalization, and has for years argued that Washington shouldn't make such a big deal over the Colombia drug problem.

- The São Paulo Forum, Fidel Castro's continental narco-terrorist alliance, whose spokesmen, such as Venezuela's Col. Hugo Chávez and Colombian novelist Gabriel García Márquez, have also gone to bat for Samper."

Witnesses, Samper opponents murdered

Londoño added: "Samper and his Cali Cartel allies have also unleashed a wave of violence and terror designed to intimidate—or murder—anyone who might cross them. First, Alvaro Gómez Hurtado, a leading opposition politician, was assassinated. Then, on Feb. 1, Elizabeth Montoya de Sarria, the wife of an imprisoned drug trafficker and considered one of the leading witnesses against Samper, was brutally murdered—by the Samper government, according to her husband's televised accusations. I myself, my family, and associates have also received death threats signed by 'Dignity for Colombia,' the same shadowy group that also took credit for killing Elizabeth Montoya."

Londoño concluded: "Such terror tactics are unfortunately commonplace in Colombia today, and probably go a long way toward explaining why a group of prominent Colombian businessmen, who only a week ago urged Samper to resign, have now agreed to travel to Washington to lobby in favor of certification. They, like the nation as a whole, are being held hostage to the Samper mafia's threats and blackmail. I, for one, will continue to speak out, regardless of the consequences."

'Bush manual' crew targets Peru's Hermoza

by Luis Vásquez Medina

The publication in the Jan. 25 edition of the Peruvian weekly *Caretas* of excerpts from a psychological warfare tract on the 1995 military conflict between Peru and Ecuador, has set off a renewed campaign by Peru's terrorist and human rights lobby to oust Army Commander Gen. Nicolás de Bari Hermoza, as a stepping stone toward dismantling the Armed Forces altogether.

The report cited by *Caretas* was written last November by Gabriel Marcella, of the U.S. Army War College's Department of Strategy and National Security. A leading operative of the "Bush manual" project to destroy Ibero-America's armed forces, Marcella works closely with Luigi Einaudi, the State Department official better known as "Kissinger's Kissinger for Latin America." Einaudi, who observers say now "practically lives in Peru," is a British-style geopolitician, whose specialty is manipulating border disputes to weaken and destroy sovereign nation-states. He has spent 30 years profiling Peru's Armed Forces, and is currently in charge of overseeing peace talks between Ecuador and Peru.

Marcella's tract is a provocative analysis of the Peru-Ecuador war, whose purpose is to destabilize Peru's Armed Forces. He not only gives credence to Ecuadoran propaganda about the causes and results of the conflict, arguing that that country's forces won a "limited victory" because they were better equipped and trained. But he also charges that Peru's military is preparing for a revenge attack against Ecuador, "to restore its prestige." Lying that this drive is being fed by "abundant resources generated by Peru's extraordinary economic growth," Marcella warns that the rearmament effort must sooner or later lead to a new conflict. He adds, however, that, fortunately, the United States can influence developments in the region, because of Einaudi's "pacifist diplomacy."

There is little doubt that the immediate effect of such statements will be an increase in tensions between the Peruvian and Ecuadoran armed forces.

Like Einaudi, Marcella's history of running operations against Ibero-America's armed forces, and against peace on the continent, is well known. In 1994, he published a study on Haiti, in which he argued that the United States should return jacobin ruler Jean-Bertrand Aristide to power; he also lamented that slavery had been abolished in Haiti, because it had made the island "perhaps the most profitable colony in the Western world." In 1995, he supervised another study,

which defended Mexico's separatist Zapatista National Liberation Army as a force for democracy.

On Dec. 5, 1994, on the eve of the Clinton administration-sponsored "Summit of the Americas" in Miami, the *Miami Herald* quoted Marcella complaining that "from Guatemala to Brazil," military officers were buying the book *The Plot to Annihilate the Armed Forces and Nations of Ibero-America*, published by associates of American statesman Lyndon LaRouche. "When Lyndon LaRouche has more credibility in Latin America than the Pentagon, that's troubling," Marcella lamented.

During the same week in which Marcella's provocative report was quoted, a new face appeared at the head of a protest march organized by local members of the Castro-ite São Paulo Forum and the Communist Party's labor federation, the CGTP: Gen. Rodolfo Robles (ret.), who had once attempted to oust General Hermoza, and overthrow President Alberto Fujimori, on behalf of the Einaudi-Marcella anti-military project.

Robles is now a close collaborator of communist congressman Javier Díaz Canseco, a Peruvian leader of the São Paulo Forum. On Feb. 1, one day after the march, Robles appeared together with Díaz Canseco, to present his book *The Colina Group and Power*, in which he asserts that President Fujimori and General Hermoza, head of the Armed Forces Joint Command, are the real leaders of the Colina paramilitary group.

A supranational agenda

Geopolitical manipulation of the Peru-Ecuador conflict is proceeding according to the agenda laid out in July 1995, at the "Defense Ministerial of the Americas," in Williamsburg, Virginia. Organized by Defense Secretary William Perry, the conference was dominated by the program for regional demilitarization and globalism, drafted by the "Bush manual" crowd. This included calls for "transparency" of military plans and capabilities, based on revealing all to the United Nations or other supranational agencies; promotion of international peacekeeping deployments; and insistence on having civilian defense ministers manage shrunken defense budgets and capabilities, supposedly as a sign of commitment to "democracy."

The November 1995 Regional Conference on Confidence- and Security-Building Measures, held in Santiago, Chile under the auspices of the Organization of American States, fleshed out the Williamsburg agenda, placing great emphasis on the issue of border disputes. Speakers, especially from the U.S. side, emphasized that a specific timeframe ("as soon as possible") must be established for their resolution, combined with acceptance of arms limitation, exchange of information, and "transparency" regarding weapons purchases. Echoes of this globalist rhetoric have already been heard in the "peace process" between Peru and Ecuador which Einaudi is managing.

A risky attempt to buy time

The Wehrkunde conference on security policy in Munich revealed fatal flaws in the West's approach to Russia.

The traditional Wehrkunde defense policy annual conference in Munich, at which prominent NATO military and political leaders and defense experts are brought together, was once again held on the first weekend of February. Although the conference last year was dominated by open clashes between the United States and the British over Britain's sabotage of western intervention against the Serbs in Bosnia, this year's conference displayed no such discord. These conflicts clearly continue to exist, as shown by recent revelations of British sabotage of U.S. plans for anti-Serbian air strikes in 1995, even if not mentioned in Munich. Thus, one may interpret the "harmony" among the various Western delegations here, as resulting from a consensus not to publicly air such discord.

If the motive for that was to present the Russian guests at this conference, notably Deputy Defense Minister Andrei Kokoshin, with the facade of a unified West, it is doubtful whether the Russians bought it. From Kokoshin's remarks, one may instead conclude that Moscow is quite aware the West has no well-defined strategy, not to mention one that is agreed upon by NATO members, concerning how to deal with Russia. The Russians did what they have always done in such situations in the past—resort to warnings and threats.

Kokoshin had a prepared written statement distributed at the conference, and it provoked quite some turmoil. But his Feb. 3 address, and other remarks made at the conference, appeared somewhat more conciliatory and omitted some more harshly

worded passages of the written paper, within which are found the following warnings concerning the proposed expansion of NATO:

"With zones of prevailing Western influence approaching the heart of Russia, the prospects of Poland, Hungary, Czechia, Slovakia, and particularly the Baltic States joining NATO, enhances the power of the Western challenge which cannot but cause a negative, if not painful, reaction in Russian society. . . .

"The destruction of the belt of actually neutral countries, created in the center of Europe as a result of the dissolution of the Warsaw Treaty Organization, aggravates in Russia the feeling of vulnerability, and with unpredictable political implications, given the existing state of minds, especially if the rapprochement of Russian borders and those of the expanded NATO should in fact strengthen the militaristic mentality in Europe, to exclude the likelihood of which would be quite light-minded."

"One must also take into account the mentality of mutual suspicion and hostility which had been accumulated during the decades of the Cold War and how deeply it had been inculcated in the minds of people on both sides of front lines of the now-past Cold War; no matter how hard we try to dissociate from it, it has not yet disappeared completely. Any steps not fully thought over, in the sensitive zones of international relations, will easily revive it and instantly bring it to the surface of international political life. Under these conditions, the expanded NATO can play the role of catalyst in sharpening the hostility."

In his spoken address, Kokoshin emphasized that the West should be more grateful to Russia because its troop withdrawal from eastern Europe from 1990 on, had made the advance of democracy and market economy possible in the first place. Kokoshin also emphasized that none of his statements should pose any serious obstacles to cooperation between Russia and NATO.

Of course, the West had also removed some of the most obvious points of controversy with Russia from the conference agenda: no mention of the Chechnya issue by Germany's Chancellor Helmut Kohl in his keynote on Feb. 3 was heard, nor was it mentioned by U.S. Defense Secretary William Perry in his Feb. 4 speech. But neither was there any sign of Western commitment to deepen cooperation with Russia in the crucial area of economic projects. In an address which recalled Stalin's rejection of the 1947 Marshall Plan, Perry stated, "We don't need a second Marshall Plan, but we do need to draw on Marshall's vision," adding that cooperation with Russia would be limited to security consultations and military confidence-building measures. No economic offer to Moscow, however. While this has mostly to do with the Western policy of buying time along the line, "first wait and see how the Presidential elections in Russia develop," it may be misread in Russia as "proof" that the West's plans toward Moscow are not good ones. This pours fuel upon the fire for anti-Westerners in Moscow.

Thus, the conference missed an opportunity to outflank this situation, just as the elites of the West have missed so many other chances since 1990. This "wait-and-see" approach is risky, and not very wise; for, it will engender precisely what it now seeks to avoid, in the end.

International Intelligence

Schalck-Golodkowski gets only a slap on wrist

The former East German deputy foreign trade minister and Stasi colonel, Alexander Schalck-Golodkowski, was convicted in a Berlin court on Jan. 31 on various counts of arms smuggling. The court gave him a suspended one-year sentence for importing guns and night-vision devices from former West Germany to East Germany, in violation of a West German ban on sensitive military-related exports.

The former East German secret police colonel was a key part of the global drugs-and-weapons smuggling operations of his U.S. counterpart, the alleged anti-communist Lt. Col. Oliver North, as *EIR* has documented. Schalck reported directly to East German communist party boss Erich Honecker. A Jan. 27, 1990 dispatch in *Die Welt*, the German daily, citing sources high up in the East German regime, reported that Schalck and his East German Foreign Trade Ministry "played a decisive role" in the international narcotics traffic.

Schalck's lawyers said they were confident the verdict would be overturned in Germany's constitutional court.

Nazi scare in Lübeck compared to Carpentras

The recent "neo-Nazi" hoax in Lübeck, Germany is comparable to that in Carpentras, France in 1990, said Alfred Grosser, professor at the Institute of Political Sciences in Paris. The longtime expert on Franco-German affairs was interviewed by the Hamburg-based *Die Woche* journal about the recent tragic fire in an immigrant shelter, which killed several residents.

Denying that the alleged neo-Nazi arson attack was a typically German phenomenon, Grosser said: "When in May 1990, the Jewish cemetery in Carpentras was desecrated, tens of thousands took to the streets throughout France, although it was not proven that right-wing extremists had rampaged there.

Today, it is likely that the ones who did it were just local rowdies with no political motives."

Grosser also attacked the extreme left in the Lübeck scare campaign, for an obsession with a "right-wing enemy," which led them to take "this fire as a welcome pretext, as a proof that Germany is fascistoid."

Grosser said the French media have improved somewhat over the past few years, so that the Lübeck incident did not occupy the press pages that prominently, but he also reported an affair dating a "few years back when the new Germany correspondent of our biggest television station asked me where he could film neo-Nazis. I told him that depended on how much money he would pay. A 'Heil Hitler' would cost 1,000 deutschemarks, the same with uniform 2,000, and so on. But I also told him that there were more important problems in Germany."

Tensions in Aegean stem from unjust treaties

President Bill Clinton's intervention on Jan. 31 with both governments cooled down the Aegean conflict between Greece and Turkey, but does not solve the underlying tensions over the Dodekanes archipelago in the eastern Mediterranean Sea, which have to do with a history of unjust treaties. The 12 bigger islands and about 1,000 smaller ones were originally occupied by the Ottoman Empire and handed over by the Turkish government in 1932 to the Italians—a transfer which the Turks now contest, on grounds that it was an unjust treaty, under the pre-war conditions which were unfavorable to Turkish interests.

The Greeks also have claims on these islands, dating back to the pre-Ottoman period, and received them from the Italians in the Paris Treaty of 1947, from which the Turks were closed off.

The island of Imia (Greek name) or Kardak (Turkish name) has been the focus of the most recent friction, which ostensibly was triggered by the wreckage of a Turkish trawl-

er there. The captain refused being rescued by nearby Greek vessels on grounds that the island belonged to Turkey. The Greek and Turkish media's attention to the issue helped to escalate the problem, through the Greek mayor of the nearby island of Kalolimnos hoisting a Greek flag on the unpopulated island of Imia/Kardak. Then three journalists of the leading Turkish daily *Hurriyet* (said to be close to the military) landed there with a helicopter and replaced the Greek flag with a Turkish one. The Greek navy then replaced the flag with a Greek one, and meanwhile, warships of both sides were swarming around the site of the conflict.

São Paulo Forum out to harass papal visit

In at least three of the four Ibero-American countries which Pope John Paul II was scheduled to visit Feb. 5-12, the São Paulo Forum deployed students into the streets, organizing riots, demonstrations, occupations of public buildings, and confrontations with law enforcement before his arrival.

The São Paulo Forum is the continent-wide, above-ground wing of the terrorist movement founded by Fidel Castro and encouraged by elements of the Wall Street establishment and State Department.

The terrorist potential behind the "student" protests has already been seen in Nicaragua, where at least eight Catholic churches have been bombed, and more threatened, since the pope's trip was announced last year.

In Nicaragua, where the pope was due to arrive on Feb. 7, Sandinista-led students were carrying out street protests, ostensibly to force the government to allocate 6% of the national budget to education. On Jan. 30, some 300 students stormed the Foreign Ministry, headquarters for the preparations for the visit, holding hostages for hours; another group seized a bus carrying policemen en route to a security drill for the visit. Student leaders announced they will continue disruptions until the government gives in.

In El Salvador, which was awaiting John

Paul II on Feb. 8, the Farabundo Martí Liberation Front organized repeated demonstrations to protest the Catholic Church's decision to rebuild the cathedral in the capital (charging that it took money from "the people"), such that construction will now not be completed on schedule.

In Venezuela, where the pope was to visit Feb. 9-12, the last week of January saw days of student riots in Caracas and other cities, led by Hugo Chávez's MBR-200 and allies. The pretext is protests over public transport fares, but security sources told *EIR* they have proof that the MBR-200 planned to cause disturbances right through the pontiff's visit. According to *El Universal* of Feb. 1, a police raid on a Caracas safehouse of Bandera Roja terrorist allies of the MBR, turned up a detailed map of the capital, with National Guard posts, public utilities, and transport centers marked in red. *El Universal* added that plans to "commemorate" Chávez's 1992 uprising on Feb. 4, with terrorism, have been blocked by government agencies.

New Polish premier has farm background

Polish President Aleksander Kwasniewski appointed deputy parliamentary speaker Włodzimierz Cimoszewicz (pronounced Włodzimyecz Tsimoshevich) of the ex-communist Democratic Left Alliance (SLD) as the new prime minister on Feb. 1. Cimoszewicz ran for President in the 1990 elections as the most credible among the ex-communists. He was only a low-ranking Communist Party member before 1989 when the old system collapsed, but came to prominence with the 1993 parliamentary elections in which the SLD scored a sweeping victory.

In the first coalition government of the SLD and the Polish Peasant Party, formed in October 1993, Cimoszewicz was justice minister and a deputy prime minister. He lost the posts in a cabinet reshuffle in March 1995 and became a deputy speaker of the lower house of parliament. He was chosen late last year to head parliament's important

constitutional committee, working on Poland's new charter.

Cimoszewicz holds a Warsaw University doctorate in law and was a Fulbright scholar at Columbia University in 1980-81. From 1985 to 1989 he was a farmer in eastern Poland.

The Polish Peasant Party (PSL) on Jan. 31 set the removal of the free-market privatization minister, Wiesław Kaczmarek, as a key goal in cabinet reshuffle talks. Many Peasant Party chiefs accuse Kaczmarek, who last year launched Poland's Mass Privatization scheme, of selling the country's assets too cheaply and readily to foreign interests. The Peasants also demanded that the SLD replace its member Jerzy Jaskiernia, who is justice minister, as part of a deal to preserve the coalition.

The PSL has also questioned Finance Minister Grzegorz Kolodko's plans to cut inflation and the budget deficit. PSL economists say his approach could undermine economic growth and harm vital social programs.

British-protected Tigers bomb Sri Lankan capital

At least 53 people were killed and 1,250 injured when a suicide bomber drove a truck laden with explosives into the high-rise Central Bank buildings in Colombo on Jan. 31. The Press Trust of India put the death toll at 2,000.

With this atrocity, the Tamil Tigers (LTTE), exposed by *EIR*'s Special Report ("New Terror International Targets South Asia," Oct. 13, 1995) as a British-protected terrorist gang, have made good on their vow to bring their losing secessionist war to the capital of Sri Lanka. Eyewitnesses said the explosion was preceded by a brief exchange of fire between security personnel and LTTE cadres, according to an article in *The Hindu* datelined from Colombo on Jan. 31. This was evidently a diversion for the truck being driven into the building. It is believed that at least 10 LTTE cadre took part in the attack.

THREE ISRAELIS were arrested for allegedly running the biggest drug-smuggling and money-laundering ring ever caught in Israel, according to the Feb. 1 *Jerusalem Post*. Some reports say that one of the three, Ronni Mann, supervised Cali cartel deliveries to all of North America and Europe.

THAILAND carried out its first execution since 1987, on Jan. 29, and the overwhelmingly Catholic Philippines is under increasing pressure to start executions, under the law that restored the death penalty in 1994.

VUKOVAR, "the city that stands for suffering," should be rebuilt under U.S. sponsorship, proposed Jure Radic, the deputy prime minister and minister for reconstruction of Croatia, at a press conference in Washington on Feb. 2. He said that so far, there has not been a response to this proposal.

NIGER, Nigeria's northern neighbor, has an all-civilian government, named Feb. 1 by the new military leader, Lieutenant-Colonel Mainassara. The new military leadership has been sending delegations around the region, and reported they got a sympathetic hearing in Nigeria from President Sani Abacha.

THE POLISH Schiller Institute was officially registered on Feb. 1 by a Warsaw district court, almost a year after its founding meeting was held in Warsaw.

JACQUES CHIRAC, the French President, denied on Feb. 1 that he had asked President Clinton to consider easing sanctions on Iraq, when questioned in Washington by a reporter.

UGANDAN Ambassador to Sweden and Denmark E.G. Ssempala is to be Uganda's new ambassador to the United States, it was learned Jan. 31 in Stockholm. Ssempala has actively organized against the Schiller Institute in the African exile community.

LaRouche takes Presidential campaign to New England

by Mel Klenetsky

Democratic Presidential candidate Lyndon H. LaRouche, born in Rochester, New Hampshire and raised in Lynn, Massachusetts, returned to familiar environs in early February, holding a series of campaign events and press conferences in New Hampshire, Maine, Rhode Island, and Massachusetts. Following up on his nationwide Jan. 27 half-hour prime-time television address, LaRouche warned voters of the impending, inevitable economic crisis.

The nation's first primary is scheduled for New Hampshire on Feb. 20, quickly followed by March 5 primaries in Vermont, Maine, Rhode Island, and Massachusetts. LaRouche is already on the ballot in 21 states, and his campaign workers expect that number to go up to the 27-30 range after all the petitioning and primary ballot access deadlines have been met.

LaRouche's is not the usual run-of-the-mill campaign, as he will readily tell you. In addresses to campaign supporters, state legislators, and reporters, LaRouche articulates the policies and goals of his campaign in ways that place him among the great forecasters, polemicists, orators, and statesmen of the century. "I want to correct what might be a false assumption, usually held by the press," LaRouche began his Portland, Maine press conference on Feb. 7. "I'm not a rival to President Clinton. We have a division of labor. I have my policies, and he has his. Sometimes these policies converge. For example, when it comes to what Gingrich proposes, our policies converge nicely."

LaRouche has been one of the country's leading voices not only denouncing Conservative Revolutionary Newt Gingrich, but also exposing the folly behind the mistaken efforts of those who would attempt to balance the budget in seven years. "The country does not have a budget crisis," LaRouche said at the Portland press conference, but rather a budget

mismanagement crisis. "It grew from the time when Jimmy Carter was President, and continued until Clinton's inauguration. The seven-year balancing of the budget is a piece of insanity. There's no truth to it. The battle is not about budget-balancing, but about tax cuts for those who don't need it, and slashing entitlements."

'Rebuild the Democratic Party'

LaRouche sees his role as one of confronting the economic crisis facing the nation. "What is needed, at this point, is the rebuilding of the Democratic Party," LaRouche stated, "leading into the August Democratic Convention. We need more controversy and dialogue of the type that a campaign promotes. We need to engage the citizenry in an appreciation of real problems, none of which has anything to do with the hot-button issues that we see dominating discussion."

Though he characterized President Clinton as the most intelligent chief executive since John F. Kennedy, LaRouche was nevertheless critical of both Clinton and Republican candidate Bob Dole, for their failure to address the economic crisis in their respective State of the Union message and Republican rebuttal. LaRouche has warned that Clinton is receiving advice from a section in the Democratic National Committee (DNC), which does not have the President's best interest at heart.

This same issue came up on the New England tour, when LaRouche's Providence, Rhode Island press conference of Feb. 8 was boycotted by the news media. After successful press conferences in Portland, Maine on Feb. 7, attended by NBC, Associated Press, Maine Public Radio, and the *Maine Times*; and in Concord, New Hampshire, on Feb. 6, covered by the *Manchester Union Leader* and Channel 5 TV, LaRouche attributed Providence boycott to the friends of that

section of the DNC which has been foremost in discouraging Clinton from campaigning, and in placing roadblocks in front of LaRouche's efforts to appear on the ballot. LaRouche's Jan. 31 television broadcast was likewise blacked out in Providence. LaRouche and Clinton are the only candidates on the ballot in the Democratic primary in Rhode Island.

Speaking to supporters who had come to the Providence press conference, LaRouche said he wondered whether or not the boycott was the work of friends of the "corrupt section of the DNC" which had helped to undo the effectiveness of CityVote, and had told Clinton not to actively campaign in the primaries.

CityVote was an experimental urban straw poll held last November in 18 cities. Clinton won the straw poll hands down, but was advised by Harold Ickes, his campaign chairman, and Donald Fowler, Ickes's hand-picked chairman of the DNC, that it was not to his advantage to campaign. CityVote, as LaRouche has noted, was an excellent forum to go after Newt Gingrich, his "Red Guard," and the follies of the Conservative Revolution.

The DNC's strategy has also led Arizona Democratic Chairman Sam Coppersmith—an avid opponent of CityVote—to successfully petition the courts to close down the Arizona primary altogether, undoubtedly with the approval of Fowler and Ickes. The Michigan primary was also closed down, when Ickes had Clinton's name withdrawn from the primary. Earlier on, the Michigan Democratic Party leadership had refused to recommend placing LaRouche's name on the ballot, despite the fact that the state's Secretary of State had done so in 1992, after a bitter legal fight.

Workshop with state legislators

Speaking before 30 state legislators at the legislative office building in Concord, New Hampshire, LaRouche addressed an economic policy workshop jointly sponsored by the Schiller Institute and the New Hampshire political group Victims of Corrupt and Abusive Legal Systems (Vocals). LaRouche emphasized the tremendous potential at this historic moment for mobilizing the citizenry, citing the constituent mobilizations that took place in the October 1995 Million Man March and the re-invigoration of the AFL-CIO in the wake of the defeat of Lane Kirkland's faction and the ascendancy of its new president, John Sweeney. LaRouche mentioned that a similar million man march is being planned by the Hispanic-American community.

LaRouche touched on some of the themes that he will address in his next half-hour nationwide broadcast, which is scheduled to be aired on NBC on Saturday, March 2, at 8:00 p.m. Eastern Standard Time. LaRouche has indicated that his March 2 address will deal with the issue of foreign and domestic economic security.

On the domestic infrastructure issue, LaRouche responded to a Providence, Rhode Island supporter who doubted whether more money in infrastructure would do any good,

given that her high water and utility payments seem to be going nowhere useful now. LaRouche explained how corruption in high places, and a citizenry ill-prepared to fight, have permitted such travesties to take place. Using the example of the New Haven Railroad, LaRouche explained how, in the 1960s, a bunch of shysters, running the railroad, drove the value of the stock up from \$17 a share, to \$35 a share, by halting necessary maintenance. By the time the government was obliged to bail out the railroad, it was a decrepit, unmaintained facility, while the shysters walked away with a fortune.

LaRouche described how the policies of Paul Volcker, the Federal Reserve Chairman, had bankrupted the savings and loan institutions from 1979 to 1983, and how the Garn-St Germain bill further looted the thrift institutions. He described how the Democratic Farmer-Labor Party (DFL) in Minnesota was set up by organized crime boss Meyer Lansky's cohorts, and how these characters, together with the late Vice President Hubert Humphrey, were retained by Cargill to repress farmer opposition to the grain cartel. More recently, LaRouche said, the DFL was involved in using the services of Silverado Savings and Loan's Neil Bush to promote casinos.

"People are involved in rackets. What that means," LaRouche said, "is that you don't have a structure for real infrastructure improvements. You need transparency, and you need a real citizenry. This is why you don't have an economy. We used to have 60% of the population employed in manufacturing; now it's less than 20%. The others are either not employed—which means you have a high crime rate, and in the end working people have to pay for people who don't."

LaRouche said that although one can propose the creation of 6 million new jobs, this can't be implemented right now. In the 1930s, the federal government would help local governments overcome the risk involved in the financing required to set these jobs into motion to build the necessary infrastructure. Today, given what the Federal Reserve did to wipe out the savings and loan banks that would be needed for this type of effort, no wonder that this type of effort seems impossible. So, you must go at the corruption, typified by what the Federal Reserve did to the S&Ls, LaRouche said.

In response to a question from a New Hampshire supporter on the "threat" of Japan to U.S. markets, LaRouche said that Japan's use of protectionism is no threat to the United States. Japan needed to export its high technology, since it did not have any natural resources to export. It wanted to export high technology to Mexico, Argentina, and Brazil, but speculative forces in the United States prohibited it from doing so, and instead goaded it to corner the U.S. auto markets. Under these conditions, the Japanese real estate market was created, and in Japan, as well as the rest of the world, we see speculative forces shifting economic activity out of real production, thereby creating an "unbridgeable chasm" between the real economy and the speculative realm.

Pentagon says Bosnia must be rebuilt fast

by William Jones

EIR recently received an off-the-record briefing on the progress of implementation of the Dayton peace accords in Bosnia-Herzegovina from a Pentagon official. He paints the following picture: The first phase of Operation Joint Endeavor, the military operation to station U.S. and allied forces in Bosnia to ensure implementation of the accords, has proceeded relatively smoothly. The separation of forces, and the elimination of heavy weapons from the zones of separation, is proceeding pretty much without incident. But another danger is looming. The crux of the danger lies in how quickly the economic reconstruction of Bosnia will swing into operation. Pentagon sources confirm that the U.S. military is concerned with the snail's pace of the reconstruction effort.

Although reconstruction of Bosnia was a subsidiary part of the discussions in Dayton, it was clear that only if the devastated nation were quickly rebuilt, giving proof to all parties that peace could provide a definite improvement in their well-being, could a lasting settlement be established.

In many respects, the Implementation Force (IFOR) operations could provide the impetus to the needed civilian infrastructure investment. Much of what the Army Corps of Engineers must build in order to get the troops into place and to provide the logistics to keep them in operation, has a certain "dual-use" character. The bridge over the Sava River, for instance, provided the means for U.S. troops to set up their base in Tuzla. But it also provides a means for civilian transport. Historically, the Corps has accomplished much infrastructural development simply as an adjunct to its military mission. Much of the infrastructure of the United States was built with the help of the Corps, which still holds the main responsibility for maintaining the nation's waterways.

But times have changed. With the "free market" mania of the Conservative Revolution in the late 1980s and early '90s, anything seen as competing with "private enterprise" was forbidden. The debacle in Somalia has also made "nation-building" anathema. Wariness by Pentagon planners over "mission creep," i.e., expansion of tasks not originally defined, assures that the military will not deviate from their specific objectives.

In addition, budget cuts have taken their toll. "If it's a conflict between the engineering capabilities of the Army Corps and a new sophisticated weapons systems, we'll go for the weapons systems to assure that we can accomplish

our main mission, which is to defend the nation," one source said. While the Corps has thus been hog-tied and somewhat "greened," with their task being more conversation than construction, the civilian "economic reconstruction" has been effectively reduced to convincing private firms to set up shop in war-torn Bosnia, interspersed with promises of some multilateral aid. Another "donors' conference" has been set for early spring, but no one can say if investments will start flowing into the Bosnian economy. The donors' conference in December that pulled together some \$600 million in promised funds, has hardly made a dent.

The IMF obstacle

Whatever "multilateral aid" is forthcoming will come under the auspices of the International Monetary Fund and World Bank. Already, the IMF has decided that 17% of former Yugoslavia's foreign debt must be born by Bosnia. Faced with the need for immediate rebuilding after a destructive and genocidal war, the Bosnian government is now saddled with an additional debt burden which it did nothing to acquire! At a conference in Washington on Jan. 23, the chief of the Central Europe Department of the World Bank, Michel Noel, made it clear that debt arrears and making a deal with the Paris Club of debtors was "critical for Bosnia." For the World Bank and the IMF, the debt will take priority over reconstruction.

In addition to the mass movement of refugees within former Yugoslavia, there will soon be another 330,000 Bosnian refugees from Germany that the German government is intent on returning to Bosnia by August 1997. German Interior Minister Kanther has been saying that "economic reconstruction and sending back of refugees must be combined," but this is largely rhetoric.

If reconstruction occurs at a snail's pace, the peacemaking chores become nearly insuperable. In a tight labor market, the powers that control one area of the country will prioritize jobs for their own ethnic group, adding tensions and fears to those already created by a long and genocidal war. If new housing is not built and new jobs quickly created, the influx of refugees also becomes a potential element of destabilization.

The longer reconstruction is stalled, the more serious the situation becomes for the troops on the ground. When people who have greeted the troops as the harbingers of peace, begin to see economic conditions worsen, the "peacekeepers" will more and more be cast as an occupying force. The myriad of compromises that make up the Dayton accords are difficult enough to achieve under optimal conditions of recovery. If the reconstruction doesn't occur quickly, the troops are put at a far greater risk than when they were sent in. It behooves the Clinton administration and its allies in this effort, France and Germany, to take the decision-making out of the hands of the "free market" and the IMF, and put it into the hands of people who know what reconstruction is all about.

Gore-Chernomyrdin agreements show risky U.S. policy vis-à-vis Russia

by William Jones and Marsha Freeman

The arrival of Russian Prime Minister Viktor Chernomyrdin in Washington, D.C. on Jan. 28 for the sixth session of the U.S.-Russian Joint Commission on Economic and Technical Cooperation, known as the Gore-Chernomyrdin Commission, was eagerly awaited by Clinton administration officials, anxious to know just how far political realities in Russia would force the Yeltsin government to move away from the austerity policies imposed on the country by the International Monetary Fund (IMF).

The Russian Duma (parliament) elections in December had seen tremendous advances by the refurbished Communist Party, which gained a new lease on life through its opposition to the austerity policies. Recent personnel changes in the Yeltsin government, including the resignation of Deputy Prime Minister Anatoli Chubais, the choreographer of the IMF-backed privatization process and darling of the international financial institutions, clearly indicated that President Boris Yeltsin was conducting some necessary “damage control” in the face of an upsurge of resistance to the IMF “reform” policy.

The resignation of Chubais had caused great concern in Washington, with State Department officials underlining the importance for Russia of maintaining good relations with the IMF. On the day Chubais resigned, an IMF delegation was in Russia to negotiate a \$9 billion credit, contingent upon Russia continuing to pursue the austerity policy which has pushed the country to the brink of social chaos. The first reaction by the State Department was to try to get some assurances that the reform policy was not being abandoned by Yeltsin.

Faced with the reality that the Yeltsin government may well have to make further “corrections” to the IMF policy, if it is to avoid a fiasco in the June Presidential elections, Clinton administration officials are now saying that Russia’s implementation of austerity will occur in accordance with the old Leninist principle of “two steps forward, one step back.” Unwilling, at the moment, to take on the IMF austerity policies themselves, the Clinton administration is attempting to do what it can within such bounds, while at the same time establishing a “partnership” to maintain key technological capabilities in spite of such an adverse environment.

The policy is a risky one. Unless there is a consistent policy of economic reconstruction for Russia, calling into play the industrial capabilities of the West, and particularly

of western Europe (reflected in the “Productive Triangle” proposal outlined by Lyndon LaRouche), the R&D capabilities that the administration is so eager to preserve, will be ultimately engulfed in a growing sea of increasing industrial decay.

State Department pushes IMF reforms

“We think it is absolutely essential that President Yeltsin and Prime Minister Chernomyrdin reaffirm the reform basis of the Russian government concerning economic reform,” said State Department spokesman Nick Burns, commenting on the Chubais resignation on Jan. 16. “We think it is very important that the Russian government continue to work productively with the International Monetary Fund, with the World Bank, and with the American, the German, and other governments who wish it well and who are supporting it, with billions of dollars in international assistance.”

Burns downplayed the Chubais resignation, saying that while Chubais’s contribution to “reform” was very important, there were others in the Yeltsin government, pointing to Chernomyrdin, who were also instrumental in implementing these policies. Although President Clinton had received assurances in a phone call with President Yeltsin on Jan. 26 that Russia would continue the course of “reform,” senior administration officials privately said that an overall evaluation of how far the IMF “reforms” had been discarded would only emerge with the visit of the Russian prime minister at the end of January.

Prime Minister Chernomyrdin, speaking to the press on Jan. 29, assured the Clinton administration—and the IMF—that “the course of reforms will not be changed.” He said, “Taking into account the abnormal timing of the present session [of the commission], in a year of Presidential elections in both Russia and the United States, I would like to caution against any false interpretations of the possibility of a change in the economic policy of Moscow.”

At the same time, Chernomyrdin underlined that “necessary corrections” would be made in implementing those conditionalities, “in particular in the social spheres.” Already, President Yeltsin had had to assure the half-million coal miners on strike in Russia during Chernomyrdin’s visit, that they would be paid months of back wages. When asked what these “corrections” would entail, Chernomyrdin deferred to Presi-

dent Yeltsin, who is to announce the changes later in February.

After discussions between President Clinton and Chernomyrdin on Jan. 30, the President announced that the United States would give its support to the \$9 billion IMF credit to Russia, a seal of approval that Russia was still "open for business." If the IMF refused to give this credit, it was feared, some investors, who are already nervous, might just begin pulling out.

Help for aerospace industry, space program

Over the course of the six sessions of the U.S.-Russian Joint Commission on Economic and Technical Cooperation, 120 agreements have been reached, covering a broad range of areas of cooperation, including energy, health, the environment, defense conversion, and scientific research. By far the most extensive series of agreements, with the highest public profile, have been those involving their manned space programs.

Two years ago, an agreement was signed that initiated joint manned efforts, resulting in last year's two link-ups of the Space Shuttle Atlantis and the Russian space station Mir, out of a planned total of seven Shuttle-Mir missions. Russia was also brought into the international space station project. On Jan. 30, Gore and Chernomyrdin announced that the agreement would be amended to include two additional Shuttle flights to Mir, to be carried out in 1998.

Last fall, Russian Space Agency head Yuri Koptev had informed NASA that the Russian Space Agency was not getting support in Russia for mothballing the Mir station in 1997, when the international space station begins construction. One likely reason was the source of foreign currency the Mir station has come to provide, from flying paying "guest cosmonauts" from other countries. Koptev indicated that with Mir still operational, without \$200 million of additional funds from the United States, Russian international space station hardware could not be delivered on time.

NASA officials explained that they could not commit funds for the space station to support the Russian contribution, since that funding has been capped by Congress at \$2.1 billion per year. But the two additional Shuttle missions NASA will now fly to Mir, will relieve the Russians of the cost of two resupply missions. NASA will also use the Shuttle to deliver the Science Power Platform to the international station in 1999, saving Russia the cost of three Zenit rocket launches. In his statement on the agreements, NASA Administrator Dan Goldin said that with this extension of the Shuttle-Mir program, NASA would have additional opportunities for astronauts to perform long-duration missions on the Mir.

One of the unique capabilities of the Soviet military space program, was its ability to mass-produce rockets and launch more than 100 of them per year. By 1995, this rate had fallen by nearly two-thirds. The aerospace design and manufactur-

ing facilities, which have been "privatized," must increasingly fend for themselves as financial support from the Russian government has dried up.

The huge Russian aerospace companies have entered into joint ventures with U.S. firms, and tried to sell their own products on the world market. But such sales are constrained because most commercial satellites are made in the United States or use American technology, and the United States has to give its permission for the satellite to be launched on a Russian rocket.

The September 1993 U.S.-Russian Commercial Space Launch Agreement opened the commercial space launch market to Russia. The agreement limited Russia to nine launches to geosynchronous orbit (the favored orbital position for communications satellites) to the year 2000, and stipulated that the price could not be more than 7.5% below the lowest western bid. The changes in this agreement, announced after the sixth Gore-Chernomyrdin Commission meeting, increase the limit to potentially 20 geosynchronous launches, worth more than a half-billion additional dollars to Russian aerospace firms. The Russians will also be allowed to charge up to 15% less than the lowest western bid for a launch, similar to agreements signed with China and Ukraine during 1995.

Other aspects of the agreements worked through during Prime Minister Chernomyrdin's meetings in Washington, are also designed to support the crucial "military-industrial complex" of the former Soviet Union, including a \$1 billion Export-Import Bank loan to the Russian airline Aeroflot, which is desperately in need of modernization, to pay for U.S. jet engines and electronics for Russia's air fleet.

Partnership at risk

As Democratic Presidential candidate Lyndon LaRouche has consistently emphasized, Russia's science capabilities are the key to rebuilding its economy. But all of the initiatives in science, technology, and high-technology industry will come to naught if overall economic "reform" policy in Russia is not changed.

More immediately, the implementation of those IMF measures will continue to erode whatever support the Yeltsin government has left, leaving it to an angry electorate to decide its fate in the June Presidential elections. How the U.S.-Russian "partnership" would fare under another Russian government is anybody's guess. There is a growing tendency in Russia to see the IMF austerity policies as part of the U.S. "partnership," and the legitimate outrage over the effects of these policies is beginning more and more to take the form of an anti-western and anti-American attitude. Unless the "partnership" enunciated by President Clinton at his summit with Yeltsin in Hyde Park, New York last fall becomes a clear alternative to the disastrous IMF conditionalities, social outrage will sweep away whatever good will President Clinton has been able to establish among the Russian people for that partnership.

What Democrats can learn from legacy of Senator Yarborough

by Harley Schlanger

In May 1993, at the age of 90, Ralph Webster Yarborough, former Democratic U.S. senator from Texas, called to ask that I make a change in the text of a message he had written to a Schiller Institute conference which was to take place in Germany in June. "I've been thinking about what I wrote, and I don't think it's strong enough," he said, referring to his statement which condemned Serbian genocide against Bosnia, and advocated U.S. military actions against the Serbs. "One thing I've learned from my years in Texas politics," he added, "is that if you're going to say something, you'd better be sure they know where you stand."

There was never any danger that the foes of Ralph Yarborough would not know where he stood. Throughout a career in politics which began in the 1930s, Yarborough never sacrificed his principles for short-term popularity. He never shrank from battle against the political establishment in Texas, remaining true to a maxim of one of his heroes, Sam Houston, who said, "Do right, and take the consequences."

Yarborough passed away on Jan. 27, at the age of 92, in Austin, Texas. A review of his accomplishments offers a testament to his courage and his decency, his combativity and his compassion, and can serve as a guide to many in his party today who have opted for the easy way out, to the detriment of themselves, their party, and the nation.

In an interview in December 1994, Yarborough blasted those Democrats who argued, in the aftermath of the November 1994 Gingrich "revolution," that Democrats must "heed the message of the voters" and act to limit government. Instead, he said, the party must "go back to Democratic principles." These include "an emphasis on education, on jobs, on economic growth, on the government improving conditions for the people. . . . If the Democratic Party abandons those principles, the Democratic Party has lost its soul."

Yarborough began his career in politics in 1931, as an assistant attorney general in Texas. He first came to public attention in a series of cases he won against the major oil companies, which led to the creation of the Permanent University Fund. His actions prevented University of Texas regents from spending oil royalties immediately, creating instead a trust fund for Texas public schools, which today has more than \$5 billion earmarked for education.

During World War II, Yarborough enlisted in the Army, serving first under Gen. George Patton, then in the Philippines. After the surrender of Japan, he was appointed one of the 11 provincial governors of Japan, serving under Gen. Douglas MacArthur.

A 'New Deal' Democrat

Yarborough ran for governor of Texas in 1952, challenging incumbent Gov. Allan Shivers in the Democratic primary. At the time, the Democratic Party was the only party in Texas. Shivers represented the dominant faction, that of the conservative establishment, centered in the oil and gas interests, banking, and insurance. Yarborough, running as a "New Deal" Democrat, won only 36% of the vote in that race. He lost to Shivers again in 1954, but increased his support to 47%. Ever persistent, he suffered a third defeat for governor in 1956, but lost this time by fewer than 3,200 votes.

Yarborough's persistence paid off, as he won a special election to the U.S. Senate in April 1957.

The new senator from Texas soon demonstrated that he would not tolerate the Jim Crow racism that characterized his southern Democratic colleagues. He not only refused to sign the "Southern Manifesto," a kind of blood oath binding the region's senators to oppose desegregation, but he voted for the Civil Rights Act of 1957. He was the only southern senator to vote for the Civil Rights Act of 1964, and one of the few who voted for the Voting Rights Act in 1965. He said he did so because "it was the right thing to do . . . the only thing to do."

His opponent for reelection in 1964, a Republican from Houston named George Bush, made Yarborough's votes for civil rights legislation, and his support for the rights of labor and funding for education, major issues in their race. Despite a dirty campaign run by Bush, Yarborough was reelected. (See Webster Tarpley and Anton Chaitkin, *George Bush: The Unauthorized Biography*, published by EIR. Senator Yarborough, by releasing his papers to EIR, and through his reminiscences, aided the authors in capturing the true flavor of this campaign.)

As a senator, Yarborough sponsored some of the more important bills in the postwar era. He was instrumental in the passage of Medicare and Medicaid. He was the sponsor of the National Defense Education Act of 1958, which provided for the first time significant government funding of higher education; the Cold War GI Bill of 1966, which updated the original GI Bill and benefitted 5 million veterans; and the National Cancer Act of 1970.

Throughout his life, Yarborough maintained a zest for discovery. He was always interested in new ideas, especially those which improved the conditions of the "little man." His commitment to justice is summed up in this quote from him which appears on a courthouse in Houston: "Justice is the light of reason replacing force in settling the affairs of mankind; tempered with mercy, it is God's work on earth."

America, we have a problem

The FBI sting at NASA was more of the Justice Department's "wrong stuff." A commentary by a group of former senior NASA officials and contractors.

In 1995, the movie *Apollo 13* was a huge box office success, confirming what all Americans and most citizens of planet Earth (that own a TV set) already knew: that Houston's world-class, dedicated, manned-space community workers represent one of the few remaining inspirational segments of American society. These are not your typical government bureaucrats. They are honorable people with an almost religious zeal about their dedication to manned space exploration. Unfortunately, these very qualities recently made them prime targets of Washington's "America Last" advocates, the mindless federal police bureaucrats at the Department of Justice (DOJ) who seem bent on destroying every technological institution and profession in the United States, by phony incrimination and media assassination.

The now-famous report from Commander Jim Lovell, "Houston, we have a problem," was the heroic understatement that signalled a major crisis for Apollo 13. That crisis paled, however, in comparison to the unjustified KGB-style assault to which Houston's manned space community has been subjected, for the past four years, at the hands of the increasingly anti-American elements in the U.S. Justice Department. This department has a long history of behaving more like an American version of the Gestapo, than the champion of justice in a free society.

In 1991, a large group of FBI and NASA inspector general agents under DOJ leadership, donned their "Darth Vader" masks and went undercover at Houston's Johnson Space Center to root out alleged "extraterrestrial" lawbreakers based on what would prove to be false accusations of widespread corruption and numerous fraud, waste, and abuse (FWA) complaints. The FWA system is a government "snitch service" implemented by the Congress to root out fraud, waste, and abuse by anyone who benefits from a government program. In each agency, the system employs scores of pseudo-agents who dutifully track down these anonymous rumors, gossip, and complaints of alleged wrongdoing.

This Stalinist-type internal spy system generates its own serious abuses, serving as a vehicle for disgruntled people

to lie, backstab, and destroy the reputations of their bosses, competitors, and enemies, with anonymous unsubstantiated complaints. Nationwide, over 99% of all such complaints prove to be totally baseless, and the Congress knows this. However, it's been useful for congressmen to trumpet to their constituents that they are tough on crime, and that they are taking action to root out FWA and corruption in government programs.

In February 1994, Houston's U.S. Attorney, Gaynelle G. Jones, heralded to the world, that her department's undercover sleuths had succeeded in discovering "widespread corruption" in NASA's manned space community. She proudly displayed the trophies of this clandestine effort; 13 hapless NASA and contractor workers who had been reportedly caught doing "dirty deeds," by the diligent men and women of her department and the FBI. The media feeding frenzy which followed, somehow failed to correlate the claims made at this press conference with an NBC "Dateline" exposé aired only two months earlier.

The Department of Justice exposed

This December 1993 exposé provided a glimpse of the despicable misbehavior and extreme lengths to which these agents had gone, in what the Feds had proudly code-named "Operation Lightning Strike," a sting operation approved at "the highest levels" of the U.S. government, according to the March 1995 issue of the Johnson Space Center paper *The Roundup*. This NBC exposé virtually indicted the FBI agent-in-charge for excessive and outrageous misconduct during his persistent and totally unjustified targeting and entrapment attempts on an innocent American astronaut, David Wolf.

Wolf was a young medical doctor who had recently risked his own health in space medical experiments to advance U.S. knowledge of space effects on humans. He had never been in trouble in his life, and obviously had no predisposition to commit a crime. Yet he became an FBI target. No one asked why he and others of his colleagues were being targeted by the FBI in the first place.

From December 1993 until February 1994, following the

NBC exposé, the Department of Justice launched a feverish effort to sanitize and cover up what we now know was a widespread campaign of violations of civil rights by a team of out-of-control federal agents spanning four years, from 1991-95. This team illegally targeted and harassed approximately 80 innocent space program workers. Following the NBC-TV program, Abran Martinez, the Assistant U.S. Attorney who served as the legal counsel to the operation, made damage control trips to Washington, D.C., to assure his masters at the DOJ Criminal Division, as well as numerous alarmed congressmen on NASA oversight committees, that the Houston DOJ office had actually uncovered serious widespread corruption in the Houston space community, and had really performed a valuable public service to the nation.

No less a veteran NASA supporter than Rep. James Sensenbrenner (R-Wisc.), had appeared on the NBC "Date-line" show, apparently convinced that there must be serious corruption caused by those perennial villains, "the good ole boys and gals" at the space center. Other congressmen tried to distance themselves from what appeared to be yet another FBI debacle. Rep. John Conyers (D-Mich.), then chairman of the House Government Operations subcommittee, who had persistently criticized NASA for waste and inefficiency, now did an about-face and referred to "Lightning Strike" as un-American and the kind of criminal justice we don't need! This is interesting, because Conyers and Rep. Jack Brooks (D-Tex.), both powerful members of the Judiciary Committee (which oversees the DOJ), had reportedly given their prior approval to the operation. The Johnson Space Center was in Jack Brooks's district.

The prosecutors' next move was to negotiate a "one-time good deal" with the Martin Marietta Corp., to allow the payment of a \$1 million civil settlement to cover the government's mounting investigative costs (reported at \$2-4 million), presumably to avoid prosecution for allegations of criminal misconduct by the company's Houston operations division.

This "admission" sealed the fate of two lower-level Martin Marietta employees, who had not yet even entered a plea in the case! Because the \$1 million settlement was not a fine, it was probably paid by the U.S. taxpayers, since it could be charged off as an overhead expense to the government, thereby costing Martin nothing!

During this frantic two-month interval, Hal Francis, the FBI agent in charge of "Lightning Strike," abruptly left the bureau, in mid-career, for unexplained reasons. This, at the very peak of his meteoric rise to fame, after having played such a successful role in penetrating and laying waste to the Houston space community's reputation, which he continues to describe as riddled with corruption.

Later in 1994, the NASA inspector general, William Colvin, was also forced to leave his lucrative government position, after severe criticism of his personal investigative behav-

ior and misconduct was revealed in a GAO report requested by ex-astronaut Sen. John Glenn (D-Ohio). Colvin, who co-directed the sting operation with the FBI, had testified before Congress in late 1993, that his department had opened 450 cases of fraud, waste, and abuse at NASA. These cases have never materialized! Colvin has also been accused of controlling which people would be "investigated" (entrapped) and which would not. The U.S. Attorneys and agents who had earlier told the 13 low-level NASA victims that they were not the real targets, and that they were really after crooked senior NASA government managers, then changed their tactics, stopped all investigations of government people, and concentrated on the lower level, mostly contractor workers they had entrapped.

Using a "carrot and stick" technique of coercion and simultaneous offers of lenient plea bargains, the prosecutors forced involuntary guilty pleas from 12 of those charged, as a result of psychological coercion and intimidation, including threats of long prison sentences and economic ruin, if they did not cooperate. These coerced plea bargains proved nothing about the guilt or innocence of any of these people, none of whom had any known predisposition to commit crimes before they met the unscrupulous professional liar Hal Francis, now an ex-FBI agent and self-serving ABC-TV media personality.

It is significant that not one of the cases prosecuted by the U.S. Attorney was for prior criminal or unethical behavior. In other words, each of these cases was manufactured by the ex-FBI agent Francis, as part of an elaborate entrapment "daisy chain" conspiracy, in which each person entrapped was forced to entrap another person in order to get himself out of trouble!

Steve McVicker, a reporter for the *Houston Press*, has referred to this as a new government benefit, "the opportunity to commit a crime." It was not even that fair. A study of court documents reveals a pattern of dirty tricks by Francis, usually coming after he had made several legitimate payments to a victim, thus making the victim liable to multiple charges. This was coupled with gratuitous incriminating comments made by Francis himself on body wiretap devices.

The only holdout to this conspiracy was young Dale Brown, who had little to lose by fighting, as he had already lost his home, his wife, his unborn child, his business, and his health, due to the government's terrorist tactics. The stress that the 37-year-old Brown was put through, had resulted in open heart and intestinal surgery. Brown also claims that there were several attempts on his life, which he attributes to the Houston FBI agents about whom he had gathered proof of serious professional misconduct.

In September 1995, in the only case to reach trial, the government failed to convince a jury to convict Brown and, at the direction of the judge, who stated that "clearly entrapment was the issue to be raised," the government finally threw in the towel, and decided not to pursue Brown further. This

victory was due to the aggressive defense by Houston attorney Dick Deguerin. The Feds undoubtedly dropped the case to prevent open court disclosure of extensive unfavorable evidence about the sting, which had been suppressed during the trial and which was damaging to the government's position in the other 12 cases.

Another consideration was the anticipated "meteor shower" of civil rights violations suits expected in 1996. Two suits have already been filed against the Justice Department, each for \$4 million, by James Robertson, a partner in J.M. Beggs and Associates, and John Crenshaw, a senior leader of industry contractors in Texas, and a \$100 million suit by Dale Brown's attorneys is expected this month. "Lightning Strike" is a disgusting story of government abuse of police power which contains the same ingredients present in many other outrages by the DOJ Criminal Division over the past 20 years. "Lightning Strike" resembled Waco, Ruby Ridge, Lost Trust, Ill Wind, Abscam, Brilab, the LaRouche case, and too many others in its corrosive effects on the U.S. Bill of Rights.

Target: manned space program

In "Lightning Strike":

1. A federal government police agency was conducting an unjustified undercover sting operation.

2. Deliberate, outrageous, and excessive entrapment methods were used without regard to guilt or innocence or predisposition of those targeted.

3. A DOJ prosecutor violated American Bar Association Standards of Behavior by serving as the day-to-day legal counsel to the FBI during the investigative phase, thereby acquiring a personal interest in the case, in conflict with the prosecutors' role to "seek justice and not convictions."

4. FBI agents trained in subtle and sophisticated coercive persuasion (CP) techniques applied these Chinese communist psychological warfare methods on American citizens with impunity, to deny them their civil rights to due process, in contempt of the *Miranda* decision of the U.S. Supreme Court.

5. The DOJ prosecutors withheld important exculpatory material and committed fraud upon the courts, by prosecuting some individuals who they knew had actually never committed a crime.

6. The DOJ Criminal Justice bureaucracy conspired to withhold from the defendants and the courts, evidence of "prosecutorial and investigative misconduct" which it has in its possession, as a result of its own internal investigations of the violations committed during these cases. These violations undoubtedly led to Mr. Francis's decision to leave the Bureau.

In December 1995, the last defendant of "Lightning Strike," Neal Jackson, who has been charged with the exact same crimes that the jury would not find Mr. Brown guilty of, requested the right to withdraw his guilty plea and fight to clear his name. The DOJ, fearing a second court loss, is battling fiercely to prevent Jackson's case from going to trial.

An Appeals Court may have to decide the outcome, but to Houstonians, "Lightning Strike" has become synonymous with government-sponsored terrorism.

In March 1995, the government finally officially admitted that there was no widespread corruption at the Johnson Space Center. In 1995, the government also admitted to costs to the taxpayer for this operation of up to \$6 million, but experienced observers estimate that \$10-15 million has been wasted thus far.

It is clear that the Johnson Space Center was singled out for this purge, since it could not have had any more FWA reports per capita than any of the other eight major NASA centers. Veteran NASA watchers again point to their Washington enemies, who have been at work for decades, attempting to ground the Shuttle, then stop the space station, and, ultimately, the entire manned space program.

One retired NASA executive believes that "Lightning Strike" was originally hatched in 1991 by Vice President Dan Quayle's National Space Council, in retaliation for the active opposition of the Johnson Space Center community and its industry clients to the Bush-Quayle Lunar-Mars initiative, which would have essentially substituted a new, ill-conceived, program start for former President Reagan's Space Station Freedom Program, which by 1991, had already been in development for over seven years. This latest of many Lunar-Mars initiatives was conceived only as a Bush-Quayle space legacy for the 1992 Presidential race.

The retired executive reports that in October 1992, at a NASA alumni banquet in Houston, he was personally told by Mark Albrecht, executive secretary of the White House National Space Council, that the Johnson Space Center would soon be taken down hard to teach them a lesson for opposing the White House! The Space Council's inner group, which included Albrecht and George Abbey, a longtime NASA figure who had been assigned to the Space Council, had already played a pivotal role in the ouster of Abbey's old friend, Admiral Dick Truly, as the NASA Administrator, when he had failed to give this White House-sponsored Lunar-Mars initiative budget priority ahead of the ongoing space station program—a move that would have caused chaos in the entire manned program. George Abbey was moved from Washington to Houston in the wake of the decapitation of virtually the entire Johnson Space Center senior staff, following the publicity created by the "Lightning Strike" operation, and is now the director of the center.

'Lightning Strike' unravels

This is not the first time that politicians of both parties have resorted to the Criminal Division of the DOJ to settle political scores. In 1985, James Beggs was forced to step down as NASA Administrator after a phony criminal indictment was filed against Beggs following Beggs's persuasion of President Reagan to support and authorize the Space Station

Freedom Program in 1984. The heads of the Department of Defense and the CIA were among the cabinet members who had strongly opposed the space station, and many believe that Beggs, a moderate Republican, had to be gotten out of the way. Not surprisingly, the charges against Beggs came from the DOD.

After he had suffered financial ruin, these phony charges against Beggs were dropped in 1987 because he was no longer a threat. Admiral Truly at least was given a "kinder and gentler" boot from office. Beggs became a target again during "Lightning Strike," as the DOJ attempted to get even.

The beleaguered Johnson Space Center inspector general, Doug Smith, now claims that the "Lightning Strike" sting was to "serve as a deterrent to crime." Thus, in two years, we have gone from claims of widespread corruption involving 35 to 80 people, to 13 bizarre manufactured entrapments, to a deterrent to crime! This, at the cost of destroying the reputation of a noble American program and community, and the waste of \$10-15 million in precious U.S. taxpayer funds. That's fraud, waste, and abuse, and should be investigated by the Congress!

The Feds had no excuse for what they did in Houston. There were no child molesters, white separatists, Colombian drug dealers, mafia dons, or other villains. Just unsubstantiated gossip and rumors about fraud, waste, and abuse—the new "politically correct" white collar crimes! In 1994, space community workers voted overwhelmingly to remove their congressman, Jack Brooks (D-Tex.), who, as the dean of the Texas delegation, had been one of the most powerful members in Congress. Republican Steve Stockman replaced Brooks in 1994, promising to obtain a congressional investigation of "Lightning Strike." There is little chance of that,

and these voters are now openly criticizing Representative Stockman and planning to punish him in 1996 for failing to take the promised action.

There is still time for Congress to act. They can force the DOJ to do what is unthinkable for bureaucrats: admit that "Lightning Strike," like the case against John Demjanjuk (who was almost sent to be hanged although the DOJ knew he was innocent), was a travesty of justice. Like the Apollo 13 crew, the NASA 13 are lost in space; they should be rescued and brought home. An investigation of the political reasons for this incident is urgently needed.

From all evidence gathered thus far, it is now certain that "Lightning Strike" was authorized during the Bush administration. Eighteen months later, by approximately November 1992, the FBI agent-in-charge, who had found little or no corruption at the Johnson Space Center, resorted to the more aggressive plan, which required entrapments. The Clinton administration appointees were convinced by the permanent staff in the Criminal Division to continue the operation, apparently fueled by minority contractor complaints to congressmen such as Conyers. The net result was another DOJ debacle and criminal misuse of the nation's law enforcement system.

U.S. government in crisis

The United States government is facing a serious credibility crisis. Of all of its major institutions, none are more suspect than the Congress and the federal criminal justice bureaucracies, which can now boast five-and-a-half-million Americans either in prison or on supervision. The crime business has become a growth industry, partially fueled by manufactured crimes. While the lawyers argue over obscure technicalities, the DOJ and the courts are systematically allowing the destruction of the most fundamental features of the Bill of Rights.

We are seeing a vision of the future anarchy which will result when enough of the citizenry lose faith in their system of justice. As we approach the third millennium, the United States Congress has begun to talk about the dismantling of the increasingly intrusive and repressive federal government bureaucracies which are out of touch with most Americans. We profess to be a democratic republic and China calls itself a "people's republic." The question is: Are we becoming more repressive than the Chinese, while pretending that we are influencing them toward democratic behavior?

Time is growing short. Will the "new men and women" in Congress have the wisdom to reform all parts of the U.S. bureaucracy, or just those defended by the other political party? The Republicans, traditionally the strongest law-and-order advocates, should act to rein in and reform the DOJ and the federal police bureaucracies, by reducing their power to commit civil rights violations against U.S. citizens.

Many Americans considered the Waco and Ruby Ridge incidents to be watershed events. They watched in dismay during the staged congressional hearings, as some Republicans deferred to Janet Reno and Louis Freeh as if they were national heroes.

The voters are watching and waiting to see if anyone is punished for the calculated execution of 80 people, including 25 children at Waco, and Mrs. Weaver and her son at Ruby Ridge. They are judging whether the incumbent politicians have the stomach to challenge the entrenched powerful elements in federal police bureaucracies. Their patience is limited, and they could throw their support to a third party that promises to make good on campaign rhetoric to eliminate rogue agencies such as the Bureau of Alcohol, Tobacco, and Firearms, and to reduce and reform repressive agencies such as the DOJ and the FBI.

To permit the Department of Justice, the FBI, et al., to continue to manufacture crimes by conducting thousands of these "moral lesson" undercover stings in America is wrong and must be stopped.

America, we have a problem. Call your senators and congressmen. Tell them you want an end to such police state methods in this country. If Congress fails to take action, the next century could well bring another civil war. This time, the nation may not survive.

Democrats object to House vacation

The House voted on Feb. 1 to go on vacation, again, until Feb. 26, less than two weeks after it took a two-and-one-half-week break in January. The Democrats offered two privileged resolutions to keep the House in session and pass a permanent increase in the debt limit ceiling.

Minority leader Richard Gephardt (D-Mo.) asked, "How can the dignity and integrity of this Congress be maintained if we tear down the dignity and integrity of this country?" He warned against a government default brought on by failure to increase the debt limit.

Paul Kanjorski (D-Pa.) revealed that if the House leadership allowed a clean debt limit increase bill to come to a vote, there would be enough votes from Republicans to pass it.

After the privileged resolutions failed, a resolution brought up by Rules Committee Chairman Gerald Solomon (R-N.Y.), providing that the House adjourn Feb. 1-26 contingent on agreement of the Senate, passed by a vote of 207-199.

District funds pass House, stall in Senate

On Jan. 31, the House passed the District of Columbia appropriations bill conference report. The bill has been tied up in committee for three months because of disagreement between the House and the Senate over a House-sponsored provision for school vouchers.

The House debate revealed the extent to which Republicans believe that they are doing the District a favor, rather than seeing themselves as taking responsibility for the nation's capital. John Linder (R-Ga.) said that the House has been "very charitable" in

preserving home rule for the District. He said that the Congress has a "constitutional duty to keep the District's budget in balance," and that is why Congress will set fiscal policy for the District.

D.C. Appropriations Subcommittee Chairman James Walsh (R-N.Y.), the architect of the school voucher provision, praised the D.C. Financial Control Board, established by Congress in 1995, for establishing the direction needed to "bring the District government back from the brink of financial insolvency brought about by 20 years of home rule and 15 years of unrestrained spending."

The Democratic opposition to the bill focused mainly on the voucher provision. A motion sponsored by Julian Dixon (D-Calif.) to recommit the bill to conference was defeated by a vote of 180-232.

The following day, Sen. James Jeffords (R-Vt.), the chairman of the Senate D.C. Appropriations Subcommittee, announced that he could not bring up the conference report for a vote in the Senate because of a threatened Democratic filibuster.

Smith: Impeach Clinton, Rubin if gov't defaults

Rep. Nick Smith (R-Mich.), House Speaker Newt Gingrich's (R-Ga.) point man who is preventing a vote on a clean debt limit increase, demanded on Jan. 31 that if "[Treasury] Secretary [Robert] Rubin or the President of the United States default on our debt, and that is, not pay principal, not pay interest, they both should be impeached." Smith, who is holding the debt ceiling increase hostage in order to get the Conservative Revolution agenda passed, accused Rubin of threatening people with not getting their veterans

benefits or Social Security checks "when it is absolutely uncalled for."

In the same debate, Martin Hoke (R-Ohio) assailed the pending clean debt limit increase bill for raising the debt limit by \$500 billion. Hoke said the bill is "the kind of license that . . . the lovers of big government in this Congress on the other side that are now in the minority want. I refuse it. I reject it."

Rep. Lloyd Doggett (D-Tex.) denounced the games the Republicans have been playing around the debt limit. He said that Republicans have already voted two or three times for a debt limit increase, which is in the reconciliation bill vetoed by the President last November. "But now you feel a need," he said, "to have a crowbar to highjack the government, to pressure the President, to threaten the future of this country by waiting until a few days before we enter the first default in the 200-plus-year history of this country. It is that kind of political shenanigans that the people of this country are rejecting."

Nuclear testing sparks row on Chirac address

The day before French President Jacques Chirac was scheduled to address a joint session of Congress on Feb. 1, some House Democrats, primarily from the Black Caucus and the Pacific territories and Hawaii, brought up a privileged resolution disinviting Chirac's address. The resolution, offered by Patsy Mink (D-Hi.), condemned Chirac's decision to resume nuclear testing in the South Pacific and accused France of "acting contrary to the commitment of the international community to the non-proliferation of nuclear weapons and the moratorium on nuclear testing."

Speaker pro tem Doc Hastings (R-Wash.) ruled that, because the original order for Congress to meet in joint session to receive Chirac was agreed to without objection, that it was not "proper to collaterally challenge such standing order of the House under the guise of a question of privilege."

About 100 House members boycotted Chirac's address.

Jack Kemp, Pete du Pont air economic fantasies

On Jan. 31, former Secretary of Housing and Urban Development Jack Kemp and GOPAC founder and former governor of Delaware Pierre du Pont appeared in front of the Senate Finance Committee to present the report of the National Commission on Economic Growth and Tax Reform, which is chaired by Kemp. The purpose of the exercise seemed to be to place sole blame for the economic decline on the current tax system, and to call for its replacement with a flat tax proposal.

Committee Chairman William Roth (R-Del.) claimed that "America's past has proven that the right kind of tax reform, including the Kemp-Roth tax cuts in the 1980s, can be a boon for economic growth."

Du Pont said, "If you look at all three tax cuts of this century in America, the Coolidge tax cuts, the Kennedy tax cuts, and the Reagan cuts, in every case a substantial reduction in tax rates produced more income for the federal government and grew the economy."

"The Kennedy tax cut," du Pont said, "grew the economy from 3%-plus a year . . . to 5.2%," while the Reagan tax cuts "took growth from 0.4% . . . to up over 4%, and tax receipts for the federal government were

26% greater at the end of the Reagan term than at the beginning."

The entire hearing avoided any discussion of the post-industrial policy shift that began in the late 1960s, and of the differences between the Kennedy policies and the Reagan policies. As *EIR* has shown, the "growth" of the economy in the 1980s that Roth and du Pont are so enamored with, was only in speculative activities, such as real estate and junk bonds, whereas the Kennedy-era investment tax credit rewarded investment in physical plant and productive technology, thereby increasing the tax revenue base. Since about 1980, the tax revenue base of the United States has been in continuous decline.

Health insurance reform stalled in Senate

The health insurance reform bill which President Clinton endorsed in his State of the Union address, remains stalled in the Senate. Majority leader Bob Dole (R-Kan.) had agreed to allow the legislation to come up for consideration on May 3, but Rod Grams (R-Minn.) put yet another "hold" on the bill.

The bill, the Health Insurance Reform Act, includes provisions that would limit the ability of insurers and employers to impose preexisting condition exclusions, and prevent insurers from dropping coverage when an individual changes jobs or when a family member becomes ill. It was passed out of the Labor and Human Resources Committee last August by a vote of 16-0.

Opposition to the bill is being led by the Health Insurance Association of America, the same group that led the fight to kill President Clinton's health plan in 1994. The sponsors of the bill, Nancy Kassebaum (R-Kan.) and Ed-

ward Kennedy (D-Mass.), have said that they won't back down to the insurance industry.

James Jeffords (R-Vt.) is also firmly committed to his amendment to lift the lifetime caps on insurance payments for catastrophic health conditions. In an interview with Fox TV on Jan. 31, he said his amendment is necessary because of the provision requiring insurance companies to cover people with preexisting conditions. "When they start covering more sick people up front, they're going to try to unload them the other way, and that is by reducing lifetime caps," he warned.

Gingrich pushes New Age on House committees

The Capitol Hill newspaper *Roll Call* reported on Jan. 22 that House Speaker Newt Gingrich has requested each committee to draft a "vision statement." The memo making the request also included a nine-point plan for a "successful America."

The committees are expected to utilize new management techniques, such as to create a "team culture," as opposed to a "personality" or "power-driven" structure. Staffers are asked to "sign on" to Newt's view of the world. They will attend a series of presentations by the Congressional Institute, a non-profit group funded by a "consortium of business groups" (which is offering free management training), to learn how to incorporate the Gingrich mantra "listen/learn/help/lead" into their strategic plans. One plan, for the House Economic and Educational Opportunities Committee, was attached to the Speaker's memo. It is a seven-point plan for "creating a culture of success for the Opportunities Committee." It calls on staffers to "lead—be aggressive, pro-active and behave like the majority party."

National News

Federal court upholds corporate scab labor

In March 1995, President Clinton issued an executive order prohibiting companies which do business with the federal government from permanently replacing striking workers with scabs. On Feb. 2, the U.S. Court of Appeals for the District of Columbia ruled that the President had overstepped his authority by issuing such an order. U.S. Chamber of Commerce lawyer Stephen Bokkat bragged that the court "basically bought what we argued hook, line, and sinker."

President Clinton's order extended protection to 26 million workers—one-quarter of the U.S. labor force—employed by companies enjoying \$437 billion in government contracts. Labor Secretary Robert Reich declared Feb. 2, "We don't want American servicemen and women in Bosnia trying to keep the peace, while driving around on tires made by rookies and replacement workers."

AFL-CIO President John Sweeney reacted to the court decision by stating, "Now, three judges appointed by Presidents Reagan and Bush have declared that firing strikers is right, and that even the President of the United States cannot refuse to do business" with such firms. Sweeney reported that President Clinton has promised to appeal the decision to the U.S. Supreme Court.

Brookings blames low U.S. savings on elderly

A new study by the Brookings Institution attempts to shore up Conservative Revolution efforts to slash entitlements for the elderly, by blaming the elderly themselves for the low rate of U.S. savings. This economic wizardry is attributed to Jagadeesh Gokhale, Lawrence Kotlikoff, and John Sabelhaus, who claim that U.S. consumption by 70-year-olds, relative to consumption by 30-year-olds, has increased since the 1960s.

The three economists supposedly analyzed U.S. per-capita and per-household savings and consumption. They claim that

non-medical consumption by the elderly has grown from 70% in the 1960s to 91% of current non-medical consumption by 30-year-olds. If medical expenses are added in, then the elderly allegedly consume 120% of what the 30-year-old group consumes today.

Brushing aside the issue of whether either group is currently enjoying a decent standard of living, the wizards of Brookings conclude that government entitlement programs—in the form of Social Security and Medicare—are almost single-handedly responsible for a shift of resources from the younger age group to the old. The wizards apparently ignored the deepening economic depression, in accounting for the collapsed rate of U.S. household savings.

An article in the Feb. 5 London *Financial Times*, reporting the findings of the study, places itself firmly on the side of matricide and patricide. "Mr. Clinton," intones the article, "has so far shied away from telling elderly Americans their consumption will have to fall if national savings are to rise. The baby-boomers may have won the Presidency, but they have not, it seems, taken control."

Prisons buy labor cheap and sell goods dear

A trade group representing furniture makers who compete for orders for military quarters and dormitories, are charging that small manufacturers are being driven out of business by the cancerous growth of Federal Prison Industries (FPI). The *Wall Street Journal* reported Feb. 7 that FPI "has gone on an expansion binge" since the early 1990s, exploiting the rapid growth of the federal prison population for "free market" profiteering.

FPI now controls 25% of the market for furniture for Department of Defense quarters and dormitories, and is trying to expand to capture 35% of the market. The military furniture market is already shrinking as a result of Defense Department budget cutbacks. Many of the small furniture-company suppliers may go under, in the face of competition from prison labor.

The military services are reportedly dis-

satisfied with FPI because of poor quality and construction, late delivery, and poor selection of goods. They have also discovered what defenders of the Union knew before the Civil War: The furniture FPI turns out with prison slave-labor is also overpriced, compared with firms employing *free* men and women—even though the prison labor force is only paid from 23¢ to \$1.15 an hour.

FEC won't penalize Bush for illegal fundraising

The Federal Election Commission has ruled that George Bush's 1988 Presidential election campaign accepted \$223,000 in illegal contributions. But the FEC has decided that it is too late to do anything about it, beyond sending the ex-President a letter of reprimand.

The Associated Press reported Feb. 4 that the FEC had been investigating the Bush Presidential campaign for seven years, and had collected four binders of evidence concerning Bush's acceptance of illegal contributions. The evidence was obtained from the Republican National Committee, and from 18 state Republican Party organizations that paid for 18 of Bush's campaign trips, when his campaign nearly ran out of money in the summer of 1988.

Under federal election law, the Bush campaign could have been fined \$446,000—twice the amount of the illegal contributions. But the FEC declared that too much time had elapsed since Bush's law-breaking spree, noting that a five-year statute of limitations had already run out.

The behavior of the FEC in dealing with the Bush Presidential campaign stands in sharp contrast to its treatment of Lyndon LaRouche. As soon as Mr. LaRouche filed for federal matching funds for his 1976 Presidential campaign, the FEC falsely accused him of illegal practices. These charges were not dropped until six years later, in 1982. Then, during LaRouche's 1988 Presidential campaign, the FEC attempted to deny him matching funds, on the grounds of the fraudulent claims it had made 12 years earlier, in 1976.

Again, in 1991, when LaRouche applied

for matching funds for the 1992 campaign, the FEC cranked up groundless objections to an imagined "15-year" pattern of fundraising violations, reaching back to 1976. The FEC also promulgated bogus complaints to stonewall matching funds for LaRouche's 1984 Presidential campaign. Those claims were not abandoned until 1995—11 years later. The *Wall Street Journal* had no comment on the FEC's evident difficulties in reading a calendar, with respect to the Bush case.

Court order: Freeze!—to save unseen spotted owl

Residents of villages in the Sangre de Cristo Mountains of New Mexico face a heating crisis this winter, according to an Associated Press wire in the *Washington Post* on Jan. 14. Their plight stems from a federal court order supporting an environmentalist lawsuit, to prohibit any useful human activity in southwestern U.S. national forests, in which the "endangered" spotted owl *might* choose to nest.

Most of the generally Hispanic-American villagers are poor, and depend for fuel on firewood gathered from the nearby Carson and Santa Fe National Forests, to cook their meals and heat their homes. But last August, in response to yet another legal assault by some of British Prince Philip's environmentalist flunkies, a federal judge in Phoenix shut down all logging in 11 national forests of New Mexico and Arizona.

The lawsuit was ostensibly filed to protect the "Mexican" spotted owl. On behalf of the "American" version of this hapless bird (a longtime patsy of its feathered predators), environmentalist decrees have eliminated whole communities of loggers and lumber-mill workers in California and the Pacific Northwest during the last ten years. Millions of acres of productively maintained forests have been left to strangle and rot *naturally*, without human care, to preserve the dismal bird's "habitat."

Despite voluminous evidence to the contrary, the environmentalists initially declared that spotted owls required the sanctuary of "old growth" trees, and later argued

that they must have "second growth" trees. Their latest claim, set forth in the New Mexico case, argues that the owls feed on rodents which live among the dead and downed trees on the forest floor.

Even the U.S. Forest Service, after eight years of study at a cost of \$1.5 million, has found no evidence that the Mexican spotted owl lives anywhere in the forests near the Sangre de Cristo Mountains. The environmentalists, however, featuring such creatures as the "Forest Conservation Council" and the "Forest Guardians," maintain that the area still must be protected—because the spotted owl might migrate from forests 100 miles away.

DOE plan will wipe out fusion research

On Jan. 27, the Fusion Energy Advisory Committee of the Department of Energy (FEAC) issued its report on "a restructured fusion energy sciences program." The report was requested by Martha Krebs, director of the Office of Energy Research at the DOE, in light of the current budget constraints. The current budget is \$244 million, a \$113 million cut from 1995 levels.

The report deals with what would be the likely scenario, if the fusion budget for FY1997 were \$250 million. The Tokamak Fusion Test Reactor (TFTR) at Princeton's Plasma Physics Laboratory, would have to cease operations. The smaller facilities of DIII-D at General Atomics in San Diego and C-Mod at the Massachusetts Institute of Technology would then be pressed into maximal productive utilization. U.S. participation in the engineering design phase of the International Thermonuclear Experimental Reactor (ITER) would continue, but at a lower level.

At \$275 million in FY1997, a funding level that FEAC would like to recommend, it would be possible to operate TFTR for another year and meet U.S. obligations to the ITER. However, \$200 million, one of the other scenarios considered, would not only further reduce U.S. contributions to the ITER, but would likely reduce the U.S. fusion program to one major operating facility.

Briefly

FEDERAL JUDGE Thomas Penfield Jackson on Jan. 31 upheld the FBI's "national security" deletions from files concerning Lyndon LaRouche, requested under the Freedom of Information Act. The documents include a 1985 FBI "Do Not File" memo about Henry Kissinger and LaRouche, and a 1983 memo claiming that "LaRouche's organizations dovetail nicely with Soviet propaganda and disinformation objectives."

SINGAPORE'S Lee Kuan Yew met privately with Newt Gingrich at the home of Henry Kissinger in October, the *Far Eastern Economic Review* reports. Lee's office confirmed the meeting, but none of the three would comment on what was discussed.

RICHARD FEINBERG, the former president of the Inter-American Dialogue, will be leaving government soon. A White House press spokesman insisted that Feinberg's decision to quit his post as senior director for Inter-American Affairs at the National Security Council, and Morton Halperin's decision to quit as NSC Director of Democracy, were "coincidences" of a personal nature.

MOODY'S Investors Service "said it likely will slash [the District of Columbia's] credit rating unless a . . . plan to be put forward by Mayor Marion Barry makes a convincing case that change is coming," the *Washington Post* reported on Jan. 31.

NEO-NAZI LINKS to the Oklahoma City bombing are being probed by defense attorneys and the FBI, the *Sunday Times* of London reported on Feb. 4. Stephen Jones, an attorney for accused bomber Timothy McVeigh, reportedly visited London in January to probe new leads involving British neo-Nazis. Said a source close to the defense team: "We believe that extremist right-wingers in Europe and America conspired to bomb the building."

Editorial

Worse, Worst, Worsthorne

Sir Peregrine Worsthorne is the stepson of the same Montagu Norman, who from his position as head of the Bank of England, orchestrated the rise to power of Adolf Hitler, through the efforts of his protégé—the Nazi economics minister, Hjalmar Schacht.

While ultimately Schacht and Hitler parted company, this did not occur before Schacht had imposed precisely the kind of fascist austerity on the German economy, which has been forced upon the Russian economy today under the name, “shock therapy.” While now it is the International Monetary Fund rather than the Bank of England which takes the lead, the oligarchical board of directors is the same for both. Both carry out Venetian policies emanating from the House of Windsor.

Montagu Norman played a key role in bringing the Nazis to power in Germany, but he did so at the behest of the British monarchy. For the British working people in that period, conditions of life were little, if any, better than in Germany, as unions underwent brutal repression, and millions of working people had a bare subsistence from the “dole.”

This is the same policy which Norman’s stepson Worsthorne advocates be turned against the British people. In the London *Sunday Telegraph* of Feb. 4, he spelled this out. The “politics of fear” and massive “repression,” he wrote, must be used against “the underclass,” in order to ensure “governability” in Britain and, potentially, in other Western countries. The headline for his article in this Hollinger Corp. rag, was as clever as any Nazi slogan of the past: “The Big Stick May Be the Next Big Idea.”

Worsthorne, a violent enemy of President Clinton, has been promoting the need for an “authoritarian, post-welfare-state” form of rule for at least the past year. Those Americans who support the Gingrich-Gramm proposal for so-called welfare and Medicaid reform, coupled with tax benefits to the wealthy, should take special heed of the consequences of enforcing such brutal class rule.

Worsthorne makes no bones about it in his open endorsement of authoritarian government. The neo-

conservative revolution leads inevitably to the necessity for a police State. Thus he writes: “I don’t think it was primarily a ‘big idea’ that made Margaret Thatcher such a formidable politician. . . .

“Mrs. Thatcher was formidable because to her intellectual conviction was added that much rarer quality: awesome ruthlessness. . . . Britain’s economic miracle in the 1980s owed a lot to monetarism and market economics, but it owed even more to the politics of fear—fear of the Iron Lady. That was what really made Britain governable again.” Her particular strong point, was her ruthless crushing of the mid-1980s miners’ strike, exalts Worsthorne.

He goes on to say that there is a taboo against speaking of “the politics of fear. . . . But since, to a large extent, politicians are paid to do the dirty work we do not want to do ourselves—such as imposing taxes, rationing scarce medical resources, locking people up, sending soldiers to their death in Bosnia—a reputation for nastiness ought to be an asset rather than a liability.”

All this is relevant today, writes Worsthorne, “since it seems highly unlikely that any British Government, either of the Left or the Right, is going to come up with a big idea for the future of this country which will not depend on the politics of fear. With the Tories, this is becoming painfully obvious.

“They are going ahead with cutting public spending regardless of how badly this will hurt the underclass, whose resentments will be kept under control by tougher police action. In the long run, it is claimed, the resulting economic prosperity will restore social cohesion. In the meantime, it will be up to the criminal justice system to take the strain.”

Despite all of the obvious problems in the United States today, it is as true now, as it was in the days of Franklin Delano Roosevelt and his opponent Winston Churchill, that the United States represents the only effective point of resistance to British imperialism and a resurgence of fascism. Peregrine Worsthorne is the mouthpiece for a brutish tyranny which must be opposed, if mankind is to survive.

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Tuesdays—6:30 p.m.
- STA. CLARITA/TUJUNGA
King VideoCable—Ch. 20
Wednesdays—7:30 p.m.
- W. SAN FERNANDO—Ch. 27
Wednesdays—6:30 p.m.

COLORADO

- DENVER—DCTV Ch. 57
Sat.—4 p.m.; Mon.—6 p.m.

CONNECTICUT

- BETHEL/DANBURY/
RIDGEFIELD
Comcast—Ch. 23
Wednesdays—10 p.m.
- NEWTOWN/NEW MILFORD
Charter—Ch. 21
Thursdays—9:30 p.m.
- WATERBURY—
WCAT Ch. 13
Fridays—11 p.m.

DISTRICT OF COLUMBIA

- WASHINGTON—DCTV Ch. 25
Sundays—12 Noon

IDAHO

- MOSCOW—Ch. 37
(Check Readerboard)

ILLINOIS

- CHICAGO—CATN Ch. 21
Schiller Hotline-21
Fridays—6 p.m.
The LaRouche Connection
Fri., Feb. 23—7:30 p.m.
Mon., Feb. 26—7:30 p.m.

INDIANA

- INDIANAPOLIS—p.a. Ch.
American Cablevision
Mondays—5:30 p.m
Fridays—11 p.m.
- SOUTH BEND—Ch. 31
Thursdays—10 p.m.

KENTUCKY

- LOUISVILLE—TKR Ch. 18
Wednesdays—5 p.m.

LOUISIANA

- NEW ORLEANS—Cox Ch. 8
Mondays—11 p.m.

MARYLAND

- BALTIMORE—BCAC Ch. 42
Mondays—9 p.m.
- MONTGOMERY—MCTV Ch. 49
Weds.—1 pm; Fri.—8:30 pm
- PRINCE GEORGES COUNTY—
PGCTV Ch. 15
Thursdays—9:30 p.m.
- WEST HOWARD COUNTY—
Comcast Cablevision—Ch. 6
Daily—10:30 a.m. & 4:30 p.m.

MASSACHUSETTS

- BOSTON—BNN Ch. 3
Saturdays—12 Noon

MICHIGAN

- CENTERLINE—Ch. 34
Tuesdays—7:30 p.m.
- TRENTON—TCI Ch. 44
Wednesdays—2:30 p.m.

MINNESOTA

- EDEN PRAIRIE—Ch. 33
Wed.—5:30 pm; Sun.—3:30 pm
- MINNEAPOLIS—MTN Ch. 32
Fridays—7:30 p.m.
- MINNEAPOLIS (NW Suburbs)
Northwest Comm. TV—Ch. 33
Mon.—7 pm; Tue.—7 am & 2 pm
- ST. LOUIS PARK—Ch. 33
Friday through Monday
3 p.m., 11 p.m., 7 a.m.
- ST. PAUL—Ch. 33
Mondays—8 p.m.

MISSOURI

- ST. LOUIS—Ch. 22
Wednesdays—5 p.m.

NEW JERSEY

- STATEWIDE—CTN
Sundays—6 a.m.

NEW YORK

- BRONX—BronxNet Ch. 70
Saturdays—6 p.m.
- BROOKHAVEN (E. Suffolk)
TCI—Ch. 1 or Ch. 99
Wednesdays—5 p.m.
- BROOKLYN
Cablevision (BCAT)—Ch. 67
Time-Warner B/O—Ch. 34
(call station for times)
- BUFFALO—BCAM Ch. 18
Tuesdays—11 p.m.
- HUDSON VALLEY—Ch. 6
2nd Sunday monthly—1:30 p.m.
- ILION—T/W Ch. 10
Fridays—3 p.m. & 10 p.m.
- ITHACA—Pegasys—Ch. 57
Mon. & Weds.—8:05 p.m.
Saturdays—4:35 p.m. Ch. 57
- MANHATTAN—MNN Ch. 34
Sun., Feb. 18—9 a.m.
Sun., Mar. 3 & 17—9 a.m.
- MONTVALE/MAHWAH—Ch. 14
Wednesdays—5:30 p.m.
- NASSAU—Ch. 25
Last Fri., monthly—4:30 p.m.
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Rockland County Ch. 26
1st & 3rd Sundays—4 p.m.
- POUGHKEEPSIE—Ch. 28
1st & 2nd Fridays—4:30 p.m.
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- RIVERHEAD
Peconic Bay TV—Ch. 27
Thursdays—12 Midnight
1st & 2nd Fridays—4 p.m.
- ROCHESTER—GRC Ch. 15
Fri.—11 p.m.; Sun.—11 a.m.
- ROCKLAND—P.A. Ch. 27
Wednesdays—5:30 p.m.
- STATEN ISL.—CTV Ch. 24
Wednesdays—11 p.m.
Saturdays—8 a.m.
- SUFFOLK, L.I.—Ch. 25
2nd & 4th Mondays—10 p.m.
- SYRACUSE—Adelphia Ch. 3
Fridays—4 p.m.
- SYRACUSE (Suburbs)
Time-Warner Cable—Ch. 12
Saturdays—9 p.m.

- UTICA—Harron Ch. 3
Thursdays—6:30 p.m.
- WEBSTER—GRC Ch. 12
Wednesdays—9:30 p.m.
- YONKERS—Ch. 37
Fridays—4 p.m.
- YORKTOWN—Ch. 34
Thursdays—3 p.m.

OREGON

- PORTLAND—Access
Tuesdays—6 p.m. (Ch. 27)
Thursdays—3 p.m. (Ch. 33)

TEXAS

- AUSTIN—ACTV Ch. 10 & 16
(call station for times)
- DALLAS—Access Ch. 23-B
Sun.—8 p.m.; Thurs.—9 p.m.
- EL PASO—Paragon Ch. 15
Tuesdays—10:30 p.m.
- HOUSTON—PAC
Mon.—10 p.m.; Fri.—12 Noon

VIRGINIA

- ARLINGTON—ACT Ch. 33
Sun.—1 pm; Mon.—6:30 pm
Tuesdays—12 Midnight
Wednesdays—12 Noon
- CHESTERFIELD COUNTY—
Comcast—Ch. 6
Tuesdays—5 p.m.
- FAIRFAX—FCAC Ch. 10
Tuesdays—12 Noon
Thurs.—7 pm; Sat.—10 am
- LOUDOUN COUNTY—Ch. 3
Thursdays—8 p.m.
- MANASSAS—Ch. 64
Saturdays—12 Noon
- RICHMOND—Conti Ch. 38
(call station for times)
- ROANOKE—Cox Ch. 9
Wednesdays—2 p.m.
- YORKTOWN—Conti Ch. 38
Mondays—4 p.m.

WASHINGTON

- SEATTLE—TCI Ch. 29
(call station for times)
- SNOHOMISH COUNTY
Viacom Cable—Ch. 29
Weds., Mar. 6—3 p.m.
Weds., Apr. 3—3 p.m.
- SPOKANE—Cox Ch. 25
Tuesdays—6 p.m.
- TRI-CITIES—TCI Ch. 13
Mon.—11:30 am; Thu.—8:30 pm

WISCONSIN

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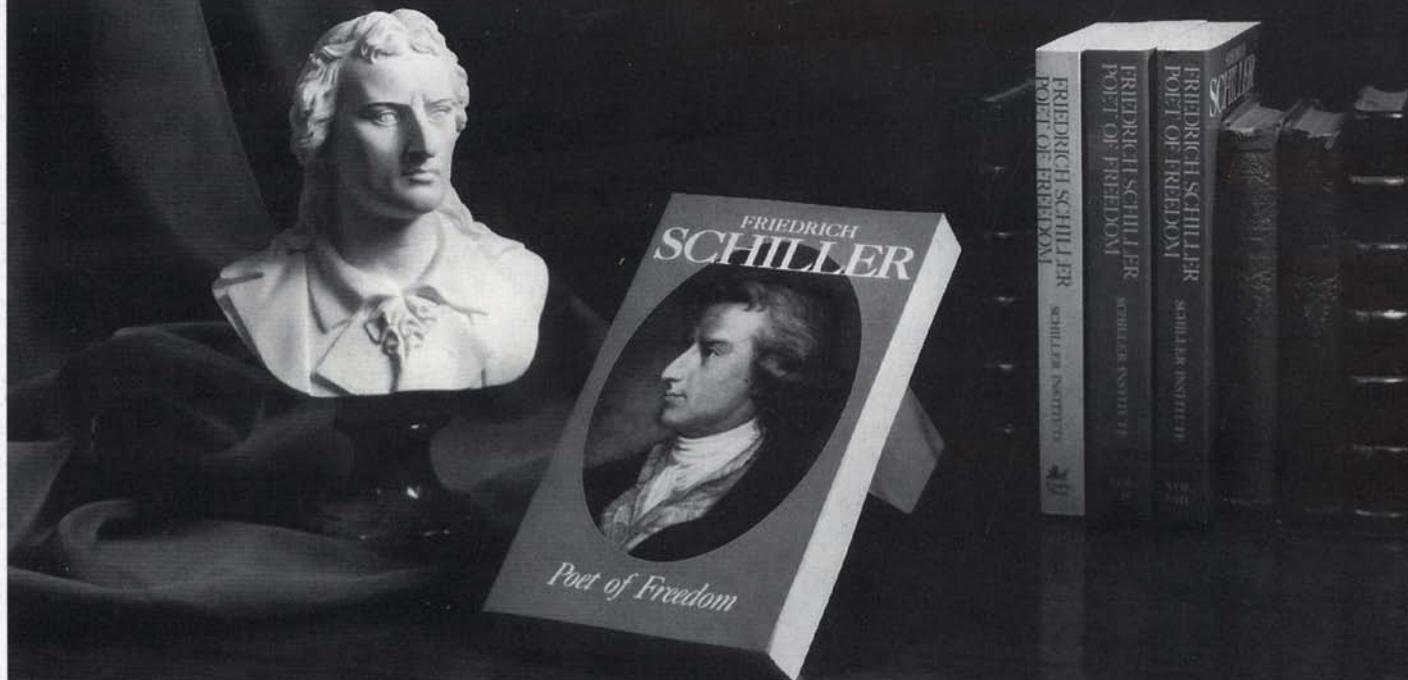
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