

# EIR

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U.S. trade deficit shows economy is crumbling  
'Shelton Plan' goes into action against Iraq  
Recovery program could have blocked Hitler's coup

**Gore's racism on display  
at 'anti-corruption' event**

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# FIDELIO

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## *The Substance of Morality*

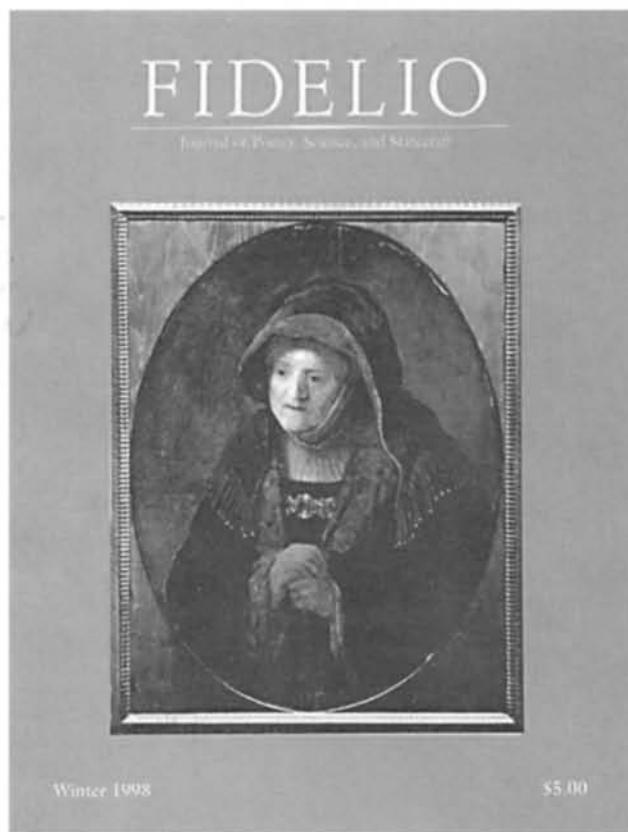
by Lyndon H. LaRouche, Jr.

The great issue of culture, is the task of freeing the majority of the population from that moral and intellectual self-degradation which tradition imbues within prevailing popular opinion.

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Florentine *bel canto* • J.S. Bach and Inversion  
• The Scientific Discoveries of Bach's *The Art of the Fugue* • The 'Royal Theme' from *A Musical Offering* • Mozart's Fantasy in C minor and the Lydian Principle • 'Time-Reversal' in Mozart's Works • Motivic Thorough-Composition in Late Beethoven  
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## From the Associate Editor

**I**t truly boggles the mind, how a man with Al Gore's pedigree could stand before an international gathering of government officials and tell them to "fight corruption." As the *EIR* White Paper reprinted in this issue (p. 58) documents, it's hard to get much more corrupt than Al Gore. He is steeped in the corruption of the British oligarchy—even sounding like Prince Philip with his diatribe against the Renaissance. Yet Gore, like some Confederate plantation-owner, has summoned representatives from the darker-skinned nations of the world, to chastise them for "corruption," and to demand that they yield to the IMF's demand for "transparency"—which, in plain English, means the destruction of their national sovereignty.

Coinciding with Gore's foreign policy offensive, the London *Daily Telegraph* published an article on Feb. 25, saying that Gore and George W. Bush have the nominations of their respective parties locked up, and therefore U.S. citizens can just stay "Johnny six-pack at home": Everything is already settled, didn't you know?

If that is so, then the prospects for survival of the United States, and most of the rest of the world, are very slim indeed.

In this issue, we report the disastrous effects of the Gore faction's policy, all around the world: from the bankruptcy of the U.S. physical economy; to the buildup for war against Iraq; to the Brazilian government's capitulation to the IMF; to the resource grab in Zambia; to the drug traffickers' takeover of Colombia and Venezuela.

Faced with these horrors, our job is to bring the United States into what Lyndon LaRouche, Jr. has called the "survivors' club"—those nations, including China, Russia, and India, which are striving to forge a strategic alliance that will enable them to overcome current hardships. We report some fascinating developments from Russia (p. 7), and groundbreaking diplomatic achievements by India and Pakistan (p. 43).

*EIR* will hold a seminar in Washington, D.C. at the end of March, to bring Americans into this new strategic geometry, and to break the hammerlock of Gore and Bush. The seminar will also highlight the historical parallel presented in this week's *Feature* by Michael Liebig: how Hitler's takeover of Germany could have been prevented, but for the intervention of the London-steered financial oligarchy.



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## Record U.S. trade deficit shows economy is crumbling

by Richard Freeman

In 1998, the United States recorded the largest trade deficit in American history, which exposed two ugly realities: First, the world financial-economic disintegration which has ravaged Asia, Russia, eastern Europe, Brazil, and Ibero-America, has inflicted serious damage on the United States, with the prospects for the future of the U.S. economy bleak. Second, the United States has become dependent for its very existence on an enormous volume of imports, especially cheap imports, because of the effect of the devaluation of Third World nations' currencies. The moment that this crippling dependency is severed—absent a New Bretton Woods global financial system to restart trade and production—the breakdown of the U.S. economy, whose rate of collapse is accelerating (see p. 11), will be bottomless.

Looking at the United States economy through the prism of trade, one gains a penetrating insight which cannot be hidden by the smoke and mirrors that daily produce the ephemeral performance of the inflated U.S. stock and bond markets. The United States must either change the underlying economic policies which have given it such a trade policy, or anticipate serious consequences.

For 1998, the U.S. trade deficit in goods and services rose to \$168.6 billion, the highest level in U.S. history. The previous highest U.S. deficit in goods and services had been \$153.3 billion, registered in 1987. For 1998, total exports of goods and services were \$913.8 billion, which was a decline from 1997 of \$8.3 billion, or 1%, the first time in more than a decade that U.S. exports of goods and services had declined.

Restricting one's attention to the deficit in merchandise goods alone, the picture is even more desolate. In 1998, the United States ran a trade deficit on physical goods of \$247.98 billion, up \$50.02 billion from \$197.96 billion in 1997, which had been the previous record, bespeaking the impact of the

world financial disintegration on the Asian economies. As these nations' economies contracted, which process was intensified further by International Monetary Fund conditionalities, they cut back on their intake of U.S. goods. Of the \$50.02 billion increase in the U.S. physical trade deficit, 82% is attributable to the deterioration of U.S. trade with ten nations in Asia. Professional economists said that the Asian phase of the world financial disintegration would not affect the United States, but they were absolutely wrong.

**Table 1** shows the level of U.S. exports to ten leading Asian trading nations, including Japan and China, for 1997 and 1998. It also shows the percentage of change in the volume of exports between 1997 and 1998.

Between 1997 and 1998, U.S. exports to Hong Kong fell 14.5%; to Malaysia, 17.3%; to Thailand, 28.9%; to South Korea, 34.0%; and to Indonesia, 49.4%. U.S. exports to Japan tumbled 11.9%; U.S. exports to China rose 11.3% (although much of that increase was registered in the first half of 1998).

U.S. physical goods exports to ten major nations in Asia fell from \$186.92 billion in 1997, to \$158.65 billion in 1998, a fall of \$28.27 billion. The total increase in the U.S. physical goods trade deficit in 1998 was \$50.02 billion. Thus, the fall in U.S. physical goods exports to these ten Asian nations, constituted 56.5% of the total increase of the U.S. physical goods trade deficit.

But that is only part of the picture. U.S. imports from these ten Asian nations increased in 1998 over 1997 (**Table 2**). Thus, U.S. physical goods imports from these ten Asian nations rose, between 1997 and 1998, by \$12.53 billion.

The fall in U.S. exports to, and the increase in imports from the ten Asian nations, each in its own way, contributed to widening the U.S. physical goods trade deficit in 1998. This can be seen in **Table 3**, which shows the U.S. physical

TABLE 1

**U.S. exports to major Asian nations**

(millions \$)

	1997	1998	Percent change
South Korea	\$25,067	\$16,538	-34.0%
Taiwan	20,388	18,157	-10.9
Singapore	17,727	15,674	-11.6
Hong Kong	15,115	12,923	-14.5
Malaysia	10,828	8,953	-17.3
Philippines	7,427	6,736	-9.3
Thailand	7,357	5,233	-28.9
Indonesia	4,532	2,291	-49.4
Subtotal	108,441	86,505	-20.2
Japan	65,672	57,888	-11.9
China	12,805	14,258	+11.3
Total	186,918	158,651	-15.1

Source: U.S. Department of Commerce, Bureau of the Census.

goods trade balance with these ten Asian nations, which is affected by the simultaneous fall in exports and rise in imports.

The U.S. combined physical goods trade deficit with these ten Asian countries increased by \$40.90 billion, representing 82% of the increase in the U.S. physical goods trade deficit of \$50.02 billion in 1998. More than four-fifths of the increase of the U.S. physical goods trade deficit in 1998 resulted from the deterioration in terms of trade with ten Asian nations. The breakdown of the world financial-economic system indeed hit the United States. Deteriorating terms of trade with other parts of the world also hit the United States.

**The effect of pernicious policy**

The current phase of world financial-economic disintegration worsened a U.S. trade profile that had been bad for a long time, and revealed deep problems in the U.S. economy. For decades, the London financier-oligarchy has imposed upon the United States the twin policies of the "post-industrial society" and "free trade and globalization." Under the post-industrial society, the United States took down its manufacturing, agriculture, and infrastructure, and concentrated on building up speculative financial services. Under free trade and globalization, the United States participated in internationalizing speculation, and attempted to offset falling domestic production of goods essential for human survival by using the paper wealth from speculation to purchase the needed goods on the international market. We look at the exports and imports of the United States.

On the side of exports, an important trend was noticeable. **Table 4** shows, comparing 1998 to 1997, that the United States suffered important drops in exports in key categories

TABLE 2

**U.S. imports from major Asian nations**

(millions \$)

	1997	1998	Percent change
South Korea	\$23,159	\$23,937	+3.4%
Taiwan	32,264	33,123	+1.5
Singapore	20,067	18,357	-8.5
Hong Kong	10,297	10,538	+2.3
Malaysia	18,017	19,001	+5.5
Philippines	10,436	11,949	+14.5
Thailand	12,595	13,434	+6.7
Indonesia	9,174	9,338	+1.8
Subtotal	136,369	139,677	+2.4
Japan	121,359	121,982	+0.5
China	62,552	71,156	+13.8
Total	320,280	332,815	+3.9

Source: U.S. Department of Commerce, Bureau of the Census.

TABLE 3

**U.S. trade balance with major Asian nations**

(millions \$)

	1997	1998
South Korea	+\$1,980	-\$7,398
Taiwan	-12,236	-14,966
Singapore	-2,340	-2,684
Hong Kong	+4,818	+2,385
Malaysia	-7,189	-10,049
Philippines	-3,008	-5,213
Thailand	-5,238	-8,201
Indonesia	-4,642	-7,047
Subtotal	-27,928	-53,172
Japan	-55,687	-64,094
China	-49,747	-56,989
Total	-133,362	-174,164

+ represents U.S. surplus.

- represents U.S. deficit.

Source: U.S. Department of Commerce, Bureau of the Census.

of agricultural and capital goods, because of the world economic contraction.

In 1998, the export of many agricultural goods fell by 6.5 to 34%, while many capital goods exports fell by 2.0 to 8.6%. The repercussions on the U.S. physical economy, including manufacturing layoffs and farm shutdowns, were great.

**'The Wal-Mart effect'**

In 1998, on the import side, the United States took in a far greater physical volume of goods than the nominal dollar

TABLE 4

**Export of U.S. goods, 1997-98**

(millions \$)

	1997	1998	Change 1997-98	% change
<b>Agricultural goods</b>				
Soybeans	\$7,506	\$4,947	-\$2,559	-34.0%
Corn	5,682	4,805	-877	-15.4
Wheat	4,329	3,817	-512	-11.8
Meat, poultry	7,244	6,743	-501	-6.9
Animal feeds	4,312	3,855	-457	-10.6
Fish, shellfish	2,790	2,348	-442	-15.8
Fruits, frozen juices	3,957	3,697	-260	-6.6
Sorghum, barley, oats	831	632	-199	-23.9
<b>Capital goods</b>				
Industrial machines	\$20,715	\$18,924	-\$1,791	-8.6%
Semiconductors	38,861	37,642	-1,219	-3.3
Industrial engines	12,615	11,608	-1,007	-8.0
Electrical apparatus	21,162	20,738	-424	-2.0
Agricultural equipment	4,465	4,185	-279	-6.2
Generators	6,816	6,542	-274	-4.0
Excavating machinery	5,841	5,614	-227	-3.9

Source: U.S. Department of Commerce, Bureau of the Census.

value of imports would indicate. This can be described as the "Wal-Mart effect." In the United States, the Wal-Mart department store buys many goods from abroad (despite its claims that it buys only American-made goods). It may buy a man's shirt for \$2 from an Ibero-American country, and sell it for \$10. (Wal-Mart doesn't lower the selling price of the shirt, even if, had it bought the shirt in the United States, it might have to pay more for it from an American producer.) So, Wal-Mart gets an \$8 mark-up. Americans get some consumer goods, like shirts, for \$10, rather than paying \$15-20. In the short run, Americans are able to stretch their falling household income a little further by buying from Wal-Mart. However, the fact is, that the United States is taking advantage of the stronger dollar against the currencies of other countries which were forced by the International Monetary Fund to devalue. Through the stronger dollar, and the acceptance of the dollar as an IOU, the United States is able, in part, to loot the rest of the world.

To give an example of how this works, take the case of "energy-related petroleum products," which includes crude petroleum and petroleum products. **Table 5** shows U.S. imports of "energy-related petroleum products," in physical and in dollar terms, for 1997 and 1998.

In 1997, the average price of a barrel of oil was \$17.67, and in 1998, it was \$11.52. In 1998, the United States imported 4.102 billion barrels of oil, compared to 3.803 billion barrels in 1997, an increase in physical import volume of

TABLE 5

**U.S. energy-related petroleum product imports**

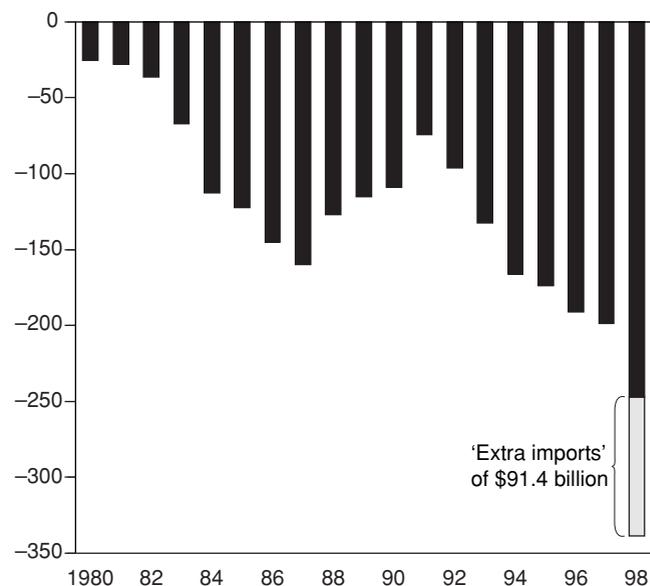
	Millions of barrels	Millions of dollars
1997	3,803	\$69,288
1998	4,102	\$49,411

Source: U.S. Department of Commerce, Bureau of the Census.

FIGURE 1

**U.S. physical goods trade deficit, 1980-98**

(billions \$)



Source: U.S. Department of Commerce

7.9%. Yet, in 1998, the United States paid \$49.4 billion for its oil imports of all kinds, compared to \$69.3 billion in 1997, that is, the nominal dollar value of imports fell 28.8%. So, in 1998, compared to 1997, the United States imported 7.9% more energy-related petroleum products, but paid 28.8% less for them.

This U.S. practice extended to all products, from raw materials and foods, to clothing and consumer goods, to capital goods. Not all goods saw their price fall as much as petroleum's did between 1997 and 1998, but many goods saw sizable drops in price, in the range of 5-20%. In 1998, the United States imported \$913.8 billion worth of physical goods. Assume that during 1998, on average, the price of all imported items was 10% lower than in 1997, due to currency devaluations, principally in Third World countries. There-

## Russia shapes new industrial policy

By government decree issued Jan. 22, Russian Prime Minister Yevgeni Primakov named First Deputy Prime Minister Yuri Maslyukov as chairman of a new body, the "Council for Problems of the Restructuring and Development of Industry." Maslyukov was already in charge of a group of experts, including Academician Leonid Abalkin and Dr. Sergei Glazyev, working on medium-term economic policy; both are familiar with the economic policy ideas of Lyndon LaRouche.

The new Council may be connected with the project to launch a new state-sponsored Russian Development Bank, which is planned to be set up this year. Primakov's appointment of Maslyukov to head the Council contradicts a recent barrage of press reports, including a nasty article in the Feb. 18 London *Financial Times*, which wishfully

claimed that Maslyukov was about to be fired from the government.

The new council is assigned to "elaborate proposals for restructuring domestic industry and forming priority directions in its development," including in such specific areas as "the formation of a state industrial policy and a strategy of industrial development." The body is to define state support measures "for the creation and production of high-tech and competitive machine building products, as well as for the development of new equipment and technology; application in the civilian sector of the economy of the results of scientific-technical and technological activity of defense industry organizations; . . . preservation and development of the scientific-technical and production potential of industry; . . . retention and retraining of personnel and their social protection; . . . stimulation of demand for industrial . . . products by ensuring the financing of earmarked purchases, including on the basis of leasing contracts and investment tax credits; [and] granting of state guarantees for borrowed funds (in the form of credits and funded loans) attracted for investment in industry."

fore, the United States imported an additional 10% of physical goods, that is, instead of importing \$913.8 billion worth of goods, the United States imported, effectively, an additional \$91.38 billion worth of physical goods.

America's physical goods trade deficit in 1998 was officially \$247.98 billion, but if one adds on the \$91.38 billion arising from the effect of the devaluation of other currencies, then the U.S. trade deficit on physical goods was \$340 billion. This is represented in **Figure 1**. What this means in physical terms, is that the United States is sucking added quantities of goods from the world each year. This is transferred to the U.S. economy, increasing a margin which the U.S. economy is then able to process through its consumer and capital goods market-baskets. Aside from the increased effect of capital gains from the stock market, which is, after all, only a monetary effect, this import flow is one of the principal *physical* ways that the U.S. economy, and the standard of living of its increasingly impoverished population, is nonetheless propped up, to an extent. Due to currency manipulations, the Third World nations must suffer the effect of shipping out goods below the cost of production.

This \$340 billion is rarely spoken of, but it one of the major props of the vitiating globalization operation. When the United States becomes no longer able to carry out this operation, because the dollar is no longer acceptable as an IOU, then one of the darkest secrets of globalization will come to the fore. What would then ensue, is that the contraction of the economy would be unstoppable.

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# The IMF and Brazil's government: going down to collapse together

by Silvia Palacios

In Brazil, as distinct from Malaysia where Prime Minister Dr. Mahathir bin Mohamad denounced mega-speculator George Soros as a criminal, the government not only signed a new accord with the International Monetary Fund (IMF) which reduces the country finally to a mere administrator of colonial policy, but it also named Arminio Fraga, a right-hand man of Soros and a U.S. citizen, as president of the Central Bank. These acts have set off a growing national indignation which is uniting differing personalities of Brazilian political life, including some usually antagonistic to one another.

On Feb. 4, the government of President Fernando Henrique Cardoso abandoned what little shame it had remaining to it, and, for the first time in the history of Brazil's relations with the IMF, called a joint press conference, with Treasury Minister Pedro Malan and IMF Deputy Director Stanley Fischer. Fischer announced the terms of the government's total capitulation to an IMF team which had arrived suddenly a few days before, on a mission it declared of the utmost urgency.

The terms of the agreement, read by Fischer in English and translated into Portuguese even as Brazilian television cameras broadcast the conference, consummated the demands imposed upon Brazil the previous October, and ended once and for all what was left of Brazil's monetary sovereignty. The conditionalities include:

- make the Central Bank fully independent from the government, with a fixed term of office for its president and other members of its board of directors;
- accelerate and deepen privatizations of the state sector, specifically the "energy and financial" sectors, a conditionality widely understood to mean handing the bankers control over the long-sought-after state oil company, Petrobras, one of the largest oil companies in the world, as well as Banco do Brasil and Caixa Econômica Federal, two of Brazil's largest banking institutions, both central to the national credit policy which prevailed until a few years ago.

The IMF accord also requires that Brazil adhere to Article VIII of the IMF statutes, by which Brazil renounces its sovereignty over foreign trade, since it loses its right to impose any restrictions in response to changes which may occur. The

article prohibits any exchange or capital controls, as well as any debt moratoria, and requires Brazil to reveal the amount of its foreign reserves, their make-up, and where they are deposited, in addition to reporting all gold production.

While the government and the bankers boasted of Brasília's capitulation, in the rest of the country a much different sentiment was heard. Exemplary of this was a biting commentary by Cong. Antônio Delfim Netto, the former Planning Minister under the military government and a monetarist of the old school. Writing in *Folha de São Paulo* on Feb. 17, Delfim called the IMF deal "an embrace of the drowning." Brazil "should save itself," he concluded, in recognition that the IMF is on its way to extinction. As for the manner in which the accord was signed, he commented that "under the dictatorship, at least we were more circumspect."

The wave of repudiation took on even greater intensity, after the nomination of Arminio Fraga to head the Central Bank. All kinds of articles, cartoons, commentaries, and denunciations are circulating throughout the country, identifying Fraga as a Brazilian agent of the speculator and narco-legalizer Soros. "They put the fox in to guard the hen house," is the witticism heard all over Brazil. Confrontation is building, as the "test of fire" nears for the government, when the Senate must approve Fraga's nomination.

## Institutional crisis

The element which is politically catalyzing the discontent, is the opposition of several state governments to the increasing austerity. Seven opposition governors, from some of the country's most important states, met for a second time on Feb. 5, to protest the crisis in state finances. The seven issued the "Pôrto Alegre Letter," a new manifesto following that meeting, which counter-attacked the capitulation to the IMF: "Brazilians have paid an intolerable price for an apparent monetary stability which, especially in the last weeks, has demonstrated its total fragility. We see an accelerated disequilibrium in the foreign accounts, the corrosion of public finances, the deterioration of the domestic market, and growing unemployment, which are the fruit of an unjust economic model which has tied itself to capital flows, and turned Brazil into the repository for big international speculators, who in-

creasingly demand the nation pay a higher price. The decline in production reduces tax revenues, while debts grow at a rate as hallucinatory as interest rates.”

The Governor of Minas Gerais, former President of Brazil Itamar Franco, who declared a moratorium on the debts of his state to the federal government on Jan. 6, has become the rallying point for this growing wave of national indignation, and has received the backing of important institutions in the country.

The Lawyers Institute of Brazil and the Order of Brazilian Lawyers (OAB) have drawn up a joint “Manifesto of Brazilian Jurists,” which condemned the submission to the IMF and the federal sanctions imposed on Minas Gerais. Reginaldo de Castro, president of the OAB’s Federal Council, warned that there now exists a “crisis in the system of law. . . . The federal pact cannot rest upon the increasingly evident [damaging] centralization.” Press accounts of the OAB meeting where the manifesto was discussed, reveal the mood developing in the country over the government’s decision to sanction Minas Gerais: “It was stupidity for the President of the Republic to denounce the Brazilian states before international financial bodies. . . . To attack the federation, to attack national unity, is a crime of treason,” said former Minister Almino Afonso.

The London-centered financial oligarchy has declared Governor Franco of Minas Gerais to be a serious obstacle to their globalist project. This fear was expressed, for example, by Albert Fishlow, a member of the New York Council of Foreign Relations, in a Feb. 14 article in *Folha de São Paulo*, under the title: “What Is at Stake in Brazil.” In analyzing the governors’ protests, and the importance of the states in the history of the Brazilian federation, Fishlow warns that Minas’s is not an isolated voice, and that “the rest of the world is watching. The Brazilian inability to resolve the problem effectively will be a severe blow.” He concludes with the warning: “There is much at stake in Brazil.”

Itamar Franco’s actions are also causing consternation in the ranks of the opposition Workers Party (PT) and the other organizations which are in the orbit of the São Paulo Forum. Agents of London as they are, these Jacobins love to *talk* a radical language, but never *do* anything which offends the bankers. Thus, since the group of seven opposition governors was formed, some of the PT members among the group have been willing to break ranks with their colleagues, seeking to reach pragmatic separate deals with the Cardoso government, or even going so far as to back the President’s agreement with the IMF. This was clearly stated by the Governor of Mato Grosso do Sul, Jose Orcirio de Miranda, who declared: “The Governor [Itamar Franco] has other resentments, which we have to ponder, but which necessarily should not be on the table. Our view, putting ideological and political differences aside, is that it is necessary to negotiate with the President of the Republic to

strengthen the finances of the states, and the President in his international negotiations.”

## A showdown looming

The Cardoso government has frozen federal funds to the state of Minas Gerais, in order to force it to capitulate. The government even went to the extreme of requesting that international financial institutions (the IMF, the World Bank, the Inter-American Development Bank) cut off any type of aid to the state, arguing that Minas was “insolvent,” in an official note released by the Treasury Ministry on Jan. 21. Indeed, on Feb. 5, IADB president Enrique Iglesias sent a letter to Governor Franco duly informing him that the doors to his bank are definitively shut to any aid request from the state.

At the same time, press outlets for the Cardoso government began to put out threats of a possible federal intervention into Minas Gerais. A column in *Jornal do Brasil* on Feb. 16 reported that in recent days, “in Planalto Palace [the Presidential palace], there is talk of the Princess Rebellion,” a famous incident in the turbulent 1930s, “when the federal government ended the revolt by the force of the Army.”

Itamar Franco responded to this virtual declaration of war, with two official notes issued on Feb. 11, which stung the President like boiling oil. In his first statement, the Governor put the population on alert: “The federal government has just committed another act of violence against the people of Minas. In an order sent today to the banks, a director of the Central Bank embargoed the accounts of the State of Minas Gerais, for payment of credits allegedly owed to the Union. This measure . . . proves the hostility against the people of Minas, and belies the President of the Republic’s announced willingness to hold dialogue with the states. The Minas government assures the population that it will not fail to meet its obligations, which will be carried out with the inalienable dignity of the people of Minas. Minas will not submit.”

The second note caused even greater panic. Citing “the growing acts of hostility against the people of Minas, culminating on this date with the seizure of funds indispensable for the maintenance of the state’s essential functions,” the Governor called a meeting with the top command of the state’s Military Police. As a result, there is discussion in the Brazilian media of an overt showdown, possibly including military incidents, between Minas and the federal government, should the latter try to subjugate Governor Franco by force.

On Feb. 12, Franco told students demonstrating at the state palace in his support: “At this moment in which the Brazilian economy begins to be monitored by the IMF, it is necessary that the young people return to the town squares . . . to show our . . . desire to see a free country.” Brazilians must remember “that painful image which is burned into our retina, seeing on television the Treasury Minister of Brazil at the side of vice president of the International Monetary Fund, using a translation into our language made by another foreigner.”

# Backlash sets in vs. Germany's Greens

by Rainer Apel

The Greens and the ecology movement in Germany in recent weeks have begun to feel the pressure that has built up against them, and they are beginning to retreat from some of their most outrageous projects. The most spectacular retreat came on Feb. 22, when Environmental Affairs Minister Jürgen Trittin (Greens) declared that his draft for a new nuclear technology bill no longer contained the original proposal to ban all nuclear reprocessing as of January 2000. This does not reverse all of the Green onslaught on the nuclear technology sector, but it does give the industry and its workforce precious breathing space to map out new offensives against the ecologists.

German industry owes something to labor, in this respect. The best, and most forceful flank against the Greens recently has been coming from labor. More and more workers are getting enraged at the fact that, with the economic depression is already killing several hundred thousand new jobs every year, the Greens and their ecology projects are about to kill several hundred thousand more industrial jobs. And, what is very important for Germany, workers are beginning to take to the streets.

On Feb. 4, about 4,000 nuclear power workers and other unionists took to the streets of Stade, protesting against Trittin's policy. On Feb. 19, more than 250 leaders of factory labor councils from the power sector and supply industries, convened in Munich for a national conference in defense of nuclear technology.

On March 9, a bigger national rally of the workers in support of nuclear power is scheduled in Bonn. But, the fact that the government called off a national roundtable meeting in Bonn, scheduled for the same day, is telling: The "red-green" government of Chancellor Gerhard Schröder (Social Democrat) is still committed to abandon nuclear technology, and it does not want to have such a roundtable in an environment where thousands of angry workers are encircling the government district in Bonn. This would force the Chancellor to make concessions which he does not want to make.

The Chancellor has felt compelled, on prior occasions, to overrule his Green minister on aspects of the planned nuclear technology bill, to calm the population. And, he felt compelled to cancel his attendance at the Feb. 20 celebration of the 100th "birthday" of the German League for the Protection of Nature. The chairman of the league, Jochen Flasbarth, had

been on national television a few days before, attacking shipyard workers in the Emsland region who plan to protest ecologist sabotage of investments in river regulation projects. Schröder told Flasbarth that he could not attend the ceremony, at a time when workers had justifiably expressed concern about the future of their jobs. Attending the ceremony, would be misread as a signal that the Chancellor was not paying attention to jobs.

## Growing labor clout

Now, this is an interesting development: The government has come under so much pressure from labor, that it cannot risk being "misunderstood" by workers. This has to do with the broadening sympathy for big labor union strikes, and with the fact that the first "red-green" state government, in Hesse, was voted out on Feb. 7 (see last week's *EIR*). The Greens suffered the worst losses in Hesse, but it is clear that time is running out for the Green-Social Democratic alliance. Schröder's effort to placate labor's concerns is not a result of a change of views, not a matter of principle for him, but sheer opportunism that forces him into tactics to calm labor and ecologists alike, to keep the shaky balance of his own government in Bonn.

But this is good news for labor: Now that the weak flanks of the "red-green" alliance have been exposed, labor can increase the pressure, to force more concessions from the government. The best solution would be to bring the government down, through labor strikes, but the labor movement is not yet committed to go that far.

The situation has also had a remoralizing effect on the courts, which for most of the last 20 years have ruled according to "political correctness," i.e., in favor of "public opinion," which most media and politicians believed was in favor of ecologism. A Feb. 4 court ruling on the Ems River regulation projects went in favor of the ecologists, and against labor. But, a very interesting ruling occurred in another case, on the ecologist project to establish a wetlands nature park along the Elbe River basin.

There, the state court in Lüneburg ruled against the ecologists and in favor of the plaintiffs, a farmer and his wife, who charged that the nature park projects would eliminate 40% of their land, and thereby threaten their basis for existence. The court ruled that nature parks cannot be established in regions which for centuries have been cultivated by human beings, and which for as long a period have been the basis for economic and social life in a region.

Exactly that should have been said in many similar legal cases over the past 20 years, most of which were decided in favor of "nature" and against man. If more courts begin to rule like the one in Lüneburg, if the law begins to protect labor and industry, the perspectives are good that this war against the Greens could end with their final defeat. Labor must just keep on the offensive, and escalate its protests.

# The sad truth about the real U.S. economy

by Richard Freeman

An indelible indicator of the deterioration of the U.S. physical economy, is the free fall of five critical sectors of the economy: machine tools, farm equipment, steel, aircraft, and oil and gas exploration. These sectors are critical for the economy's functioning and the population's survival; without them, no economy can continue. The world financial-economic disintegration has damaged the economies of Asia, Russia, eastern Europe, and Brazil and Ibero-America generally, whose orders for U.S. goods have contracted sharply. Thus, the contraction is also hitting the United States.

The fall in these five sectors tells that the U.S. economy is collapsing into a depression at an astonishing rate, accelerating the rate of contraction of the U.S. physical economy over the last years.

The U.S. Commerce Department and the financial media continue to put out stories that the United States is in the "eighth year of an economic expansion," and support that claim with the report that real U.S. Gross Domestic Product (GDP) rose 5.6% in the fourth quarter of 1998. That this is nonsense can be seen by examining the five critical sectors of the economy:

**Machine tools:** U.S. consumption of machine tools in December 1998, at \$482 million, plunged 39% from the level of \$787 million in December 1997, the American Association for Manufacturing Technology and the American Machine Tool Distributors' Association announced.

For 1998, U.S. consumption of machine tools stood at \$7.6 billion, down 12% from 1997. Let us situate the difference between the year-to-year comparison fall of 12%, and the December 1998 to December 1997 monthly fall of 39%: For the first half of 1998, U.S. industry's consumption of machine tools was at or slightly above the first half of 1997. Machine tool consumption fell, starting approximately late August, early September. Then, with each succeeding month, the rate of fall accelerated, as the downward trajectory of the economy grew steeper.

The December 1998 to December 1997 fall of 39% highlights that the consumption during the year was not an even process, but that the rate of fall is increasing, defining the steeply lower trajectory that is prevailing for the present and immediate future.

This accelerating collapse toward the end of 1998 holds true for all the critical sectors under consideration.

**Farm equipment:** In January 1999, sales of U.S.-manufactured two-wheel-drive tractors of greater than 100 horsepower, at 1,689 tractors, fell 25.4% from the level of January 1998, when 2,263 such tractors were produced. The two-wheel-drive tractor of greater than 100 horsepower is the standard on most European and many American farms. Further, between January 1998 and January 1999, sales of U.S.-manufactured four-wheel-drive tractors, the larger tractors that are workhorses on many American farms, plunged 33%; and during the same period, the sales of combines plunged 41.8%.

The fall in U.S. farm equipment production is due both to the cancellation of orders from Asia, and to the collapse in U.S. farm income. This has strategic significance: America produces one-third of the world's farm equipment, and of the amount it produces, it would normally export one-quarter, making it the world's largest exporter.

The problem in the farm equipment sector is exemplified by Case Corp., based in Racine, Wisconsin, which is America's second-largest farm equipment manufacturer (after Deere & Co.). In fourth-quarter 1998, Case suffered a loss of more than \$90 million, and it announced a production cutback and the layoff of approximately 1,300 workers. In mid-September, Case had already announced the firing of 1,000 workers. In total, counting layoffs prior to September, Case plans to reduce its workforce by 3,400 by the end of 1999, which represents 19% of its 18,000-person workforce.

**Steel:** In December 1998, U.S. steel mills shipped 7.36 million net short tons, a decrease of 14.9% from the 8.65 million net short tons shipped in December 1997, the American Iron and Steel Institute reported.

But the trend downward is even worse, if one measures the capacity-utilization rate (i.e., how much of the existing capacity is in use) of the steel industry. In December 1998, the steel industry's capacity-utilization rate was 74.8%, down from 86.3% in December 1997, and from more than 92% in early 1997. As capacity shuts down, the steel industry has been laying off workers.

There is a threefold process pushing forward the collapse in the U.S. steel industry, all deriving from the worldwide financial-economic disintegration. First, nations that produce steel, such as Brazil, Russia, Japan, India, and Indonesia, which in many cases are desperate to earn foreign exchange to pay off debts and/or provide for essential imports, have been shipping large volumes of steel products, especially flat-rolled steel, into the United States. Second, though the United States is not a large steel exporter, the market in Asia and elsewhere for several exported U.S.-manufactured goods that use steel in their make-up, has fallen, thereby reducing the demand for U.S. steel. Third,

as the U.S. economy contracts, the production of machine tools, farm equipment, oil drilling equipment, and so on, falls, and the demand for steel that would go into each of these products falls.

**Aircraft production:** On Dec. 4, 1998, a spokesman for the Seattle, Washington-based Boeing Corp. announced that the number of “deferred orders,” mostly by Asian nations devastated by the financial crisis, had reached more than 100 aircraft. The expression “deferred order” in most cases is a euphemism for cancellation. Most of the cancelled planes were Boeing 747s, which account for nearly half the operating profit of its commercial jet division, by far Boeing’s largest division.

On Dec. 2, 1998, Boeing, which is America’s 11th-largest company and largest exporter, and which produces more than 60% of the world’s large aircraft (planes with a capacity of 100 seats or more), announced that it would lay off an additional 20,000 workers, on top of the 28,000 layoffs it had already announced. The combined 48,000 layoffs represent 20.2% of Boeing’s total workforce of 238,000.

Boeing has announced that it will, over months, reduce its production of 747s from 5.0 per month, to 3.5 per month; of the newer 777s, from 7.0 per month, to 5.0 per month by the end of 1999; and so forth. Due to Boeing’s dominance of

U.S. (and world) aircraft production, its cuts are sending the U.S. civilian aircraft industry downward.

**Oil drilling and production:** On Feb. 17, on the New York Mercantile Exchange, the price of oil for April delivery dropped to \$11.50 per barrel, its lowest level in more than a decade. In west Texas, America’s largest oil-producing region, today only 70 oil rigs are operating, compared to 220-250 at the beginning of 1998.

The collapse of these five critical industries defines a directionality of fall of, not 3-5%, but of anywhere from 15% to more than 40%.

## Gross Domestic Product

By contrast, the Gross Domestic Product index has little connection to reality. On Jan. 29, the Bureau of Economic Analysis of the Commerce Department released figures on real (inflation-adjusted) GDP, purporting to show that real GDP had risen by 5.6% in the fourth quarter of 1998, and by 3.9% for the whole of 1998. But how credible is it to say that the economy expanded by 5.6% in the fourth quarter, while during that same quarter, output and consumption of machine tools, farm equipment, steel, and so forth plummeted by large amounts? What kind of economy, and how well equipped for production of the continued survival of the human race can it be, when the alleged GDP metric of growth rises 5.6%, when every basic industry needed for human existence is far down?

The answer is that GDP bears no connection to real economic activity. GDP does not measure growth; it measures the expansion of the vitiating post-industrial economy. According to Commerce Department figures, in 1987, the “goods-producing” portion of GDP (manufacturing, agriculture, mining, transportation, and construction) comprised only 36.4% of GDP; and the “non-goods-producing portion” (wholesale, retail, services, and government) constituted 63.6% of GDP. By 1997, the last year of available figures, the “goods-producing” portion of GDP was down to 32.9% of GDP; the combined “non-goods-producing” sectors of wholesale, retail, services, and government constituted 67.1%. By itself, financial services made up 18.9%, i.e., nearly one-fifth of GDP.

GDP’s purview is not real growth; rather, it measures the transformation of the United States into a post-industrial economy. The more the economy shifts into a post-industrial phase, the more the “non-goods producing” portion of GDP grows, spurred on by the cancerous growth of financial services. This is what swelled GDP in 1998.

But, a post-industrial economy is incapable of producing its own existence.

The real condition of the U.S. physical economy is quite different, as is indicated by the collapse of the five critical sectors of the economy. By this standard, with these five sectors imploding, the U.S. economy is in a worsening depression.

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# How Anglo American won the siege of Zambia and got the copper

by Linda de Hoyos

As of the third week in December, it was announced by *The Post* in Lusaka, the government of Zambia had finally arrived at an agreement with the Anglo American Corp. mining company, the flagship company of the British Commonwealth in Africa, for the sale of the Nchanga and Nkana mines of the Zambia Consolidated Copper Mines (ZCCM), a state-run firm, for the price of \$72 million. Under the agreement, Anglo American will take over the mines by April of this year, with an investment commitment of \$300 million.

So ended Anglo American's decade-long siege against the government of Zambia and its people, to force the sale of the ZCCM mines to the South African mining giant now headquartered in London. Anglo American (which already had a 27% share of the Zambian copper fields) is now in possession of most of the copper fields, which run along Zambia's northern border and into the Democratic Republic of Congo. The corporation's intent is to gain possession not only of Zambia's fields, but also the Congo's, a goal that has been stymied on the Congo side so far.

The siege against the Zambian government had been mounted even before Zambian President Frederick Chiluba came to power in October 1991. In Zambia's case, the major weapons wielded by Anglo American were not such marcherlord forces as Yoweri Museveni and Paul Kagame's militaries. The forces called into battle were the International Monetary Fund (IMF) and the so-called "donor community," which waged relentless financial warfare against the government. The result was the continuous contraction of the Zambian economy, the collapse of its copper production, and the depletion of the Zambian population.

Zambia was literally "starved out," as 1.4 million of the country's 9 million people today face imminent starvation because of crop failure. Drought and then floods have destroyed a major part of the country's crops; with bridges swept away and roads blocked, delivery of relief food has become extremely difficult, President Chiluba told the nation on Jan. 22. But, the food emergency which is now forcing Zambia to import maize, is the result not only of natural disaster, but of conditionalities set by the IMF, which had already brought about the ruin of Zambia's agricultural sector.

The story is told in **Figure 1**, in the statistics on life expectancy, which has plummeted in the decade of the 1990s from 54.4 years to, now, below 42.6 years. It might be argued that

the decline in life expectancy is due to the AIDS epidemic which has ravaged Zambia. But AIDS itself is a marker for the physical depletion of the population by other factors which depress the immune system—such as protein deficiency and malnutrition, chronic malaria, tuberculosis, and parasites. In short, life expectancy has reverted to the levels of colonial exploitation, precisely at the point that Zambia has been forced to hand over its national resources to the modern-day colonialists of the Anglo American Corp.

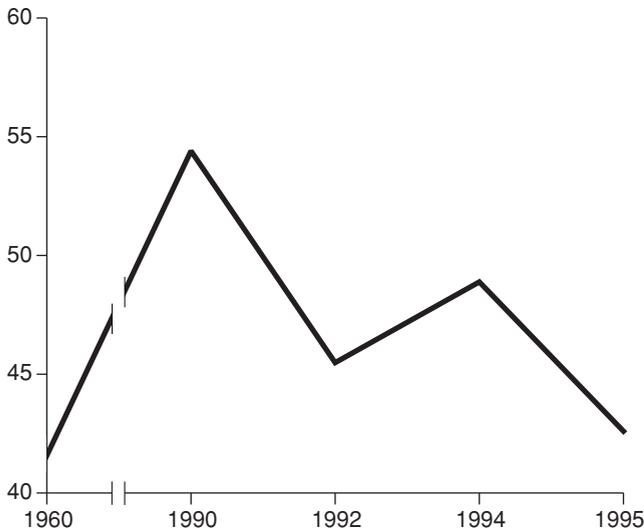
By October 1998, President Chiluba, who had sought to cooperate with the IMF and the donors, was embittered, after seven years of acceding to the ever-escalating demands of the IMF. All funds to Zambia, from the Fund, the World Bank, and the donor community had been frozen pending the sale of the Zambia copper fields to foreign interests at below fire-sale prices. Speaking at Holy Cross Cathedral on Oct. 18 to mark Zambia's 34th year of independence, the President described Zambia's debt as the worst form of subjugation since the slave trade. He decried the fact that Zambia and many other developing countries have been subjected to conditions attached to their debts, reported the Zambian National Broadcasting Network. "He wondered what civilization was all about, when poor countries were still being given condi-

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## Zambia and Southern Africa



FIGURE 1

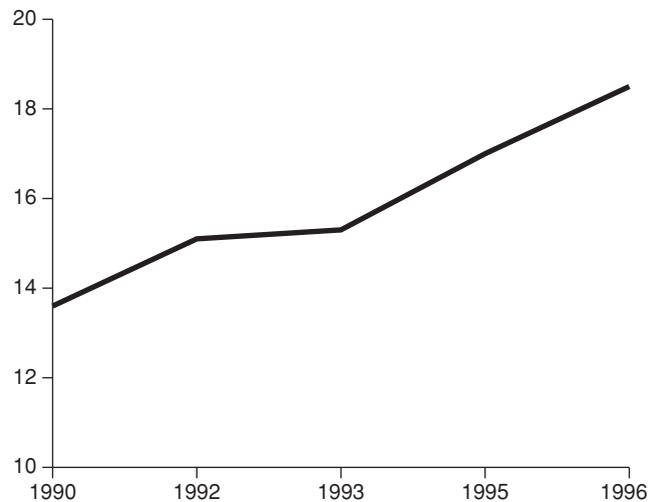
**Life expectancy in Zambia**

Source: UNDP.

FIGURE 2

**Crude death rate in Zambia**

(deaths per 1,000)



Source: UNDP.

tions like those given to slaves in the past.”

A month later, the President attacked the donors for arbitrarily imposing new conditions without regard to the nation. First, the donors had linked the flow of money to “good governance,” and then, once that was achieved, linked it to the sale of the copper mines. “Our donors,” said Chiluba on Nov. 19, “are making the point that copper is a new millstone around our necks, by insisting that aid is tied to the sale of the copper mines, a condition at complete variance with pledges made at the last consultative meeting. . . . Of course, as donors they are entitled to change in midstream, for whatever excuse, regardless of the consequences on our economy. . . . As the saying goes, ‘to every dark cloud, there is a silver lining.’ . . . The time has come to seriously look elsewhere for the survival of our country.”

This decade-long siege of Zambia, and the seizure of its copper fields, shed light on the tortuous, and torturing, process that most developing-sector countries have been forced through, and live with every day.

First, the effects of the IMF conditionalities on Zambia prove that the spiral only leads downward to the continuing contraction of the economy, which, when combined with downward-sliding world prices for raw materials, has the effect of putting a country’s neck in a noose, and pulling tight.

Second, the seizure by Anglo American—a private company, after all—of Zambia’s copper fields, under a gun held by the IMF and the donors, answers the question so often raised by developing-country ministers and leaders: Why is the IMF doing this to us, when the effects of these conditions only make matters worse? Because conditions set by the IMF

are not prescriptions for recovery, but weapons of war against a nation-state.

Third, it must be pointed out that, despite the extreme pressures, Zambia is not what the Western policymakers call “a failed state.” As long as there is a sovereign government in Zambia, the decision to sell the mines can be reversed, or the mines can be nationalized again. For the neo-colonialists, hence, the “failed state”—where only chaos appears to reign—is the surest guarantee that their property and mining rights will not be challenged. For this reason, despite some money now dribbling in from donors since the announcement of the sale to Anglo American, *it should be not be expected that the pressures on Zambia will decrease.*

**Into the barrel**

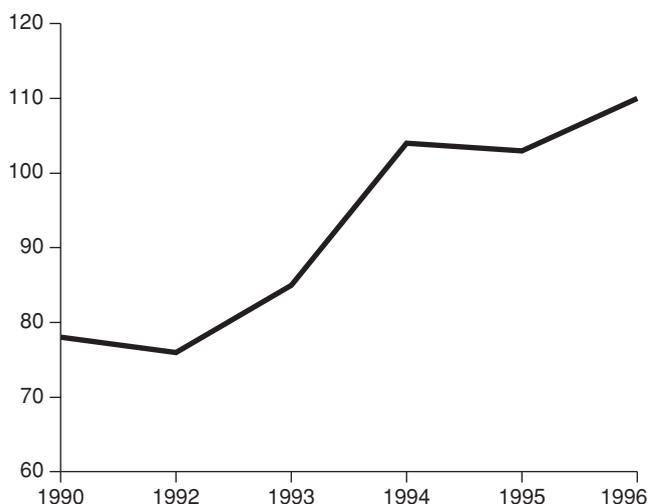
The sale of the ZCCM mines to Anglo American reversed the programmed nationalization of Zambia’s copper fields carried out during 1969-73 by Zambia’s first President, Kenneth Kaunda. As of January 1970, the government had acquired a 51% interest in the two existing mining companies and appropriated all mining rights. The mining fields had “traditionally” been under foreign control, as the London *Economist* puts it, specifically Anglo American control.

By the mid-1970s, as Zambia, along with most other sub-Saharan countries, was reeling under the impact of the oil shock, the Kaunda government was forced to go to the IMF. Meanwhile, world copper prices were on their downward trajectory. In 1986, riots in the copperbelt forced Kaunda to break with the IMF and its conditionalities. In September 1991, right on the eve of national Presidential elections, Zam-

FIGURE 3

**Infant mortality in Zambia**

(death under one year of age per 1,000 births)



Source: UNDP.

bia failed to meet a \$20.8 million arrears payment to the World Bank, and all donor funds were immediately suspended. Kaunda had further failed to end subsidies on maize; if he had ended them, that would have drastically raised the price of food for most Zambians.

In October 1991, Lt. Gen. H.B.M. Lungu, Zambian Ambassador to the United Nations, excoriated the conditionalities and no-development policies of the IMF, in a speech to the UN Second Committee on financial and economic issues: "Time has come to ask the basic question: Namely, as to what vision of development we have in mind as we muddle through, as we have done since 1980, through growing sets of conditionalities? . . . Conditionalities should not ruin economies. At the same time, it should be clear that conditionalities are not a substitute for deep research into effective models of development." Further, Ambassador Lungu said, in a statement even more accurate today than it was in 1991, "No amount of national effort, no matter how strong-willed and democratic it is, can bring about development in the absence of new initiatives in the current *international debt strategy*, which concerns itself with living with the burden of external debt rather than eliminating the burden altogether."

Speaking before the General Assembly on Oct. 10, Zambian Minister of State of Foreign Affairs Wilfrid Wonani sounded a similar theme: "The problem calls for a comprehensive, urgent, and satisfactory solution. It is disappointing to see that legitimate calls for meaningful debt reduction have received countercalls for repeated reschedulings. Reschedulings are, at best, stopgap measures.

"The question of the reform of the global financial and

monetary institutions, notably the IMF and the World Bank, is as valid today as when it was first raised. Very few people doubt the fact that the Bretton Woods institutions have simply been marginalized."

Three weeks after these speeches were heard at the United Nations, Frederick Chiluba was the new Zambian President, having won a landslide victory. Throughout the Presidential election campaign, the international press had been railing at Kaunda, especially for Zambia's recalcitrant stance vis-à-vis the IMF. Although coming up through the ranks of trade-union leadership, Chiluba had been the favorite of the Western donor community. According to one British report, "His commitment to economic neo-liberalism is positively Thatcherite."

As soon as he was in office, the new President invited an IMF delegation to Zambia, and its demands were put on the table: removal of subsidies, especially the subsidy on maize consumer prices, and subsidies for fertilizer consumption among farmers; restructuring and privatization of parastatals (partly state-owned firms); more open trade; aggressive promotion of private investment (read: easy terms for investors); and tax reform and fiscal discipline.

President Chiluba had hoped that the democratic election would gain Zambia some quick relief on payments on its \$4 billion debt. Following IMF recommendations, the Zambian currency, the kwacha, was devalued by 30%, sending consumer prices upward. Contrary to President Chiluba's expectations, however, in February 1992, World Bank President Lewis Preston warned that "Zambia should not anticipate any significant change in the International Monetary Fund policy toward her in the immediate future." Preston declared that for Zambia to "gain creditworthiness," it must drastically reduce government expenditure, cancel all subsidies, and adopt economic policies driven by "market forces."

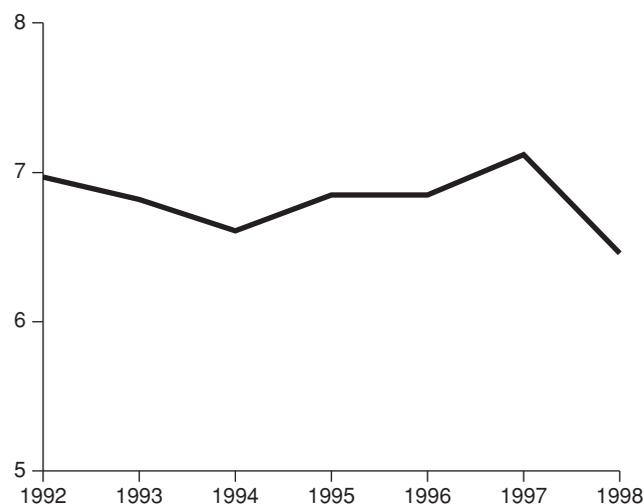
In May 1992, the Bank of Zambia liberalized exchange controls. In July 1992, the Privatization Act was passed, which set forth a five-year privatization program, largely achieved by 1997. In December 1992, the government removed all subsidies on maize, and the price to consumers shot up 300%. Overall inflation was 200% for the year. In return for these onerous measures, the donors had promised \$600 million for debt payment, and so forth. Even so, the money was slow in coming. As reported by the London *Economist*, "The slow disbursement of aid pledges, which is also partly the result of paperwork in the Bank of Zambia, has put pressure on resources, and the government was forced to obtain a \$30 million loan from a consortium of commercial banks in August to shore up spending."

Privatization ran into some trouble because, according to the *Economist*, "There is concern to avoid the concentration of ownership among a few large corporations, such as Lonrho, the Chibote group, and Anglo American, which already dominate the private sector" in Zambia. This was to become the "sticking point" in the sale of the ZCCM fields to Anglo American, in particular. In addition, privatization would result in the loss of thousands of jobs.

FIGURE 4

**Zambia's total external debt**

(billions \$)



Source: Economist Intelligence Unit; Government of Zambia.

Throughout 1993, there continued the contraction of the economy (5% in 1992). The crisis had been exacerbated by the drought of 1992, which hit the countries of the eastern coast of Africa down into South Africa. Drought-related expenditure comprised 15% of the government budget allocation.

For Zambia, the year 1993 was witness to the shattering effects of carrying out the IMF's diktats.

**Manufacturing:** More than 100 companies closed their doors, because of a government-imposed import tax of 20% for the cheapest raw materials, and 40% for the most expensive. For instance, as reported by one managing director of a pharmaceuticals firm, "It is cheaper to import finished drugs than manufacture them here, because the sales tax and duty are charged on raw materials, while imported drugs are brought in duty-free." More than three-quarters of the country's textile factories shut down, as cheap second-hand clothing flooded the country from the West.

**Agriculture:** In the first phase of the siege, the priority goal of the IMF was to destroy Zambia's food self-sufficiency, thus rendering the government far more vulnerable to threats and blackmail. By 1993, the government lacked funds to buy the maize crop, according to Agriculture Minister Simon Zukas, who complained in Washington, "We may control inflation, but what good is low inflation when food is rotting? Our farmers are dying because of high interest rates, but now we want to kill them because their crop will not be bought."

Zambia was meanwhile being flooded with cheap imports of American flour brought in from South Africa. By the end

FIGURE 5

**Zambia's debt service ratio**

(% of total exports of goods and services used to pay debt service)



Source: Economist Intelligence Unit.

of the year, with not one penny of "donor" money going to agriculture, 210 of the country's 700 large farmers had gone belly-up. Lonrho shut down its cotton-growing scheme in Mumbwa, laying off 10,000 farmers. By the end of 1994, Zambia's production of maize had fallen from 601,000 tons in 1990 to only 318,000 tons. As the *Economist* intoned, "The exodus of large-scale agricultural producers means it is unlikely that Zambia will be self-sufficient in food for many years."

**Social services:** The social service safety net disappeared. (One would think, from **Figure 7**, that the increase in the proportion of the labor force working in services would mean an increase in social services, but diversion of the productive labor force into "services" is usually a disguise for unemployment or criminal activities.) For the first time, Zambians were forced to pay fees at state hospitals and clinics. The sick had to pay for their own drugs. But with one of every 10 jobs lost, many could not afford it. Subsidies for fuel and maize meal were gone.

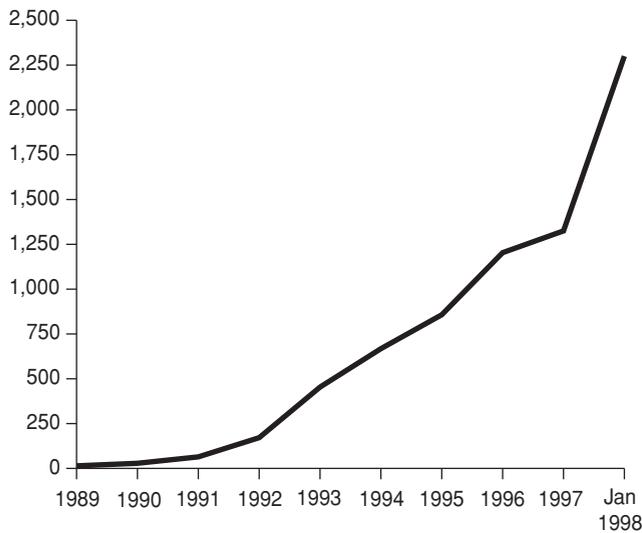
The AIDS epidemic has ripped through Zambia in the 1990s, as the population's overall physical well-being has declined. Kara Counseling and Trust Society, which combats AIDS, lays the responsibility even more directly at the door of the IMF. The Fund's structural adjustment programs (SAPs), which have destroyed living standards of families, have forced women and children out onto the streets and into widespread female and child prostitution. "They are on the streets, and try and live above the hardships brought about by adjustment programs."

As the *Economist* noted at the end of 1994, "Political complaints are mounting," and the journal admonished: "A

FIGURE 6

### Currency exchange rate

(kwacha to US\$1)

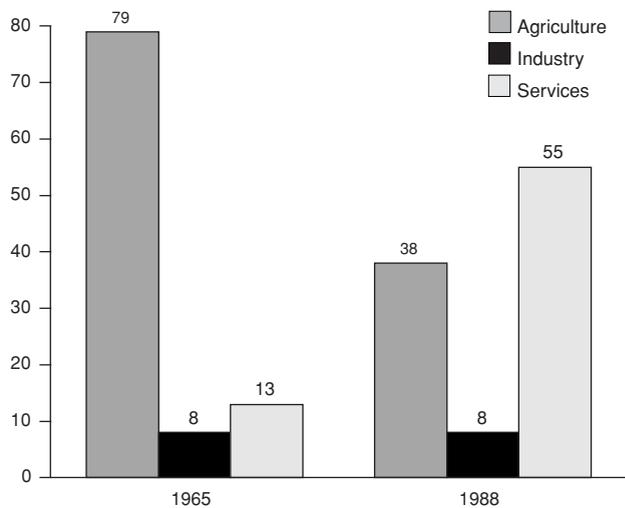


Source: Economist Intelligence Unit; Government of Zambia.

FIGURE 7

### Deployment of Zambia's labor force

(% of labor force in:)



Source: UNDP.

harder line is going to have to be taken with wayward government members if social unrest is to be avoided, as inflation, devaluation, the after-effects of the drought, and tight government fiscal policy destroy living standards.”

By 1995, now that the economic defenses of Zambia had been shattered, the siege for the seizure of the copper fields was launched, as donor and Fund pressure came down for the sale of the Zambia Consolidated Copper Mines to Anglo American. However, as Zambian officials explained, the government was agreeing to sell the mines, but preferred to sell them to a Zambian, rather than a British, concern. This the donors found unacceptable. By March, “budget problems” in Zambia had “forced” the IMF to suspend its Structural Adjustment Facility to Zambia, even though the country was spending 36% of its export revenue on servicing its debt—a very high debt-service ratio for sub-Saharan Africa’s cash-strapped countries.

The battle for the copper fields was given auxiliary support by the crushing fall in the world price of copper (see **Figure 8**). Faced with strict budgetary constrictions, resulting from high payments on foreign debt, the government was in no position to maintain the mines. The price was so low that it hardly paid to work them, even with restructuring and layoffs. Production collapsed with the price. Whereas ZCCM had produced more than 700,000 tons per year in the 1960s, by 1995, this had shrunk by more than 55%, to only 313,800 tons. This gave added fuel to Anglo American and its IMF thugs, who argued that Zambia had proven it could not afford to manage the mines. Additionally, the fall in the world price for copper was ammunition to force the lowering of the selling price.

FIGURE 8

### Copper prices

(cents/lb)



Source: Economist Intelligence Unit.

By 1995, after three years of structural adjustment, the Zambian people had been reduced to absolute penury. The year saw another drought in Zambia, and forced importation of grain to attempt to meet the deficit. But even so, as detailed by Bestone Ng’onga in the *Financial Mail*: Life expectancy had been reduced to 40 years and children are stunted due to

chronic undernutrition. According to the 1994 Zambia Poverty Assessment, nearly seven out of 10 Zambians are poor or “core” poor, said Ng’onga. These are people for whom at least 70% of household expenditure was on the basic food basket, or people for whom household expenditure was less than that required for the basic food basket.

### **In for the kill**

Nevertheless, throughout 1996 and 1997, Zambia fought for the right to sell the mines to Zambian, not foreign, private interests. The stand-off continued well into 1998. IMF funds remained frozen, even though debt payments continued to be made. In the beginning of February 1997, the “donor countries” also turned off all flows of funds.

An interchange between Willem Zuidhof of the Netherlands Management Cooperation Program and his Zambian representative Klaske Hiemstra gives an idea of how the message to sell the mines was delivered through every possible channel. As reported in the Lusaka *Post* on Nov. 16, 1998:

“Zuidhof, who is in the country to hold a regional meeting on the benefits of the Dutch-funded management consultancy services, said Zambia’s economy is in shambles. ‘If you just count the number of companies closing down or just the general income of the people, you will realize that the current situation is disastrous.’ . . . Zuidhof observed that the problem had been that of the management of the economy. . . . Zuidhof said that the problem had been compounded by policies that had led to the demise of most companies in the manufacturing sector.

“The Zambian representative of Zuidhof’s firm understandably answered that the government ‘had to protect local industries if they were to survive (a measure prohibited by the IMF’s SAP.)’ ‘You cannot have a situation where you can start importing oranges instead of helping the local farmers. . . .’ She further observed that while the second-hand clothes were beneficial to the poor, they had killed the textile sector.

“Zuidhof advised the government to speed up the sale of mines,” as the only way to revive the economy.

Similarly, Tove Gerharndsen, in Lusaka in June 1998, representing the Norwegian Agency for Development, Zambia’s third-largest “donor,” threw down the gauntlet. As reported in *The Post*, Acting Minister of Finance Alfeyo Hambayi attempted to explain that Zambia had sold 224 state companies out of 300 since Chiluba had become President. But the donor boycott had forced the currency to fall by 50% in 1997. Donor refusal to extend funds “coupled with the fact that we continued to meet our heavy external debt obligations, led to a significant decline in our official external reserves,” the minister said. He further noted that the domestic growth rate had fallen by 50% in 1997, but nevertheless, the government was going ahead to lay off government workers. But Norway’s premier development officer had only one remedy for the economic woes caused by adherence to IMF policies: Sell the mines.

Hence, by December 1998, the government of Zambia acceded to donor demands and sold the mines to Anglo American for the unbelievable price of \$78 million. Anglo American further refused to assume any of the debt of Zambia Consolidated Copper Mines, which stands at \$800 million. It has pledged to invest \$300 million to revitalize copper production.

### **Who is carrying whom?**

With the Zambian economy and its people brought to their knees, one can hear the Malthusian experts in the economies of the developing countries, moaning that Zambia has exceeded its carrying capacity. As explained by economists Mohamed T. El-Ashry and Dorsey Burger, writing a chapter for *Africa in the 1990s and Beyond*, “Carrying capacity measures the ability of the resource base indefinitely to support populations of a given species.” But the idea that Zambia, which has a maximum population density of 12 people per square kilometer, is over-populated is an absurd proposition.

It is the case that its resource base has been destroyed, first by the denial of capital goods and technological exports in the first years after independence, and then by the take-down, by the Structural Adjustment Program of the IMF, of whatever the country had achieved on its own, and the simultaneous collapse of prices for its primary export, copper. Now its resources have been stolen from it outright.

Zambia’s people are beyond their carrying capacity, but it is not themselves that they are carrying: Zambia’s balance of trade, exports compared to imports, is zero. Zambia imports no more than it exports, even with the copper price at cellar levels. Contrast that with the current U.S. trade deficit of \$169 billion. The truth is that net resources have been steadily flowing to the industrialized countries. Countries such as Zambia are carrying the consumers of the industrialized countries on their backs, and even more to the point, carrying on their backs the financial speculators of Wall Street and the great British Commonwealth banking system. And their people are dying at ever-faster rates under the crushing burden of that load.

Thus, if President Chiluba had ever been “positively a Thatcherite,” his accurate attacks on the “debt slavery” imposed by the IMF and the “donors” show that he has begun to acquire an understanding of the system that is systematically destroying his country and his people. There can be no further illusions of “recovery” under IMF programs; there can only be the best possible defense mounted against such programs and the pressures to implement them. It is time, as Chiluba has begun to do, for African leaders to tell the truth of what has been done to their countries. It is also time that African leaders find the courage, even under the extreme pressures imposed on them, to raise their voices in the demand for a New Bretton Woods monetary system that will do away with the destructive conditions set by the IMF, and at last permit the development and true independence of the former “colonies.”

## Another privatization scam

*Once again, the push is on to privatize New South Wales's electricity grid, and the bankers are licking their chops.*

Sixty-seven years after New South Wales Premier Jack Lang declared a debt moratorium against City of London banks in order to protect the state's poverty-stricken population, the banks are once again assaulting the state, this time under the guise of "privatization."

The idea of privatizing the state's huge electricity grid, was first mooted two years ago by the ruling Labor government under Premier Bob Carr, but proved so unpopular with the traditional elements within his own Labor Party—especially its trade union constituency—that Carr and his Treasurer, Michael Egan, were forced to drop it. Now, however, the opposition Liberal/National coalition, under new leader Kerry Chikarovski, has resurrected the idea as the coalition's main platform plank in the March 27 state election, which it is expected to win. To secure the \$25 billion sale, the coalition has cynically proposed to bribe the electorate, by promising to give over \$2 billion of the proceeds to the state's voters, that is, \$1,000 in cash or shares to each.

Australia has been savagely looted by the privatization frenzy of the past decade. Already, Australia's \$66 billion in government asset sales in the 1990s is second only to Great Britain's, a much bigger country in dollar terms, and second only to New Zealand's, a much smaller country in per-capita terms. Australia will undoubtedly leap to the top of the list with the N.S.W. privatization, added to a planned South Australia electricity sale worth \$4 billion, and a proposed \$40 billion sale of the remaining two-

thirds of Telstra, the nation's telecommunications giant. And the purpose of all this looting of the hard work of generations of Australians, is *solely to provide a windfall to the banks and other major financial institutions that hold the debt.*

Take New South Wales, for example. The stated reason for selling the electricity grid is to retire, overnight \$18 billion of the state's \$25 billion debt. Who is going to get this \$18 billion? No one ever asks that question. However, an investigation by this news service has found that the identity of those holding the \$24.7 billion in bonds (half of which is in foreign currency) of the total \$25 billion debt is, according to an officer of the Treasury Corp., which arranges those bond sales, "commercially in confidence, and exempt from freedom of information."

This news was greeted with outrage by Ann Lawler, the N.S.W. State Coordinator for the Citizens Electoral Council (CEC), the Australian political party allied with American economist Lyndon LaRouche's global fight for national sovereignty and a New Bretton Woods monetary system. "It is a scandal that the citizens of this state can't find out who its creditors are," Lawler told this news service. "And the question I have, is, 'Are those who have pushed, or are pushing this sale, merely acting as flunkies for the banks—many of which are on the verge of collapse—against the interests of the citizens of New South Wales?'"

Indeed, while the identities of the bondholders may be secret, those of

their political front-men are not. As the CEC's *New Citizen* newspaper has documented, the entire privatization drive of the past two decades was designed by the local fronts of the City of London's Mont Pelerin Society, the chief economic warfare unit of the British Crown. One of these local fronts is the misnamed Center for Independent Studies in New South Wales, which boasts Bob Carr as a prominent member. Other Mont Pelerin think-tanks include Melbourne's Tasman Institute and the Institute of Public Affairs, which jointly designed the massive privatization program of Victoria State Premier Jeff Kennett. Since he came to power in 1993 as the protégé of Mont Pelerin leader and ANZ Bank chairman John Gough, Kennett has privatized an astounding \$27 billion of state assets. Kennett immediately turned over most of these proceeds to the banks, as he lowered Victoria's debt from \$31 billion to only \$10 billion today, while slashing the state's law enforcement, health, and education systems.

Not only will the banks receive an \$18 billion windfall overnight from the N.S.W. sale, but they will slice off extremely lucrative fees for managing the sale. One of these is international merchant bank CS First Boston, expected to be a leader in the N.S.W. sale. CS First Boston, which made \$42 million from handling the Victorian privatizations alone, and made a bundle from the sale of Telstra, was implicated in multibillion-dollar drug-money-laundering schemes in the 1980s.

The tight little circle of those who benefit from looting state assets is also typified by New Zealand merchant bank Fay Richwhite, which made a fortune from Mont Pelerin's New Zealand privatization scam. Fay Richwhite principal David Richwhite was a big shot in the NZ branch of Carr's Center for Independent Studies.

# Business Briefs

## Labor

### Electric power engineering staff is on the decline

Decreases in U.S. electrical power plant engineering staffing was reported by 79% of respondents in a recent survey by the Boston-based Altran Corp. The reductions were attributed to "changes in the utility sector," including the rash of mergers in the industry which have led to consolidations and layoffs, and the race to cut costs so that utilities can "compete" as the industry is deregulated.

Some 64% of survey participants reported that the most significant cuts have been in the number of on-site plant engineers and technical staff. They also reported declines in maintenance and program engineers. In addition, 18% reported cuts in training.

Perhaps indicating where utilities believe engineering expertise will be needed the most in the brave new world of deregulation, three-fifths of the respondents said that there has been an increased focus on preparation for electricity outage.

## Space

### China readies booster for manned missions

China is getting ready to launch its first astronaut into space, possibly in time for the 50th anniversary this fall of the founding of the People's Republic. That timetable may be a bit optimistic, as indicated by a statement issued in January by China's Xinhua news agency, which said that the country would "try its best to attain manned space flight by the end of this century or the beginning of the next." But China Great Wall Industry has confirmed that it is readying a test of a series of new heavy-lift launch vehicles, which would be needed for manned space flight.

*Launchspace* magazine reported in February that a heavy-lift launcher, which was unveiled in 1998, will be introduced in the year 2000, and by 2002, a larger version will be ready for testing, linked to China's manned space program. Two Chinese astronauts have already been trained in Russia's

Star City, in a cooperative program begun in 1991.

On Feb. 11, BBC news science editor David Whitehouse stated that at the end of next year, China would test-launch an unmanned reusable space shuttle. This was reported by Zhang Nan of the Nanjing Zijinshan Astronomical Observatory, who said that there would be "many experiments toward future manned shuttle missions" on board.

Whitehouse reported that in 1996, the head of the Russian Space Agency, Yuri Koptev, visited China, and a "secret agreement" was drawn up between the two nations. It is suspected, Whitehouse said, that the Chinese may have purchased a docking system used by Russian spacecraft, to link two Chinese spacecraft together in the future. "China certainly has the basic technology required for manned space flight," Whitehouse concluded.

## Infrastructure

### Laos seeks Thai power deal for dam project

Talks between Laotian Prime Minister Gen. Sivavath Keobounphanh and Thai Prime Minister Chuan Leekpai will focus primarily on the long-planned Nam Theun II dam project, the Thai daily *The Nation* reported on Feb. 4. Cash-strapped Laos will push for a conclusion of a hydropower price agreement with Thailand. The so-called tariff agreement is crucial to get the World Bank to provide a guarantee for the project, according to World Bank official Kathryn McPhail.

The project's economic viability has been a key component in determining whether the bank will provide partial-risk guarantee for the project. A senior Laotian official said that the spread of the Asian financial crisis has made it more urgent for Laos to proceed with the project, which is expected to generate \$250 million a year in electricity sales to Thailand. The marathon process to launch the 900-megawatt Nam Theun II project hit a stumbling block last year when the power demands of the sole buyer, Thailand, were drastically reduced as a result of the financial crisis.

## Trade

### Conrad Black revives 'Super-NAFTA' debate

Conrad Black, the head of the Hollinger Corp. who plays an important role in the British-American-Commonwealth oligarchical apparatus, intends to re-ignite the debate that he kindled in spring-summer 1998 for Britain to join in a "Super-North American Free Trade Agreement" with Canada, the United States, and Mexico, and possibly other Ibero-American countries. Black has written an article that will appear in an upcoming issue of *The National Interest*, based in Washington, D.C.

Black's renewed push comes as the euro currency is weakening and Europe is in depression, and the British oligarchy is working overtime to prevent the United States from joining the "Survivor's Club" of Russia, China, and India to develop a replacement for the bankrupt International Monetary Fund system.

## Southeast Asia

### Malaysia, Cambodia trade pact signed

Malaysia's International Trade and Industry Minister Datuk Seri Rafidah Aziz and Cambodian Commerce Minister Cham Prasidh, with Prime Ministers Dr. Mahathir bin Mohamad and Hun Sen looking on, signed a trade pact in Kuala Lumpur on Feb. 4.

Malaysia is the largest investor in Cambodia, accounting for 31% of foreign direct investment, worth \$447 million, almost as much as Cambodia's annual budget. Bilateral trade between the two nations totalled \$86 million in 1997, with trade weighted to Cambodian imports from Malaysia, led by aircraft, track-laying bulldozers and angle-dozers, and fabric and fibers to service the growing garment industry. Malaysian exports amounted to \$70.5 million in 1997 and \$34 million during January-November 1998. Cambodian exports to Malaysia were \$15.5 million in 1997, and \$12 million in January-November 1998.

Malaysian Foreign Minister Datuk Syed

Hamid Albar reported that Cambodia is particularly seeking Malaysian help in water management (to increase rice production), including dam building and water catchment areas, as well as highway construction and assistance in training Cambodian government officials in administrative planning. In exchange, Cambodia requested that Malaysia buy more rice and maize. Malaysia's International Trade Ministry reported that the trade pact grants most favored nation status related to customs tariffs, taxes, and customs procedures, while giving strong encouragement to private sector firms seeking trade deals.

## Economic Policy

### Great projects key for economic growth

"Great transport projects," such as the Fehmarn Belt between Germany and Denmark, are "indispensable" for economic development, Germany's Schleswig-Holstein state Economics Minister Horst Günther Buelck said, in an interview with the economic daily *Handelsblatt* on Feb. 16. Headlined "Kiel Favors Bridge Construction over Fehmarn Belt," Buelck emphasized that he has received support for the Fehmarn Belt from federal Economics Minister Franz Müntefering.

A technical feasibility study, commissioned in 1995, is expected to be released in March or April. The construction of a highway and rail link between Fehmarn Island in northern Germany and the Danish Lolland Island would shorten transportation between Germany and Scandinavia by 160 kilometers, marking the most ambitious transport project in the history of Schleswig-Holstein.

Buelck states that, in addition to the Baltic coastal highway (A 20) and the electrification of the Hamburg-Lübeck rail line, the Fehmarn Belt project has "first priority." After completion of a profitability study in summer 1999, he plans to urge the federal government to give the Fehmarn Belt top priority in the "Federal Transport Infrastructure Plan." Among the four alternate designs, he favors a 19 km bridge-tunnel route for auto and rail traffic. Estimated invest-

ments amount to 5-6 billion deutschemarks (roughly \$3-4 billion).

"For the maintenance of Schleswig-Holstein's economic competitiveness, such great transport projects are indispensable," Buelck said. He referred to a recent study which forecasts a 42% growth in freight traffic in the Baltic Sea region by 2010. The Fehmarn Belt project would trigger a "new recovery" for the state economy, he said.

## Health

### CDC issues U.S. advisory on hepatitis vaccination

The economic collapse in the United States is reflected in a new advisory by the Centers for Disease Control (CDC) in Atlanta, Georgia, urging that children be immunized against hepatitis. Eleven U.S. western states (Arizona, Alaska, California, Idaho, Nevada, New Mexico, Oklahoma, Oregon, South Dakota, Utah, and Washington) have been alerted to vaccinate children for hepatitis A.

"The virus, which is spread by poor hygiene and contaminated food or water, can lead to liver disease," a CDC spokeswoman told the Feb. 19 *Wall Street Journal*. When asked what prompted the advisory, she said, "There is a high rate of incidents reported of hepatitis cases in the last few months." Asked to identify the origin of the infection, such as polluted water, she replied that the CDC does not have that information.

Of the recent incidents, 30% involved children 15 years or younger. The CDC guideline is, that if 20 out of 100,000 people contract the disease (twice the national average during 1987-97), then the state should vaccinate.

The *Jackson Advocate* in Mississippi reports that state schools are also requiring hepatitis B vaccination for all children entering kindergarten starting August 1999. Mississippi joins 34 other states in imposing such a requirement. This requirement apparently comes from the American Academy of Pediatrics and the Advisory Committee on Immunization Practices. According to the *Jackson Advocate*, without immunization, 2,000 Mississippians would develop hepatitis B each year.

**THE EURO** common European currency, in its first seven weeks, has lost 5% of its value compared to the U.S. dollar. "Both Anglo-Saxon and also Asian big investors are still reluctant and stay away from the euro business," the *Frankfurter Allgemeine Zeitung* reported on Feb. 19.

**THE ITALIAN** General Confederation of Labor, Italy's largest labor union, hosted *EIR*'s Anno Hellenbroich at a seminar in Lombardy on Feb. 16, on "Irresponsible Globalization." His discussion of Lyndon LaRouche's proposals provoked questions which went to the heart of the problem: the systemic nature of the global financial crisis, and the historical precedents for solving it.

**H.J. HEINZ** announced on Feb. 17 that it will be closing or selling up to 20 factories, mostly in Europe, and laying off 3-4,000 workers. The company expects the restructuring to result in growth of 3-4% per annum, and a return on investment of almost 40%. The firm will focus on fewer food categories, and on six countries: the U.S., Britain, Italy, Canada, Australia, and New Zealand.

**INDIA** expects to have four new nuclear power reactors operational by 2000, the Atomic Energy Commission's Dr. R. Chidambaram said on Feb. 3. He said that the goal is a capacity of 20,000 megawatts by 2020, about 50% of which is to come from plants designed in India.

**THE LOW PRICE** of copper (65¢ per pound) is forcing Chile's state-run conglomerate, Codeco, to cut back sharply on its 1999 expenditures, in an effort to save \$254 million. Some 1,000 jobs will be eliminated at the firm, which is targeted for privatization by Chile's Mont Pel-erin Society lunatics.

**RUSSIAN** Health Minister Vladimir Starodubov told *Ekho Moskvy* on Feb. 18 that a tuberculosis epidemic is sweeping Russia, and that he will seek a World Bank loan to help combat it.

## Recovery program could have blocked Hitler's 'legal coup'

by Michael Liebig

*The following is the edited text of a speech given at the semi-annual conference of the Schiller Institute and International Caucus of Labor Committees, in Reston, Virginia on Feb. 14, under the title "Von Schleicher, the Schröder-Schacht Plot, and Hitler's 'Legal Coup.'" The conference was entitled, "The Road to Recovery: Defeat the New Confederacy and Al Gore," and Liebig's speech was part of a panel entitled, "Economics: The Science of Achieving the General Welfare."*

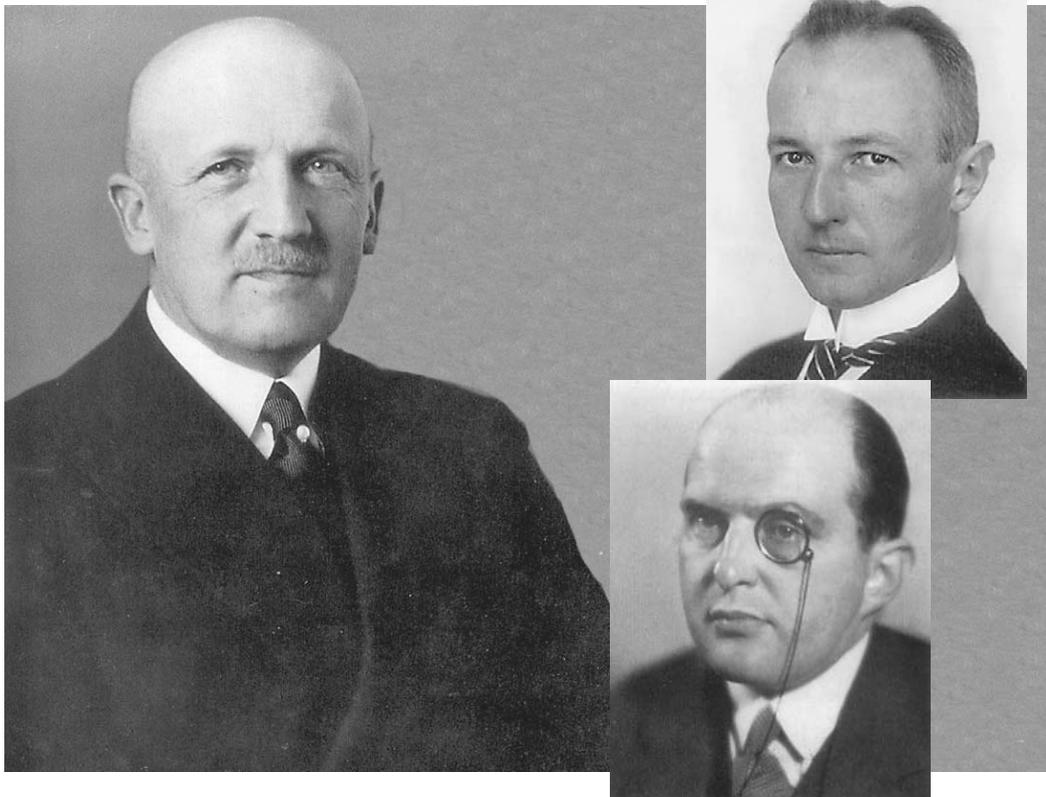
In my remarks here, I want to sketch the economic and political situation in Germany in the 1931-33 period, the worst years of the First World Financial Crisis and Depression. My special focus will be the weeks, beginning Nov. 6, 1932, when the Nazi Party suffered a massive defeat in the Reichstag elections, losing 2 million votes, until Jan. 30, 1933, when Adolf Hitler took power through a "legal coup."

Within this time frame, from Dec. 2, 1932 to Jan. 28, 1933, Gen. Kurt von Schleicher was German Chancellor. This man came, literally, within inches of defeating Hitler. On Dec. 21, 1932, the U.S. Ambassador in Berlin, Frederic Sackett, met with Gen. Kurt von Hammerstein-Equord, the chief of the Reichswehr army command. They agreed that the decline of the Nazi Party was "now well under way." So sure was Ambassador Sackett that the political tensions in Germany had finally "relaxed," and Chancellor von Schleicher was in control of the political situation, that he left Berlin to go to Switzerland.<sup>1</sup>

Here in the United States, on Nov. 8, 1932, Franklin Delano Roosevelt was elected President. On Feb. 15, 1933, an assassination attempt was made on President-elect Roosevelt, who survived uninjured, while Chicago Mayor Anton Cerman, standing near Roosevelt, was shot, and died of his bullet wounds. On March 4, 1933, Roosevelt was inaugurated President.

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1. Bernard V. Burke, *Ambassador Frederic Sackett and the Collapse of the Weimar Republic* (Cambridge, Mass., 1994).



*Gen. Kurt von Schleicher (left), who became Chancellor of Germany on Dec. 2, 1932, came within inches of preventing Hitler's rise to power. Among those in his faction, promoting a public works program for economic recovery, were (lower right) Erwin Planck, who later lost his life in the unsuccessful 1944 plot to kill Hitler; and (upper right) Günther Gerecke, Schleicher's Reich Commissioner for Public Works.*

In Germany, on Feb. 27, 1933, the Nazis staged the Reichstag fire, the pretext for implementing a full-scale dictatorship. On March 17, 1933, Hjalmar Horace Greeley Schacht received, from Hitler's hands, the document naming him president of the Reichsbank.

### **Then as now: the subjective factor**

We should, obviously, look back at the 1931-33 period from the standpoint of current history: the Second World Financial Crisis and Depression. I will not try to make an extensive listing of specific historical parallels between then and now. Instead, I will try to give a comprehensive, albeit sketchy *gestalt* of this historical period. I believe that, by taking this approach, we will be able to learn the most from history. I want to demonstrate here, that history is not predetermined; history takes no inevitable course, in the sense of "historical materialist" or "cyclical" interpretations of history. In reality, the subjective factor is what is crucial in history; the subjective factor determines the course of history. History is made by human beings.

The events which took place during 1931-33 in Germany, demonstrate this absolutely clearly. It was not inevitable that Hitler would take power. To the contrary, never in his political career was Hitler closer to defeat than in the period between November 1932 and January 1933. Goebbels's diaries from December 1932 are filled with depression and despair, and Hitler thought about committing suicide. The national elections on Nov. 6, 1932 brought a 4.2% loss in votes for the

Nazi Party, down from the 37.2% they had received in the July 1932 elections, the highest vote the Nazis ever got in free elections. In December 1932, the Nazi Party finances were ruined, and Gregor Strasser had started an inner-party revolt against Hitler.

So, why was Hitler not routed then? Who came to his rescue? What was lacking among his republican enemies, who had come so close to defeating him? I will try to answer these questions. And here lies the lesson of history for today.

### **The Social Democrats and the Communists**

First, we have to clear away some illusions. It must be said that the Social Democratic Party (SPD) and the German Communist Party (KPD) did *not* push Hitler to the wall. On the surface, the Communists, who got a 16.8% vote in November 1932, were the most bitter enemies of the Nazis. Continuous, ferocious street fighting and beer hall battles between Nazis and Communists led to hundreds of deaths on both sides. The Nazi Party's prime propaganda focus was "crushing Bolshevism" in Germany, and this propaganda focus was much more intense than their anti-Semitic tirades during this period.

However, beginning Nov. 2, 1932, the Nazis and the Communists jointly organized the Berlin transport workers' strike, which lasted one week. The KPD in October 1932 issued an election program, which defined the Nazis merely as the right wing of a vast fascistic complex, which included really all parties, business groups, trade unions, the Reichswehr, and

government structures—everybody except the Communists themselves. In this fascistic bloc, according to the Communists, the Social Democrats and trade unions merely represented its “social-fascist” left wing. The Communists viciously fought any attempt to take effective measures against the Depression and mass unemployment, declaring that the working class must never play “doctor at capitalism’s sick-or death-bed.” The Communist leadership pursued a strategy which held that it would not be a disaster, if Hitler were to take power, because this would drive class conflict to its climax. Hitler would soon “expose himself” to the masses, and would be discredited. Thus, the way would be opened up for a socialist revolution, under the KPD’s leadership, which would finally liquidate the capitalist-imperialist system and create a “Soviet Germany.”<sup>2</sup>

In November 1932, the votes for the SPD had shrunk to 20.4%, compared to the Nazis’ 33% and the KPD’s 16.8%. At that time, the Social Democrats were politically marginalized, which was the result of the paralysis into which the SPD leadership had driven their own party. The army of unemployed in Germany in 1932 had swelled to 6 million, but the SPD’s top men—parliamentary faction leader Rudolf Breitscheid, party boss Otto Wels, and the party’s economic experts Rudolf Hilferding, Fritz Naphtali, and Otto Bauer—had obstructed any government-led public works policy for the SPD. Failing to effectively address the all-dominating issue of overcoming mass unemployment meant political suicide for the SPD. The SPD leadership, especially Hilferding, claimed that a sizable state-directed job creation program would inevitably be “inflationary.” Thus, the SPD effectively backed Heinrich Brüning’s austerity policy, albeit in a more “moderate” form, calling for “social justice” in its implementation. The climax of absurdity was that the same SPD leadership, nominally still Marxist, would argue that anyone who, through a state-led job creation program, wanted to assist the capitalist system when it was in deep trouble, was a no-good Marxist. Opposite to the SPD party leadership, in the German trade union movement, especially in the SPD-leaning ADGB trade union federation, there were different voices, who advocated a state-led, large-scale work creation program.<sup>3</sup> We will come to that in a moment.

### Von Schleicher’s address to the nation

We now have to turn to the man who represented the biggest threat to Hitler and the financial oligarchy, both German and Anglo-American, Gen. Kurt von Schleicher. Following the November 1932 elections, with the defeat of the Nazis, Schleicher became Chancellor on Dec. 2, 1932.

On Dec. 15, 1932, Schleicher made a radio address to the

nation, in which he said: “I have felt a very grave reluctance to accept the office of Chancellor. . . . Especially because having the Defense Minister become the Chancellor smells of military dictatorship, and because there is a danger that the combination of these two posts will drag the army too much into politics. But the consideration that doing this, will illuminate strongly the gravity of the situation in which we are, and will tend to cool down certain troublemakers, and will thus make the deployment of the army unnecessary, has convinced me to set aside my concerns over accepting the post.

“Therefore, I want to ask my fellow citizens, to see in me not just the soldier, but also the administrator of the interests of all layers of the population, for, it is hoped, only a brief period of emergency. I have not come to bring the sword, but to bring peace.

“I think I can say that, as my thoughts about military dictatorship have not just now been formed, and are well known. As I have said before, you do not sit comfortably on the sharp edges of bayonets. In the long run, you cannot rule without having the broad mood of the people behind you. Such a mood in the broad population, my government has yet to earn by its deeds. I have no illusions about the severity of this task. For the moment, I will be satisfied, if the Reichstag, which understandably has currently a hefty dose of suspicion about the government, will allow it, without obstruction and well-known parliamentary maneuvers, to realize its program. This program consists of just one point: Create work! All measures which the Reich government will implement in the coming months will more or less serve this one goal. Traveling across Germany during the past weeks, I was myself convinced, that Germans of all social layers are dominated by one thought: Give us work, and thus, the hope for an economic recovery! Really, nothing else interests us, least of all, constitutional changes and other niceties, which do not fill your stomach. In our people lives a will to create, to produce, that cannot be suffocated by any setback. In all layers of society, there is the same courage and determination, which we have seen during the war, for combatting the profound economic suffering of our time. This deserves the highest admiration, and therefore it must be the supreme law of the state leadership to support this determination and this fight, irrespective of all economic or other considerations. A mood of desperation and catastrophe must be preempted. This can only be achieved, if psychological as well as economic considerations are applied to our job creation policy (*Arbeitsbeschaffung*). That stated, it is true that in the long run, unemployment can only be overcome through the gearing up of the whole economy.

“However, one cannot comfort people who are close to despair, by elaborations that, according to the laws of economic ‘rationality,’ each economic low will eventually be followed by a high. They want to see immediate and tangible help. Therefore, we have to build the dams in time, so that the floods do not overwhelm us before a cyclical economic recovery can make itself felt. That is what we must do, even

2. Wolfgang Michalka and Gottfried Niedhart, *Deutsche Geschichte 1918-1933, Dokumente zur Innen- und Aussenpolitik* (Frankfurt, 1992).

3. Gabriele Liebig, “How the German Trade Unions Could Have Stopped Hitler,” *EIR*, April 11, 1997.

if the dams do not correspond 100% to the strict laws of economic 'rationality.' I have proposed to the Reich President, that a Reich Commissioner for Public Works be named. His task will be to search for any opportunity for work, and to design and implement a generous public works program. The commissioner must take the role of the shepherd dog against all bureaucratic or other impediments.

"No doubt, such a job creation policy incurs greater risks than a normal expansion of employment would. Thus, expenditures for luxurious purposes are categorically ruled out in our job creation program. The program must be based on existing means of production, lying idle, for purposes of maintenance and improvement. Giving contracts to private firms, is preferable to doing it under public direction. What is decisive, is that we have found a solution for financing the program, which categorically rules out any inflation. This is assured, through the collaboration of Reichsbank President Luther, whom one can call the supreme protector of the currency. Equally, the best guarantee for a gradual improvement of the still very tight financial condition of the Reich, is the justified trust that the Reich Finance Minister enjoys at home and abroad. In short, we can characterize the financial situation as follows: 'We will get through with the Reich budget, without introducing new taxes and without further cutting the wages of state employees. This means a certain progress in comparison with the past two crisis years. The Reich government will help the states and municipalities in troubled financial condition, through organizational and financial measures.'"<sup>4</sup>

One should note here that Schleicher's emphasis on inflation, must be seen against the background of the 1923 hyperinflation, which truly traumatized the German population, especially the middle class. Within a few months, the life's savings of tens of million of people simply vanished. The material loss, and the psychological shock, are probably difficult to imagine today, especially here in the United States.

Von Schleicher was no economist, but he understood precisely what the core problem was: overcoming the economic depression by rapidly reducing the mass army of desperate unemployed. Schleicher's Dec. 15 radio address suffices to recognize where the concept for his anti-depression strategy came from: It came from Wilhelm Lautenbach.<sup>5</sup>

### **Wilhelm Lautenbach's anti-crisis plan**

Sixteen months earlier, on Sept. 16-17, 1931, a secret conference of the Friedrich List Society had been held in Berlin. The theme of the conference was the possibility and consequences of expanding the issue of credit, in order to boost German economic activity under conditions of the world economic crisis. In addition to Reichsbank President

Dr. Hans Luther, some 30 leading economists, bankers, industrialists, and economic politicians participated. The keynote speech was delivered by Dr. Wilhelm Lautenbach (1891-1948), a high-level official in the Reich Economics Ministry and, although now little-known, an important economic theorist. He was a member of the Friedrich List Society and took part in every one of its conferences during 1928-32, which discussed issues of priority for the German economy.

Lautenbach's memorandum was titled "The Possibilities of Boosting Economic Activity by Means of Investments and Expansion of Credit." He wrote there, "The natural course for overcoming an economic and financial emergency" is "not to limit economic activity, but to increase it."

Lautenbach distinguishes two emergency situations: On the one hand, there were emergencies which "entail tasks for production." As an example of this kind of emergency, he cites a war economy, the conversion from war production to peace-time production, or the "reconstruction of Japan following the great earthquake" in 1923. On the other hand, there were economic and financial emergencies of national and international dimensions, in which it was clear, in general, that "we should and want to produce more. But the market, the sole regulator of the capitalist economy, does not provide any obvious positive directives."

The economic emergency of the second category—a depression and/or the collapse of the financial system—was characterized by the "paradoxical condition" that, "despite curtailed production, demand is less than supply and thus leads to the tendency to decrease production further." Under conditions of depression, there are normally two economic policy reactions. The first is a policy of deflation: The budget deficit is reduced by cutting state expenditures, and prices and wages are lowered. At the same time, credit is restricted. If credits are not curtailed, low interest rates would lead to an outflow of foreign capital, which endangers the exchange rate and produces still greater scarcity of available capital for the domestic economy. Lautenbach thought it was practically impossible to reduce taxes in a depression, because the tax base had already contracted and public budgets were already strained for resources. All of these measures, according to Lautenbach, produce "new and large losses of capital for the individual entrepreneur in commerce and industry," making them "uncompetitive and insolvent," compelling a "reduction of production and large-scale layoffs of the workforce," and also leading to "a deterioration of the status of the banks."

The reduction of public expenditures is doubly counterproductive, since public contracts and mass purchasing power are further reduced. The reduction of wages has an initially favorable effect upon exports, but it causes a far greater reduction in demand in the domestic economy. "The adjustment to reduced demand by correspondingly reducing prices causes losses . . . and draws additional reductions of production in its wake." The thus additionally growing unemployment, effects an acceleration of the downward spiral of the economy. Thus,

4. Michalka and Niedhart, *op. cit.*

5. *cf.*, Wilhelm Lautenbach, *Zins, Kredit und Produktion* (Tübingen, 1952).

Lautenbach argued, the deflationary policy will “inevitably lead to complete economic and political catastrophe.” But, in a depression, there are “surpluses of commodities, unused production capacities, and unemployed labor.” The use of this “largely unused latitude for production” is “the actual and most urgent task of economic policy and it is simple to solve, in principle.” The state must “produce a new national economic demand,” which, however—and this is the condition—“represents a national investment for the economy. One should think of tasks like . . . public or publicly supported works which signify a value-increase for the economy and would have to be done under normal conditions in any case.” Lautenbach was thinking primarily of transportation infrastructure in this connection (roads/highways, railroads, land improvements, water management, etc.).

Then Lautenbach poses the question: “Since long-term capital is neither available to us on the foreign, nor on the domestic market, how are such projects to be financed?” And he adds, that “reasonable public works are already neglected due to the empty treasury in times of deep depression.” If there is no possibility to finance the projects through the (empty) state treasury, or through the capital markets, “the consequence to be drawn, ought not to be, that it is not possible to realize projects of this sort.”

But how is it possible? Lautenbach makes the initial ob-

servation, that “liquidity is chiefly a technical organizational issue. Banks are liquid when they are sufficiently supported by the Reichsbank.” Lautenbach proposes that the Reichsbank give the banks a “rediscount guarantee” for the bonds for financing “economically reasonable and necessary projects.” Once a firm had a contract from a state agency for the realization of a project, it would get a credit line from its bank, to pay for newly employed workers. While first using existing machinery and inventories, the firm soon would also buy new and additional raw materials, and also capital goods. As the project’s realization progresses, the state agency will issue promissory notes to the contracting firm, for which the firm will get cash from its bank. The bank, in turn, will receive cash from the central bank, due to the rediscount guarantee. The central bank will prolong the promissory notes, until the general economic recovery has sufficiently improved tax revenues, so that the state can redeem the notes.

Short-term credit financing, by means of discountable, prolongable bonds for creating jobs and investments, has a direct and an indirect effect. The realization of the projects, financed by credits, signified an increase of production, with the productive utilization of machines, raw materials, and operating materials. The financial situation of the businesses would relax, and thus also, the situation of their banks, and the demand for capital goods would increase. The realization of the projects on credit, would entail payment of wages to newly engaged labor, which would have the effect of generating additional demand for consumption goods.

Lautenbach proceeded on the assumption, that “the stimulating effect of the primary credit expansion” for financing infrastructure projects, would effect “a stimulating movement in total production” in the economy. The initial boost of infrastructure and investment projects would lead to the “upward conjuncture” of the entire economy. The utilization of unused capacities of production would have the effect of increasing economic productivity. The improvement of tax revenue would enable the state to shift to a long-term management of the original liquidity provided to pre-finance the projects.

As for the fear that credit-financing of infrastructure projects would incur the risk of inflation, Lautenbach says that such projects are “rational and unobjectionable from an economic standpoint.” These projects represent “in a material sense, real economic capital formation.” The credit-financing would result in the creation of real economic values. Lautenbach further emphasizes that the expansion of credit and the expansion of production in infrastructure projects are disproportional. “The extent and rate of the expansion of production” grow at much higher rates than the “degree and rate of credit expansion.” Here, Lautenbach was apparently thinking of a “productive multiplier effect.”

In summary, Lautenbach says, “By means of such an investment and credit policy, the disproportion of supply and demand on the domestic market will be alleviated and thus total production once more provided with a direction and a

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goal. If we neglect to undertake such a policy, we will inevitably be heading in the direction of continuing economic disintegration, and a complete disruption of our national economy, into a condition in which, then, in order to avoid domestic political catastrophe, one will be compelled to undertake a strong increase of new short-term public debt for purely consumptive purposes, while today we have the instruments, by means of utilizing this credit for productive tasks, to bring both our economy and our public finances into balance once more.”<sup>6</sup>

I should note here, that one well-known German economist at the time, was not invited to the conference where Lautenbach spoke: Hjalmar Schacht. The Friedrich List Society knew who Schacht and his Anglo-American banker friends were, and they knew that they were in deadly opposition to Lautenbach’s ideas. Already in 1928, the leadership of the Friedrich List Society had signalled to Schacht that he would not be welcomed in this organization. While the conference proceedings were kept confidential, news of it did leak out to London and New York. Benjamin Anderson, the chief economist of Chase National Bank in New York, wrote a vitriolic attack against the “public works” debate in Germany, denouncing it as a violation of the Young Plan provisions for the German war reparation debt.

It is equally noteworthy, that until the late 1970s, Lautenbach was well known in academic economics departments and economic policymaking circles in Germany, who knew that much of what was known as “enlightened Keynesianism” during the 1950s and 1960s, in reality stemmed from Lautenbach. Opposite to Keynes, Lautenbach was solidly anchored in a physical-economic conception of the economy. There does exist a significant corpus of economic literature on Lautenbach, mostly from the 1950s and 1960s. And the American economist and historian Charles P. Kindleberger, in his standard work on the Great Depression, gives objective and positive coverage to Lautenbach, as well as to Wladimir Woytinsky, a co-thinker of Lautenbach who worked for the German trade union movement.<sup>7</sup>

### **The trade unions’ public works program**

In late 1931, economic policy concepts for a state-directed, large-scale job creation program, parallel to that of Lautenbach, began to be articulated in the German trade union federation (ADGB). The most significant economist of the ADGB was Wladimir Woytinsky, head of the federation’s statistical department, and a member of the Friedrich List Society. Woytinsky had come to Germany in 1922 from Russia, seeking asylum from the Communist regime. (After 1933, he moved to the United States and became an American citi-

zen.) The trade union leader Fritz Tarnow, and Fritz Baade, an SPD member of the Reichstag and expert on agricultural policy, supported Woytinsky.

On Dec. 23, 1931, Baade, Tarnow, and Woytinsky presented their “Theses on Combatting the Economic Crisis” to the ADGB’s executive board. In this document, the three state: “We fear that irrationality in the world economy, and in world policymaking, has already assumed such proportions, that effective anti-crisis measures on the international level will not come about as speedily as is necessary for Germany to survive.” Therefore, they present a “concrete program for combatting the crisis within the framework of the German economy,” the central feature of which is “the employment of 1 million unemployed, in public works projects. . . . The creation of jobs will spark a revival of the consumer goods industry, thereby drawing a further, considerable number of unemployed back into employment. . . . A sum of approximately 2 billion reichsmarks would be required to finance these public works projects. Whatever portion of this amount cannot be raised by any other means, must be made available via a cash loan from the Reichsbank. . . . Such a one-time cash loan of a fixed amount, linked to a stipulation that it be used for job creation, poses no danger of a repeat of the runaway inflation of 1922-23. The guarantee against such inflationary effects, lies not in its fixed amount and restrictions on its use, but rather primarily in the fact that today, we have a huge amount of unutilized capacity in our productive apparatus. Consequently, increases in production can, without difficulty, follow along in the wake of planned increases in purchasing power.”

These theses were incorporated into the final “WTB Plan,” the job creation program, named after the initials of its three authors. The plan was presented on Jan. 26, 1932. It further elaborated the financing question: “The plan should ensure the rapid reabsorption of approximately 1 million unemployed back into the production process. In order to achieve this goal, the Reichsbahn, Reichspost, and municipal and other bodies, must issue contracts on a scale sufficient to create employment, directly or indirectly, for 1 million unemployed persons. . . . The contractees will receive an equivalent long-term loan at a low rate of interest and amortization, against promissory notes which are paid out by Reichskredit AG (or other suitable institutions) and are rediscountable at the Reichsbank.”

We may add here, that the SPD leadership rejected the financing part of the WTB Plan as being inflationary, insisting on “traditional” financing through tax revenue or state bonds. The chairman of the trade union federation ADGB was Theodor Leipart, who in early 1930 had given the original assignment to Woytinsky to work out a job creation program for the trade unions.

Leipart also had regular discussions with Gen. Kurt von Schleicher. Why would one of the German Army’s most senior officers engage in a long-standing contact with a trade

6. Knut Borchardt and Otto Schötz, *Wirtschaftspolitik in der Krise, Die Geheimkonferenz der Friedrich-List-Gesellschaft vom September 1931*, (Baden-Baden, 1991).

7. Charles P. Kindleberger, *Die Weltwirtschaftskrise* (Munich, 1973).

union leader? Why would this military man, as Chancellor, present a state-directed work creation program, which no other politician—left, right or center—had dared to touch?

### Von Schleicher's career

To answer this question, we have to sketch a bit more, what kind of personality Schleicher was, and who were his circle of friends and acquaintances. Born in 1882, Schleicher came from a typical, not-wealthy noble family in Prussia, in which it was almost self-evident that the sons would follow a military career. In World War I, Schleicher became the protégé of Gen. Wilhelm Groener, the central figure for logistical operations in the Supreme Army Command. On the government's side, the chief logistical-industrial administrator was Walter Rathenau. Toward the end of the war, Groener held, after Field Marshal Hindenburg, the second most important position in the military command, that of First General Quartermaster. It was Groener, with Schleicher as his "right hand," who brought about, in the weeks after Nov. 9, 1918, the "historical compromise" between the Army command and Germany's new Republican leaders, most notably the first Social Democratic President, Friedrich Ebert. This understanding between the Army and the new state leaders, prevented Germany from descending into utter chaos and civil war during the period 1918-21, and again during the hyperinflation period of 1923, with the ensuing Communist upsurges and the first revolt by Hitler on Nov. 9, 1923 in Munich.

Groener retired from the Army in 1920, and Schleicher became the head of the Military-Political Affairs Department in the Defense Ministry under Gen. Hans von Seeckt, the formative leader of the Reichswehr until 1926. From the beginning, Schleicher was deeply involved in the secret cooperation of the Reichswehr with Soviet Russia; he knew personally most of the leading Soviet military and foreign policy figures. After Seeckt had to retire in October 1926, Schleicher became the dominant "political-military affairs" figure in the Defense Ministry, who coordinated the policies among the Defense Minister, the Army leadership, the offices of the Chancellor and Reich President, who since 1925 had been Field Marshal Hindenburg, and the parliament, the Reichstag.

Schleicher also had close contacts with the two outstanding foreign ministers of the Weimar Republic, Walter Rathenau, who was assassinated in 1922, and Gustav Stresemann, who died in 1929. When, in 1931, André François-Poncet became French Ambassador in Berlin, Schleicher developed an unusually close relationship with him. Historical documents clearly show, that Schleicher advocated a "continental" strategy, with special relationships to France and Russia.

In June 1932, Schleicher became Defense Minister. Schleicher had a reputation as a "social general"—some, less charitably, dubbed him "the red general"—and this had occurred well before his famous July 26, 1932 speech, in which

he declared that the Reichswehr was neither "the military arm of a single party," nor "the protector of any one class or interest," nor did it wish "to protect outmoded economic forms or untenable property relations." Also, he considered it his highest duty, "to relieve misery, precisely in those layers of the population that are the poorest."<sup>8</sup>

### The banking crisis in summer 1931

By 1929, the First World Financial Crisis had fully set in. On Oct. 25, 1929, the bloated Wall Street stock market crashed. But already in June 1929, it had become evident that the whole world financial system was moving into disintegration, because the complex system of German war reparations payments—the financial "fuel" on which the working of the system depended—had become unmanageable. Between 1919 and 1929, Germany had paid directly, in kind, or through private losses (confiscation of private property outside Germany), 47 billion reichsmarks. Of this, some 17 billion were formally recognized by the Versailles powers as direct financial reparation transfers. But, following the 1923 hyperinflation and the ensuing 1924 Dawes Plan, which set Germany's total reparation obligations at 134 billion reichsmarks, a major chunk of the German debt transfers was financed through credits by Anglo-American banks. Knowing that Germany could not domestically generate the funds necessary to service its reparation debts, credits flowed to Germany and, from there, back to their places of origin, namely, New York and London—just as happens today with so-called IMF bailout packages to Southeast Asia, Russia, or Brazil.

In 1931, the whole Versailles reparations-centered system collapsed, and the center of the financial earthquake was Germany. There exists a fascinating, 167-page inside account of the breakdown of the German banking system in the summer of 1931, written in 1939 by the former State Secretary in the Reich Finance Ministry, Hans Schäffer.<sup>9</sup>

Since the October 1929 crash on Wall Street, there had been an increasing hemorrhage of foreign, mainly American, financial investments from Germany. But the German banking crisis of 1931 started in Austria. On May 11, 1931, Austria's largest bank, the Vienna Kreditanstalt, went bankrupt, which triggered a broad run on banks in Austria, across central-eastern Europe, and in Germany. The Kreditanstalt bankruptcy triggered a massive capital flight out of Austria, which brought that country rapidly to the brink of default. Triggered by the "Austrian crisis," capital flight from Germany accelerated during June 1931.

On June 17, rumors began to circulate that one Germany's major banks, the Darmstädter und National Bank (Danat Bank), was having financial problems. These rumors, in turn,

8. Friedrich-Karl von Plehwe, *Reichskanzler Kurt von Schleicher* (Esslingen, 1983).

9. "Hans Schäffer, Marcus Wallenberg und die Deutsche Bankenkrise 1931," unpublished manuscript, Archiv Edmund Steinschulte, Wiesbaden.

further accelerated the capital withdrawals from Germany. An uncontrolled chain reaction of bankruptcies, starting from Germany, was about to engulf the whole international financial system. If Germany's banks defaulted, the whole house of cards built around the war reparations would collapse.

In this situation, on June 20, 1931, U.S. President Herbert Hoover announced a one-year moratorium on all sovereign reparations and inter-Allied war debt obligations. Had the moratorium been declared three years earlier, it might have stabilized the situation, but at this point, it came too late.

Then, on June 25, 1931, a short-term emergency credit line of \$100 million was opened for Germany by the Bank of England, the Federal Reserve, and the Banque de France. But, these actions could not stop the capital flight out of Germany, which drove the country ever closer to default. On July 6, 1931, it became clear that the Danat Bank had indeed had very serious financial problems. On July 13, the bank closed its doors. Reichsbank President Luther flew to London, asking for a \$500 million credit line. Up until July 21, senior American, British, French, and German central bank and government officials held crisis meetings in London. But, Montagu Norman, the governor of the Bank of England, declined to provide further credits to Germany, and, as a result, the others declined as well.

On July 13, 1931, the day Danat Bank closed, a bank holiday was declared in Germany, which lasted until Aug. 5. Beginning July 18, ever more extensive currency and capital controls were implemented. On Aug. 1, foreign deposits in Germany were frozen temporarily. By then, it had become clear that also Dresdner Bank, and its subsidiaries, Deutsche Orientbank and Deutsch-Südamerikanische Bank, were close to insolvency. Danat Bank and Dresdner Bank were put under state administration, and provided with emergency liquidity by the Reichsbank. Later, in September 1931, Deutsche Bank, Disconto Gesellschaft, and Commerzbank also came under state administration. Without this, and the pumping of massive amounts of liquidity by the Reichsbank into the financial system, in the dimension of at least 1 billion reichsmarks, all of Germany's leading banks would have defaulted. Please note here, that on Sept. 16-17, 1931 the above-mentioned conference of the Friedrich List Society, with Wilhelm Lautenbach's keynote address, was taking place.

By August 1931, the financial chaos in Germany began to radiate into Britain. On Aug. 24, the Labour government fell, and then the so-called National Government (Tories, Liberals, and a minority faction of Labour) under Ramsay MacDonald, was formed. On Sept. 21, 1931, Britain abolished the gold standard. By the end of 1931, the British pound had been devalued by 40%.

By that time, it had become clear that the German reparations-centered world financial system had indeed disintegrated. The pretense that this system could, somehow, be kept going, had become unsustainable. The Bank for International Settlements (BIS), about which I will say more later, declared

politely that the Young Plan had become somewhat unrealistic. Three days before the Hoover debt moratorium was to have ended, on June 17, 1932, an international conference on the Versailles reparations began in Lausanne, Switzerland. The conference ended on July 8, 1932, with the formal termination of Germany's war reparation obligations. Five years earlier, this would have shaken the world in a positive way; now it was almost meaningless, because the world economy and world finances lay in ruins.

## German politics, 1930-32

Therefore, the abolition of the Versailles war reparation system meant no "happy ending." By that time, the hegemonic Anglo-American financial establishment had already concluded that the world financial crisis, plus world depression, which had been caused by the Versailles reparations system, made the installation of dictatorial or quasi-dictatorial political regimes necessary. In the country with the worst economic, financial, and social conditions, Germany, the most totalitarian system would have to be installed. The course of events in Germany between 1930 and 1932 had been such, that the "Hitler project" became a realistic option.

In 1930, the economic situation in Germany had deteriorated rapidly. Unemployment went above the 3 million level. The political effect was immediate: In the Reichstag elections of May 1928, the Nazi Party had received 2.6%; now, in the national elections of September 1930, the Nazis received 18.3% of the vote. The Communists increased their vote from 10% to 13%. The non-radical right-wing parties and the liberal center parties lost catastrophically. In March 1930, the center-left Grand Coalition government under Chancellor Hermann Müller broke apart. From then on, there were no more parliamentary governments in Germany. The Chancellors—Heinrich Brüning, Franz von Papen, Kurt von Schleicher, and Adolf Hitler—did not lead governments based on a majority in parliament. The Chancellors were named by Reich President Hindenburg, based on the provision for emergency status of the Weimar constitution (Article 48), and ruled by emergency decree. The governments were "*Präsidialkabinette*," more or less independent from parliament.

Still, parliamentary sessions were held, and a Reichstag majority could still vote down the emergency decrees. But a majority of Nazis, Communists, Social Democrats, the Catholic Center, and the right-wing parties, was an improbable proposition. Mostly, the *Präsidialkabinette* were tolerated by the Social Democrats, the Catholic Center Party, and the now small right-liberal parties. When the tensions between the Reichstag, and the Chancellor and his government, became too intense, the Reichstag was dissolved by the Reich President, which is why there were still free elections between 1930 and 1933.

Under these conditions, between 1930 and 1933, the institutional power center in Germany was the Reich President,

and this power was really based on the Army. The 100,000 soldiers of the Reichswehr, without an air force, armor, or heavy artillery, could not match the military strength even of Poland, Czechoslovakia, or Belgium, not to speak of France or Britain. But, in domestic political terms, the Reichswehr was a power factor. In the Army structure, Schleicher had gained a unique position, and he was the most political one within the Army command.

Brüning's Presidential government was toppled on May 30, 1932. He was ousted at the very moment that he began to shift away from his earlier, brutal deflationary austerity policies. Brüning's emergency decree of Dec. 8, 1931 had lowered wages to either the level of 1927, or a maximum wage reduction of 10%; standard prices and rents for housing were likewise cut by 10%; and a 6% ceiling was imposed on interest rates. After the announcement of the Dec. 8, 1931 emergency decree, Brüning's Finance Minister explained that what the German people were being asked to do, had pushed them to the very limit of their tolerance and willingness to sacrifice. Wages and salaries could not be reduced any further than the new emergency decree already had done, because otherwise the government would face the specter of serious threats to the state and to society at large. Brüning himself said, "The emergency decree is an absolutely integrated whole, from which no individual part can be subtracted. As of this moment, we are marking an end to the deflationary policy that has been forced upon us."

Brüning envisaged an economic policy-shift, once the reparation issue would be out of the way by mid-1932. Indeed, that happened just six weeks after he was ousted. He was toppled and replaced by Franz von Papen, a person as shallow as he was devious. We shall soon see, what a treacherous role von Papen will play in December 1932 and January 1933. But, Papen had one great advantage: Hindenburg liked him very much. The probable reason for this, was that Papen had cultivated a close personal relationship to Hindenburg's son, Oskar von Hindenburg. As we shall see, catastrophic consequences derived from this.

One of von Papen's very first acts as Chancellor was to enact even more ruthless emergency cuts in social services and wages. He lifted the ban on the National Socialist paramilitary organizations, the SA and the SS, which had been outlawed under Brüning, and dismissed the Social Democratic state government of Prussia, to make himself the *Reichskommissar* for Prussia.

We must note here, that General von Schleicher played a highly dubious role in the transition from Brüning to von Papen. Schleicher committed a mistake of the gravest sort, by actively playing along with the political maneuvers through which Papen became Chancellor. Obviously, Schleicher thought that that was the price he had to pay for becoming Defense Minister. But it was to cost him, and Germany, dearly.

Papen was Chancellor from June 1, 1932 to Nov. 17, 1932.

On July 31, 1932, there were elections for the Reichstag. At that time, unemployment in Germany stood at 29.9%, just below 6 million. The production index (1928=100) stood at 58. The July election produced a breakthrough for the Nazis: They more than doubled their vote to 37.2% and had the largest faction in the Reichstag, with 230 deputies. As Papen governed on the basis of a Presidential decree, and there was no majority in the Reichstag for forming an alternative government, Papen stayed on as Chancellor after the July elections. But, he immediately tried to take Hitler into his government, offering him the post of Vice-Chancellor. Hitler refused, and demanded that he be made Chancellor.

On Aug. 13, 1932, Hindenburg received Hitler, who again demanded to be named Chancellor and to receive "full state power." But, Hindenburg categorically rejected this.

In the late summer of 1932, the economic situation in Germany further deteriorated. On Sept. 4, Papen introduced yet another emergency decree, imposing even more vicious austerity measures. When, on Sept. 12, 1932, the Reichstag convened, the Communists introduced a motion for abolishing Papen's austerity decree. The motion was voted up 512-42, the most massive defeat ever for a government in the whole Weimar period. In response, Papen, with Hindenburg's formal backing, declared the Reichstag dissolved. New Reichstag elections were set for Nov. 6, 1932. Hitler was confident that the new elections would bring him further gains, which would finally undermine the resistance to his becoming Chancellor and getting "full state power."

But, the opposite happened. The Nov. 6, 1932 election results turned out to be a disaster for Hitler. The Nazi Party lost 2 million votes, and 36 deputies in the Reichstag, compared to July. A weakened Hitler met again with Hindenburg, and again he demanded to be named Chancellor. On Nov. 24, 1932, Hindenburg wrote him a nasty letter, saying that a Presidential Cabinet, led by Hitler, would inevitably lead to a "party dictatorship," and that the Reich President's constitutional oath and his conscience would not allow that to happen.<sup>10</sup>

Schleicher now made his move. He saw the chance to first get rid of von Papen, and then to turn against the weakened Hitler. Papen was totally isolated, as indicated by the Sept. 12 Reichstag vote, when effectively all parties voted against him. On Nov. 17, 1932, von Papen resigned. Hindenburg, reluctantly, named Schleicher as the new Chancellor.

### **Von Schleicher becomes Chancellor**

On Dec. 2, 1932, Schleicher becomes Reichs chancellor. He immediately repeals the brutal austerity decrees of Papen and energetically moves ahead with his public works program, as we heard earlier from Schleicher's national radio address of Dec. 15, 1932. Schleicher cannot count on the

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10. Michalka and Niedhart, *op. cit.*

parties in the Reichstag backing him. He talks to all of them, including the Nazis. Individual deputies support him, but none of the party factions gives him a firm backing. He reaches an agreement with the parties, that the Reichstag will “pause” until January. But, as Schleicher heads a Presidential Cabinet, he does not depend on the Reichstag. Who, then, is backing Schleicher?

- The Reichswehr. Schleicher has the full backing of Gen. Kurt von Hammerstein-Equord, the chief of Army Command.

- Important elements in the civilian state bureaucracy, notably the State Secretary in the Chancellor’s Office, Erwin Planck, the son of Max Planck. Also important is Günther Gerecke, the influential chairman of the Association of Rural Municipalities. Gerecke became Schleicher’s Reich Commissioner for Public Works.

- The trade unions. Theodor Leipart, the head of the ADGB trade union federation, fully backs Schleicher’s public works program, which largely corresponds to the ADGB’s “WTB Plan.”

- Some elements within the Social Democracy, notably the former Prime Minister of Prussia, Otto Braun, and Gustav Noske, then chief administrator of the Hanover region. Also supportive is the Reichsbanner, a Social Democratic-oriented republican mass organization, with certain paramilitary features.

- An important group of industrialists and bankers, including:

- Otto Wolff, of the Cologne-based steel and trading firm;
- the industrialist Arnold Rechberg, with important ties to France and the Benelux countries;
- the banker Wilhelm Regedanz, with strong ties to France and central-eastern Europe.

One should not forget, also, that Schleicher has good ties to France and Soviet Russia. Right after becoming Chancellor, in early December, Schleicher met with Soviet Foreign Minister Litvinov, with whom he discussed a further intensification of economic cooperation with Russia. Schleicher’s ties to France, through Ambassador François-Poncet, were cordial as well.

I think it is useful here, to report what the American government’s attitude toward von Schleicher was. U.S. policy toward Weimar Germany was always torn between America’s genuine national interests and the interests of the Morgan complex. But, in late 1932 Ambassador Frederic Sackett was clearly positive toward von Schleicher. Basing himself on the diplomatic messages from the Berlin embassy to the State Department, Bernard Burke writes: “American diplomats, who earlier had very little positive to say about Schleicher, were impressed by the general’s determined efforts to get broad backing for his government. Sackett was won over when the general solicited the support of the trade unions. Strangely, Sackett and his staff, who surely would not support



*Gregor Strasser, the Nazis’ “organization man,” until he resigned all his posts in 1932. When von Schleicher’s effort to use Strasser to split the Nazi Party failed, bankers Schacht and von Schröder moved in to provide support to Hitler.*

trade union activity at home, found trade union leadership the most politically attractive group in Germany. . . . Sackett took heart as Schleicher succeeded in broadening his base of support. But nothing gladdened him more than the general’s attempt to split the Nazi Party. . . . Sackett expressed pleasure that Schleicher, who was often called the ‘friend of the workmen,’ was going to address the problem of unemployment relief as the principal goal of his cabinet. . . . Sackett approved of the general for the enemies he made. . . . Sackett betrayed his new-found admiration for the general when he pointed out that the calm was made possible by ‘the tact and skill with which Chancellor von Schleicher dealt with the situation, in striking contrast to the provocative methods of his predecessor [von Papen].’ ”<sup>11</sup>

In contrast, the British Foreign Office, and British intelligence, had a thoroughly hostile attitude toward von Schleicher. John Wheeler-Bennett, the Foreign Office “Germany expert,” entertained a lasting hatred of him. Wheeler-Bennett would later become infamous for expressing his satisfaction that the Gestapo had killed the German resistance leaders of July 1944, in a memorandum to Winston Churchill. The extermination of the German resistance, wrote Wheeler-Bennett, had ensured that these German elite figures would not represent a problem for the occupying powers of postwar Germany. Already in his 1934 book, *The Disarmament Dead-*

11. Bernard Burke, *op. cit.*

lock, Wheeler-Bennett denounced von Schleicher as an evil intriguer.

### The Nazi Party plunges into crisis

After its defeat in the Nov. 6 Reichstag elections, the Nazi Party was in state of depression and disarray. Schleicher intended to exploit this, and to split the Nazi Party. This might look like a very dubious proposition, but there were substantial reasons for trying it. What a wretched state the Nazi Party was in during November and December 1932, is revealed by Josef Goebbels's diaries:

**Nov. 6:** "We have suffered a defeat. . . . The main thing now is to consolidate the organization and to improve the mood in the party."

**Nov. 10:** "Back to Berlin. The strong mood in the party has changed into ugly depression. Everywhere just anger, fights, and conflicts."

**Nov. 11:** "I get a report of the financial situation of the Berlin party organization, it's desperate. Just ebb, debts, and financial obligations, in addition the complete impossibility to raise large amounts of money after this defeat."

**Dec. 6:** "The [party] situation in the Reich is catastrophic. In Thüringia we lost 40% since July 31."

**Dec. 8:** "In the organization, there is real depression. We are depressed because there is the danger that the party might fall apart. . . . The Führer says: If the party disintegrates, it will take me three minutes to finish all with my pistol."

**Dec. 12:** "It takes a great effort to keep the SA and the party functionaries on a clear course."

**Dec. 23:** "1932 has been a string of bad luck, just forget about it. . . . I sit alone here and I am thinking about so many things. The past was so difficult, the future is dark and foggy, all perspectives and hopes seem to have vanished."

Goebbels had very real reasons to be depressed, not just because of the horrible state of the party finances. On Dec. 8, 1932, Gregor Strasser resigned from all his party posts. Strasser had been a key "organization man" in the Nazi Party since 1924. He had pushed for some sort of "social orientation." Strasser could credit himself with having played a major role in the party's massive gains in the July 1932 Reichstag elections. It had been he, who had authored an "employment action program," as part of the Nazi election platform. He even had publicly supported the ADGB's job creation program, and positively referenced Woytinsky, who was Jewish, in a Reichstag speech. After the July elections, Hitler had banned the Strasser program, and ordered remaining copies of it destroyed.

Also, during December 1932, an inner-party revolt began to brew in various party sub-organizations, notably in Bavaria. In the first days of December 1932, Schleicher met secretly with Strasser and offered him the Vice-Chancellorship. Strasser was open to the proposal. But Hitler was informed about the Schleicher-Strasser meeting, and immediately branded Strasser a traitor. Hitler kicked Strasser out of

the party, and called a series of emergency meetings of leading party functionaries. Hitler had to threaten to commit suicide, if the party leaders would not unconditionally submit to his absolute command. Hitler's gamble only worked, because Strasser remained strangely passive. He did not stand up against Hitler; instead, he took a vacation in Italy.<sup>12</sup>

But, as Goebbels's diaries confirm, by Christmas, the situation in the Nazi Party was not yet back under control, even though Schleicher's ploy to split the Nazi Party through Strasser had clearly failed. But then, like *dei ex machina*, rescue came for Hitler, in the persons of Hjalmar Horace Greeley Schacht and the banker Baron Kurt von Schröder. Why would these two figures be in a position to carry through an action, which shifted a most promising situation for von Schleicher?

### Schacht, Norman, and the Morgan complex

To answer that question, it is necessary to take a closer look at Schacht and von Schröder. Schacht was born in 1877 in Denmark, the son of a naturalized American father. Schacht's father returned from the United States the year his son Hjalmar Horace Greeley was born; for 30 years, he worked as a senior executive for the German branch of Equitable Life Insurance.<sup>13</sup>

Hjalmar became the Anglo-American financial establishment's "man in Germany" ever since, in November 1923, the Allied Reparation Commission decreed that he would become the head of the Reichsbank. Schacht was installed against the unanimous opposition of the Reichsbank staff. At that time, Schacht was on the executive board of the Danat Bank, which, as mentioned above, became infamous in the 1931 banking crisis.

On Dec. 22, 1923, Schacht formally became president of the Reichsbank. One week later, he was in London for extensive meetings with Montagu Norman, the governor of the Bank of England. The meetings between Norman and Schacht were regular, to say nothing of their almost daily correspondence and telephone conversations. As late as 1939, Norman came to Germany to become the godfather of one of Schacht's grandchildren. Montagu Norman was the towering figure of the City of London, a diabolical personality with enormous influence over the course of events, financial and political, from World War I into World War II.<sup>14</sup>

Montagu Norman had the most intimate connections to the J.P. Morgan financial-political complex, which, during the 1920s, included J.P. Morgan and Company in New York, Morgan Grenfell and Company in London, and Morgan et Compagnie in Paris. To call "Jack" Morgan, who headed the Morgan complex from World War I into the late 1930s, an

12. Henry A. Turner, *Hitler's Thirty Days to Power* (Reading, Mass., 1996).

13. Heinz Pentzlin, *Hjalmar Schacht* (Berlin, 1980).

14. F. William Engdahl, *A Century of War: Anglo-American Oil Politics and the New World Order* (Wiesbaden: Böttiger Verlag, 1992).



*Hjalmar Schacht with Hitler in 1934. With backing from Montagu Norman, the governor of the Bank of England, Schacht arranged financing for Hitler's march to power.*

“Anglophile,” is a vast understatement; he was an integral part of the British establishment. “Jack” Morgan passionately hated Germans, Jews, and Catholics. The Morgan complex ensured that the British Empire made it financially through the war, and he exerted the probably decisive political influence on the U.S. government for joining the war on the side of the Allies in 1917, when Russia and France were close to military collapse, and the British Empire came near to financial-economic exhaustion.

The Morgan complex stood at the center of the inter-Allied war debt structure, and consequently played the key role in erecting and managing the Versailles reparations system, the prime purpose of which was to service the inter-Allied war debt.<sup>15</sup>

The key figures in managing the Versailles reparations system were either directly Morgan executives or closely tied to the Morgan complex:

- Thomas W. Lamont, “Jack” Morgan’s right-hand man;
- Charles Gates Dawes, after whom the 1924–29 Dawes Plan was named;
  - Parker Gilbert, the Allied Reparations Agent, residing in Berlin from 1924–29, with enormous powers over Germany’s financial affairs;
  - Benjamin Strong, the head of the New York Federal Reserve, another intimate of Montagu Norman;
  - George Harrison, who succeeded Strong in 1928;

15. Ron Chernow, *The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance* (New York: Atlantic Monthly Press, 1990).

- Owen Young, after whom the Young Plan was named;
- Andrew Mellon, the Treasury Secretary.

For the City of London/Morgan complex, Schacht—“their man”—ran Germany’s finances—and politics—from 1924 on, to an extent that is difficult to imagine today. The 1924 Dawes Plan, which Schacht had worked out with Norman, Lamont, Dawes, and Gilbert, stipulated that Germany had to pay 134 billion reichsmarks in war reparations over the next 36 years, of which 22 billion had to be paid by 1928. After lengthy negotiations, in 1929, the Dawes Plan was superseded by the Young Plan, which, seeming to be more “realistic,” stipulated that Germany had to pay 34 billion reichsmarks over the next 59 years, until 1988. Schacht negotiated and signed the Young Plan treaty for Germany, which included the formation of the Bank for International Settlements, for administering the Young Plan reparation payments.

However, then, in late 1929, Schacht made a seemingly odd turn-around. Suddenly, he proclaimed that the Young Plan, which he himself had signed, was an unacceptable burden for Germany, for which he could not take responsibility. On March 7, 1930, Schacht resigned as president of the Reichsbank.

What had happened? Between the signing of the Young Plan treaty in the summer of 1929, and his resignation from the Reichsbank, on Oct. 25, 1929, Wall Street had crashed. Since the crash, the credit lines extended to Germany, mostly from America, with which Germany had paid a major chunk of its reparation obligations back to London and New York, had dried up. Credits were repatriated to the United States, instead of flowing into Germany, as they had done between 1924 and 1929.

Schacht knew that the Young Plan had indeed become very unrealistic, because, in the conditions of the rapidly escalating world financial crisis, squeezing reparation payments out of Germany would become increasingly difficult, as the American “buffer credits” dried up. Secondly, as long as there was no new type of dictatorial regime in Germany, it would not be possible to enforce the necessary “fiscal discipline” and austerity, to extract more from the country. This conclusion by Schacht was not the product of his personal ingenuity; it was the view held in the top echelons of the Anglo-American financial establishment.

### **Schacht goes for the ‘Hitler project’**

Two weeks after Schacht’s resignation, on March 23, 1930, the last parliamentary government in Weimar Germany, the “Grand Coalition” under Social Democratic Chancellor Hermann Müller, collapsed. It was replaced by the first “Presidential government,” that of Heinrich Brüning. In the next Reichstag elections, on Sept. 14, 1930, the votes for the Nazi Party exploded from 2.6% (in 1928) to 18.3%!

The next day, Sept. 15, Schacht was in London for meetings with Montagu Norman. From England, Schacht pro-



*Hjalmar Schacht (center) in the dock at the Nuremberg Tribunal. He was acquitted, due to intervention by the London-based financial oligarchy—although without his intervention, the Nazis would never have come to power.*

ceeded to New York, where he stayed for some weeks, meeting his friends on Wall Street. When Schacht came back to Germany, he pursued a clear and determined policy line: Get on with the Hitler project! In late December 1930, Schacht had a first personal meeting with Hermann Göring. On Jan. 5, 1931, there was a memorable evening dinner at Göring's home, which lasted for several hours. Present were: the Göring couple, Goebbels, Fritz Thyssen, Schacht, and Adolf Hitler.

A few months later, on Oct. 11, 1931, Schacht for the first time made a joint appearance with Hitler at a public event, the infamous Bad Harzburg meeting. At roughly the same time, Schacht arranged the visit to London of Alfred Rosenberg, the chief Nazi ideologue, who met Norman and the publisher of the London *Times*, Geoffrey Dawson. In Germany, Schacht systematically organized support for Hitler in the business milieu. As he himself stated, it was tough work, but he made slow progress. Schacht knew he had the full backing of the Anglo-American financial establishment, and of Montagu Norman in particular. For them, the situation in Germany, financially and politically, had become "unmanageable," unless a brutal dictatorship were rammed through. Hitler was the only credible candidate for a German dictator.

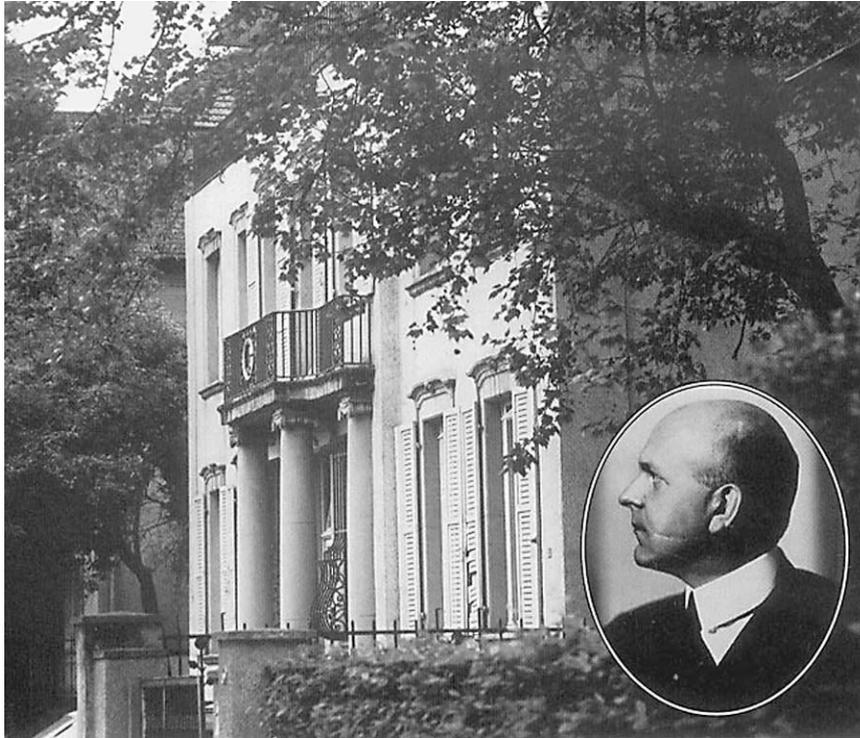
### **Baron Kurt von Schröder**

To accomplish this strategic perspective, Schacht had in Germany an active collaborator in high finance, who equally

pushed the Hitler project: Baron Kurt von Schröder, who headed the German branch of the international Schröder financial complex. That complex included Schroeder Bank in the City of London, and the New York investment bank J. Henry Schroder. Baron von Schröder was well acquainted with the Nazi Party's finances: In November 1932, he told business friends in the Ruhr region, that the Nazis had short-term debts of up to 30 million reichsmarks. A few weeks later, Schröder had made sure that the Nazis' financial problems had improved dramatically. As we shall see, Schröder also made a decisive political intervention, to save the "Hitler project."

The third key business figure in Germany who was pushing the "Hitler project" was Fritz Thyssen, who had made financial contributions to Hitler since 1923. That financial support was greatly expanded after 1930. Thyssen was one of the mere handful of figures in the upper echelons of German industry, who did support Hitler before 1933. Hitler's first appearance before a large group of businessmen only occurred after January 1932, when Thyssen and Schacht arranged for him to address the Düsseldorf Industry Club. Among Thyssen's international financial connections, the American firm Brown Brothers Harriman of New York, played an important role.<sup>16</sup>

16. Anton Chaitkin and Webster G. Tarpley, *George Bush: The Unauthorized Biography* (Washington, D.C.: Executive Intelligence Review, 1992).



*Banker Kurt von Schröder and his home in Cologne, where Hitler met secretly with Franz von Papen on Jan. 4, 1933. With the help of Hjalmar Schacht and von Papen, Schröder orchestrated a plot to bring Hitler to power by “legal” means.*

## The Schacht-Schröder plot

In 1948, Schacht would have the chutzpah to declare before a de-nazification court, concerning his attitude to Hitler in 1932: “The only choice was between a military [Schleicher] government, coming to power by breaking the [Weimar] constitution, or Hitler becoming Reich Chancellor. Faced with these two alternatives, and based on my whole democratic identity, I had spoken out against a military government and for the formation of a cabinet by the National Socialists.”

Back to Schacht’s and Baron von Schröder’s activities, after the Nazis’ defeat in the Nov. 6, 1932 Reichstag elections. On Nov. 12, 1932, Schacht wrote to Hitler: “Let me congratulate you for the firm attitude which you exhibited right after these elections. I have no doubt about the course of events, which will inevitably end in your Chancellorship. It seems that my efforts to get signatures for your Chancellorship in the business milieu have not been in vain, even though heavy industry is not going along, but they are called heavy industry for a reason, they are so slow-moving.”<sup>17</sup>

Then, on Dec. 19, 1932, Hitler received another letter, this time from another “liaison” to business circles, Wilhelm Keppler, who wrote: “In these days, I have met with Dr. Schacht and Baron Schröder; I presented them my assessment

17. Michalka and Niedhart, *op. cit.*

of the political situation. Dr. Schacht agreed with me. . . . Just now [Baron Schröder] called me, and told me he met with von Papen. . . . Papen sees a quick change in the political situation as being possible and necessary, and supports your becoming Chancellor. Von Papen would like to have a confidential meeting with you, to analyze what has happened and to talk with you over how to shape the political situation now. . . . It has been proposed to have such a meeting in Baron Schröder’s house in Cologne; he is absolutely reliable. Even if many see the current political circumstances as not favorable, I remain convinced that we can reach our aims without having to go for elections again.”<sup>18</sup>

What was the political situation when these letters were written? Schleicher was Chancellor, his public works program was going ahead with great political resonance. The internal situation of the Nazi Party remained critical, even though Schleicher’s attempt to split the party through Strasser had failed.

Hitler knew that he had no chance to gain a majority in elections, which would make him Chancellor. Were he to try to grab power by illegal means, the Reichswehr would move in, and crush him. The chief of the Army command, General Hammerstein-Equord, had personally told Hitler in December 1932, if you try a coup by illegal means, “I’ll give the order to shoot!”

So, and here we come to the core issue: Hitler had to get the Chancellorship by “legal” means, which meant that Hindenburg—who, twice in the past six months, had rudely rejected Hitler’s bid—would have to name him as his choice for Chancellor.

There were two persons, who might convince Hindenburg: his son Oskar and von Papen. Now we will see, how Schacht and Baron von Schröder orchestrated an operation to do just this.

On Dec. 10, Baron von Schröder met von Papen in Berlin. They discussed arranging a meeting between Hitler and Papen at Schröder’s house in Cologne, far away from Berlin, just as Keppler had written to Hitler. On Jan. 4, 1933, Hitler did meet with Papen and Schröder in Cologne. The meeting was staged in a truly conspiratorial manner: Hitler went by train from Munich to Bonn-Bad Godesberg, where he checked into a hotel. He stayed there until dark,

18. Michalka and Niedhart, *op. cit.*

and then went by car to Cologne, some 50 km away.

The talks among Schröder, Hitler, and Papen lasted several hours. Later, after the war, Schröder stated that, at the Jan. 4 meeting, he, Papen, and Hitler reached the following agreement: Schleicher must fall, Hitler will become Chancellor, and Papen will become Vice-Chancellor under Hitler. Papen would arrange for the non-Nazi right-wing parties to join a coalition government under Hitler and Papen. And, most important, Papen would work over the Hindenburgs, senior and junior. One day after the Schröder-Hitler-Papen meeting, Goebbels suddenly was no longer depressed. On Jan. 5, 1933 he wrote in his diary: "If this coup succeeds, we are not far from power. . . . Our finances have suddenly improved."

### Von Schleicher's fatal blunder

In my view, the events of Jan. 4, 1933 are of decisive historical importance. They represent the *punctum saliens* of the tragedy. Schacht and Schröder, using von Papen, managed to give the political initiative back to Hitler.

But even after the Jan. 4, 1933 Cologne meeting, the course of events was not yet pre-programmed. In spite of all the secrecy, in which the Schröder-Papen-Hitler meeting was set up, the circles around von Schleicher knew in advance that something nasty was being orchestrated in Cologne. Probably the Reichswehr military intelligence tipped off the two journalists, who went to Schröder's house and photographed Hitler and Papen entering it.

Now, Schleicher had to move decisively. The Cologne plot—Schröder; the top banker, Papen, the most reactionary, anti-social politician in Germany; and Hitler, the dictator-in-waiting, had to be exposed. The "public works" issue had to be made the central issue: that Schröder, Hitler, and Papen were conspiring to de-rail the public works program, which was just getting off the ground. But, Schleicher did not do that.

Meanwhile, Papen had realized what danger derived from the fact that his meeting with Schröder and Hitler was no longer secret. He made a devious move, by asking von Schleicher for a confidential meeting, in which he would tell him what "really had happened at Schröder's house." The Papen-Schleicher meeting took place on Jan. 9, 1933, in Berlin. Papen assured Schleicher that the meeting was not to conspire against him, and that Hitler was still making "impossible" demands, which Hindenburg would never accept.

It seems that Papen's trick worked, and that he succeeded in keeping Schleicher from making an offensive counter-move. In an off-the-record briefing to selected journalists, on Jan. 13, 1933, Schleicher created the impression that he had situation under control, and that the Cologne meeting had not really changed the political situation.<sup>19</sup> That was Schleicher's fatal mistake, because the results of the Schröder-Papen meet-

19. Henry A. Turner, *op. cit.*

ing catapulted Hitler out of a desperate situation, right into a successful "legal coup d'état."

### An evil little man: Oskar von Hindenburg

Meanwhile, Papen and Hitler were hyperactive behind the scenes. The details of the Schröder-Hitler-Papen agreement were worked out in several subsequent meetings during January, between Papen and Hitler at the Berlin residence of Joachim von Ribbentrop, then a wealthy champagne salesman. Then, Papen and Hitler worked on Oskar von Hindenburg. They, as well as Schröder and Schacht, knew, that Oskar, a "little man" without intellectual and moral substance, was the central figure, on whom everything depended. Only if they managed to get Oskar to exert sufficient personal pressure on his father, was there a chance to catapult Hitler into power. Papen saw Oskar, and old Hindenburg, almost daily. Oskar lived at Hindenburg's Presidential Residence, where Papen had unrestricted access. On Jan. 22, Hitler himself met for two hours with Oskar von Hindenburg. By that time, Oskar had already become the willing instrument of evil. He told the State Secretary in the Presidential Office, Otto Meissner: "There's is no way to get around this Hitler."<sup>20</sup>

Jointly, Papen and Oskar worked over the 87-year-old Reich President Hindenburg. On Jan. 28, 1933, Hindenburg relieved Schleicher of his duties as Chancellor, and on Jan. 30, named Hitler Chancellor. Why did old Hindenburg do this? Had he not, on Aug. 13 and on Nov. 24, 1932, flatly rejected Hitler's demand to be named Chancellor? The following should be considered here:

1. It was no secret that Oskar von Hindenburg passionately hated von Schleicher, even before Papen and Hitler had worked him over. At the above-mentioned press briefing by von Schleicher, the Reich Commissioner for Public Works Günther Gerecke, who was also there, emphasized this to the assembled journalists.<sup>21</sup>

2. Nine months later, on Aug. 10, 1933, the Nazi-controlled Reich government donated a vast tract of state forest in East Prussia to Oskar von Hindenburg.<sup>22</sup>

3. Oskar von Hindenburg had been in dire financial straits for several years. Moreover, Oskar's financial activities had moved into the realm of corruption and criminality. At a minimum, had his ruinous financial situation become public, it would have cost him his "honor," in terms of the honor code of Prussian nobility.

In his autobiography, *The Long Road Home*, Wall Street banker James P. Warburg reports that in July 1931, Paul M. Warburg had offered the German government an emergency

20. Gottfried Reinhold Treviranus, *Das Ende von Weimar* (Düsseldorf, 1968).

21. Henry A. Turner, *op. cit.*

22. G.R. Treviranus, *op. cit.*

credit for the collapsing Danat Bank, provided that first, a thorough audit would be made. According to Warburg, then-Chancellor Heinrich Brüning was in tears, when he said that he had to reject the offer, but could not say why. Remember that, before becoming Reichsbank president, Schacht been an executive of Danat Bank, and it is quite unlikely that he would not continue to receive sensitive information from his “old” bank. Warburg further writes, that later audits at Danat Bank revealed that on the books of Danat Bank was a “mysterious, non-performing loan of 10 million reichsmarks to Oskar von Hindenburg”!

Had this become known, Reich President Hindenburg would have had to resign immediately, as, after all, his son was his closest aide and adviser. At the time, there was a saying that Oskar von Hindenburg was “the son of the Reich President, not foreseen by the authors of the Constitution.” That is why Brüning, at a moment of the worst financial crisis in July 1931, had refused the Warburg credit for Danat Bank.

In Oskar von Hindenburg’s massive debt, lies probably the real secret of what was worked out among Schröder, von Papen, and Hitler, at that fateful meeting on Jan. 4, 1933 in Cologne. And Schacht, one can safely assume, also knew about Oskar’s debts. The available evidence indicates that Oskar was the “Achilles’ heel,” which Schröder, Schacht, Papen, and Hitler diabolically used to “turn” old Hindenburg.

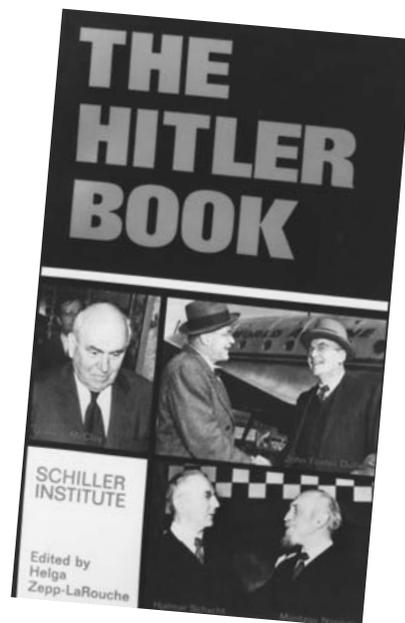
Once Hitler was in power though a “legal coup,” he acted swiftly. On Feb. 27, the Nazis orchestrated the arson attack against the Reichstag building, and this incident was then used as the pretext for declaring a full state of emergency in Germany, suspending all constitutional rights. This was followed by the March 23 *Ermächtigungsgesetz* and the various *Gleichschaltungsgesetze*, which, by May 1933, led to the liquidation of all parties—except the Nazi Party, of course—and the trade unions. By that time, Jewish citizens were purged from the civil service. Already, on March 17, 1933, Schacht had been named president of the Reichsbank by Hitler. The totalitarian dictatorship was in place in early summer 1933.

On Aug. 2, 1934, Hindenburg died, and Hitler made himself Reich President, and from that point, the Army had to swear allegiance to Hitler personally. Two months earlier, on the morning of June 30, 1934, five SS men in plain clothes had stormed into the house of General von Schleicher. They were armed with pistols and instantaneously opened fire, killing Schleicher and his wife. At the same time, Maj. Gen. Ferdinand von Bredow was shot dead.

Bredow had been for many years Schleicher’s closest collaborator in the Defense Ministry, a man with access to the Reichswehr’s intelligence files, who knew the secrets that Schleicher knew, especially those which concerned Hitler’s really powerful backers, in and outside Germany, and the way that Hitler’s “legal coup d’état” was orchestrated in January 1933.

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## 'Shelton Plan' goes into action against Iraq

by Muriel Mirak-Weissbach

In the last week of February, the daily U.K.-U.S. bombing sorties in northern and southern Iraq, have escalated to the level of all-out war, whose aim is to prepare the terrain for the violent overthrow of the Saddam Hussein government.

Following the "made-for-TV" capture of Kurdish Workers Party (PKK) leader Abdullah Ocalan (see *EIR*, Feb. 26, p. 32) on Feb. 15, the offensive against Iraq moved into high gear, with the invasion of 20,000 Turkish troops into northern Iraq. Just days later, on Feb. 19, the high-ranking Shi'ite cleric, Imam Mohammed Sadiq al-Sadr, was killed with his two sons in the southern Iraqi city of Najaf. The assassination immediately triggered protests among Iraqi Shi'ites, in Iran, Jordan, and also Iraq. While Tehran issued relatively moderate statements denouncing the crime, the Shi'ite Iraqi opposition group, known as the Supreme Council for the Islamic Revolution in Iraq (SCIRI), claimed that the Iraqis had killed the cleric, and that in response, hundreds, if not thousands, of protesting Iraqis had been brutally repressed. The SCIRI leader, Mohammed Baqir Al-Hakim, after meeting with other Iraqi opposition groups, including the Communist Party and Kurdish parties, issued a joint statement on Feb. 22, calling on all Iraqis to rise up against the Baghdad regime, and stated that "international support should be made use of in the current situation."

The Saudi press gloated over the news of riots, editorializing on Feb. 22, that this was the "beginning of the end of Saddam's regime." *Al-Riyadh* wrote, "If these demonstrations in the Iraqi cities are only a protest against this hideous crime, the second step which will follow is an internal, comprehensive rebellion whose elements already exist without need for the Iraqi authorities to speak about a conspiracy or foreign intervention." And the daily *Al-Bilad* wrote wishfully, "What is happening in Iraq is the beginning of a massive revolution against oppression and dictatorship."

The move by the opposition groups, calling for insurrec-

tion, conforms to the script which U.S. Chairman of the Joint Chiefs of Staff Gen. Henry H. Shelton has been following, according to which, under massive U.K.-U.S. aerial fire power, such uprisings should take place in the southern and northern "no-fly zones," under the banner of the motley collection of opposition groups authorized by the Iraq Liberation Act. In fact, beginning Feb. 21, the U.K.-U.S. aircraft escalated their bombing, expanding raids beyond the "no-fly zones" (allegedly in response to Iraqi provocations) to eliminate every imaginable Iraqi military target, including anti-aircraft defenses, military camps, and air bases. On Feb. 21 alone, 42 sorties by warplanes over southern Iraq were reported by an Iraqi military spokesman. They included carrier-based F-14s and F-16s, along with Saudi-Kuwaiti-based F-15s which were backed up by two radar planes, an AWACS and an E-2C, which remained inside Saudi air space. British Tornados based in Kuwait also participated in the operations.

Shelton himself toured the region during that week, visiting Jordan, Qatar, Saudi Arabia, and Bahrain. When asked by *Al-Hayat*, whether the plethora of recent visits by U.S. officials had been to prepare a new offensive against Iraq, Shelton replied that "all options are open, especially if Iraq attacks one of its neighbors." He added, that the U.S. was committed to helping "the Iraqi opposition inside the country and abroad," and explicitly stated, "we will continue to extend every possible assistance to change the [Iraqi] regime."

His talks in Jordan with King Abdullah must have been successful, judging from the outcome of subsequent talks the new monarch had with Iraqi Foreign Minister Mohammed Saied Al-Sahhaf. Although Abdullah was cited saying Jordan would not be used as a springboard for operations against its neighbor, Al-Sahhaf stated after the meeting that he "did not see any indication that Jordan had changed its attitude toward Iraq," and cancelled a press conference which he was to hold in Amman. Opposition leader Laith Shubeilat spelled out for

*EIR*, how outside pressures on Jordan have been exerted, to maintain its adherence to the anti-Iraq strategy (see interview below).

Significantly, as all the pieces began to fall together exactly as identified by Lyndon LaRouche in his document, "Why Shelton Must Be Retired Now" (*EIR*, Jan. 15), Iraqi government leaders began to speak out publicly, exposing the Shelton doctrine, albeit not by name.

On Feb. 21, the *Jordan Times* reported on remarks made by Iraqi Vice President Taha Yassin Ramadan, in an interview with the U.A.E. daily *Al Khaleej*. Ramadan charged that an attempt had already been made in December, during the air strikes, to invade Iraq. He said, that the opposition troops entered Iraq on the second day of the air strikes, Dec. 18. The plan, he said, was for "the Americans and British to lead intensive aerial raids, and under this cover, ground troops supposedly from the opposition were to enter Iraqi soil, because the Americans did not want to sacrifice their soldiers." He went on to say, that the troops "attacked all the vital installations to isolate the south from the center: communications, television, and radio." Then, "On the second day, U.S. planes dropped notes to the army, telling the soldiers, 'If you don't fight against civilians, we will not attack you,' because they expected civilian demonstrations."

Ramadan continued: "Those who call themselves the Islamic opposition entered from Iran. When they crossed the border, some gave themselves up when they saw the security situation, some fled and others were killed." He said that Baghdad had "taken precautions because we knew they would try to carry out this plan through those who have lived far from Iraq for years." Significantly, Ramadan added that he thought there was a parallel plan to send troops into the north as well, toward "Mosul, Kirkuk, and other towns."

Similarly, following the assassination of the Shi'ite scholar, the daily *Al-Hayat* reported on Foreign Minister Al-Sahhaf's remarks, in which he charged that "American agents" had perpetrated the crime. He told reporters, the Iraqi "government has obtained serious, and credible information on the plans to divide Iraq." Announcing that this information would be released soon, he stressed that the United States and Britain are preparing for a major land offensive. British press outlets quoted Al-Sahhaf, to the effect that the U.K.-U.S. air strikes were "part of U.S. preparations for a ground attack."

### **The war party mobilizes in Washington**

Promptly, inside the United States, the London-based Iraqi National Congress, an umbrella opposition group, released an open letter to President Clinton, calling for implementation of the Shelton plan: from recognizing a provisional government, to consolidating the safe havens in north and south; from lifting sanctions to these areas controlled by the puppet government-in-waiting, to "assisting the provisional government's offensive against Saddam Hussein's regime logistically and through other means." The letter also calls for launching a "systematic campaign against . . . the Republican

Guard divisions" and to "position U.S. ground force equipment in the region, as a last resort, we have the capacity to protect and assist the anti-Saddam forces in the northern and southern parts of Iraq." The letter sports the signatures of prominent individuals, such as Stephen Solarz and Paul Wolfowitz, all associated with George Bush or Al Gore, all politically aligned with the Principals Committee; there are no partisans of President Clinton to be found.

Meantime, Britain's Derek Fatchett, Minister of State for the Foreign and Commonwealth Office, Member of Parliament and a Privy Councillor, arrived in Washington on Feb. 25 to brief a closed-door meeting at the Center for Strategic and International Studies (CSIS) on Iraq. Fatchett laid out the strategic purpose of the bombings: "We went into this with no broader strategic aim, but other consequences have flowed from it. The bombing is weakening and dislodging the grip of Saddam Hussein, who had a completely irrational response to our flights over the 'no-fly zones.'

"The bombing is moving toward the center of Iraq to within 30 miles of Baghdad. Of course, the bombing arises from 'hot pursuit' of those who target our aircraft. . . . But, the bombing comes closer and closer to Baghdad. We are taking out very significant military installations."

In response to a question of whether the bombing would help or hinder the Iraqi opposition forces, Fatchett said: "There has been a step change in the internal foundations of Iraq. Continued U.S.-U.K. bombing has shaken the foundations of Iraq. Saddam Hussein has become like the guy in the bar, who asked everyone to hate him and they did. We have shaken his own self-confidence. We have done considerable damage to the Republican Guard. One question is how deep is the Shi'a discontent, because they represent a real threat to his regime. They form the majority of the Army, though not the Republican Guard. . . . While we don't have the ability to arm the Kurds in the north, who have some organization, or the Shi'ites in the south, the bombing shows that they have some U.S.-U.K. support. Our bombing in the 'no-fly zones' has shaken Saddam Hussein further. . . . I would say that this step change has now entered the final chapter of Saddam Hussein's rule."

Fatchett also reported on British machinations inside the UN Security Council, which, he said, had succeeded in bringing the French over to their position. He added that the UN body was sufficiently preoccupied with the Balkans, to ignore what is going on in Iraq. Whatever is being discussed on Iraq, he said, is in the context of the three new panels which have been set up, on monitoring, humanitarian aid, etc. Fatchett denied that Britain or the United States had any intention of dismembering Iraq, or had been involved in any attempts to stage a coup through Iraqi military figures. He stuck to his contention that the "final chapter" had been opened.

The British are committed to seeing the Shelton doctrine applied to the end in Iraq, and would like to ensure that the United States, President Clinton in particular, take the blame for the bloodshed and chaos which will ensue. If this plan is

implemented, Turkish troops engaged in the northern terrain will quickly find that they cannot eliminate the PKK guerrilla forces in direct combat, and will be drawn into a morass reminiscent of the Afghanistan disaster. In the south, where, Fatchett confirmed, the Shi'ite option is to be used, civil war would erupt, and the social dislocation would immediately spill over into predominantly Shi'ite Iran.

One most significant feature of the Iraqi developments, which the British have not addressed, is the publicly stated awareness, on the part of the Baghdad leadership, of what the contours of the British-American gameplan is. To the extent that the truth about the ongoing aggression becomes known, specifically, the strategic objectives of the British and their colleagues in the Principals Committee around Gore, Albright, Shelton, and U.S. Defense Secretary William Cohen, the chances are greater that catastrophe can be averted.

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## Interview: Laith Shubeilat

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# Jordan is unprotected from New World Order

*Laith Shubeilat is acknowledged as the leading opposition figure in Jordan. He served as an independent Islamist member of Parliament during 1984-93, and decided against running for reelection, for political reasons, although he had been elected with the largest number of votes cast for any candidate. An engineer by education and profession, Shubeilat has been the head of the Jordanian Engineers Association, the most powerful of the professional associations in the country. He has been a harsh critic of the peace process with Israel, and has led a relentless battle to defend the sovereignty, the national economy, and the people of Jordan, from the ravages of the International Monetary Fund's (IMF) programs. He has been in the forefront of efforts to defend Iraq. Shubeilat was arrested, tried, and convicted on politically motivated charges, twice, and was incarcerated, before being pardoned by the late King Hussein.*

*He was interviewed on Feb. 23, 1999.*



**EIR:** If you've seen *EIR* recently, you know that we are

campaigning to try to stop this intervention into Iraq. Lyndon LaRouche put out a paper, some weeks back, in which he demanded that Gen. Henry H. Shelton, Chairman of the Joint Chiefs of Staff, and Defense Secretary William Cohen, be retired. This was circulated in Washington and internationally, and has had an impact. LaRouche is saying these people are insane: They think they could go in with air cover, and then ground forces, and set up some kind of beachhead in northern and southern Iraq, and then overthrow Saddam Hussein's government, and so on. They think they can do this without civil war, without destabilization.

You know the Iraqi situation well. You were in Baghdad, and you met with people there. How do you evaluate it, and how do they look at it?

**Shubeilat:** They certainly look at it as a conspiracy, that all are conspiring against them, especially the Arabs. That the bombardment in December was given a green light by most of the Arab governments, unfortunately. But fortunately, the Iraqis were very well organized, very well prepared for the bombardment. The rockets were flying overhead, but the Iraqis didn't care. All crime stopped. No crimes were registered by the police during the days of the bombardment.

After a week of bombardment, Saddam Hussein made his famous speech, in which he asked for the toppling of the Arab regimes. Basically, what he was saying [to the Arab regimes], was that if you do not agree with me, and you are talking to the Iraqi people, fine. I'll deal the same card: I'll talk to your people. Let's see whose people will listen to which leader. Number two, he was telling the Americans and the Kuwaitis and everybody, look, first the United Nations Security Council said that Iraq should get out of Kuwait. Fine, we got out of Kuwait. Then, you imposed another condition, and another, and another. Now, you say you do not accept the regime. Well, this is the regime that made all the agreements with you. Fine, you don't accept this regime, then there are no agreements. I do not agree with all the agreements that we have signed.

He went on a very advanced diplomatic offensive, and the Arab regimes could not answer; none of them could really answer with convincing language. They could not counterattack against Saddam Hussein's stance with rhetoric. So, he emerged as the strongest regime politically, while all the Arab regimes became endangered, because they lost a lot of their legitimacy, by conspiring against the government of Iraq. That's why they rushed for a summit [of the Arab League]: so as to make it look, to their people, as if they were meeting for Iraq. But as time passed, they even renounced the summit, and they are back, conspiring with the Americans and the Israelis against Iraq.

**EIR:** Was that the meeting in Cairo, which the Iraqi Foreign Minister Al-Sahaf left in protest?

**Shubeilat:** Yes, it was in preparation for the summit.

**EIR:** How do you evaluate the situation now? There is a

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*Certainly Mr. LaRouche is qualified to be an adviser to any politician, to anybody who wants to lead his country into a sane, humane, humanistic, developing future.*

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changed situation in Jordan, too.

**Shubeilat:** It is the same policy; as a matter of fact, the new King said that Iraq is not ready to be rehabilitated, and he had bad words to say about Iran. The Iranians answered [by not sending a delegation to King Hussein's funeral]. All these big ceremonies in Jordan had one message: that Jordan will remain, if it accepts to be a "Zionist Jordan." There will be no Jordan, if Jordan moves away from Zionism. Now, Zionism is against Iraq; Zionism is against Arabs; Zionism is for the IMF; Zionism is for all the colonial policies in the area.

**EIR:** Do you think that there would have been a different policy if Prince Hassan had become the new King?

**Shubeilat:** No, I don't think so. The whole family is competing to appease the Americans and the Israelis. The problem between Prince Hassan and the new King, the ex-problem, was that King Hussein wanted one of his children to succeed him—in fact, it was rumored that he wanted Hamzeh [his son by Queen Noor], but he had no time, since sickness was crushing him, so he settled for half. Bringing in Abdullah does not need a constitutional change, [since Abdullah, his oldest son, had originally been Crown Prince, before the King transferred the position to his own brother Prince Hassan, in 1965]. But bringing in Hamzeh would have required such a change [to reverse the decision made in 1965], and that would have required at least a couple of days, which he did not have. He had only hours. He arrived at the Mayo Clinic in a coma.

**EIR:** But Hamzeh has now been named the Crown Prince, by the new King, so that matter has been settled.

**Shubeilat:** Yes, with an American mother, very well tied to the Americans.

**EIR:** And the mother of the new King is British.

**Shubeilat:** Yes, and I think the wealth is there, too. But, that's only speculation.

**EIR:** How do you see the developments in Turkey? It's very clear now that the capture of Ocalan was done by the Israelis, the British, the Turks, and the Americans, who put pressure on the Greeks and the Kenyans to go along with it. And as soon as the Turks had the assurance that Ocalan was going to be given to them on a silver platter, then they sent Iraqi Deputy Prime Minister Tariq Aziz back home, after having rejected his request that they desist from supporting the U.S.-U.K. air strikes against Iraq. The Turks then moved into northern Iraq.

What do you think the Turkish government is actually doing?

**Shubeilat:** Turkish policy is well known. The question is not really what the Turks are doing. The shameful question should be, why the Europeans accepted it, and why peace-loving, democracy-loving western Europe and America accept these double standards. Now, the real heart of "Kurdistan" is in Turkey. The Iraqi Kurdish people are received at the White House, while Ocalan, who claims to represent the majority of the Kurds, on their land, is treated as an outlaw. Once again, a double standard.

Everybody knows what Kemalist Turkey wants. But the question is, again, where is the morality of Europe and America? Europe is also losing its morality; there is no more morality. And there is a very dangerous deception going on.

**EIR:** The Europeans, the IMF, the United States, the Saudis, the Kuwaitis, among others, are providing financial aid, to stabilize Jordan. You are one of the people who has led the campaign against the IMF policies there. We know that what the IMF has done in Jordan over the past couple of years has led to the destruction of the economy. Can you give me a picture of what is happening now with the IMF, which is negotiating a new program for Jordan? How is the political debate in Jordan, around this economic policy?

**Shubeilat:** Unfortunately, there is no political debate in Jordan. There is debate in the salons, but in general, we have an authoritarian group with a democratic camouflage. Things like the IMF are not subject to real discussion. On the contrary, orchestration and programs and media programs are designed to convince the people that what is coming is best for them. But everybody now—not like before, when only your movement, and a few others around the world, identified the IMF and the New World Order as enemies—now everybody is talking with animosity toward the New World Order, this order of looting nations. Now, Jordan is left without any protection: no protection from tariffs; industry is not protected; no protection of its land, because anybody can buy land, foreigners can buy land.

**EIR:** What is happening with privatization?

**Shubeilat:** Like everywhere else, privatization is looting.

**EIR:** Is there no opposition on the part of the professional associations?

**Shubeilat:** There is. We are all opposed; everybody is opposed. But those who are opposed are so weak, that they will

not elevate their form of opposition; they only say that they are opposed. They make a statement, but they do not demonstrate, or [are not willing] to pay the price of demonstrations, because demonstrations are banned. So, we are left with a very mediocre opposition. That is the main reason that you find me, in the last couple of years or more, more and more lonely, a sort of a Lone Ranger, even within the opposition. They say that they see eye to eye with me, but they don't. Actually, when it comes to standing for what you believe, most of them shut their mouths, and somebody like me, and a couple of others, are left taking all the heat.

**EIR:** We know what that means, and we know what you've been through, having been falsely accused, convicted, and imprisoned several times. As you know, we are trying to change policy in Washington, so that this madness represented by Vice President Al Gore, Secretary of State Madeleine Albright, Cohen, and Shelton, the British and the Israelis, be eliminated, and a sane policy be introduced. We are convinced that the only way to do this is to change the economic policy of the United States, which will shape its foreign policy. You know that we are circulating a petition to have Mr. LaRouche nominated as the economic adviser to Clinton. I want to ask you what you think about that, and what you think a rational, healthy American foreign policy should be, toward the whole region?

**Shubeilat:** Mr. LaRouche is on record, because he alone, for the last decades, has been championing the policy of saving the world from the lunacy of the monetarists, and this sort of distorted capitalism. No one now can hide their heads like ostriches in the sand. Even [Federal Reserve chairman Alan] Greenspan and others, the financiers and champions of the world order, concede that the international order is in trouble. They are uttering statements that show more and more distrust in the order, and saying it should be reformed. Certainly those who are leading the aggression of the New Order, with their disorder, are not eligible at all to restore this order back to order. Certainly Mr. LaRouche is qualified academically, qualified by his sturdiness, by his patience—his undeviating patience; his encyclopedic knowledge in mathematics, physics, economics, music—his very, very deep and wide education. And in economic theory, he is qualified to be an adviser to any politician, to anybody who wants to lead his country into a sane, humane, humanistic, developing future.

**EIR:** We are working very hard for this, and we are optimistic. Is there anything else you would like to say to our readers?  
**Shubeilat:** That we should all join forces against evil, and that we should work hard in rallying more and more support for those who are working to save humanity from the horrors of Apocalypse.

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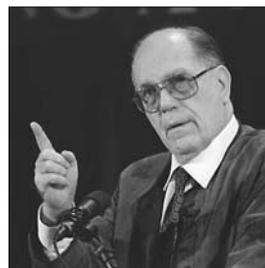
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# India, Pakistan prime ministers' meeting promises a 'new beginning'

by Ramtanu Maitra

Indian Prime Minister Atal Behari Vajpayee and Pakistani Prime Minister Nawaz Sharif met on Feb. 21 in Lahore, Pakistan, to formulate ways to adopt confidence-building measures in the nuclear field, to avoid intervention and interference in each other's affairs, and to intensify efforts to resolve outstanding issues between the two, including Jammu and Kashmir. Subsequently, the two prime ministers signed a joint declaration, billed as the "Lahore Declaration," which reaffirmed their commitment to the goals and objectives of the South Asian Association for Regional Cooperation (SAARC). They expressed determination to expand efforts toward the realization of the SAARC vision for the year 2000 and beyond, to promote the welfare of the peoples of South Asia, and to improve their quality of life through accelerated economic growth, social progress, and cultural development.

The tone of the meeting was set by the Indian Prime Minister, who had taken up an invitation from Nawaz Sharif to visit Pakistan, when he told hundreds of Pakistanis, including the Prime Minister, who were waiting to receive him on Feb. 20 at the India-Pakistan border post at Wagah: "Put aside the bitterness of the past. Together let us make a new beginning." Prime Minister Vajpayee was on the bus inaugurating the new service from New Delhi to Lahore, linking India and Pakistan by road.

Prime Minister Vajpayee made a 48-hour visit to Pakistan to hold "substantive discussions" with his Pakistani counterpart. Before he left for Pakistan, Vajpayee had told the Indian people that violence would not resolve any problem, and conveyed India's willingness to have "sustained discussions" on all issues including Jammu and Kashmir.

## Emphasis on development

Speaking at a reception held by the Governor of Punjab in the provincial capital, Lahore, Prime Minister Vajpayee said, referring to the continuing poverty in the subcontinent, that excuses had been available as long as the area was under colonial rule, but today there are no excuses as to why the region is lagging behind the rest of the world. Reciting his own poem, he said: "*Bharose ki hawa ki zaroorat hai*" ("There is a need for an atmosphere of trust"). He also told the appreciative crowd that it was not for an Indian Prime Minister to put

his stamp of approval on the creation of Pakistan—Pakistan has its own identity as a separate nation.

The visit, which has been billed by some as a mere "gimmick," may turn out to be a trail-blazer in the near future. There are already signs that both sides at the highest level have come to realize that violence truly does not solve any problem, and that it is absolutely essential to develop a relationship from which both India and Pakistan can mutually benefit. Vajpayee told Sharif that India has tried to improve relations with all its neighbors, and referred to India's strong bilateral relations developed in recent years with Sri Lanka and Bangladesh. He said that India wants to expand trade relations with Pakistan as well.

"If you have excess electricity, we would like to buy it, provided the price is right," Vajpayee said with a smile. Pakistan, he pointed out, is buying wheat from countries far away, but India could deliver wheat to its doorstep.

From available reports, it seems that India and Pakistan will soon announce agreements on enhancing trade and commerce across their borders. Another crucial area on which discussions will soon be held at the official level, is restoration of the desert rail-link between India and Pakistan—the Munnabao-Khokraparkar railway, which has not been in use since the 1965 India-Pakistan war. Chief Minister Ashok Gehlot of the Indian state of Rajasthan publicly expressed his hope that the two prime ministers would initiate a process which will lead to the early restoration of this trade and passenger route.

## A rail corridor

The thrust to open the desert link must be read in conjunction with the two-day meeting (Feb. 20-21) held in Tehran, the capital of Iran, where India, Pakistan, Iran, Bangladesh, and Kazakhstan met. The Indian representative, Dr. V.K. Agarwal, the chairman of the Indian Railway Board, participated in the meeting to formulate ways to develop a rail corridor between Kazakhstan and Bangladesh via Iran, Pakistan, and India. The Tehran meeting was organized under the aegis of the International Railway Union (IUC), a Paris-based organization.

IUC has identified the South Asia-Central Asia rail corridor as one of six that need to be developed to enhance rail

freight traffic. The other five corridors are: Korea-Japan-China-Europe, West Asia-Europe, Maghreb-Europe, East Africa-South Africa, and North America-Europe. Vipin Sharma, world director of the UIC, told reporters in Paris that as the production base of the world economy shifts increasingly away from the Western countries, and the traffic flow matrix changes significantly, these corridors will assure uniformities.

The opening up of the Munnabao-Khokraparkar line, the meeting in Tehran to develop a rail corridor between Kazakhstan and Bangladesh, and the two prime ministers' "substantive discussions," must be read in conjunction with the growing realization that it is imperative to integrate South Asia with Central Asia and beyond to Europe by rail, forming a part of the southern corridor of the Eurasian Land-Bridge.

It is certain that opposition to this proposed corridor, fuelled by externally instigated provocations, will increase significantly in the coming days. Terrorists killed at least 20 people in Kashmir on the very day that Prime Minister Vajpayee was riding the bus to Pakistan, which observers took as a warning. In Pakistan, extremist organizations, controlled from London and operating within Pakistan under the aegis of a number of terrorist organizations, demonstrated against Vajpayee's visit and the grand hospitality accorded the guest of honor arranged by Prime Minister Nawaz Sharif. A group of demonstrators in Lahore even threw stones at a billboard which showed the portrait of Muhammad Ali Jinnah, the officially acclaimed father of Pakistan.

In addition, it must be remembered that Prime Minister Vajpayee heads a coalition government in New Delhi with the support of a gaggle of small parties. These parties, which each have an entirely different worldview, are bereft of all vision and have joined the government with the abject purpose of making petty political gains. In Pakistan, where Prime Minister Nawaz Sharif received a massive political mandate in the last general elections, the overall situation has become worse. The adoption of the International Monetary Fund-World Bank-led policies, and operations by externally controlled terrorist movements within the country, have significantly weakened Sharif's political base. As a journalist pointed out, any hint of weakness on Kashmir by the Prime Minister to accommodate New Delhi could trigger a no-holds-barred revolt within Sharif's party, which has grown out of hard-line orthodox Muslim groups.

### **Economic linkage**

In India, the immediate reaction of political opposition groups will be guarded. The political parties, including the Congress Party, will do their best to underplay the event and seek to embarrass the Vajpayee-led government for its failure in other areas. In effect, little help will be coming from the political circles opposed to Vajpayee's Bharatiya Janata Party.

At the same time, new initiatives undertaken by both Vaj-

payee and Sharif provide them with an opportunity to break free of these political shackles and make a "new beginning." In this context, positive responses issued by both Washington and Beijing to the historic meeting will go a long way in helping India and Pakistan to advance their relationship. In fact, Chinese Defense Minister Chi Haotian arrived in Pakistan the same day that Prime Minister Vajpayee arrived in Wagah. President Bill Clinton has commended both prime ministers "for demonstrating courage and leadership by coming together and addressing difficult issues" that have long divided them.

Speaking on Feb. 22, Clinton said, "South Asia, and indeed the entire world, will benefit if India and Pakistan promptly turn these commitments into concrete progress." He gave his assurances that the United States "will continue efforts to work with India and Pakistan to promote peace in the region." Also important to note is the on-the-spot acceptance by Prime Minister Nawaz Sharif of the invitation extended to him by Prime Minister Vajpayee to visit India.

Further important support was expressed by Iranian Foreign Ministry spokesman Hamid Reza-Asaefi, who said that his country hoped the summit-level talks between the two countries would lead to peace in the region. A Foreign Ministry spokesman in Bangladesh echoed these remarks, saying any improvement in advancing the Indo-Pakistani dialogue on contentious issues would be good news for the region.

### **An Indo-Pak Chamber of Commerce**

For support within their countries, both prime ministers will have to depend on the business community and industrialists. For the first time in the history of these two nations, an Indo-Pak Chamber of Commerce has been set up. The contours of the new organization are being worked out and will be announced shortly.

Confederation of Indian Industry president Rajesh Shah and Lahore Chamber of Commerce chief Parvez Hanif have agreed to form a task force which will identify areas of cooperation. The two captains of industry met in Lahore during Vajpayee's visit and have identified cooperation between the small and medium-size enterprises of the two countries. The task force will also look at cooperation in various sectors, including quality control, technology, environment management, and human resource development. In a report to be submitted within 90 days, the joint task force will study government policy and procedures of both countries, with regard to improving infrastructure, communications, and transport facilities. It will identify areas for industrial cooperation, enhancing trade, technology transfer, and joint ventures.

Another major Indian chamber of commerce, Assocham, has identified the poor infrastructure of both countries as an impediment to large-scale growth in trade and commerce, and has articulated the need to strengthen the transport links, especially surface transport.

# Why is Chávez in such a hurry to dismantle Venezuelan nation-state?

by David Ramonet

Hugo Chávez was inaugurated as President of Venezuela on Feb. 2, but unlike his predecessors, Chávez did not swear to uphold and ensure the implementation of the Constitution of the Republic. When he put his hand on his country's Constitution, he said instead: "I pledge before my people that upon this moribund Constitution, I will carry out the necessary democratic transformations for the New Republic to have a Magna Carta adequate to these new times. This I swear."

In his inaugural speech—during which some said he resembled an "evangelical preacher" and others a "romantic Jacobin"—he announced plans to ram through a referendum decree to convoke a Constituent Assembly to re-write the constitution which, for at least some of his supporters, takes as its model the Colombian Constituent Assembly of 1991, which was financed by the drug cartels in that country. Determined to prevent the Venezuelan Congress from setting the ground rules of his Constituent Assembly call, Chávez swore in his cabinet, and then, within hours, convoked a Council of Ministers to sign the referendum decree. At the end of the day, in the company of Fidel Castro and other heads of state who attended the ceremony, he went before a mass meeting to reaffirm his pledge.

The decree in question poses two questions to the electorate: 1) should a Constituent Assembly be convoked, or not; and 2) proposes that the President set the guidelines for putting the Assembly together. Together, the two questions have triggered a storm of protests in various political sectors of the country, and have created a deep institutional crisis.

For example, Cong. Gabriel Puerta Aponte, leader of the Red Flag organization which was with the guerrillas in the 1970s, said that "one can't tell if this participatory social democratic state that Chávez is trying to impose comes from some ideological current like Italian Fascism. . . . You can't just invite the people to support something if they don't know what it is. This is Chávez abusing the support the people granted him."

According to well-known Venezuelan writer Jorge Olavarría, "We are operating in the glare of the false democratism of the referendum and the plebiscite. I want to remind people that consulting the people by means of a referendum is one of the practices put into effect under the French Revolution, and it has nearly always been to establish autocratic and authori-

tarian regimes." Olavarría made his observation while making public his letter of resignation from the Presidential Constituent Assembly Commission, which had been created by Chávez once he was President-elect.

At present, there are two legal challenges to the referendum decree before the Venezuelan Supreme Court, one of them advised by Olavarría. But in the same way that President Chávez considers the National Congress illegitimate because the political parties are represented therein, so too does he insist that the Supreme Court must not make decisions on the basis of standing legislation, but rather according to "the clamor of the people." In a Feb. 15 mass rally commemorating the Angostura Congress installed by Simón Bolívar some 180 years ago, Chávez said that "if the Supreme Court nullifies the decree, it is up to the people to act. . . . Then we will be speaking from the streets. I will go to the streets with you."

This flood of proclamations and threats from the newly inaugurated President, raises the question: Why his insistence, and nearly desperate haste, to convoke the Constituent Assembly?

Chávez's insistence stems from his most fundamental political belief structure, based on the Jacobinism of French philosopher Jean-Jacques Rousseau, to whom only "the people" (that is, the mob) is sovereign, and not the institutions of the nation-state which translate the Common Good of society into a system of Constitutional law. And the haste is due to the fact that Chávez is carrying out economic measures of the purest neo-liberalism, which in a matter of months will lose him the popular support he enjoys today.

## The economy, in the shadow of the IMF

President Chávez's Jacobin passions are not evident when he deals with economic affairs, however. Without a popular referendum, or even a half-hearted plebiscite, the President decided to keep the International Monetary Fund's (IMF) oversight program, known as the "shadow program," and kept Maritza Izaguirre, his predecessor's Finance Minister, in her post. Before his inauguration, Chávez had already stated that he would not "satanize" the IMF.

Days before his inauguration, Chávez travelled to the United States, where he met with IMF Managing Director Michel Camdessus. He also met with the director of the U.S.

National Security Council, a meeting briefly joined by President Clinton. As the result of his talks with Camdessus, Chávez's administration is now studying an expansion of the IMF's shadow program, to formalize it within a new framework which would oblige the Venezuelan government to more readily adjust to IMF conditionalities.

Chávez reported on Feb. 17, that he will introduce legislation to the Congress which will allow him broad latitude to issue economic decess, in order to accelerate his economic measures, which in essence translate to more tax measures, a wage freeze, and administrative austerity. He announced that the long-awaited "increase" in the minimum wage will come to a mere 20%, going from 100-120,000 bolivars a month (some \$208), which in real terms means a substantial wage reduction, given that last year's inflation rate was 36%. Further, this nominal wage increase would only cover public sector workers.

With regard to the private sector, wages will be fixed in accordance with the situation of each individual company and sector of the economy, to be worked out by the Labor Minister and the business associations, because, according to Chávez, the Federation of Venezuelan Workers "is not legitimate, as the private business sector is." In response, the Venezuelan labor leadership has protested before the International Labor Organization and other international union organizations. Again, Chávez responded with a mass meeting: "The corrupt people . . . can turn to the protocols of Hell if they want to."

Chávez's tax reform includes the imposition of a value-added tax, to replace the current wholesale tax, whose 16.5% rate will be reduced by 1-1.5%. At the same time, the taxable base will be broadened, to include categories which have yet to be announced. Further, there will be a tax on banking and financial transactions, ranging from 0.5 to 0.75% of each transaction, a measure recently implemented by the Brazilian government on instructions from the IMF.

But the centerpiece of the reform will be to give broader police powers to Seniat, the tax collection agency, of which Chávez has just proclaimed himself commander in chief. To meet the most immediate needs of the most needy sectors of the population, he announced the creation of a Plan of Immediate Sustainable Action, a civil-military program in which he will reportedly involve the military's engineering and medical corps in agriculture and infrastructure development, and medical assistance.

### **'Peace' dialogues**

The development with the greatest regional and international significance is Chávez's offer of the city of Caracas as the site for negotiations between the government of Colombia and the National Liberation Army (ELN), a Colombian narco-terrorist group that operates along the Venezuelan border, which the terrorist forces frequently cross to kidnap Venezuelan ranchers, extort residents, and systematically harass border posts of the Venezuelan Armed Forces.

On Feb. 9, the same day that President Chávez unveiled his economic plans, Venezuelans read in the morning press that two representatives of the ELN and the Colombian government's "peace commissioner" were in Caracas. The newspapers revealed that one day earlier, the ELN had kidnapped three more Venezuelan ranchers and stolen several head of cattle.

Asked to comment, President Chávez repeated that this was just another effort to contribute to peace in Colombia. "We are not enemies of the government, nor of the guerrillas, of Colombia. This is an internal conflict, and we cannot interfere," he said.

His comments left everyone speechless, since it is obvious that neither the Army nor the government of Colombia have attacked Venezuela, whereas the ELN, to whom Chávez has given the same status as the Colombian Army, is carrying out acts of hostility against Venezuelan citizens, on Venezuelan territory. It became necessary for Chávez to issue a clarification five days later, during the transfer of command in the Number One Theater of Operations, where he appeared in his lieutenant colonel's uniform—reportedly duly authorized by the Defense Ministry—to demand that the guerrillas stop operating in Venezuelan territory, because the Armed Forces would be forced to respond militarily. However, he reiterated that the warning applied equally to any military force, of any country, and went on to thank the ELN for its "gesture" of freeing three engineers of the Venezuelan oil company PDVSA, who had been kidnapped two weeks earlier.

According to Venezuelan Foreign Minister José Vicente Rangel, the architect of the ELN negotiations is the Governor of the Venezuelan state of Zulia, Lt. Col. Francisco Arias Cárdenas (ret.), who has been in contact with ELN leader Antonio García. During the January 1999 meeting between Chávez, Colombia's President Andrés Pastrana, and Fidel Castro in Havana, Governor Arias posed the necessity of bringing the ELN into the Colombian government's ongoing "dialogue" with the FARC. That is, Arias has been acting "unofficially" as the Venezuelan government's intermediary, apparently for some time. As expected, the ELN demanded the demilitarization of those territories in Colombia where it has its bases of operations, right along the border with Venezuela. Arias not only sees no problem with an eventual withdrawal of Colombian troops from the border area, but said that if the measure were adopted, he would back it.

Up until now, the Colombian and Venezuelan Armed Forces have been operating on the basis of an agreed-upon manual of operations, which is now in question, given the announced "neutrality" of the Venezuelan government and army in Colombia's war against narco-terrorism. Even more alarming is the fact that the ELN's areas of operations is where opium poppy is being cultivated at an expanding rate, and through which the precursor chemicals imported by the drug traffickers for their processing laboratories, also pass.

# Colombia 'peace' pact covers for drug surge

by Valerie Rush

"Peace" is the new name for drug trafficking on a grand scale in Colombia, according to statistics released by the U.S. Drug Enforcement Administration (DEA). In the past four years, while Bolivia and Peru, once the largest coca producers in the world, significantly reduced hectares under illicit drug cultivation, Colombia has become the world's largest grower of coca leaves, the raw material that goes into cocaine production, as well as a dominant player in the heroin market.

This dramatic expansion of drug crop production in Colombia—it used to "only" be a processing point for drugs grown elsewhere—is directly linked to the expansion of influence by the FARC and ELN narco-terrorist movements, which have terrorized their way into control of nearly half the country. And now, the Andrés Pastrana government is negotiating a "peace pact" with the FARC-ELN which will consolidate that takeover by the drug cartels.

The narco-terrorists' rise to power has taken place with the overt complicity of successive corrupt administrations of the Colombian government, and with the blessings and even prodding of the U.S. State Department, which has persisted in arguing that there is no such thing as *narco*-terrorism, and that financing counterinsurgency efforts in Colombia would constitute a violation of human rights. This is the same argument promoted by Human Rights Watch, which is heavily financed by drug legalization advocate and megaspeculator George Soros.

Official Washington, especially circles associated with Al Gore's friends in the Inter-American Dialogue, has also endorsed the so-called "peace dialogue" between the Pastrana government and the narco-terrorists, despite overwhelming evidence that any such agreement would turn Colombia into a bloody re-run of the Balkans tragedy. The result of such criminal stupidity in Washington has been to deprive the Colombian Armed Forces, already under brutal attack by cartel-linked forces at home, of crucial support in battling the nation's enemies, thus leaving Colombia wide-open for takeover by Dope, Inc.

Not everyone in Washington is happy with the way things are going. In a presentation in February at the North-South Center of the University of Miami, anti-drug White House policy adviser Gen. Barry McCaffrey (ret.) reported that more than 40% of Colombian territory is now under coca and poppy cultivation (the raw materials for cocaine and heroin), a figure comparable to the territory currently under the political and

military control of the FARC-ELN narco-terrorists. Said McCaffrey, "Colombia is a country that has been divided up by the power of the guerrillas."

Earlier this year, McCaffrey had told the press that while Bolivia had reduced its illegal coca crops from 48,000 hectares to 38,000 during 1994-98, and Peru from 108,000 to 51,000, Colombia during that same period had more than doubled its coca plantations, from less than 50,000 in 1994 to 101,000 hectares last year.

## The growth of the heroin trade

Equally important is the growth of the heroin trade coming out of Colombia, where five years ago there was none. The *Washington Post* in February cited a DEA source, who reports that by slashing the price of heroin from \$150,000 a kilogram to \$90,000, and by increasing the purity of the drug on U.S. streets to nearly 80% (as compared to 7% for Southeast Asian heroin), Colombian traffickers have succeeded in capturing "a significant share of the largest U.S. heroin markets"—an estimated 75% or more of the heroin currently being seized in the United States comes from Colombia.

Although the *Washington Post* admits that the FARC guerrillas provide protection for Colombia's poppy growers, and that they collect a 10% tax on the illegal crops, its concern is for the "poor peasants" who may lose their livelihoods as the result of U.S.-backed eradication efforts. The article has a photograph of a Colombian farmer, who "watched in dismay as U.S.-supplied airplanes plunged through the narrow gorge, spraying his illegal crop with a commercial weedkiller." The farmer is quoted, "We don't know who the people are who buy this [opium gum]. . . . We don't know what it is used for. . . . We used to grow coffee here, but a plague killed our trees. What are we supposed to do?"

The *Post* uses this lying image of Colombia's abandoned peasants to argue that, instead of funnelling U.S. anti-drug dollars into eradication, they should be going to "alternative crop development"—the argument of the drug legalization lobby. This was the argument offered by Manuel Marulanda, head of the FARC, in a Jan. 18 interview with the Colombian weekly *Semana*, in which he insisted that coca could only be "eradicated" through crop substitution. Marulanda appealed to the "international organizations," that "if they can trust in us and give us money, we promise to end coca growing."

McCaffrey was asked by a Colombian journalist on Jan. 6, if more U.S. money for alternative crop development, "as part of the peace process under way in Colombia," might not get Peru-style results in Colombia? McCaffrey said, "Let me categorically say that what you've been briefed on today [Peru and Bolivia anti-drug successes], in my professional judgment, was not the significant resources which have been placed in support of Peru and Bolivia by the State Department, Department of Defense, etc. It was changed political will. This was the result of Peruvian and Bolivian leadership, not U.S. leadership."

# Breakthroughs in probe of Diana's murder

by Jeffrey Steinberg

In a dramatic development sure to drive Britain's Prince Philip into a blind rage, a U.S. Federal District Court Judge has ordered the Central Intelligence Agency (CIA) and Defense Intelligence Agency (DIA) to produce documents and appear for questioning by attorneys for Mohamed Al Fayed.

The order, signed by U.S. District Court Judge Henry Kennedy on Feb. 5, came in response to a motion, filed on behalf of Al Fayed, by the Washington, D.C. law firm Williams & Connolly, demanding that the two intelligence agencies release file material that could shed light on the circumstances surrounding the Aug. 31, 1997 death of Princess Diana and Dodi Fayed, Al Fayed's son, in a Paris car crash.

In November 1998, an Internet on-line news service, APB News, learned that the U.S. National Security Agency had over 1,000 pages of documents on Princess Diana. APB had filed a Freedom of Information Act (FOIA) request with the NSA in June. So far, the NSA has refused to release any documents, claiming that their declassification would reveal U.S. intelligence methods and procedures and would jeopardize national security. The NSA letter to APB noted that the majority of the documents in their files had originated with the CIA and the DIA.

Nevertheless, the fact that the NSA has admitted that they had been monitoring Princess Diana's activities, along with the CIA and the DIA, means that the U.S. government may be in possession of information, shedding light on the circumstances of her death.

## British intelligence surveillance

Well-placed U.S. government sources had told *EIR* that, in the months leading up to the fatal Paris crash, U.S. intelligence operators had stumbled upon heavy British intelligence surveillance of the Princess and Dodi Fayed. Warnings about British intelligence's intense interest in the couple was, according to the sources, passed on to Egyptian government officials, apparently in anticipation that warnings would be passed along to Mohamed Al Fayed, who was born in Egypt and maintains close ties to Egyptian President Hosni Mubarak. According to sources in Britain, the warning was never delivered to Al Fayed.

The CIA encounter with MI6 teams stalking Diana and Dodi during the spring of 1997 was not the only clue, suggest-

ing a British secret intelligence hand in the deaths in Paris. Indeed, on the day of the fatal crash, the *Sunday Mirror* reported that Prince Philip had personally ordered the assembling of a full MI6 dossier on Dodi Fayed, because he was livid at the idea of the future Queen Mother taking up with a Muslim.

Furthermore, under the "UKUSA Agreement" of 1947, one of the seminal documents establishing postwar U.S.-British intelligence cooperation, virtually all technical intelligence data gathered by the NSA is automatically made available to the British signal intelligence agency, Government Communications Headquarters (GCHQ). So, the hundreds of NSA-originated documents on Princess Diana would have wound up, as standard procedure, in the hands of British intelligence.

Mohamed Al Fayed filed Federal court actions to obtain the CIA, DIA, and NSA files under 28 U.S.C. 1782, which allows foreign nationals engaged in court actions abroad to gain access to relevant U.S. government documents. Al Fayed is a civil party to the ongoing French investigation into the cause of the crash. That probe, headed by Judge Hervé Stephan, has lasted for more than 18 months, and is expected to continue for several months more.

Now, with Judge Kennedy's order, Mohammed Al Fayed may get a chance to look at the CIA and DIA files on the Princess. In early February, a Federal District Court Judge in Maryland, Frederic Smalkin, refused to sign a subpoena ordering the NSA to release its Diana file to Al Fayed. That decision is expected to be appealed by Al Fayed's lawyers.

Judge Kennedy's ruling gave the CIA and the DIA a deadline of Feb. 12 to turn over their files to Williams & Connolly, but it was anticipated that the two intelligence agencies would attempt to overturn the judge's decision, and would, at minimum, obtain a delay. However, Judge Kennedy's ruling vastly improves the prospects that some of the U.S. government's file on the late Princess Diana will be released.

## A surprise eyewitness surfaces

In another dramatic twist in the probe by Judge Stephan, attorneys for Al Fayed in Paris announced on Feb. 20 that a person has come forward, claiming to have been the passenger in the missing "white Fiat Uno" that collided with the Mercedes carrying Princess Diana and Dodi Fayed, causing the fatal crash. The Fiat has been missing since moments after the crash.

Al Fayed attorney Bernard Darteville told the Associated Press that, while the person appeared to be "more trustworthy" than the virtual army of self-professed eyewitnesses who have approached Al Fayed, particularly since Al Fayed offered a £1 million reward for information leading to the location of the missing Fiat and driver, it was still unclear whether the person was telling the truth. The passenger claimed that the car was actually not a Fiat Uno, but a Citroen AX.

# European court rejects Cheminade suit, okays ruin of LaRouche's ally

by Sophie Durand

On Jan. 26, in jurisprudence which has established a precedent for all of Europe, the European Court of Human Rights refused to hear the suit of Jacques Cheminade, a candidate for President of France in 1995, against the French state, over the refusal to reimburse his Presidential campaign accounts by the French Constitutional Council. The court's decision is final and cannot be appealed. Cheminade is thus left with the legal obligation to pay for his campaign expenses — a total of 4.7 million francs (about \$860,000), of which FF 1 million is to reimburse the funds advanced by the state and FF 3.7 million to reimburse his lenders — with his personal money.

The court justified its decision by claiming that Article 6, paragraph 1 of the European Convention pertains only to civil or criminal cases, and that Cheminade's case, being "purely political," is therefore outside of its jurisdiction, because of the court's "respect for national sovereignty." At a time when, *en bloc*, the European elites holding official positions have given up the very principle of "national sovereignty," through the Maastricht Treaty and similar policies, it is ludicrous for the European Court to invoke this principle in this context. The European Court's decision rubberstamps a state to ruin a Presidential candidate with all the civil, legal, and political consequences that that entails.

## The ruling

The decision of the court stresses that "according to its jurisprudence, following Art. 6 para. 1 of the European convention, the right to be a candidate in an election is of a political nature and not civil, therefore the litigations related to the organization of its practice — such as those on the regulation of campaign expenses — are out of the jurisdiction of this disposition." The court "estimates that the patrimonial incidence [loss of personal property which resulted from the Constitutional Council's rejection of Cheminade's campaign accounts] of a procedure pertaining to the conditions of practice of a right of a political nature, does not confer to it a civil nature in the sense of Art. 6 para. 1 of the convention. The impossibility to obtain the reimbursement of one's campaign expenses and the obligation to reimburse the public treasury for an advance of funds granted by the state, are nothing but corollaries of the obligation to limit electoral expenses. The Court therefore holds that the grounds for complaint on a

supposed violation of Art. 6 para. 1 of the convention, must be rejected because they are *rationae materiae* incompatible with the dispositions of the convention."

On Articles 10 and 14 of the convention, the court stresses — against all evidence — "that the decision of the Constitutional Council has not deprived the plaintiff of property in any amount of money but has only obliged the plaintiff to reimburse to the state a million francs because he did not meet the legal conditions to claim the contractual reimbursement of the campaign expenses."

According to the court's hypocritical argument, Cheminade has not "lost" the FF 4.7 million he has to pay. He has only to reimburse money lent to him that never entered his personal property.

Such a decision amounts to a very simple message to the European states in general, and to the French authorities in particular: We won't stick our nose in your political matters, whatever the civil or penal consequences for individuals. Hypocritically using the pretext of "national sovereignty" — a national sovereignty which no longer exists for monetary, financial, fiscal, and economic matters — you can do whatever you want in the political area. So long as you submit to neo-liberalism, both at home and abroad, you can deal with your subjects as you please.

It is thus now clear that a state can impose 19th-century-style "civil death" on one of its troublesome subjects, provided it labels it "political." This case of utter judiciary nominalism — note that the relevant section of the court was headed by a British judge — means also an endorsement of an approach to law like that of Nazi legal theorist Carl Schmitt: throwing away natural law. It is therefore clearly established that positive law rules in Europe, without any disguise.

## A 'Venetian' punishment

A reading of Friedrich Schiller's novella about the Venetian oligarchy, *The Ghostseer*, gives a good insight into how the Cheminade case developed, from the April 1995 Presidential elections to today's decision of the European Court of Human Rights. In March 1995, Cheminade fulfilled the requirements to become a Presidential candidate: He gathered more than 500 signatures from mayors or higher-ranking elected officials from throughout France. There are 45,000 may-



*Jacques Cheminade's 1995 campaign for President of France, which presented Lyndon LaRouche's solutions to the global economic crisis, was well received among French citizens, which scared the oligarchy.*

ors in France, and Cheminade's candidacy was sponsored by more than 1% of them. His candidacy was approved by the Constitutional Council, and like any other candidate, Cheminade received from the state a FF 1 million advance to launch his campaign. The reimbursement of his campaign expenses was guaranteed, as was equal-time access to media. On paper, and according to de Gaulle's 1965 will, it is probably the fairest and most open system for a Presidential election in the world.

But a Venetian stench immediately permeated what followed: The fairness "on paper," the written scenario, was at all stages contradicted by reality.

Before the candidate could hit the campaign trail, a huge slander campaign was launched against Cheminade, first through the smaller, private radio stations, and then at the national level, calling him an extreme right-winger, a fascist, an anti-Semite—in a word, a man who is "a friend of Lyndon LaRouche." Almost all the TV news labelled him so throughout the campaign, despite all contrary evidence, and despite his continuous protests. He was denied equal-time access. The scandal was so great—Cheminade received only 45 minutes coverage from journalists, as compared to an average for the other candidates of 1 hour 25 minutes—that two state-controlled bodies recognized it: "The principle of equal treatment vis-à-vis the candidate" was not respected in his case, they said. But these "admissions" were empty: Merely 48 hours

before the election, the journalists were told to change their behavior, and no sanctions were imposed against them.

Second, during the campaign, Cheminade was constantly accused of "having robbed an old lady." The heirs of the lady appeared on national TV programs to repeat their charges, and just after the election, Cheminade was sentenced to a nine-month suspended jail sentence and ordered to personally reimburse FF 1.1 million to the heirs. The "old lady" was allegedly suffering from Alzheimer's disease, but because no proof could be given (the "old lady" drove her own car, managed her bank accounts, and, during one year, had been reimbursed more money than she had contributed to the organizations close to Cheminade), the tribunal said that at such age, no person in full command of his or her actions, and a third party should have noticed it! The tribunal omitted to say that the "old lady" was 64 years old when she died, and that she disliked her heirs and had written many letters expressing approval of the political actions of the Cheminade associations. For comparison, President François Mitterrand was by then nearly 80, President Jacques Chirac is today over 65, and Charles de Gaulle retired from politics at 79.

Third, Cheminade's campaign accounts were rejected by the Constitutional Council on Oct. 11, 1995. The reason—an absolutely laughable one for an American audience—was that Cheminade had borrowed money without interest from private lenders, "which indicates an intention to donate not acknowledged by the candidate." Those interest-free loans, taken after the date of the election, when the candidate is allowed to take loans but not to receive more contributions, were thus the cause for the rejection (a reason opposite to the one raised against LaRouche in the United States, who was accused of soliciting loans *with* interest). The Constitutional Council added, furthermore, that they were made too late to compensate campaign expenses after the election date, and that they represented too big a proportion of all expenses (one-third of the total)—none of which is forbidden by the electoral code. The decision of the Constitutional Council could not be appealed in France, prompting Cheminade to bring his suit before the European Court of Human Rights. Cheminade was not accused of inadequate expenses (each of which had to be justified), or of having overspent the official ceiling.

While the Constitutional Council applied nonexistent provisions against Cheminade, it approved fully the accounts of Chirac (who was reimbursed more than FF 100 million, 25 times more than Cheminade) despite the fact that everybody knew that he had gone way beyond the official spending ceiling, including mobilizing full-time campaign workers who were paid by the City of Paris (where Chirac was then Mayor) and whose wages never appeared in the campaign accounts. Similarly, candidate Edouard Balladur had created local support committees in each of the 90 departments of France, and went well above the official ceiling. But those "local" expenses were not taken into account, on the pretext that the candidate "was not aware of them"!

At the time, the Constitutional Council was headed by someone who has since become notorious as a crook: Roland Dumas; its General Secretary was Olivier Schrameck, now Prime Minister Lionel Jospin's Cabinet director; and Cheminade's account was checked by Louis Gautier, now in charge of defense affairs in Prime Minister Jospin's Cabinet.

The stink of the whole affair gave only two choices to the European Court: Either declare its jurisdiction and break with the Venetian dirty tricks, affirming that Cheminade's human rights had been repeatedly violated, or announce that the suit has no standing before the court, because accepting it would have amounted to political interference with the sovereignty of France. The court chose the second solution, and concluded its deliberations after only a few minutes, without even calling Cheminade or his lawyer to testify. The lawyer was informed of the decision through a simple letter, which beyond the decision, stated that no appeal was possible.

The European court of "human rights" decision is not only a flagrant injustice, but a clear stand against what Cheminade represents politically: a man who stood up for a new Marshall Plan, the European Land-Bridge, and a commitment for close cooperation with Lyndon LaRouche for a New Bretton Woods global financial system. The failure of the French institutions and the European court is not only the shame which history will deliver upon it, but in the short term, within the context of the present financial collapse, the tragedy is their incapacity to take far-reaching initiatives.

The only thing "original" in the treatment applied against Cheminade is its Venetian flavor: Cheminade was neither sentenced to jail, nor taken away in handcuffs, but persecuted, step by step, and personally ruined to present him as an example of "political failure" and not a case of human rights violation.

### **Cheminade prepares a counter-attack**

The only way to shift the tide in his case, say Cheminade and his friends in France, is to organize harder and thereby force his enemies to further unmask themselves.

The way to do it, is to expose the stupidity of Europe's "four men club" court and their legal positivism, and relentlessly play up the LaRouche-Cheminade alliance internationally. Cheminade has circulated a strategic note to various authorities in France, denouncing their stubbornness in defending the bankrupt International Monetary Fund global financial system, and not collaborating instead with LaRouche and his associates.

On the court case itself, French and European authorities abroad, and all juridical circles, must be confronted with what such an outrageously unjust decision means. A statement for mass circulation internationally is being prepared on the case. Cheminade declared that he is also preparing other actions, but is currently withholding details; rather, he plans to use the same method he used during his Presidential campaign—to again take the French-speaking Venetian gnomes by surprise.

## **New Zealand to give legal rights to apes**

by Mark Burdman

At his "Reinventing Government" conference in Washington in late January, U.S. Vice President Al Gore presented New Zealand as his model country, that he wants other countries to imitate.<sup>1</sup> It is therefore fitting, that New Zealand is now following the cue of Gore, who, in a July 14, 1993 address to the United Nations, attacked what he called "human exceptionalists" who claim that human beings are less subject to ecology than animals. New Zealand is now slated to become the first country in the world to grant legal rights, similar to those for human beings, to great apes.

Thirty-eight New Zealand scientists, lawyers, and philosophers have succeeded in attaching an amendment to an Animal Welfare Bill, the which is due to be voted on in the next weeks. The amendment would grant great apes—gorillas, chimpanzees, orang-utans, and bonobos—such as the right to life, to not suffer cruel or degrading treatment, and to not take part in all but the most benign experiments, as well as granting them "freedom from imprisonment without due legal process." The latter would, in effect, bar zoos from keeping them, and would evidently imply teams of lawyers being created to argue for apes in court. Promoters of the amendment in New Zealand argue that apes share 98.4% of their DNA with humans, are self-aware, have distinct personalities, form emotional bonds, have intelligence, and have basic linguistic abilities.

The New Zealand move, is the latest initiative by something called the "Great Ape Project," which was founded in the early 1990s by co-thinkers of Britain's own leading would-be great ape (no insult to great apes intended), Prince Philip. As argued by such Great Ape Project activists as Peter Singer, the "animal liberation" propagandist of Australia, and Richard Dawkins, the Darwinian fanatic of Oxford University, the ultimate aim of the project is to break down any notion of a "species barrier" or "species discontinuity," between humans and animals. Singer is agitating for a gradual broadening of the "sphere of moral concern" to include, first, the great apes, and then other species. He has compared the Great Ape Project to campaigns for full rights for women and homosexuals, and has argued that the life of a chimpanzee has more value than that of what he calls a "gravely defective

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1. See Michele Steinberg and William Jones, "Gore Pushes Bureaucracies for a Fascist World Order," *EIR*, Feb. 5, 1999.

human.” In line with this, Singer has been quoted as defending euthanasia in a chilling fashion: “The Nazis committed horrendous crimes, but this does not mean everything the Nazis did was horrendous. We cannot condemn euthanasia just because the Nazis did it, any more than we can condemn the building of new roads for this reason.”<sup>2</sup>

Going beyond Hitler, Prince Philip’s Great Ape Project activists are effectively demanding the end of the human species, since the very existence of the human species is dependent on the exercise of those powers of creativity which are unique to humans, and which no animal, great ape or otherwise, possesses. Prince Philip’s minions do not hide the fact that their ultimate aim is the extinction of the human species. In a 1993 article that was a contribution to a book-length compilation of essays by Great Ape Project activists, Prof. Dale Jamieson of the University of Colorado attacked the monotheistic faiths (Christianity, Judaism, and Islam) for “granting humans a special place in nature.” He wrote that humans are “one species among many, rather than one species over many; in the long run, humans are destined to go the way of other extinct species, and there is nothing that directly supports the idea that this would be a loss.”

It would be lawful for Gore’s New Zealand to be taking the lead in such an anti-human enterprise, given the anti-human devastation brought about in that country over the past years, by the policies Gore so admires.<sup>3</sup>

### **Is the next target the U.S.A.?**

The New Zealand Parliament initiative is intended to have global, not local significance. David Penny, a theoretical biologist and lead author of the amendment, proclaims, “The idea is to set a precedent that other countries can follow.” Furthermore, the Great Apes are seeking to obtain a United Nations Declaration on the Rights of Great Apes, perversely modelled on the U.S. Declaration of Independence.

According to Britain’s *New Scientist* magazine, a key target of the New Zealand “precedent” is the United States, where there are some 1,700 chimps kept for experimental use by scientists searching for an AIDS vaccine and investigating other diseases: “Moves are afoot in the U.S. to win legal rights for [chimps]—not by introducing a new bill, but by setting a precedent through a carefully chosen lawsuit on behalf of a chimpanzee. If chimps in New Zealand have legal rights, it might just persuade a judge in the U.S. to grant similar rights to their American cousins.”

### **‘The pursuit of bananas’**

The New Zealand initiative, and the broader campaign of the Great Ape Project behind it, have drawn opposition

from some unlikely quarters. *New Scientist*, which often jumps on the board of New Age/ecological trends and which has run promotional articles for the Great Ape Project in the past, editorializes in its Feb. 13 edition that “despite all the social and physical similarities between humans and our simian cousins, the differences in the way our minds work are simply too great to sustain all but a shallow belief in moral and emotional equality among the great apes.” Chimps and other great apes lack the capacity for “abstract thought,” so they cannot be seen as “true ethical and moral agents in the world.”

Debunking what it calls the “fashionable” argument that “chimpanzees and humans must have staggeringly similar psychologies because they share 98.4% of their DNA,” the magazine advises: “Genomes are not cake recipes. . . . Take DNA as your measure of sentience and moral worth and the chemical connectedness of life ensures you soon end up extending honorary personhood to the rat and haddock.” *New Scientist* asks: “If a chimp kills another chimp in the wild, or a human, do we really want to hire a fleet of lawyers? And if we extended honorary personhood to all animals, would the gazelle be entitled to rights against the lion?”

The Great Ape Project is even panned by Frans de Waal, of the Yerkes Regional Primate Research Center in Atlanta, Georgia, a center known for certain other arcane projects involving apes. “If you argue for rights on the basis of continuity between us and the great apes, then you have to argue continuity between apes and monkeys,” affirms de Waal. This means that, eventually, even the laboratory rat would win rights. Furthermore, he argues, dogs can form deep emotional attachments, and cats seem to have distinct personalities, but one would hardly go so far as to argue their “continuity” with humans.

The London *Daily Telegraph* finds the Great Ape Project too much to stomach. On Feb. 11, it ran an editorial, entitled “Ape of Things to Come”—a parody on the H.G. Wells grotesque futuristic work, “The Shape of Things to Come”—attacking the Great Ape Project as a “grave mistake” and “legalistic humbug.” It stressed that “the ontological distinction between animals and humans is impossible to ignore, even by those who reject its Judeo-Christian origins. . . . All human beings are persons: they are capable of distinguishing good and evil. Animals cannot be persons in the moral sense. It follows that animals cannot be accorded human rights. . . . And who would enforce the right to life of an ape living in the wild?”

The same day’s London *Guardian* ran a cartoon depicting an ape gesticulating wildly, and screaming, “Life, liberty, and the pursuit of bananas!”

One British science correspondent who has been covering the Great Ape Project commented to *EIR*, “New Zealand should be Al Gore’s favorite country, it’s very green and has no people. . . . Al Gore is not one of my favorite people.”

2. For background and details on the Great Ape Project, see Mark Burdman, “‘Jury’ Votes Equal Rights for Apes,” *EIR*, Jan. 26, 1996.

3. See Allen Douglas, “Al Gore’s New Zealand Model: ‘Reinventing’ Corruption, Genocide,” *EIR*, Jan. 15, 1999.

# Georgians to Clinton: 'Listen to LaRouche'

The periodical *2000*, published in the nation of Georgia in February, carried an open letter to U.S. President Bill Clinton from two leaders of the Popular Democratic Union of Georgia. Vakhtang Gogvadze, PDUG co-chairman and former Speaker of the Parliament of Georgia, and PDUG Executive Committee member Valeri Kvaratskhelia issued their statement on Jan. 20. They expressed sympathy for President Clinton as he faced his impeachment trial, regretting that "this worldwide racket about nothing, this so-called 'sex scandal,' has clearly cast a shadow over American democracy," and reminding the President of the ancient motto, "This, too, will pass!"

The Georgian political figures urged that Clinton seek a rebirth of strategic thinking, especially in the area of economic policy, and suggested that he look within the Democratic Party to Lyndon LaRouche, for "a promising conception."

Gogvadze and Kvaratskhelia wrote:

"In this stormy time for you, it will unlikely be possible for you to hear our voices from distant Georgia. But your cothinkers, who fortunately number among them our cothinkers, might be able to give consideration to some proposals. The miracles of civilization at the end of the second millennium make it possible for us to stay current about all the events, including even the details of what is happening in the Congress or the Senate. If Washington politicians stubbornly follow the advice from 'the sticks,' their attitude will be mistaken. Let us recall the arrogance of the Romans toward the people of Judea, where the prophets were born, who were not dressed so well and richly as the elite of the Roman Empire. In the former Soviet Republics, impoverished and degraded as they are, the spirit of talented people has not been snuffed out. Therefore, it will not be superfluous to listen closely to the voice of people from much-suffering Georgia.

"Mr. President, you inherited a heavy burden from your predecessors, the Republicans, who failed to assist the transformation and democratization of the Soviet Union, but rather mercilessly destroyed that great country. We also contributed to this process to some degree, because we imagined that society should be democratized.

"Indeed, we did lack freedom. We all looked to America. You do have democracy. We assumed that the Americans would give us their democracy. Alas, it was not to be. What the people believe, is that the Americans want democracy for themselves, but for Georgia—only a democratic stick. It is not just that Georgia has failed to progress; it is on the very brink—to be, or not to be. The history of Georgia records no

such terrible period in the past. There is thorough genocide taking place against the Georgian people. . . .

"Mr. President, after the collapse of the Soviet Union you are, in effect, our emperor. All the processes of the last ten years have gone according to the plan of 'divide and conquer.' . . . The people of Georgia are convinced that Abkhazia and South Ossetia have been separated from Georgia, like Chechnya from Russia. . . . Our national request is based on mutual interests. Georgia is a small country, but it is a rather powerful tribune for propaganda. The U.S.A. is a single empire, which exercises unlimited power over the world. But, do not be offended by the bitter truth. America is a world ship. A big ship sails big, and a big ship sinks big. God forbid the fate of the *Titanic!*

"The U.S.A. needs a conception for saving the U.S.A., just as little Georgia does. Look at what is happening on almost all continents, thanks to the worldwide crimes of the IMF [International Monetary Fund] and the World Bank. No one state can rule the world. That is unnatural. It is against God's will. Only the One God rules the world. You measure things by the strength that the U.S.A. has acquired, but it is necessary to measure the counterforces, which are dialectically related to this process. . . . But one thing can be understood by everyone: Every imperial conceit is punished by God.

"We are Orthodox believers. We bow to Theodosius, Metropolitan of the U.S.A. and Canada, and we know and esteem many humanists and historic personalities. There are good people living in the U.S.A., the majority of the people. In the U.S.A. there are born such beloved beings, as children. . . . And even the fate of the household pets concerns us, in the event that the U.S. Sword of Damocles falls, in an environment of nuclear powers. . . .

## Concepts not yet implemented

"It is the case, that you have in your party, a modest wing of Democrats, whose concepts have not yet been implemented. We mean the ideas of Lyndon LaRouche. Perhaps you even consider them to be, to some degree, eccentric, utopian, or idealistic. But they embody a promising conception. . . . Mr. LaRouche and his colleagues, and their humanist conception, serve the purpose of turning the world community back in favor of the U.S.A. Mr. LaRouche's economic forecasts are coming to pass almost everywhere. His philosophy is based on the idea that the U.S.A. should live not solely by its own economic interests. Nobody can fool anybody else in today's world. For real good, good is rendered. You should find the time, more deeply to explore the roots of Mr. LaRouche's conceptions, or else there will be nobody for whom things turn out well, in an environment of universal evil. Our complaints about the U.S.A. are not due to you, as an individual. But we make this proposal, respecting a new concept of American humanism. You will continue to need it, after your Presidential term is over. After all, you are young, and have great and bitter experience of our difficult times."

# Canned journalism in Poland's 'Polityka'

by Elisabeth Hellenbroich

A series of slanderous articles on Lyndon LaRouche and the Schiller Institute appeared in the neo-liberal Polish weekly *Polityka* (No. 6 and 7, 1999), the weeklies *Najwyższy Czas* and *Wprost*, and the Catholic daily *Nasz Dziennik*, at the peak of farmers' demonstrations and strikes in Poland. Two articles in *Polityka*, the ideological mouthpiece of the former head of government and now Finance Minister Leszek Balcerowicz, an ally of George Soros and the radical free-trade and International Monetary Fund (IMF) policies he espouses, are particularly vicious, Goebbels-like concoctions.

The smears clearly manifest an offensive of the Soros networks in Poland, but one not limited to Poland. One of the *Polityka* articles was circulated in the French newspaper *Courier International*, and it was also mentioned by one German radio station.

"Is the boss of the farmers' organization Samoobrona financed by the Schiller Institute?" is the lead question in a slander written by Piotr Pylatakowski. The title, "Lepper Goes To War," is in bold letters beneath that question. Andrzej Lepper is the leader of Samoobrona, which has drawn the attention of the world media on account of its protests. According to the lies of the author, Lepper is financed by the Schiller Institute and stayed at a "secretive villa" of the Schiller Institute in Hamburg, Germany. LaRouche is identified an "agent of Moscow," and the absurd proof offered is that LaRouche is alleged—quite contrary to fact—to have come into Poland each time he visited, via Russia. In addition to such rather obvious nonsense, the *Polityka* writers, Piotr Pylatakowski and Wojciech Markiewicz, concoct a bizarre collection of confused slanders, in the old Stasi style, but mostly drawn from American sources.

In whichever country slanders were circulated against the Schiller Institute in recent years, and regardless of whether the media were left-wing, liberal, right-wing, or radical, they always carry the same signature: They are all based on smear information out of the circles of Soros, Vice President Al Gore, and the American collaborators of East Germany's secret police, the Stasi, among the Anti-Defamation League of B'nai B'rith, along with the right-wing Heritage Foundation in the United States.

## Balcerowicz under pressure

These recent slanders appeared just as growing social discontent is breaking out in eastern and western Europe.

Poland suffered a drastic collapse in exports in recent months, due to the crisis in Asia, Russia, and Brazil. Reduced industrial production and the effects of the recession in western Europe led to a collapse of GNP, and the Polish currency, the zloty, fell to its lowest level in four months. The world crisis is having its worst effects in the agricultural sector: collapsing prices on the world market go hand in hand with collapsing income of producers, and exports to Russia have been drastically reduced. There is no parity pricing, and since Poland became a member of the European Union, it is now threatened by cheaper imports, which would mean the end for many farming concerns. All over the country, farmers reacted with protests. According to the most recent public opinion polls, only 29% of the population support Balcerowicz's policies, and 71% support the demands of the farmers for a more just economic policy.

The Swiss financial daily *Neue Zürcher Zeitung* conducted a background interview with Balcerowicz at the recent World Economic Forum in Davos. The title was "Poland's Shock Therapy—the Stubbornness of Leszek Balcerowicz." With obvious reference to the criticism of globalization voiced by U.S. AFL-CIO President John Sweeney, Malaysian Prime Minister Mahathir bin Mohamad, and others, Balcerowicz said that "despite all of the concerned rhetoric about globalization and its effects," he sees no danger resulting from his policy of a radical free-market economy. Globalization brings no "new" risks, he said. Balcerowicz thinks that discussions about possible interventionist measures in order to bring globalization under control are as mistaken as efforts to coordinate economic policy, the daily commented. "If governments make no mistakes in a system of flexible exchange rates, no restrictions are necessary," it said.

Balcerowicz is quite pleased with his "record of performance" in Poland. He recently honored Harvard's Prof. Jeffrey Sachs, the author of shock therapy, for his services in the transformation of Poland. From Balcerowicz's point of view, it is a weakness of Polish policy that privatization is moving so slowly. The explosive increase of costs in the health sector are as much a problem for him as his other finance minister colleagues, according to *Neue Zürcher Zeitung*.

Those in Poland who have followed the Schiller Institute's evaluation of the world financial crisis over the last several years, and its alternative proposals for a New Bretton Woods, as well as the Eurasian Land-Bridge, have seen the confirmation of what the Schiller Institute said in the recent developments. The successful policies of capital and exchange controls introduced in Malaysia, as well as the contributions on LaRouche in the Russian press, such as *Ekonomicheskaya Gazeta* and *Kommersant-daily*, show that LaRouche's proposals enjoy increasing support internationally. Balcerowicz was hit on a sensitive flank. Historical developments will take a turn which is quite different from that which Soros, Balcerowicz, and other friends of the IMF, with its model of radical free-trade, wish for.

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# International Intelligence

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## *Malaysian media cover EIR interview with Mahathir*

EIR has received reports from Kuala Lumpur that its interview with Malaysian Prime Minister Datuk Seri Dr. Mahathir bin Mohamad (EIR, Feb. 19), was reported on nationwide television on Feb. 22. Bernama, the state press agency, issued a release on the interview, which was picked up by the largest Malay-language newspaper, *Utusan Malaysia*, and the leading English daily, *New Straits Times*, on Feb. 23.

In other developments, Dr. Mahathir gave his Chinese New Year's Day message to the nation on Feb. 16, warning that certain groups within and outside the country have been spreading confusion and disinformation aimed at instigating conflicts among the major ethnic groups, with the intent of provoking race riots. He said, "They know that there will be riots which will halt the economic recovery in the country if instability prevented the people from earning a decent living." At a Chinese New Year's luncheon, Dr. Mahathir announced that he would make a nationwide tour, obliquely referring to a holiday message issued by his former deputy, Anwar Ibrahim, as an example of the disinformation being circulated with the intent of inciting racial conflict. He compared the tour to his earlier trip, during which he explained the economic crisis and the nature of the selected capital controls imposed on Sept. 1, 1998.

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## *Sierra Leone 'rebel war is run by mercenaries'*

Sierra Leone President Ahmed Tejan Kabbah charged on Feb. 2 that "the [rebel] project to capture Freetown in January was meticulously planned and funded and its execution directed by a multinational mercenary force." He declined to say which mercenary outfits or governments were involved, however.

This view has been corroborated by sources in the region, who say that both the attacks on the Zambian government, for allegedly supplying Angola, and the attacks on the Liberian government, for allegedly supplying the rebels in Sierra Leone, are

covers for the British Commonwealth mercenary coordination of the war. In the case of Sierra Leone, one source said, when Kabbah forced the Executive Outcomes outfit out of Sierra Leone, they simply switched sides, and are being paid diamonds. The same is the case for Angola, which had kicked out Executive Outcomes.

Further exposés appeared in the Feb. 3 issue of Johannesburg's *Sowetan*. According to its South African "intelligence sources," former South African mercenaries have moved to eastern Europe, whence they are supplying Jonas Savimbi's UNITA in Angola and the Sierra Leone Revolutionary United Front. In Sierra Leone, Ecomog commander Maj. Gen. Timothy Shelpidi has alleged that the mercenaries come from Israel, Burkina Faso, and eastern European countries, such as Ukraine. It is alleged that former pilots of the South African National Defense Force are ferrying in supplies to UNITA.

According to South African sources, the hiring hall and coordinator for these operations is the British Commonwealth's Sandline.

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## *Australian hysteric slams direct Presidential vote*

Australian academic Kanishka Jayasuriya rang the alarm bells over the proposal for Australians to directly elect a President, denouncing it as "fascism," because it threatened the country's "parliamentary democracy," which he terms "representative." He musters the arguments of Nazi legal theorist Carl Schmitt against popular democracy, for his proof.

Kanishka, a research fellow at the Asia Research Center at Murdoch University in Perth, was weighing heavily into the present debate over whether Australian should become a republic. Pro-"republicans" are split into two camps: The British Crown front, called the Australian Republican Movement, is working for only cosmetic changes. Those who want direct Presidential elections, against whom Kanishka is railing, include Lyndon LaRouche's co-thinkers, the Citizens Electoral Council. Underlying Kanishka's hysteria against popular democracy, or direct election, is the fact that the

parliamentary system is deeply distrusted, which he admits. Direct election "reflects a deep hostility to the principles and practices of representative democracy. . . . The debate on direct election is not about the republic; it is about the values and institutions of Australian democracy. Populist democracy reflects a distrust of the values that underlie parliamentary democracy."

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## *Yemen leaders split over British terrorist acts*

The government of Yemen, whose Interior Minister accused the British government of direct involvement in sending British "Islamists" to destabilize the country, is facing a dramatic internal conflict. Sheikh Abdallah Al-Ahmar, Speaker of the Parliament, leader of the Al-Islah opposition party, and chief of the biggest group of tribes (Hashid), insisted that "Britain has nothing to do with terrorist schemes in the country," and that the statements of the Interior Minister "were exaggerated."

On Feb. 3, Interior Minister Hussein Arab had accused London of backing the terrorists, who had kidnapped several tourists and carried out bombings in December. The ministry discovered that eight of them are British subjects, and found blank British passports that could not have been obtained without help from the British Home Office or the British Consulate.

In the midst of this, Prime Minister Abdul Karim Al-Iryani suddenly went to Germany, ostensibly to be treated for malaria. It is unknown how political this "illness" is, but last year he headed a week-long seminar in Britain with the Royal Institute of International Affairs, to promote Yemen's relationship with Britain and Europe.

On Feb. 4 President Ali Abdullah Saleh expressed Yemen's desire to have a strategic relationship with the United States, during a meeting with Assistant Undersecretary of State Ronald Newman. Saleh underlined the importance of "Yemeni-American relations based on cooperation and mutual respect and interests." Yemen's news agency reported that the President reiterated to Newman his country's backing for lifting the embargo on Iraq, in light of its commitment to the implementation of the UN resolutions.

## Al Gore's racism on display at 'anti-corruption' event

by William Jones

Vice President Al Gore, generally as stiff as a starched shirt in a dry cleaners, became almost heated when peddling his New Age snake oil to unwitting participants in a conference on corruption. Such was his condition, as he gathered leading government officials, justice ministers, vice prime ministers, and even one head of state, the Prime Minister of Mali, at a conference in Washington, D.C. on Feb. 24-26 entitled "A Global Forum on Fighting Corruption." Indeed, it is the height of irony that Vice President Gore, with his notorious fundraisers at Buddhist temples and his corrupt, back-room deals with former Russian Prime Minister Viktor Chernomyrdin, could succeed in putting himself forward as a fighter against corruption—but then, he has had a lot of experience in political posturing. He sort of drank it with mother's milk, in his upbringing as a perennial Washington insider.

And yet, the turnout at the conference was not insignificant. Undoubtedly, there exist few governments intent on maintaining good relations with the United States, that would see fit to ignore an invitation from the Vice President of the United States on an issue that no one would want to be seen avoiding. Gore had cleverly placed himself in center-stage on this one, knowing full well that every event of this character is effectively a campaign rally for Gore 2000. An earlier conference on "Reinventing Government" in January, which he had also organized, had less of a turnout, but not everybody has become acclimatized to the New Age jargon so popular with the Vice President.

Corruption is easy enough to understand—and most nations have problems enough with it to want to deal with it. So they were led, like lambs to the slaughter, to partake of this witches' brew which the Vice President had concocted.

A central role in this "anti-corruption" campaign is played by Transparency International, a clever little operation that was set up under the auspices of World Bank president James Wolfensohn. Transparency is, however, a so-called non-governmental organization, or NGO, which has taken upon itself to monitor governments. Transparency International puts out a regular list of countries, the National Integrity Source Book, in which they rank their governments according to a corruption quotient.

An important figure at the side of the Vice President was Sir James Wolfensohn. Like Prince Albert (as Gore was called by his schoolmates), Wolfensohn, an Australian by birth, is a devotee of the New Age cult, and very close to the circles of the British royal family and to the Archbishop of Canterbury. Wolfensohn is prepared to shell out World Bank funds—not for Great Projects to lift the Third World out of its misery, but to implement "anti-corruption programs." And woe betide the country that hasn't bought into the "anti-corruption formulae" laid out by these characters, when they need World Bank loans for other purposes. In the World Bank's September 1997 Anti-Corruption Strategy, a pet project of Sir James, it is explicitly stated that the World Bank will "take corruption more explicitly into account in country lending strategies and project design."

### **Destroying the nation-state**

But, the real target of this conference was not "corruption" or "corrupt officials," but rather, the nation-state itself. When he replaced President Clinton at the annual Asia-Pacific Economic Cooperation summit in Kuala Lumpur, Malaysia last November, Gore used the opportunity to encourage riots



*Al Gore (standing) addresses "A Global Forum on Fighting Corruption" at the State Department on Feb. 24. The real agenda, was destruction of the republican nation-state.*

against the legitimate government of Prime Minister Dr. Mahathir bin Mohamad, by giving encouragement to the so-called "reform movement." Mahathir, whose country was hard hit by the financial manipulations of the George Soros-controlled hedge funds, used the power of the nation-state to impose exchange controls in order to prevent further speculative moves against the Malaysian currency, the ringgit. At that point, Mahathir became a prime target of the "globalists." In order to run cover for the hedge funds, the financial oligarchy began to blame the Asia crisis, not on the bankruptcy of the global International Monetary Fund system, but rather on "crony capitalism," i.e., corruption in the governments of those countries hardest hit by the crisis.

### **A global convention on corruption**

Gore and his ilk hope that by launching this latest campaign, there can be established a "global convention on corruption." If the nations of the world were to sign such a convention, then NGOs, such as Transparency International and other malleable tools of the financial oligarchy, could set up monitors in every signator country to examine how that country stands in the "anti-corruption index."

Does this sound like 1984? It's come much farther than that. Listen to Vice President Gore, in his summing up of the conference: "The role of the NGOs is absolutely important. They have the task of 24-hour watchdog work of overseeing governments. Let us open up to a greater role for the NGOs," he urged his listeners.

Although the "globalists" have not yet come close to achieving a consensus on such a global convention, as Gore himself admitted when the question was raised at the conference, they are making efforts to develop "regional" corruption conventions which can serve the same purpose.

The day before the Gore event began, another conference on corruption, held only a few blocks away, had just concluded. This conference was held under the auspices of the Organization for Economic Cooperation and Development, which had recently signed an "anti-bribery convention." Scheduled to speak at the OECD conference was that renowned fighter against corruption, hedge fund manipulator George Soros. Perhaps fearful that he would give corruption a bad name, Soros cancelled. The OECD convention on corruption was, however, taken as a paradigm for the Gore conference, in spite of the fact that 22 of the OECD nations have still not ratified it.

At the Gore event, the African nations in attendance agreed to move toward an African "corruption convention," and a former World Bank president, the notorious Robert McNamara, was made "facilitator" for this operation.

With the power of the NGOs monitoring such a convention, forces within the target countries could be recruited as a "fifth column" for the super-national NGOs. In the jargon of these one-worlders, this is known as "mobilizing the forces of civil society." Waging an intense press campaign against a target government, for example, is one way to get people hyped up. "When information is given to the public," Gore

told the conference, “it is impossible for governments to resist. The force of collective conscience in every nation will be impossible to resist.”

Gore also introduced the notion of “mutual evaluations,” where “monitors” from one country would go to another country to run a “diagnostic test” to measure that country’s “corruption.” The World Bank’s corruption guru, Chilean Daniel Kaufman, has developed questionnaires to be used to poll people about corruption.

### **Involving the forces of ‘religion’**

Gore was also keen in mobilizing the forces of “religion” in his new age crusade. As Wolfensohn told delegates to Gore’s earlier “Reinventing Government” conference, he had become terribly impressed with the ability of the churches to get out a message. The Vice President was therefore keen on mobilizing religious figures from several religions to speak out against the “evils of corruption.”

After the panel on religion, Gore launched into a tirade against science and the Renaissance. “We have another belief system in our world today, which arose in the West with the Renaissance and the scientific revolution, and which reduces the problems we confront to their smallest components and then tries to deal with the component parts,” he said.

“This system has imposed tremendous power upon us,” he continued. “We see it in the technological developments in many individual fields. But one component of this modern approach was a rejection of, and even disdain for, religion. Atheism and modernity were related in many people’s minds. But this missed the connection between the various parts of the whole. Our values are, however, rooted in the whole. [Religions] speak to us of values that are hard to dissect or describe in scientific terms, or examine with the microscope. We miss those values which are kept alive by religion, and have concentrated for some time on systems and efficiencies that can be catalogued and written down, losing sight of values that are so important.” He then urged the various religious figures to work toward issuing an “interfaith global statement on corruption.” “Such a statement would have tremendous power,” Gore said.

Underlying the entire discussion was an assumption to blame the present financial crisis on corruption and “crony capitalism.” If only the “corruption” were eliminated, it was constantly reiterated, the economy would function properly. Not willing to take the measures necessary to deal with the present bankrupt financial system, the financial oligarchy and their New Age toadies such as Gore, are intent on destroying the only effective means for a people to overcome that crisis—the sovereign nation-state. In spite of all the gobbledygook behind which they hide their real intent, this is the goal, and nationalist leaders like Prime Minister Mahathir are the targets, as are China and Russia, or indeed, any country prepared to resist the insane demands of this financial oligarchy, which Al Gore so faithfully serves.

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## Documentation

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# To stop corruption: Jail Soros and impeach Gore

*This is the text of the White Paper which EIR representatives distributed at the two corruption conferences in Washington.*

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## Introduction

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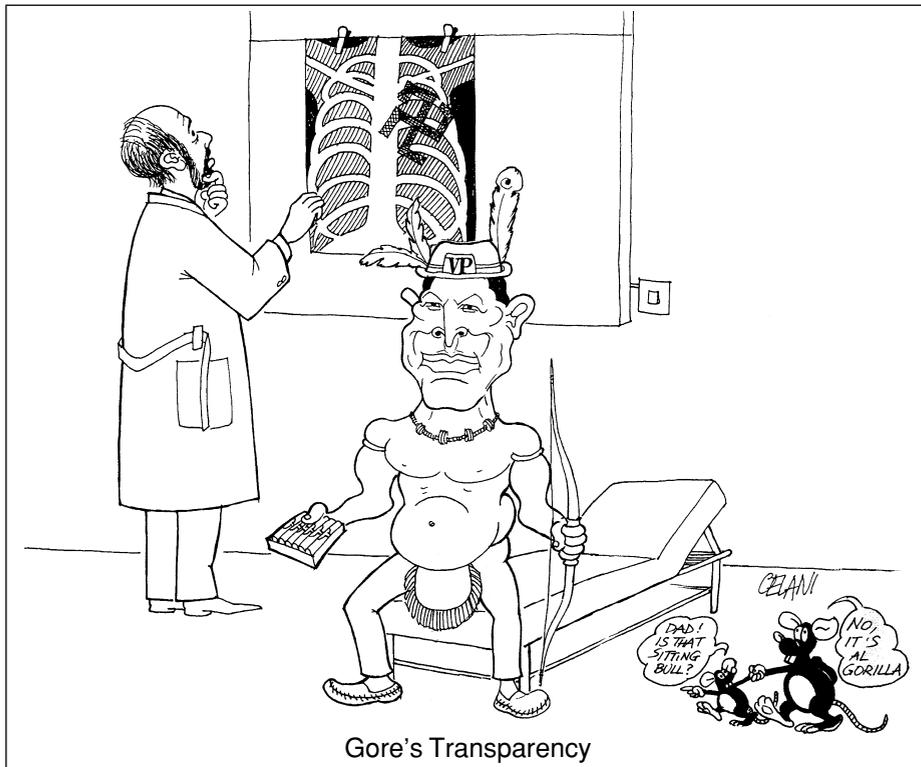
### **‘Anti-corruption’ conference is a hoax**

From Feb. 22 through Feb. 26, there will be two conferences that claim to be about “fighting corruption,” at the same time that he is hiding the “dirty laundry” of some of the most corrupt individuals and institutions in the world. The first conference, Feb. 22-23, is sponsored through the OECD—Organization for Economic Cooperation and Development—and titled “Fighting Corruption in Developing Countries and Emerging Economies: The Role of the Private Sector.” Mega-speculator George Soros, one of the world’s leading offshore pirates and a big Gore booster, is addressing the conference Monday, Feb. 22.

The other conference, sponsored by Vice-President Al Gore at the U.S. State Department Feb. 24-26, is the International Conference on Fighting Corruption and Safeguarding Integrity Among Justice and Security Officials.

Gore and his cronies are running an “anti-corruption racket” so they can hide behind the banner of “good government,” while plotting *criminal* attacks against elected government leaders and national sovereignty. Behind Gore’s “mafia” is the international oligarchy, known at its highest level as the British-American-Commonwealth club (BAC). They exert pressure through power centers like the Commonwealth Secretariat of the new British Empire, the World Bank, the International Monetary Fund, unregulated international financial institutions like George Soros’s hedge funds, and private, phony philanthropic outfits like Transparency International (or “TI”), one of hundreds of NGOs (non-governmental organizations) the oligarchy has at its disposal to direct against a target country.

The Gore “globalist” conspirators are acting not only against the interests of smaller nations like Malaysia, where Al Gore first revealed his true bipolar hatred of Third World development, at the APEC conference in Kuala Lumpur last November, but against the U.S. itself, where Gore, in cahoots with British Empire interests, has been conducting a policy coup against the President for the past year. While Clinton



Gore's Transparency

Reading between the lines, the top targets of TI's efforts are leaders critical of the IMF. In January 1998, IMF head Camdessus keynoted a TI Paris conference, where he pronounced the political "death sentence" on Indonesian President Suharto. Four months later, Suharto, known for bucking the IMF's caps on wages, pensions, and food subsidies, was forced out amid bloody riots financed partly by groups linked to TI.

### Gore and Museveni

This year, TI has gotten Gore to endorse its African Hitler, Uganda's Museveni, who has been the British Commonwealth's marcherlord in Central Africa, invading neighboring countries, particularly taking the point for the destruction of Sudan, and serving as the source of mercenary armies, training, and

deadly matériel for the genocidal wars throughout East and Central Africa.

favors peace in the Middle East, Gore's mafia has allied with Israeli war-mongers Netanyahu and Sharon; while Clinton has talked of a partnership with Russia, Gore and his crony George Soros, act as enforcers for the IMF, trying re-install the leading "kleptocrat" Viktor Chernomyrdin and his partner-in-crime, Anatoli Chubais, in control in Russia. As we will show, Gore's maneuvers with Russia, to provide payoff to his Wall Street backers, actually *do* reach the level of "impeachable offenses."

Gore crossed the line of toleration by teaming up on the so-called anti-corruption podium with international mobster George Soros, who has poured millions into drug legalization, among other evils; and by demanding that nations bow down and accept the "Uganda Model" of the African Hitler, Yoweri Museveni.

Furthermore, sources familiar with Gore's tactics in delivering threats to U.S. political figures and to foreign countries report to *EIR* that attendance at the conference is mandatory — a recalcitrant country could be branded "unwilling to fight corruption." Already, the World Bank, headed by Sir James Wolfensohn, and the IMF, headed by Michel Camdessus — the supranational banking institutions that actually run Gore's foreign policy thinking — are pushing to make their "anti-corruption" standards a condition for loans and trade agreements.

To this end, World Bank and British Commonwealth officials set up their own "philanthropic" group, "Transparency International," based in Berlin, Germany, and financed by Soros, to prepare a target list of corrupt countries.

All participants in Gore's project are told to study a paper called "Good Governance in Africa: A Case Study from Uganda," prepared by the Economic Development Institute of the World Bank.

But Uganda is hardly the model for "fighting corruption." On Feb. 7, the *Washington Post* published an article titled "Uganda's Glow Fades—Corruption Tarnishes Advances in Economy and Democracy," detailing the latest attempts by Museveni to crush all opposition. It quoted one official who estimated that \$200-\$300 million a year is siphoned off through corruption—as much as the World Bank spends in the country. "There's a feeling that corruption is much worse than it was," one diplomat, quoted anonymously, says. "It's at a higher level with much higher amounts."

But despite the pinpointing of Uganda's corruption by the *Post*, just weeks before Gore's conference started, the "Uganda Model" is still to be trumpeted.

And Museveni can still count on the British Empire, and its lackey Gore. One co-author of the Uganda paper being pushed by Gore's staff is TI Managing Director Jeremy Pope, a leading British Empire case officer for conducting genocide in the Third World through "non-governmental" organizations. Before joining TI in 1994, Pope worked, from 1977 to 1994, with the Commonwealth Secretariat in London as director of its Legal and Constitutional Affairs Division and legal adviser to the Commonwealth Secretary.

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## Why Al Gore should be removed: A Bill of Particulars

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### The most corrupt man never elected President

*EIR* does not say “impeach Gore” lightly. Throughout the entire process of the impeachment of President Clinton, *EIR* and other organizations associated with Lyndon LaRouche, author of the policy for a New Bretton Woods monetary system, documented that *never* was there a basis for impeaching Clinton. *EIR* documented that the impeachment attack on Clinton was an assault on the U.S. Presidency directed by foreign enemy interests—the same British Empire interests against whom the American Revolution was fought.

Vice President Albert Gore, Jr. may go down in the history books as the most corrupt politician never to be elected President. His leading fundraisers read like a who’s who of the late Meyer Lansky’s National Crime Syndicate frontmen; and, as the son of the late Sen. Albert Gore, Sr.—of Armand Hammer infamy—Al, Jr. has covered up billions of dollars in political thievery by some of Russia’s best-known “reformers.”

Gore’s assault on Malaysian Prime Minister Mahathir in Kuala Lumpur last November could have been written by billionaire speculator, nation-buster, and drug-legalizer George Soros; Soros’s Quantum Fund gained notoriety in 1997 for leading a murderous hedge fund attack against a number of Asian nations, including Malaysia. His manipulations reversed 30 years of economic progress and plunged the region into economic collapse and social chaos, from which it has still not recovered.

Indeed, inspired by Gore’s public attack on the Malaysian Prime Minister, Soros came out days later demanding that the Mahathir government be overthrown!

### Dirty Wall Street

In late August 1998, David E. Shaw, of D.E. Shaw investment, was one of a group of “Who’s Who of Wall Street,” as the Jan. 11, 1999 *Washington Post* called it, who met with Al Gore to define the strategy they sought in the wake of the Aug. 17, 1998 Russian declaration of a suspension of payment on debt and GKO’s. The Russian debt suspension sent the world financial markets into turmoil, causing large losses for Shaw. Just weeks before this meeting, around July 21, Shaw and seven members of his firm had poured \$40,000 into Friends of Al Gore, Jr., Inc., Gore’s pre-Presidential political action committee. Shaw’s contributions, followed by the meeting, raise the issue of bribery on national security matters, which comes under the standard of impeachment, defined by Article 2, Section 4 of the U.S. Constitution.

At the time of the meeting, D.E. Shaw had already sustained great losses on hedge-derivatives bets. The Oct. 15,

1998 *Wall Street Journal* reported that BankAmerica had taken “a \$372 million write-down of a loan to D.E. Shaw & Co.” The losses Shaw sustained, resulting in a \$372-million hit for BankAmerica, had hit during the summer, but the information was withheld until Oct. 13.

D.E. Shaw is not an obscure little hedge fund. It is, by size of capitalization, one of the 25 largest investment banks on Wall Street, with \$1.7 billion in capital. It has grown so large that, according to the *Wall Street Journal*, it was accounting for as much as 5% of all stock trades made in the U.S. in a day.

When Shaw faced near-death, as a result of the Russia crisis, its top execs turned to Gore to bail them out—at the expense of U.S.-Russian relations, and the future survival of the Russian people.

### Glicken

Although Attorney General Janet Reno cleared Gore of wrongdoing in the 1996 campaign finance probe, at least one of Gore’s closest financial allies has recently pleaded guilty to campaign finance violations (he was ordered to pay an \$80,000 fine and put in 500 hours of community service). Howard Glicken, a key fundraiser for Gore’s failed 1988 Presidential campaign who later raised over \$2 million for the 1996 Clinton-Gore campaign, admitted he solicited illegal foreign contributions for 1992 Senate campaigns.

But Glicken’s corruption runs much deeper than that. His Florida precious metals company, Metalbanc, was prosecuted as part of the Drug Enforcement Administration’s “Operation Polar Cap” in November 1991 for laundering the drug proceeds of the Medellín Cartel. Glicken avoided a long jail sentence by striking a deal with prosecutors that sent his partner, Harry Falk, to prison for 27 years. On May 5, 1997, Falk told the *Wall Street Journal* that Glicken had used Metalbanc to launder funds into Gore’s 1988 Presidential campaign.

Glicken tools around Coral Gables, Fla. in one or the other of a pair of Jaguars bearing the license plates “Gore-1” and “Gore-2.”

### Landow and Dear

Gore’s 1988 national campaign fundraising effort was headed by another “businessman” with alleged ties to organized crime, Maryland real estate millionaire Nate Landow. Landow was drawn into Democratic Party fundraising by the “prince of thieves,” Robert Strauss, in Jimmy Carter’s 1976 Presidential campaign. Landow had hopes of being named an ambassador, but his prospects were scotched as soon as the FBI began its background checks.

In the early 1970s, Landow invested in a Florida masonry company backed by the Gambino family loan-shark Anthony Plate. Later in the 1970s, Landow hired Joe Nesline, Lansky’s point-man in the nation’s capital, as a “consultant” on a casino-building project in Atlantic City, N.J. In January 1978, Nesline’s home was raided by the

FBI, and documents were seized that identified Landow as one of his partners.

Gore's New York Presidential fundraising effort in 1988 was headed by Noach Dear, a former New York City Councilman, who was part of the inner circle of the late Rabbi Meir Kahane, Jewish Defense League founder and terrorist. Dear's close ties to Gore did not stop him from launching into public tirades against First Lady Hillary Rodham Clinton, following her comments on the right of Palestinians to have their own sovereign nation.

## Molten Metals

Peter Munk epitomizes the current generation of British-American-Commonwealth, or BAC, operators who, on behalf of the London-Wall Street-Toronto triangle of oligarchs, engaged in one of history's biggest colonialist raw materials grab. Munk's Barrick Gold Corp. has been plundering Africa, Indonesia, Ibero-America, and the United States, to corner a large chunk of the world's untapped supply of gold and other precious metals, to ensure that the BAC oligarchs are in a position to maintain choke-point control over the world economy.

Munk was one of 88 Canadians handpicked by Maurice Strong to become members of Prince Philip's 1001 Club, the secretive funding arm of the World Wildlife Fund (now the World Wide Fund for Nature). Membership in Strong's "kindergarten" brings with it certain perks—among them, access to Vice President Gore.

In his 1996 authorized biography, Munk told writer Donald Rumball that, in the early days of the Clinton administration, he ran into a brick wall when he tried to grab up U.S. Federal land, using an arcane 1872 statute that provided for sale of such land to "miners" for \$5 per acre. Munk stood to make a killing, and he put all of his resources into twisting the U.S. Department of the Interior and the U.S. Senate to his point of view.

To curry favor with the Republicans in Washington, Munk had hired former Conservative Canadian Prime Minister Brian Mulroney as a Barrick director. Mulroney used "his close relationship with George Bush to good advantage." Bush got Munk access to key Senators, and they struck down legislation drafted by President Clinton's close ally Sen. Dale Bumpers (D-Ark.), that would have blocked Munk's scheme. Identical legislation had passed the House.

However, after Munk won the land-grab, he "swore he would never again allow himself to be sideswiped by political surprises." He created an International Advisory Board for Barrick that included both Mulroney and Bush, to institutionalize his presence in Washington. But Munk knew that that was not enough. "We needed access to Gore," Munk told Rumball. "And we needed Maurice Strong to take us to some key contacts to make sure our case was understood at the highest level."

Sources familiar with Munk's gold rush suggest that not

only did Strong provide Munk access to Gore, but Gore is thought to have played an important role personally, in swaying Democratic Senators against the Bumpers bill.

Gore was also "Chairman Mo's" (the insider's term of endearment for Strong) witting or unwitting ally in another scheme, in which the Club of the Isles eco-freak personally managed to make millions, and for which he was, at one point, facing insider trading charges, a Federal civil suit, and several Congressional investigations, with several top figures in the Gore campaign apparatus.

On Earth Day, April 17, 1995, Vice President Gore travelled to Fall River, Mass. to deliver a speech near the research plant of Molten Metal Technology, Inc., a firm which counted Strong among its leading stockholders and directors. The firm's registered lobbyist, Peter Knight, was Gore's top Senate aide, and now one of the leading people in Gore's campaign. Gore's Harvard pal Vic Gatto was MMT's chief of government sales.

According to an account in the Ottawa *Citizen* by Paul McKay on Oct. 20, 1997, Gore heaped praise on MMT, calling the firm "a success story, a shining example of American ingenuity, hard work, and business know-how, all being used to clean up our environment, and at the same time provide jobs and economic growth."

The day after Gore spoke, shares in Molten Metal began to soar, doubling in a matter of months.

But hidden behind the Gore rhetoric was a sea of trouble. From its founding, MMT had received all of its funding from the Department of Energy—more than \$33 million—to produce a commercially viable waste conversion system, using high-temperature metal to decompose waste. The experiments had never worked, beyond the laboratory scale, and the company had spent almost all of its most recent annual grant money in just three months.

By 1995, the Department of Energy informed the firm that its research funding would be greatly scaled back, and soon cut off. Between December 1995 and September 1996, most of the company's officers, as well as director Maurice Strong, dumped millions of MMT shares—at peak market price of \$30 per share. The sales grossed \$15.3 million. On Oct. 20, 1996, a Sunday, after all the insiders had made their killing, MMT issued a press release, and informed brokers via a conference call, that government funds would be scaled back, and commercial ventures delayed. Next day, MMT stock plunged to \$5 a share.

## The Russia file

For more than four years, high-level U.S. intelligence officials have reportedly been aware of the fact that Vice President Gore and some of his senior aides at the White House, have covertly exercised political pressure to suppress evidence that Gore's leading Russian collaborator, former Prime Minister Viktor Chernomyrdin, head of Gazprom, the most powerful company in Russia and one of the world's largest

conglomerates, is guilty of extensive personal and political corruption.

According to *New York Times* author James Risen, in a Nov. 23, 1998 article titled “Gore Rejected CIA Evidence of Russian Corruption”:

“The Vice President did not want to hear allegations that Mr. Chernomyrdin was corrupt, and was not interested in . . . intelligence reports on the matter.” Risen wrote that one secret CIA report that went to Vice President Gore that contained what was considered “conclusive evidence” of Chernomyrdin’s personal corruption, was returned to the Agency with a “barnyard epithet scrawled across its cover.” Since then, Risen says that all reports on the Chernomyrdin subject stay *inside* the CIA.

Another of Gore’s Russian favorites, Anatoli B. Chubais, who was fired from his position as First Deputy Premier by President Boris Yeltsin on March 23, 1998, the same day Yeltsin dumped Chernomyrdin for plotting against him, was also the subject of CIA reports detailing corruption in Russia.

*Reader’s Digest*, in its February 1999 edition, shed further light on Gore’s ties with Russia’s mobsters. In an article titled “Dirty Diamonds,” it tells the tale of three young Russian mafia diamond-dealers who stole up to \$180 million from Russia’s highly secure national storehouses. *Reader’s Digest* printed a picture of the Vice President socializing

with these very mobsters. The picture is identified as having been taken in 1994, during a political campaign event in California.

The *Reader’s Digest* story was based on an explosive investigative report called “The Looting of Russia,” by David E. Kaplan and Christian Caryl, which appeared in *U.S. News & World Report* of Aug. 8, 1998 — complete with the photograph of the mobsters with Gore.

Kaplan and Caryl, following the joint investigation of U.S. FBI agent Joe Davidson and Moscow police officer Viktor Zhirov, uncovered details of how this looting of Russia occurred, through a San Francisco-based company, “Golden ADA,” which supposedly was set up to develop a means for Russia to bypass the DeBeers diamond cartel. But, instead of developing its own market, it appears that Golden ADA simply took the Russian treasures and sold them outright to DeBeers, at rock-bottom prices — while siphoning off as much as \$1 billion in “fees.”

### Robbing Russia’s ‘Fort Knox’

According to the *U.S. News & World Report* article, Gore may have been influential in a certain kind of “damage control” that closed down the Davidson-Zhirov investigation.

At one point in the investigation, Kaplan and Caryl report, investigators became worried that the Golden ADA scandal could become “Russia’s Watergate.” Steps were taken, sometime in late 1995 or early 1996: “In Washington, Justice Department officials briefed the staffs of the National Security Council and *Vice President Gore, who was then deeply involved in U.S.-Russian relations.* Davidson remembers feeling uneasy. ‘We were worried about political interference,’ he says. The FBI’s team pressed on, amassing evidence of racketeering, theft, and money laundering. . . . Davidson thought [they] had a chance to blow the case wide open

“But then came some very bad news.

“The IRS was raiding the Golden ADA offices the very next day, seizing all the assets, and sending the principals fleeing. It took years to locate them. This meant the end of the criminal case.”

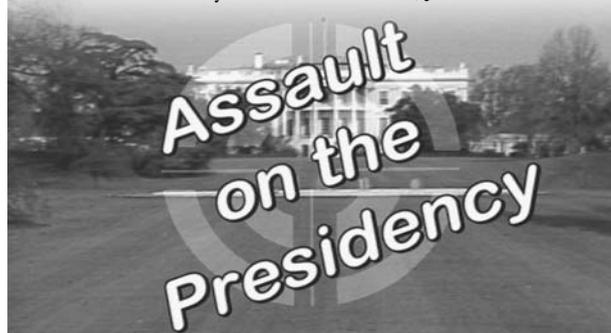
According to the article, one of the names on the wiretaps was “Anatoli Chubais.”

According to Russian media and court reports, the three Russians — two of them now in prison in Russia, and one on the lam — were allegedly working with highest-level officials, most notably then-chairman of the Precious Metals Committee Yevgeni Bychkov, who allegedly set up the Golden ADA. Some Russian media reports have gone beyond Bychkov, naming Chernomyrdin and former Finance Minister Boris Fyodorov.

Investigating the nexus of Gore, Chernomyrdin, Chubais, Gore’s national security aide Leon Fuerth, and Soros (whom Gore once intervened to protect from criminal investigation in Croatia), would be one of the greatest steps toward “fighting corruption” that anyone could take.

**“Long before Paula Jones,  
long before Monica Lewinsky,  
there was a conscious decision, made in  
London, that there would be a full-scale  
campaign to destroy Bill Clinton,  
and to destroy, once and for all,  
the credibility of the office of the  
Presidency of the United States.”**

—Lyndon H. LaRouche, Jr.



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# Organized labor snubs Al Gore, tells its members to ‘organize’

by Marianna Wertz and Carl Osgood

Organized labor sent a strong message to Al Gore at the Miami convention of the AFL-CIO Executive Council on Feb. 16-18. A resolution approved on Feb. 18 urged “all its national affiliates to refrain from making any endorsements of candidates” for the Presidency until the Council’s meeting in Chicago in early August.

The resolution reads, “Providing leadership as we begin the next millennium will require someone with a compelling vision for our nation and a commitment to the values of democracy and equality. The AFL-CIO will support the candidate for President who will exert the strongest leadership on behalf of working Americans, especially in the critical areas of jobs, fair trade, health care, retirement security, equal opportunity and education.” It urges its member unions to get their members’ views and to “refrain from making any endorsements of candidates during this period of member education and input, at least prior to the meeting of the Executive Council now scheduled for early August 1999 in Chicago.”

Had the AFL-CIO supported Gore, he would have been endorsed at the Convention, to which both he and Democratic Presidential contender Bill Bradley were invited. But AFL-CIO President John Sweeney carefully explained, at the press conference releasing the resolution, that Gore’s out-front support for the North American Free Trade Agreement (NAFTA) and similar free-trade policies was absolute anathema to the unions. Labor is going to “fight as hard as we can” to get a trade proposal it likes, Sweeney said, making it clear that, if Clinton goes with NAFTA, Gore will have to break with NAFTA and Clinton if he wants labor’s endorsement. “I would hope that to the extent the differences go our way,” Sweeney said, “he [Gore] would speak out if he wants to get the support of American workers.”

Absent a Presidential candidate whom they are willing to back now, the Executive Council meeting focussed on an unprecedented two-year effort to win back control of the House of Representatives in 2000 for pro-labor Democrats. The effort will represent the first time that the labor federation has not disbanded its political operations at the end of an election cycle. They will focus on 40 to 60 key Congressional districts in about 20 states, including a major effort in California to build up union support. The “member-to-member out-

reach model” pioneered in last fall’s election, and the defeat of the anti-labor Proposition 226 in California, where 25,000 activists were mobilized in the Golden State alone, will be the model for the two-year drive.

American Federation of State, County and Municipal Employees (AFSCME) President Gerald McEntee, chairman of the AFL-CIO political committee, made the announcement on the campaign to retake the House. He said that they will focus on get-out-the-vote efforts, and will try to spend roughly double what they did in 1998, which was \$21.5 million. Sweeney added that the primary focus of the political effort over the next two years “is going to be on grass-roots mobilization. If we can do it in California, we can certainly do it in other states.” The education and mobilization effort will also spread the word about key issues affecting working families—such as strengthening Social Security and Medicare, increasing the minimum wage, passing a Patients’ Bill of Rights, and stopping the expansion of ruinous free-trade policies.

A second resolution, on “Trade and Deindustrialization,” warns that the financial crisis is spreading, that the United States is not immune, and that “many American workers are already paying a high price for global turmoil.” It denounces “speculative, hot money explosions” and “the so-called Washington consensus on ‘economic reform’—trade and investment liberalization, privatization, deregulation, and extreme austerity,” as “a recipe for instability, social strife, environmental degradation, and growing inequality.” However, the only solution to the crisis offered by the lengthy resolution is various ameliorations of free-trade practices.

A resolution on the “Crackdown in China” reflects the AFL-CIO’s disorientation with respect to foreign policy. Project Democracy agents within the AFL-CIO are steering organized labor toward the British-American-Commonwealth crowd’s attempt to use China-bashing to destroy Clinton’s efforts at global development. The resolution denounces China’s “crackdown on the fledgling pro-democracy movement,” comparing it to “China’s decision in 1989 to end the Democracy Wall campaign and jail its leaders.” It calls on the United States to condemn China at the March 1999 UN Human Rights meeting (something labor’s bitterest enemies

are also trying to accomplish), to withhold support for China's entry into the World Trade Organization, and to more actively enforce trade agreements against China.

## Unification conference

Following the Miami convention, the labor mobilization outlined there was put into motion in Washington, D.C., where 3,500 auto workers, machinists, and steel workers met at the Convention Center for the three unions' first Unification Legislative Conference on Feb. 21-24. Organizers from the LaRouche political movement, who were circulating a petition calling on President Clinton to appoint Lyndon LaRouche as his economic adviser and distributing hundreds of pieces of literature, met with a very warm reception from the trade unionists.

When the unification of the three unions is complete, it will create the nation's biggest industrial union, with 2 million active and 1 million retired workers—a real challenge to union-busting companies here and abroad.

Sweeney and Machinists President Tom Buffenbarger addressed the delegates on Feb. 22. Buffenbarger defined "fair trade," fighting against the privatization of Social Security, and for the right to organize as the key issues facing the labor movement this year, leading into the 2000 Congressional elections. After reporting on the AFL-CIO's Executive Council meeting and emphasizing the importance of the trade issue, Sweeney told the delegates that "our message for our elected officials is: There will be no more NAFTAs and there will be no fast track." His enthusiastic conclusion praised the unification of the United Auto Workers, United Steel Workers of America, and the International Association of Machinists: "We're rebuilding our unions at a record pace," he said. "That's the message your actions are sending to all other unions and to every working family in America."

Sen. Robert Torricelli (D-N.J.), a stalwart in the fight against Clinton's impeachment, told the delegates that "anyone who pursues a mindless witch-hunt of destruction against Bill Clinton doesn't deserve to be in Federal office!" This alone got him a standing ovation from the 3,500 delegates, but he went on: "In 200 years, despite fierce partisanship, no political party has purposely misinterpreted a provision of the U.S. Constitution for partisan political gain. The question before you is, do you want political leaders deciding on the future security of American pensions, American trade policy, deciding on the future of Social Security, the standards of American education? Do you want people making these judgments who are the same people who had so little respect for our country, its history, its Constitution, as to misuse the United States Constitution for their own purposeful personal and political gain? I don't want them in office."

The U.S. industrial economy is in depression, declared Jeff Faux, president of the Economic Policy Institute, in his address to the conference on Feb. 23. The EPI notably employs several former associates of Lyndon LaRouche, whose

work tends to reflect the reality they learned from him—if not LaRouche's solutions. Faux pointed to the loss of 285,000 manufacturing jobs during 1998 and laid blame squarely on trade policies that benefit Wall Street financial interests. These policies demand that countries open up their financial markets to foreign banks, and U.S. markets were opened up to their goods in return. When those economies collapsed, Faux said, the bank loans were bailed out by the International Monetary Fund, and those countries are now repaying those IMF loans by exporting everything they produce to the United States and driving down the wages of their own workers, which causes the U.S. trade deficit to skyrocket. The result, Faux said, has been 285,000 jobs lost.

"The geniuses who did this" (who make \$3,000 an hour, he pointed out), "now want to privatize Social Security. 'Give us the money,' they say, 'and let us gamble it in the world casino,'" Faux said. He called on the delegates, when they lobby their Congressmen, to demand: "Where is your bill to ban striker replacements? Where is your industrial plan to keep jobs in the U.S.?" He told them that if their Congressmen respond by saying that government can't interfere in the free market, that the delegates should raise the issue of Long Term Capital Management, whose bailout was organized by the Federal Reserve.

Steel Workers President George Becker, who has been leading a battle for protectionism for America's steel industry, spoke on the final day of the conference. He put the forces of globalization on notice that the new, 2-million-strong, unified union would be targetting them. "We're revitalizing the union movement" in both the United States and Canada, he declared, and "we're sending a message to corporate America, to Wall Street, to Bay Street [Toronto's financial district], to the international financiers, to Congress and to the White House," and that message is: "We're going to challenge their anti-union strategies, and defend the rights of working families in both countries and across the globe."

Becker also pointed to the loss of manufacturing jobs in America and compared the de-industrialization that's going on today with what happened to the steel industry in the 1980s, when 65% of the industry shut down and 300,000 jobs were lost. Today, he said, there's a "much more deadly challenge," that of the rapid-fire movement of capital around the globe. NAFTA and other free-trade agreements "have literally put management on a frantic search throughout the world, for the lowest-cost producer, the cheapest possible wages that they can find . . . where people can't share in the wealth that they produce."

Becker said that the unification of the three unions was about all of the basic economic issues, including the declining standard of living, the disappearance of the middle class, the rebuilding of the industrial base, and the hopes and aspirations of union members. "Organized labor is the only institution," he said, "that stands for social and economic justice for all workers, in and out of unions."

# Bush League's 'dirty tricks' led to President Clinton's impeachment

by Edward Spannaus

No sooner had word leaked out that the Department of Justice was about to launch an investigation of independent counsel Kenneth Starr, than a “public interest law firm” went to court to bar the DOJ probe. That group, the Landmark Legal Foundation, has very good reasons of its own to want to stymie the DOJ’s investigation—because it is itself implicated in the maze of back channels and secret dealings which the DOJ would be examining, should it seriously pursue a conflict-of-interest investigation of Starr.

Although Landmark is a relatively minor player in the events which led to Starr taking over the Paula Jones sexual harassment case in January 1998, any serious examination of Starr’s conflicts-of-interest around the Jones case will inevitably show that Starr, far from being an “independent” counsel, was in fact an agent for a George Bush-linked cabal which was laboring to bring down President Clinton long before Starr was appointed.

## Bush campaign skullduggery

The path through the Whitewater and Monica Lewinsky investigations—which ultimately led to the impeachment trial of the President—goes back to the 1992 Bush re-election campaign. The tracks of both Whitewater and the sex scandals, begin at that point.

In early September 1992, a “referral” was made from the Resolution Trust Corp. to the Justice Department and the U.S. Attorney in Little Rock, alleging criminal wrongdoing in the Madison Guarantee Savings & Loan case by Bill and Hillary Clinton. Edith Holiday, the White House liaison to the Bush-Quayle reelection campaign, asked Attorney General William Barr about the referral a few weeks later; both Barr and Bush’s White House Counsel C. Boyden Gray intervened to try and get a criminal investigation of the Clintons opened before the election.

Kenneth Starr was the Solicitor General in the Bush Justice Department at the time. Edith Holiday’s husband, Terry Adamson, later became Starr’s own lawyer.

The Madison referral was instigated by Jean Lewis, whose hatred of Bill and Hillary Clinton was well known within the RTC. In 1994, her actions against the Clintons came under

investigation within the RTC, and she was put on administrative leave. Her lawyers during this time were supplied by the Landmark Legal Foundation. One of Starr’s first acts, upon being appointed the Whitewater independent counsel in August 1994, was to subpoena the RTC’s records on Lewis and to order the RTC to suspend its investigation of her—thus perpetuating a cover-up of the illegitimate and politically motivated origins of the entire Whitewater investigation.

A second avenue of Bush campaign “opposition research” and dirty tricks, revolved around investigations of Bill Clinton’s personal life.

Chicago businessman Peter W. Smith (a major bankroller of Newt Gingrich’s political action committee, GOPAC), began financing an investigation into Clinton’s sex life during the 1992 campaign, and put at least \$80,000 into these efforts up through March 1994. Much of the research was conducted and supervised by attorney Richard W. Porter, who was Special Assistant to the President (Bush) in 1990-91, then Counsellor to the Vice-President (Quayle) during 1992.

Porter’s efforts continued after he became a partner in the Chicago law firm of Kirkland & Ellis in early 1993, at the end of the Bush Presidency. Around the same time, Kenneth Starr also left the Justice Department and became a partner in Kirkland & Ellis. In the summer of 1994, Starr and Porter worked together on preparing an *amicus curiae* (friend-of-the-court) brief to support Paula Jones’s argument against Presidential immunity in her lawsuit against the President.

“Opposition research” by the Bush-Quayle campaign delved into other areas, as well. In late October, the *Washington Times* and the *Sunday Times* of London both wrote that Bill Clinton had been an anti-war protester in the late 1960s, and raised suspicions about Clinton’s visit to Moscow in 1969—with the suggestion that Clinton had been a Soviet agent ever since.

Emmett Tyrrell, the editor-in-chief of *the American Spectator*, later wrote in his book *Boy Clinton* (published by Alfred Regnery, himself a friend and former Justice Department colleague of Kenneth Starr): “For a day or two after these reports Washington was resonant with rumors. State Department files supposedly contained evidence that Clinton had given up his

citizenship to avoid the draft, that he had committed treason, and that while in Moscow he had slipped away for a clandestine trip to Hanoi. . . .”

In fact, some over-enthusiastic, pro-Bush State Department employees rifled through Clinton’s passport files, looking for such evidence of treason. One of those who later came under investigation was Steven Berry. Berry was defended by someone we will meet often in this story: Washington lawyer Theodore Olson—a law partner of Kenneth Starr from the 1970s, who came with Starr into the Reagan-Bush Justice Department in 1981, and is usually described as one of Starr’s closest friends.

## The Paula Jones case

The next intense spurt of activity to dig up dirt on Bill Clinton begins in the fall of 1993, and quickly results in the opening of the Whitewater case in January 1994, and the filing of the Paula Jones case in May.

Although the Whitewater story had been kicking around since 1992, it only got traction at the end of 1993, after a former Little Rock, Arkansas municipal judge and con-man named David Hale was indicted for fraud. Working through longtime political enemies of Bill Clinton in Arkansas, Hale was able to shop his “Whitewater” story, targeting Jim and Susan McDougal, and Bill and Hillary Clinton, into the national media such as the *New York Times*, building pressure for the appointment of the first Whitewater independent counsel, Robert Fiske, in January 1994. Through the same circles, Hale was put in contact with operatives of the spook-billionaire Richard Mellon Scaife, who were working through the *American Spectator* magazine. By the end of November 1993, Hale had retained Starr’s colleague Ted Olson as his attorney.

Seeing the possibilities, at year’s end Olson convened a meeting in his Washington office to create the “Arkansas Project.” Operating under the auspices of the “American Spectator Educational Fund,” and with over \$2 million of Scaife foundation money, the Arkansas Project set out to dig up dirt, and to manufacture witnesses, against Bill Clinton. David Hale was one of the secret recipients of Scaife money, via the Arkansas Project, while he became a federally protected witness for Starr against the President.

But meanwhile, Chicago businessman Peter Smith had never given up his project from the 1992 campaign. In August 1993, Smith called David Brock, an investigative writer for the *American Spectator*, and asked Brock to fly to Little Rock to meet with two renegade Arkansas state troopers who had stories they wanted to tell about Clinton’s alleged sexual escapades. Brock spent two days in Little Rock with the troopers, and this venture resulted in the infamous “Troopergate” article in the *American Spectator* in late December 1993.

That article mentioned a former Arkansas state employee, identified only as “Paula,” who claimed that Clinton had made a lewd sexual approach to her in 1991. In February, Paula Corbin Jones went public. The statute of limitations expired on May 8, 1994, so there ensued a frantic search to find law-

yers for her who could take on the President of the United States.

According to various published accounts, the search for Paula Jones’s legal team involved the following:

1. Operatives from the American Spectator Educational Fund, who made frantic calls until they were able to confer with the Landmark Legal Foundation; Landmark advised Jones *not* to sue the *American Spectator*, where her name was published, but only to sue Clinton and the trooper involved. (Landmark and the *Spectator* are both heavily dependent upon Scaife foundation financing.) Some accounts say that Landmark put Jones in touch with her first legal team, Gil Davis and Joseph Cammerata.

2. Peter Smith in Chicago was also contacted about finding a lawyer for Jones. Smith referred the caller to Richard Porter (Starr’s law partner); Porter referred Jones to Philadelphia lawyer Jerome Marcus, who contacted Davis & Cammerata.

3. Ambrose Evans-Pritchard, the Washington correspondent for the London *Sunday Telegraph*, who has described his own efforts to assist Jones’s local lawyer in finding competent help; Pritchard takes credit for convincing Jones and her family to file suit. Pritchard described the Jones suit as the “ticking timebomb” that could bring down the Clinton Presidency, through pre-trial discovery digging into Clinton’s sex life.

Jones’s legal team of Davis & Cammerata, themselves over their heads, got lots of help. Philadelphia lawyer Marcus drafted the original complaint, filed in May 1994.

During June, Starr himself (still not having been appointed independent counsel), talked with Davis at least six times, for a total of four and one-half hours.

Starr and Richard Porter began to prepare the *amicus brief* in support of Jones; Starr had to drop out when he was suddenly appointed independent counsel in August 1994.

Porter meanwhile began to put together a secret team of lawyers who would ghost-write many of the legal papers filed by Jones’s first and second teams of lawyers. This included Porter, Marcus, and George Conway of New York. They also discussed the case with Paul Rosenzweig, another friend of theirs—who went to work for Kenneth Starr in November 1997, just as the Lewinsky case was on its way into Starr’s hands.

All four—Porter, Marcus, Conway, and Rosenzweig—were classmates at the University of Chicago Law School in the mid-1980s, and they have all been identified as members of the Federalist Society, a right-wing legal organization in which Starr, Olson, and Judge David Sentelle—the head of the three-judge panel which appointed Starr—are also active.

In the summer of 1996, Conway and Marcus arranged for Gil Davis to be able to prepare his Supreme Court arguments in front of a “moot court,” including Ted Olson and former judge Robert Bork.

Bork has been identified as one of the attendees at what used to be regular Friday night gatherings at the secluded Great Falls, Virginia home of Ted Olson and his wife, Barbara

(a former Federal prosecutor and an outspoken TV critic of Bill Clinton).

Sources have identified participants in the “Olson Salon” as including: Kenneth Starr, Bork, Supreme Court Associate Justice Clarence Thomas, Appeals Court judge Laurence Silberman, *Wall Street Journal* editor Robert Bartley, and *American Spectator* editor Emmett Tyrrell.

David Brock, the “Troopergate” author, wrote an article in the July 1997 *Esquire* magazine, entitled “Confessions of a Right-Wing Hit Man,” wherein he described how he had been in attendance at the 1996 wedding of Ted and Barbara Olson—in a crowd that included Bush’s former White House Counsel C. Boyden Gray (remember the RTC referral?), Starr, Robert Bartley, and others. Gray joked with Brock that since Starr wasn’t going to come up with the goods on Clinton before the November elections, it was up to Brock to do it. This was a reference to Brock’s forthcoming book on Hillary Clinton, which ended up being somewhat sympathetic to the First Lady. This rapidly resulted in Brock’s being disinvited from further social gatherings at the Olsons’ home.

Brock also blew apart the centerpiece of Gary Aldrich’s book *Unlimited Access*, since renegade FBI agent Aldrich had falsely used Brock as a source for stories that Bill Clinton was sneaking out of the White House for late-night trysts.

After Brock had informed Aldrich of the error, Brock writes, “I received the first of several tense phone calls . . . warning me to keep my mouth shut.” The first such call, Brock says, was from Mark Levin, the president of the Landmark Legal Foundation and former chief of staff to Attorney General Edwin Meese. Referring to Aldrich, Landmark’s Levin told Brock: “If he goes down, we all go down.” Lewin told Brock that he should leave town to avoid talking to reporters.

### **Starr and Paula Jones, redux**

In November 1997, New York literary agent Lucianne Goldberg, desperate to deliver a frightened Linda Tripp into Starr’s hands, called publisher Alfred Regnery in Chicago—the publisher of many anti-Clinton books, by authors such as Ambrose Evans-Pritchard, Emmett Tyrrell, and Gary Aldrich, who was a friend of Linda Tripp’s in 1992-93 in the White House. Regnery contacted Peter Smith. Smith called Goldberg back with Richard Porter on the line, introducing him as “Ken Starr’s partner,” and Goldberg then briefed them both on Monica Lewinsky.

Goldberg has described Porter as being “nervous” about his role, because of his close ties to Starr, and she says that Porter therefore used Marcus as his “cut-out” to Starr’s office.

Goldberg was also trying to find a new lawyer for Tripp; among those she sounded out, was Ted Olson.

By mid-January of 1998, Kenneth Starr was back where he always wanted to be: in the middle of the Paula Jones case. Now he could take over the case, under the pretext of investigating perjury and obstruction of justice, with Linda Tripp, Lucy Goldberg, and Monica Lewinsky as his witnesses.

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## Interview: Ed Vaughn

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# Stop the takeover of Detroit’s schools

*Michigan Gov. John Engler (R), the leading GOP contender for Vice President on an expected ticket with Texas Gov. George Bush, has introduced Senate Bill 297, to take over the Detroit schools from the duly elected school board, and to hand them over to Detroit Mayor Dennis Archer (D), a leading supporter of Vice President Al Gore; the schools are ultimately to be privatized.*

*State Rep. Ed Vaughn (D-Detroit) is fighting the takeover, and in this interview with EIR, warns that passage of the legislation could lead to riots.*

*More than 500 Detroit residents went to Lansing on Feb. 17 to oppose the bill in the Senate. Hundreds more went on Feb. 24, for the second hearing, where Representative Vaughn led a protest in the committee hearing, including grabbing the speaker’s gavel—what he called an “act of civil disobedience”—to demonstrate “what it feels like to constantly have your rights taken away.” Vaughn and others were taken out of the hearing and the bill was reported out of committee in the GOP-controlled Senate. As the House is also GOP-controlled, the legislation is expected to pass there as well, unless a very strong fight is waged against it.*

*Representative Vaughn is chairman of the Michigan Legislative Black Caucus, and is serving his fourth term in the legislature. He is also chairman of the Constitutional and Civil Rights Committee in the Michigan House, and vice-chairman of the Agriculture Committee. He is one of 12 state legislators who initiated the ad hoc committee “Americans to Save the Presidency.” He has endorsed both the Open Letter to President Clinton to exonerate Lyndon LaRouche, and the appeal to President Clinton to name LaRouche as his economic adviser. Marianna Wertz interviewed Vaughn on Feb. 16 and 19.*



**EIR:** Can you tell us what the issue is in your fight against Gov. John Engler and Detroit Mayor Dennis Archer?

**Vaughn:** The main issue now is the Governor’s attempt to take over the Detroit public schools. It’s the only school district in the State of Michigan that the Governor has targeted for takeover. We believe that the takeover is about money and it’s about race. First of all, he has not targeted any other school district except an all-black district.

**EIR:** By takeover, do you mean privatization?

**Vaughn:** That's what it is going to be. What he plans to do is to put the school district in the hands of the Mayor, and the Mayor would then run the school district. That's theoretically the plan. But the real plan, which he has not said, is to actually take over the school district. The Governor would run it through the Mayor, and that would be a backdoor route to privatizing the school system.

**EIR:** So he's taking over local control of the schools.

**Vaughn:** Right. We have an elected school board in Detroit. So, he's going to vacate the vote of the people, and the guise under which he is doing this, is that the school system is a failed system, in that it's a troubled district. Now, there are no guidelines for what a failing school district is. The Detroit school district certainly has had its problems, and still has problems, but it also has a lot of highlights, in terms of what it has been able to accomplish, in spite of the problems. For example, one of our high schools is listed as one of the ten best in America. That's Renaissance High School.

We have now a \$96 million surplus in the school budget, and we have a \$1.5 billion bond issue. Engler wants to get his hands on that, to make sure that all of that goes into the hands of the usual suspects. The Mayor is claiming that he doesn't want the schools, but that if the Governor puts them in his hands, he'll take them. But we know that that's just a ruse for supporting the takeover.

**EIR:** What would Mayor Archer's reason be for doing that?

**Vaughn:** For one thing, the Mayor has been very supportive of the money people to take over Detroit. He's moving to privatize large sections of the infrastructure in Detroit. For example, he's moving to privatize our public lighting department. He's moving to privatize our water department, which provides water for almost one-third of the state of Michigan. All of these things are on a fast track for privatization.

There's a recall on the Mayor that's going real strong. The recall is being pushed by the Black Slate, the political arm of the Shrine of the Black Madonna in Detroit, which is a church group that has affiliates in Houston and Atlanta.

**EIR:** Why do they want Archer recalled?

**Vaughn:** Their reason is that he has completely gutted black control and access in the city. He's giving it all back to the people who had it in the first place, who left the city just before and after the riots. He's returning every aspect of Detroit, as far as infrastructure goes, back to the business people. They are taking over neighborhoods; they are buying up property, putting poor people off their property. There are lawsuits against them. It's a very bad situation in the city.

**EIR:** In your press release, you say that Governor Engler wants to be the "plantation master" for Detroit.

**Vaughn:** Yes, he does. I can back that up, considering his record in Detroit. He shut down our community college. He has

never given Detroit the money out of the state Health Department that we should have for at-risk students. He cut our adult education budget almost completely out. We went from 2,600 graduates down to 326 after his cuts. He has been disingenuous about supporting Detroit. Our basic foundation grant is about \$6,000, and that's less than [that received by] over half of the school districts in the state of Michigan per student. It's just been one thing after the other. He shut down a black community college in Highland Park, which is an all-black suburb inside the city of Detroit. He shut it down, and then put a private trade school in place of the community college.

**EIR:** One would expect this from a Republican like Engler, but Archer is a Democrat.

**Vaughn:** He used to be a Republican. He just kind of changed his colors in order to run for Mayor of Detroit.

**EIR:** Isn't he also close to Al Gore and his campaign?

**Vaughn:** He is supposed to be the chairman of Gore's committee. I understand he's being touted as one of the chairpersons. So, he's very close to Gore.

**EIR:** He has basically purged the Coleman Young machine?

**Vaughn:** Well, he did that, and he purged black people in Detroit also, not just the Coleman Young machine. He purged the black community, and he's doing it every day.

**EIR:** Has Engler moved to take over the school system?

**Vaughn:** He has a bill that's in the Senate to take over the school system. It's Senate Bill 297. The thing about Engler is that he is probably going to be the number-one person to run for Vice President of the United States on the Republican ticket. All of the big Republicans were in Detroit yesterday, in Warren. [Senate Majority Leader] Trent Lott [R-Miss.]; Engler was there of course, talking about what a great tax-cutter he is. They came here because Michigan is supposed to be a state where there have been tremendous tax cuts, but they've all been for rich people. There's not been any real relief for middle income and poor people.

**EIR:** You expect protests at the hearing on Feb. 17?

**Vaughn:** Yes, at the Senate Office Building. This has implications for the whole state, because if he can take over Detroit's district, he can take over any district in the state. So that's what we're trying to let people know, that this is not just about Detroit, it's about the whole State of Michigan.

**EIR:** [The next part of this interview was conducted on Feb. 19, after the Senate hearing.] What happened at the hearing and what are the plans now?

**Vaughn:** The hearing in Lansing produced more than 500 parents and students from the Detroit School District. There were many who testified. Helen Moore, Black Council for Quality Education, testified. Minister Malik Shabazz of the New Marcus Garvey Movement testified. Rev. David Mur-

ray, a newly elected member of the school board, testified. Engler had some of his charter school preachers come up and testify. They were small creatures who have charter schools, so they testified in favor of the takeover.

The vast majority of the people there were opposed to the takeover. Many, many buses came there with parents and students to protest. It was basically a joint hearing of the House and Senate, and they heard the testimony of these people. That was the second hearing. There may be a third one. We think there may be one next Wednesday, before the bill is sent to the floor of the Senate.

**EIR:** Did it already pass in the House?

**Vaughn:** No, it didn't pass in the House. It's still in the Senate. The Governor said he wants it on his desk by Easter.

This is very crucial to the people of Detroit. They really are not going to stand for this. I see civil unrest. There's also a move now to begin to have some boycotts of some of the corporations around town. There's some talk of that. I don't know how far that's gotten. There's talk of boycotting GM and Chrysler and other automobile companies.

**EIR:** Are they behind this bill?

**Vaughn:** You know that. They are very much in favor of it. I think they are behind it because there's a concerted move from the corporate community to retake Detroit. Not that they ever really lost it. Detroit has a very large Afro-American population. There are some things that are about to happen here that were on track to really give some direction to the rest of the country, had Archer not come in and thrown a monkey wrench into everything. I think we were on our way to solving the problem of our youth, to solving the problem of the education of our children. We were in control of the water department, which supplies water to almost half of the state of Michigan. We have a public lighting department, which has the possibilities of lighting up the whole city. Archer is privatizing everything.

**EIR:** What you say sounds so much like what Prime Minister Dr. Mahathir bin Mohamad of Malaysia told *EIR* in his recent interview, when he said, in effect, that "we, in the Third World, were on our way to becoming full-fledged advanced countries when the speculators hit us."

**Vaughn:** Sure, same thing. We really were on our way. I think Mayor Coleman Young set it in motion. He urged people to buy homes. He had a homesteading program where people could take abandoned houses and fix them up. We were really on our way. Then Archer came in. We're convinced that it was a concerted move, just like what they [the speculators] did in Malaysia, to destroy a people-driven development plan.

**EIR:** Do you think the main forces behind it are the auto companies and the banks?

**Vaughn:** The main force behind it is corporate America. I don't think there's any question about that. They are the main

forces. They are the ones who financed New Detroit, Inc., which is the organization that first came up with the school takeover plan. They were disingenuous, because they said that they were really about trying to help the schools, and then we found out that what they really were about was to help the Governor take over the school system. The person who headed up that program, William Beckham, the director of New Detroit, came out of the corporate world. He was the lightning rod on this whole thing. But, he started out making the school board believe that he was trying to help develop a reform program to be developed by the Board of Education. It was somewhat later that they recognized that they were the ones who really were a part of the dismantling program.

**EIR:** I read the bill and it's pretty bald-faced. It really doesn't give a reason for the takeover, and it seems that the statistics they give for the Detroit schools are falsified.

**Vaughn:** They're very much falsified. But they are good at doing that. When they closed the college, they did the same thing. They lied straight up. And when we proved that they were lying, they just said, forget it. They went straight ahead.

**EIR:** So, it will be a fight in the House that will ultimately determine it.

**Vaughn:** If there's going to be any fight in Lansing, it will be in the House. I don't see much fight taking place in the Senate, especially since they have one of the Democratic Senators on board, this clown Emerson out of Flint.

**EIR:** It sounds like it's going to provoke demonstrations.

**Vaughn:** They're already provoking demonstrations. There have been quite a few. There were meetings last night all over the city. This thing is going to get out of hand, if they expect they're going to go through with it. People said very clearly that they will *not* accept it. If the bill passes and they try to institute it, I think you're going to see a tremendous amount of civil unrest in Detroit. I don't think people are going to stand for it. Detroit is not like other cities. The black community in Detroit doesn't stand for a lot of stuff, because of the historic background of struggle in the city. The union movement, the underground railroad movement.

In the black community, we've had a long history of struggle here. Practically every major event that happened in America really started here. From the underground railroad movement, before and even after the Civil War, to the labor movement, the founding of the Republic of New Africa took place here; the founding of the Nation of Islam happened in Detroit; the largest Marcus Garvey organization outside of New York was in Detroit. It's always had a history of fight and struggle. The biggest riot in America took place in Detroit. The one that topped all the rest of them.

**EIR:** We don't want to see that again.

**Vaughn:** It may happen. I don't think the people are going to allow this takeover.

# National News

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## Rep. Cox in London hails 'Anglo-American values'

Rep. Christopher Cox (R-Calif.), whose House committee recently issued a classified report claiming that technology transfers to China harmed U.S. national security, delivered a speech to the "European-Atlantic Group" in London on Feb. 18, appealing to "Anglo-American values" against the yellow, red, and rogue perils.

Cox proclaimed that "the overarching characteristic of the coming century will be a rapid and dramatic increase in the ability of comparatively small or poor nations to threaten the vital interests of even the wealthiest and most powerful countries—like ours"—meaning the United States and Britain. Cox railed against large government and large organizations (apparently not including big empires). "The empowerment of individuals, the eclipse of statism and planning, are a victory for Western—and in particular, Anglo-American—values," Cox declared. "Britons in particular can take pride in this development: Your famous distrust of ideology, and your empiricism and pragmatism, have been amply vindicated."

Cox then rattled sabres over the alleged threats posed by North Korea and Iraq, and by Russia and China. This was all by way of arguing for "national missile defense." But what Cox meant by this is indicated by his contention that President Reagan's 1983 Strategic Defense Initiative, the brainchild of Lyndon LaRouche, was a result of Reagan's close consultations with Britain's Lord Chalfont.

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## Anti-trust suit protects HMOs from physicians

In August 1998, the Justice Department Anti-Trust Division, acting on a complaint from Blue Cross Blue Shield of Delaware (BCBSD), filed a suit against the Federation of Physicians and Dentists (FPD), alleging that the 9,000 member union "became a hub of a conspiracy to oppose and prevent proposed reduction in payments for orthopedic

services" by Blue Cross. "The federation organized an illegal boycott designed to insulate doctors' fees from market forces and led the doctors well over the line into anti-competitive conduct," the DOJ charged. Back in 1997, the state's largest health insurer, Blue Cross, announced large increases in both group and individual premiums, and notified all orthopedic surgeons in its plan that it was cutting their payment rates by over 20%. Physicians could either accept the cut or terminate their agreement.

Physician groups which attempted to negotiate, according to the defendant's response, found the insurer's "threats have been so arrogant, egregious and outrageous, the physicians have declined to deal or negotiate with BCBSD despite their desire to continue as providers under its plan." BCBSD had a "history of arrogant, abusive, and unscrupulous dealings with many physicians in its Delaware network." Physicians who then joined the FPD designated Executive Director Jack Seddon to act as their individual "third party messenger" to open a dialogue with BCBSD. BCBSD remained refractory and the new contract was non-negotiable. "Rather than subject their patients to danger of injury and themselves to claims of malpractice," FPD members independently chose not to deal with BCBSD, they said.

The DOJ claims that union doctors, through the FPD, facilitated a boycott "to extract artificially high fees from Blue Cross and to prevent other . . . insurers from reducing fees" to surgeons. Joel I. Klein, head of the Anti-Trust Division, pontificated, "We will take action to stop illegal boycotts that injure the public and ultimately increase the prices that consumers pay for health care."

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## Lott uses 'red scare' to raise GOP money

A Feb. 18 fundraising letter, over Senate Majority Leader Trent Lott's signature, uses the China missile "red scare" and terrorism threats to scare up funds for the Republican National Committee, after the GOP was so badly discredited in the impeachment fiasco. "I'm terrified by the grave jeopardy" that the Clinton administration has put us in, Lott

wrote in the letter. Lott claims that his terror comes from the fact that China has 13 nuclear missiles capable of reaching U.S. targets (not mentioning the several thousand ICBMs in the U.S. nuclear arsenal). Americans could die because Bill Clinton gave away our technology to China, Lott's letter says.

In pleading for contributions to the RNC, Lott not only brandishes the non-existent Chinese threat, but also North Korea, Iraq, and chemical and biological weapons. "Any Third World dictator or insane terrorist who can get his hands on a ballistic missile can 'point and shoot' it toward the U.S., and be virtually assured of killing thousands or millions of Americans with nuclear, chemical, or biological weapons," his racist claim states.

The solution? Give money to the RNC, so they can promote the late Danny Graham's worthless version of ballistic missile defense.

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## Legislators back Marianas sweatshops

House Resources Committee chairman Don Young (R-Ak.), leading a delegation of seven other members of Congress on a tour of the U.S. Pacific island territories, told local officials of the Commonwealth of the Northern Marianas Islands that he could see no reason to dismantle its garment industry just because it heavily depends on low-paid foreign workers. "If this is the industry that is generating money for the economy," he shrugged, "why eliminate it?"

The delegation was warned by local government officials that the Commonwealth stands to lose tremendously if Federal minimum wage and immigration standards are imposed from Washington, as the Clinton administration is threatening to do. At the same time, they're complaining that President Clinton's FY 2000 budget submission reduces its capital infrastructure project funds by 51% percent, which they see as retaliation for the collapse of January's talks with the Interior Department over labor conditions. The Commonwealth's tourist business collapsed after the financial crisis in Asia, leaving the garment

**SOUTH DAKOTA** Sens. Tom Daschle (D) and Tim Johnson (D), and Rep. John Thune (R) addressed a Feb. 18 rally of 200 ranchers and farmers on the farm crisis. The state has lost 2,773 farms between 1992-97, and of those remaining, 11,000 reported net loss in income in 1997—a year *before* grain and hog prices plunged.

**STATE DEPARTMENT** Near East official John Limbert told a Georgetown University conference on Feb. 17, on the 20th anniversary of the Iranian revolution, that “there are signs of change, of a break in this 20-year cycle of mistrust” between the United States and Iran. The United States will no longer refer to Iran as a “rogue state,” he said.

**THE FEDERAL ELECTION** Commission dropped its lawsuit against Steve Forbes and his 1996 Presidential campaign committee in February. The action is unprecedented. The FEC suit had alleged that Forbes’s committee had accepted an illegal “in kind” contribution from his family’s magazine, *Forbes*, because it continued to print his weekly column during his campaign.

**‘FAT HENRY’ KISSINGER** proclaimed that U.S. ground troops should not be sent to Kosova, in his syndicated column, published in the *New York Post* on Feb. 20. Troops, he said, should be kept in ready for supposedly more serious threats, such as North Korea and Iraq. He also argued that Kosova is in Europe, and therefore a European problem (whereas, presumably, Korea and Iraq are on the U.S. doorstep).

**‘NEW FEDERALIST,’** a weekly newspaper of the LaRouche political movement, is launching a Spanish bi-weekly supplement in the United States, *El Nuevo Federalista*. The new publication will be available by subscription, at \$20 for 24 issues. With an inaugural print-run of 8,800, the publisher anticipates a very rapid growth among Spanish-speakers in the United States, one of the core constituencies of the Democratic Party.

industry, which one source described as the “800 lb. gorilla of local politics,” as almost the only source of revenues for the local government.

Dana Rohrabacher (R-Calif.), part of the delegation, expressed support for the garment industry, saying it has “spared” U.S. taxpayers from having to support the islands’ economy.

The delegation was greeted by two demonstrations when it arrived at the Federal building on Saipan. The first demonstration of about 100 native islanders, supported the garment factories, and the second consisted mainly of Bangladeshis, Chinese, and Filipinos, demanding back wages, fair employment policies, and status as “economic refugees.” The second demonstration became a night-long candlelight vigil, moving Reps. Robert Underwood (D-Guam) and Eni Faleomavaega (D-American Samoa), to go out and speak with the demonstrators.

## Young: Army Engineers should help build Africa

Former UN Ambassador Andrew Young told a Washington press conference on Feb. 19 that he and others are very interested in the possibilities of using the U.S. Army Corps of Engineers in demilitarizing Africa, not in the sense of taking the guns away from African militaries—as most present had misunderstood—but in the sense of building things. “The U.S. Army,” he said, “was a development army for a hundred years. Africa won’t be able to develop without constructive demilitarization.”

Young’s point was clarified by Leonard Robinson, president of the National Summit on Africa, who explained that this includes putting demobilized soldiers, especially those who have been fighting internal conflicts, such as those in Angola, Liberia, and Mozambique, to work, building their countries. Young also stressed that Africa is very underpopulated, citing Namibia, which, he said, is the size of California, but has only 1.5 million people.

Young’s remarks were made at a press conference of Robinson’s organization to announce its plans for its national meeting to take place in Washington in February 2000,

and were one of the few bright spots in an otherwise dismal confab of assorted eco-fascists and human rights mafiosi, trying to shape U.S. policy toward Africa in line with British geopolitical designs. The organization is largely funded by the Ford and Carnegie foundations and includes among its national co-chairs Jack Kemp; Kathryn Fuller, U.S. president of the World Wildlife Fund; and Randall Robinson, executive director of TransAfrica. Its board of directors includes representatives of Zero Population Growth and the New York Council on Foreign Relations.

## Confederate 4th Circuit overturns Miranda ruling

The Fourth Circuit Court of Appeals, sitting in Richmond, Virginia, made an unsolicited decision on Feb. 11 to overturn the *Miranda* decision, which binds law-enforcement officers to inform suspects of their Constitutional rights. Among the most shocking aspects of the ruling, is the fact that neither the prosecutor nor defendant had broached the *Miranda* issue. The decision, written by Judge Karen Williams and joined by Judge Jackson Kiser, lambasted the Department of Justice for refusing to argue or a law that attempted to set aside the Supreme Court’s 1966 *Miranda* ruling. The law, 18 U.S.C. Sec.3501, died almost as soon as it was signed in 1967.

After the original *Miranda* ruling, there was widespread hysteria (similar to that levelled today against the McDade-Murtha Citizens Protection Act), that hordes of murderers and other criminals would escape punishment. Sens. Arlen Specter and John McClellan forced through the bill’s passage, which leaves it to courts to decide whether confessions are “voluntary,” and does not guarantee the Fifth Amendment’s protection against self-incrimination. As soon as it became law, then-Attorney General Ramsey Clark announced that it would not be enforced because it was unconstitutional.

The Fourth Circuit’s decision sets the stage for the Supreme Court to take up the issue, where Associate Justice Antonin Scalia champions the act.

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## Editorial

### *The would-be gods of Olympus are doomed*

The British-American-Commonwealth grouping, which was behind the attempt to remove President Clinton from office, is on a rampage, generating chaos in the Balkans, the Middle East, and Central Asia, in a desperate attempt to stop the momentum toward development and cooperation, on the part of the "Survivors' Club" in Asia. In the Balkans, where the talks on Kosova in Rambouillet have broken down, the BAC crowd has been trying to provoke a U.S.-Russia clash, by pushing a NATO-only intervention, which Russian President Boris Yeltsin has rejected.

In the Middle East-Persian Gulf region, the war is going on. Contrary to what Turkish Prime Minister Bulent Ecevit was quoted as saying, that the operations into northern Iraq were terminated, the Turkish General Staff has stated that they have *not* ended. This entire operation is being run by Al Gore's Principals Committee, the British, and the Israelis, not by any national government, in the same way that the Roman legions were deployed. If the Turkish military operations are continued into northern Iraq, this will provoke a confrontation between the political and military layers inside Turkey, and will lead to a doomsday scenario on the ground. Turkish troops entering this difficult, sparsely populated terrain, will be targetted by guerrilla units, and will find themselves in a new Afghanistan quagmire.

In Central Asia, the Principals Committee is moving hard and fast, in what it thinks will be a takeover of the raw materials-rich republics. The just-announced contract between the Turkmenistan government and the U.S. firm PSG, which is to head up the consortium building the pipeline through Georgia into Turkey, was warmly welcomed by none other than Vice President Al Gore, who sent his personal congratulations to Turkmenistan's President Saparmurad Niyazov. Although it is clear that Turkmenistan needs pipelines in various directions, in order to sell its gas and oil, which have been blocked for years, it is important to understand that this pipeline is being celebrated for its geopolitical significance: Both Iran and Russia are opposed to it, in that it bypasses both land routes, and utterly ignores the treaty agreements still in force, signed between the Soviet Union and Iran, regarding the Caspian Sea. The

pipeline also flies in the face of India and Pakistan, whose security concerns must take the situation of the Central Asian republics into consideration.

A welcome response to the arrogance of the BAC-controlled raw materials cartels, which are ready to do to Central Asia what they have been doing to the Great Lakes region of Africa, has come in the form of the decision, by the government of Kazakstan, to expropriate the companies associated with the TransWorld Group. TransWorld is a London-based global metals and commodities-trading conglomerate, which was the biggest investor in Kazakstan. Caught in the act of "mismanagement" and forcing the country into "economic dependency," the group has had its \$200 million in contracts invalidated, and is being forced to pay \$200 million in damages.

Clearly, a fight is raging inside the Commonwealth of Independent States, between forces of national sovereignty, and the networks of Al Gore's crony, CIS Executive Secretary Boris Berezovsky, who are committed to selling out national interests to the BAC crowd. The fight dovetails with the fight over the extension of NATO eastward. Russian Prime Minister Yevgeni Primakov is emerging as a rallying point for forces which recognize what the Principals Committee represents, and want to be liberated from its grasp.

Significantly, the fight in Ibero-America shapes up around the same issues, as in Argentina, Brazil, and Mexico, resistance is building to the privatization of national industry.

At the center of this fight, worldwide, is the movement associated with Lyndon LaRouche and *EIR*. The countries which are fighting for their existence in Eurasia today — Russia, China, India, and others — are doing so in coherence with the conceptual orientation provided by LaRouche's forecasts and economic policies. These governments see that they are being threatened with technological apartheid, and have decided to go ahead with the capabilities that exist in Russia, and to develop their own. They recognize the stupidity in the West, the insanity of the Principals Committee, and the weakness of the Europeans. They recognize, as we do, that the BAC is doomed.

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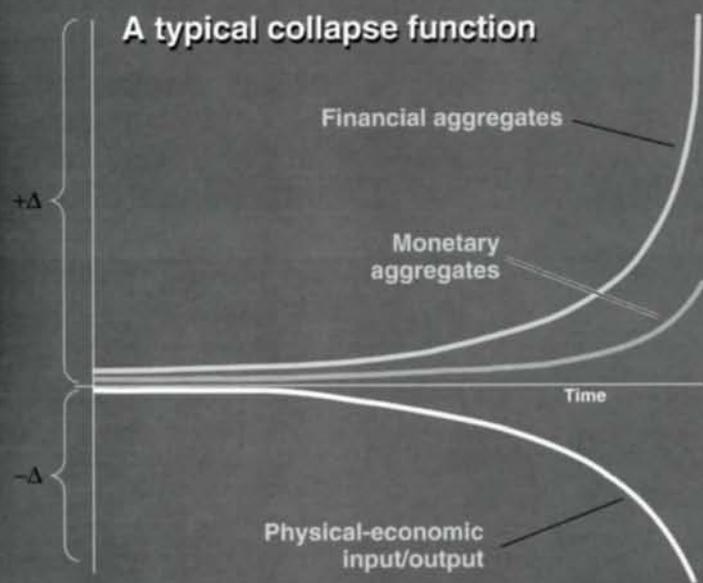
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