

EIR

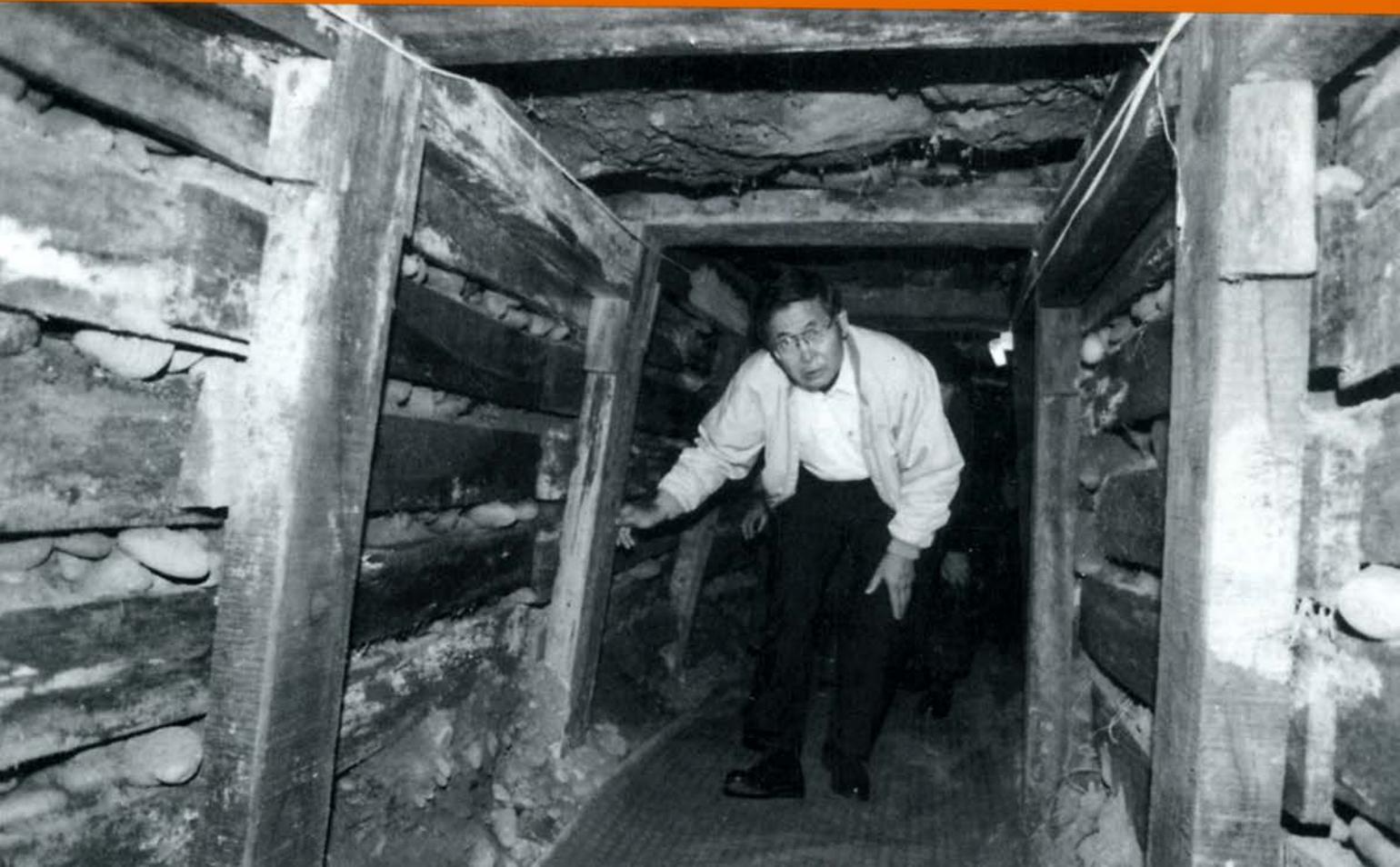
Executive Intelligence Review

April 7, 2000 Vol. 27 No. 14

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'Shareholder values' destroyed U.S. hospitals
A new era in Russia: Which way will Putin go?
LaRouche tells voters to 'stop being fools'

**Hands off Fujimori's Peru! . . .
unless you're for legalized dope**



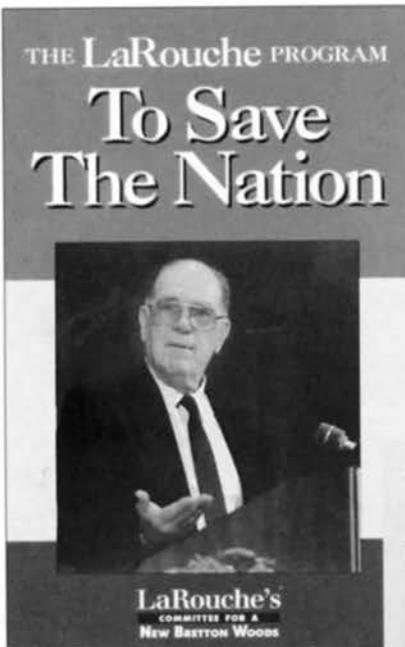
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From the Associate Editor

Our cover shows Peruvian President Alberto Fujimori in 1997, in his moment of triumph over the narco-terrorists who were holding 72 hostages in the Japanese Embassy in Lima—and who had effectively held the entire nation hostage for decades. For his resolute action against the guerrillas, he was pilloried by the international media as “undemocratic.” Now, he is running for a third term in office, and the Project Democracy crowd is screaming about how undemocratic that is, too. But, as our *Feature* proves, the real issues are two: *drugs* and *national sovereignty*. The British-steered financier oligarchy wants to export the Colombian model of embracing the narco-terrorists, and Fujimori is obnoxiously standing in their way.

Counterpose to the battle over Peru’s elections, that in the United States itself. The U.S. Supreme Court, ruling on the case of Lyndon LaRouche et al. versus the Democratic National Committee, upheld the DNC’s oh-so-democratic position, that the national Democratic Party is a private club, and therefore “is not covered by the Voting Rights Act”! That ruling effectively kills the crowning achievement of the Civil Rights movement, and endorses the DNC’s thuggery against LaRouche and Democrats who support him.

In a March 23 webcast press conference, LaRouche was asked by a Mexican journalist, “Is that going to be the standard which the United States wants to impose on the upcoming elections in Peru and Mexico?” LaRouche responded, “Well, essentially, yes.”

Why do Americans tolerate this? As LaRouche has stressed, the biggest threat our nation faces is not Wall Street, or Al Gore, or George W. Bush—it is the apathy and foolishness of the electorate. Those who vote for the “frontrunners,” and those who don’t vote at all. As Gen. William T. Sherman once said, “*Vox populi, vox humbug!*” Our *Editorial* contains other pungent reflections on this theme.

Yes, the elections are currently fixed. But, LaRouche told a TV audience, “this is not the end of the story.” We are in a period of growing turbulence in the bankrupt financial system, which could lead to a blow-out even before the August Democratic convention. If that happens, and if citizens can be persuaded to use their brains, then it is *not* inevitable that either George Bush or Al Gore will become President of the United States. “I don’t care how much the thing is fixed; unfix it,” is LaRouche’s advice.



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Even U.S. financial press now admits: end-times for the ‘boom’

by Marcia Merry Baker

Over recent months, *EIR* has periodically printed selections of media commentary from outside the United States, on the near-collapse state of the U.S. and other financial bubbles. Observers from Frankfurt, to London, to Kuala Lumpur, have compared the United States stock market mania to the 17th-century Tulip Bubble, the 18th-century South Sea Bubble, and to other historic episodes of insanity. In 1999, Japan’s financial official Eisuke Sakakibara called the U.S. economy, “bubble.com.”

To those familiar with the earlier forewarnings of Lyndon LaRouche, these recent commentaries are johnny-come-lately. LaRouche pointed out as of the mid-1990s, that there was a “Triple Curve Collapse Function” involved in the inter-related trends of financial and monetary valuations soaring, while physical economic inputs and outputs plunge. He said that, barring a policy intervention, the blow-out stage would inevitably be reached. Here we are.

Along with covering the blow-out state of financial markets—especially the U.S. stock exchanges, foreign observers have been asking of the United States: “Have lunatics taken over the asylum?” This question arises, because, in contrast to Europe, the talk in the United States—from election campaigns (apart from LaRouche) to the business pages, has been, until now, only of unprecedented U.S. “prosperity” and ever-rising stock values.

Now, there is a change. The Wall Street “business” press, if not the major media, is headlining the quaking state of the U.S. and global financial bubble. Below, we publish a grid of recent U.S. press items speaking of financial disasters and implications.

All the more, the question still remains, “Have lunatics taken over?” What will be the policy response to the blow-

out? The gathering support for the LaRouche Presidential nomination drive, in the continuing series of state primaries, shows the desire among some Americans to mobilize for emergency policies that will re-build the economy and provide for people, instead of provide for speculators and destruction. Motion in the direction of such a nation-building approach, is indicated by an initiative for a “New Bretton Woods” from Italy, now before the European Parliament, which we also print below.

In addition, in Asia, there is a renewed drive for a joint fund in the region, to help serve economic priorities by stabilizing financial relations. Called ASEAN+3 (the ten Association of Southeast Asian Nations members plus Japan, China, and South Korea), the nations involved are pursuing a project similar to the proposed Asian Monetary Fund of 1998, which was blocked at the time, by Fed-directed U.S. policy.

Certified lunatics

For Alan Greenspan, Federal Reserve chairman since 1987, and honorary chairman of bubble.com, the party is over. Greenspan left the punch bowl out so long, that the revelers are bathing in it, columnist John Crudele wrote in the *New York Post* on March 24, calling for Greenspan to resign. Even less polite remarks are made about Treasury Secretary Lawrence Summers.

In recent years, especially since the September 1998 Long Term Capital Management hedge fund crisis, a blatant hyper-inflationary policy of money expansion was pursued by the Fed and Treasury Department, to keep speculative bubbles of all kinds afloat—from stock markets and real estate, to exotic derivatives and other fancy futures bets. Greenspan may have wagged his tongue against stock market “exuberance,” and

may have raised interest rates five times since June 1999, but since 1987, when he first came into the chairmanship, he has pursued “free market” speculation. In mid-March, the U.S. money supply (M3) was expanding at the rate of over \$31 billion per week.

In the euro zone, money supply growth in the month of February accelerated to 6.2% (annualized), up from 5.2% in January, already well above the European Central Bank’s target rate of 4.5% per annum.

In Japan, the Nikkei stock index climbed above 20,000 in the last week in March (just before March 31, the end of Japan’s fiscal year), for the first time in five years, and was projected to pass 21,000 by May. The Bank of Japan continues to print money at literally a 0% interest rate, thus contributing on a global scale to hyperinflation, almost on a par with the Federal Reserve. Banks, hedge funds, brokerages, and financial institutions around the world continue to line up in Tokyo for dirt-cheap central bank credit, which they then shove into the bubble.

An additional factor this spring, is the looting of Japanese private savings from the government Postal Savings Fund, about to commence as waves of “Big Bang” financial deregulation measures take effect on March 31. On April 1 will come the first maturities, since Big Bang began three years ago, of certain large-volume long- and medium-term postal savings deposits. For the first time, many of the consumers involved will be encouraged to put their money into the stock market—even into foreign stock markets—rather than roll it over to the government postal account. This could turn out to be a multibillion-dollar goose-up for the Nikkei—a very short-term one, following which, millions of citizens could suddenly lose their savings, creating social chaos in Japan.

From Tiger to pussy-cat

Anyone think this is a workable policy? Perhaps some Wall Street backers of Al Gore might, who want the crash to wait until after the November elections. Then there are the Wall Street backers of George W. Bush, who might like a “nice little crash” before the elections, to knock out Gore. They’re in for a nasty surprise.

Already, there is bubble trouble, whatever manipulations may be tried to stall or hasten the crash. Most conspicuous is the “dot.com” bubble popping, both in the United States and Europe. Mid-March saw big-name, big-size losses and swings posted on the Nasdaq, on the German Nemax (the “New Market” Nasdaq equivalent), and elsewhere in Europe.

Then, from the rumblings heard earlier this winter of huge, but unnamed entities in trouble, we now get details. The announcement was expected March 31, that the Tiger Fund, until recently the second largest hedge fund in the world, will shut down. From a high point of \$22 billion in assets as of August 1998, the Tiger Fund went down to \$6 billion or lower this year.

Apart from famous-name corporate and individual losses and troubles, whole sectors of speculation are on the edge. Take the U.S. real estate market, both residential and commercial. There are questions about what the Fed may be trying to cover over in the way of trouble at Fannie Mae (FNMA), the largest lender for home mortgages. The debt issued by Fannie Mae constitutes about one-third of total bank capital in the U.S. The question arises, is there a pattern of so much lending, that debts can’t be paid?

On the commercial real estate side, the commercial mortgage-backed securities (CMBS) market is having real problems. These CMBS instruments are generated as follows: a real estate financier, such as Warburg Dillon Read or Goldman Sachs, makes several real estate loans, and then repackages these loans into a bond, which is called a commercial mortgage-backed security. Various firms then buy these CMBS bonds.

But sales of commercial real estate are falling. The March 29 *Wall Street Journal* reports, “declining demand for loans by property owners has sent the business into a slump, raising the specter of an industry-wide shake-out. With the volume of loans and underwritings down sharply, firms that flocked to the business when times were good have been reduced to fighting over a shrinking pie.”

In 1998, the volume of CMBS bonds was at a peak, reaching nearly \$80 billion. Last year, it was down to \$67.3 billion, and it has fallen lower this year. The firms that buy CMBS bonds from the dealer companies are having rough times. Criimi Mae Inc., the largest such buyer, sought bankruptcy protection in 1998. Amid a shake-out, the number of buyers has shrunk, and they are demanding 30% rates of return before they will buy a CMBS bond. The large originators of CMBS bonds, such as Warburg, Goldman Sachs and J.P. Morgan are having to warehouse and keep for themselves billions of dollars of the riskiest commercial real estate loans which they can’t resell. Watch out for the real estate bubble.

As these vignettes imply, the chain-reaction effects of what’s happening in all these sectors—from real estate to Internet dot.coms, to hedge fund speculation and multi-trillions of derivatives gambling, adds up to epic crash potential. Some 48% of all U.S. households are involved in the stock market bubble, as is a rising percent in Europe and elsewhere. The effects of the liquidity pumping itself has created the preconditions for Weimar Germany-style hyperinflation of commodity prices and basic consumer goods—fuel, food, lumber, minerals, etc. The global inflationary take-off is evident in many of these goods. But already in the here-and-now, national economic functioning is undermined.

This point is underscored in the import dependence of U.S. consumption levels on foreign production. The U.S. trade deficit on goods and services was \$28 billion for January 2000, the first time the deficit on goods and services ever exceeded \$26 billion in a single month. For the year 1999, the trade deficit in goods and services reached \$267.6 billion.

Were the rate of January to continue, the U.S. trade deficit in goods and services for the year 2000 would hit \$336 billion. Even worse, was the January surplus of \$6.73 billion on services put aside, then during January 2000, *the U.S. trade deficit on physical goods alone was \$34.74 billion*. Oil imports are a factor, but only a small part.

Documentation

U.S. financial press discovers bubble trouble

Fortune magazine, “Market Madness: What the Hell Is Going On?” by David Rynecki, April 3:

“The Leuthold Group, a Minneapolis market research firm, reports that some 30% to 60% of the cash flowing into equity mutual funds each week has gone into funds concentrating on tech stocks—even though such funds account for less than 5% of total domestic equity fund assets.” Fortune poses two viewpoints of the tech stock inflation: “Limitless potential vs. reasonable valuations.” Saying that in the past there have been run-ups (e.g., once upon a time, “ITT attracted Internet-like valuations”), but “this time is different. The valuations have never been quite this outlandish.” The writer gives credit to Paine Webber’s chief market strategist, Ed Kerschner, for coming up with useful categories of outlandishness, which were publicized in advertisements in late March. At the top of the three-level pyramid, are the “new” new-economy stocks like Amazon.com; then in the middle, new-economy aristocrat stocks like Dell; and then the old-economy stocks.

Washington Post, “End of the Boom?” by Robert J. Samuelson, March 28:

Samuelson says that “We may have gotten a small foretaste last week of the endgame of the Internet investment boom,” in the drastic downward revision of 1999 sales and profits by MicroStrategy, which “suggests that the high-tech frenzy has created an ethical quagmire,” in the use of stock options, conflicts of interest involving IPO underwriter-analysts who hype the issues they are underwriting, and other such things. “The anger and outrage going down, may be as exaggerated as the indifference going up. Other deflated booms have followed this cycle: the 1920s’ U.S. stock boom; the S&L scandal of the 1980s; Japan’s recent ‘bubble economy.’ In good times, people often do things that—with hindsight—look less than upstanding. The MicroStrategy case may be misleading. Or it might portend a larger reckoning.”

Wall Street Journal, March 27:

The first of a package of articles in the paper’s “Money and Investment” section is titled, “Pins and Needles: What Catalyst Can Deflate Stocks? It’s Tough to Spot Culprit Before Shares Start Tumbling Down.” “How will you know the end is near?” it begins, adding that the trick is to be able to spot “the pin that pricks” the bubble.

A second article describes how Americans are pouring increasing amounts of money into risky stocks, and that stocks now constitute a higher percentage of the average investment portfolio than previously. Some 48% of American households now own stocks, up from only 12% in 1975.

A third article is titled “Crash? A Generation Says: Whatever.” It focusses on the generation now in its 20s, who knows nothing about crashes; the word isn’t even in their vocabulary. They have no recollection of 1987, much less 1929. And they say, “What’s scarier is not to be in the market, than to worry about a downturn.”

New York Times, article by Louis Uchitelle, March 26:

“Public recognition of the bubble” might ignite a debate about “market fever,” the author argues. While Federal Reserve Chairman Alan Greenspan said in 1996 that “irrational exuberance” *might* be driving up stock prices, perhaps it is time for him to say that it *is* doing so: “Public recognition of the bubble might finally propel America into vigorous debate about ways to control the market fever.”

“Some of us believe that the speculation has gone so far that there is no easy or painless way out,” said Wall Street economist Albert Wojnilower. “The question is whether to acknowledge this and open the floor to other solutions. That is what Greenspan would be doing if he declared that speculation is driving up stock prices.”

Uchitelle says that “the Clinton administration, in an election year,” and “most Wall Street traders” would resist such frankness, and notes that some “worry that it is already too late to prevent a damaging market crash or painful sell-off—the denouement in the past of speculative bubbles that have gone unrecognized for so long.”

Barron’s, March 27:

The issue contains both a guest commentary by Morgan Stanley Dean Witter chief economist Stephen Roach, and a lead column by Alan Abelson, referencing Roach, calling for the Federal Reserve to raise the margin limits on stock purchases, rather than continue to raise interest rates. Abelson calls the \$270 billion in official margin debt “only the tip of the iceberg. It doesn’t include the doubtless formidable aggregate of loans taken out by venturesome types on other assets—like their houses. . . Nor does it include the extremely leverage-friendly stock-index futures contracts.” Abelson claims that Greenspan also “has to fight a nasty little guerrilla war the Treasury has launched against him” to stop him from raising interest rates.

Washington Post, editorial, March 25:

So far, “Greenspan’s attempts to deflate Wall Street have failed to do the job,” and “even more troubling. . . the Fed’s interest rate hikes are not even raising interest rates.” In fact, the *Post* says, we have the “paradox” that “higher Fed rates make for lower market ones,” since the bond markets believe Greenspan will keep inflation under control and thus are willing to accept lower interest rates on their bonds. . . . Some-time, somehow, the party will have to end.”

New York Times, guest commentary by Paul Krugman, March 26:

A long time ago, people used to care about the U.S. trade deficit, but no more, says Krugman. In January, the United States “set a new world record: the biggest monthly trade deficit ever. . . . But the markets couldn’t have cared less.” The situation where we “pay for many of our imports by attracting inflows of capital—in effect by selling the rest of the world claims on our future exports—cannot go on forever. And as the late economist Herbert Stein declared, ‘If something cannot go on forever, it will stop.’ ” Right now, with a strong dollar, foreign investors are willing to hold Treasury bonds, but the dollar may decline. So, foreign investors (and the value of the dollar) “are arguably doing a Wile E. Coyote—one of these days they will look down, realize that they have already walked over the edge of the cliff, and plunge. And when they do, it will come as a rude shock not only to them, but also to American financial markets that have become accustomed to big inflows of foreign money.”

New York Post, “Why Greenspan Should Quit,” by John Crudele, March 24:

“If Greenspan has been doing his job right he wouldn’t have had to raise rates this frantically. He wouldn’t have made the U.S. economy into a lab experiment that could bounce like Disney’s flubber or blow up like some terrorist’s home-made bomb.

“Today’s economy is that unpredictable.

“And it is unpredictable because Greenspan permitted Americans to become addicted to the bubble. Bubble money drives today’s real estate prices. Car sales live and die by bubble money. . . . And try as he may, Greenspan now can’t wean Americans out of their speculative habits. No amount of predictable rates hikes will do it. The Fed not only left the punch bowl at the party too long, it permitted revelers to bathe in the refreshments.”

Crudele uses Japan as an analogy to argue his case, thus missing the big picture. “Japan’s amazing success story of the last decade—built entirely on a stock market bubble—turned into an awful nightmare for the country. Japan now has had 10 years of brutal unemployment and civil distress and may only now be getting out of the hole. Greenspan is headed down the same road. As much credit as he gets today, he’ll reap an equal amount of blame when it all ends.”

European Parliament to discuss proposal for a New Bretton Woods

by Paolo Raimondi

On March 16, four Italian Members of the European Parliament in Strasbourg, France introduced a resolution calling on the European Commission to propose a new Bretton Woods conference. While Europe is being shaken daily by turbulence on the financial markets, mega-mergers, the downsizing of the physical economic sector, and workers’ protests against plans for massive layoffs, this initiative puts discussion of an alternative to the crash directly on the agenda in European institutions.

The resolution, presented by Hon. Cristiana Muscardini, Hon. Mauro Nobilia, Hon. Vitaliano Gemelli, and Hon. Mario Mauro, is a shorter version of the motion for a New Bretton Woods presented by Sen. Riccardo Pedrizzi and 22 others in the Italian Senate on Jan. 12 and Feb. 16. The same issue has also been raised by a group of parliamentarians in the Italian Chamber of Deputies and in the Milan City Council.

In the past few weeks, the proposal has been informally discussed in the parliaments of several nations in Central and Eastern Europe, and in many developing nations.

Text of the resolution

The European Parliament:

Whereas the 1944 agreement of Bretton Woods mechanisms contributed to the realization of monetary stability and to postwar economic reconstruction;

Whereas there is a divergence between the real economy and the financial economy since the decoupling of the dollar from the gold reserve system;

Whereas financial crises have exploded in different parts of the world since 1997;

Whereas the international monetary and financial institutions in carrying out their tasks are malfunctioning;

Whereas it has been ascertained that the “speculative bubble” has had devastating effects for the economies of the developing countries, completely transforming the structures of the world economy, and reaching the level of at least \$300 trillion, compared to the world GDP of about \$40 trillion,

Invites the European Commission

a) to propose the convocation of a new conference, similar to the one at Bretton Woods, with the aim of creating a new international monetary system to eliminate gradually the mechanisms which have led to the “speculative bubble”;

b) to evaluate the possibility of anchoring currency values to an element of real reference, and to better and more completely control the movements of currency rates;

c) to propose the creation of new credit lines oriented to developing investments in the sectors of real economy and to define infrastructure projects of continental dimensions.

Signed:

Hon. Cristiana Muscardini, Alleanza Nazionale (AN); Union for a Europe and Nations Group (UEN); president of the AN group in Strasbourg; vice president of the UEN; member of the Committee on Foreign Affairs, Human Rights, Common Security, and Defense Policy; alternate member of the Committee on the Environment, Public Health, and Consumer Policy; member of the Delegation for Relations with Israel.

Hon. Mauro Nobilia, AN; UEN; member of the Committee on Employment and Social Affairs; alternate member of the Committee on Citizens’ Freedoms and Rights, Justice, and Home Affairs; member of the Delegation to the European Union-Cyprus Joint Parliamentary Committee; alternate member of the Delegation to the European Union-Malta Joint Parliamentary Committee.

Hon. Vitaliano Gemelli, Cristiani Democratici Uniti (CDU); Group of the European People’s Party (Christian Democrats) and European Democrats (PPE-DE); president of the Committee on Petitions; member of the Committee of Development and Cooperation; alternate member of the Committee on Foreign Affairs, Human Rights, Common Security, and Defense Policy; member of the Delegations to the parliamentary cooperation committees and delegations for relations with Ukraine, Belarus, and Moldova.

Hon. Mario Mauro, Forza Italia (FI); PPE-DE; member of the Committee on Culture, Youth, Education, the Media, and Sports; alternate member of the Committee on Foreign Affairs, Human Rights, Common Security, and Defense Policy.

A decision will be forthcoming

The resolution will be given to the appropriate parliamentary committee, which will discuss it. If the committee chairman decides that it is relevant, he will write a report to the president of the European Parliament, who then has to inform all the members. After more discussion, the president will inform the European Commission, with the necessary instructions to act upon the suggestions. If the committee chairman should decide not to write a report, he will have to give an explanation. The decision will have to be made within a matter of months.

Other Members of the European Parliament from different parties and different nations can also introduce the resolution on the floor. If more Deputies co-sponsor the resolution, it will create greater pressure to act upon it.

In the meantime, the unelected European Commission (EC) bureaucracy in Brussels is looking for excuses to avoid the issue. In an official statement, it affirmed that there is no need to worry about the future of the international monetary system, because the financial crisis is over. On Feb. 16, Member of Parliament Muscardini had presented an interrogatory to the European Commission, asking if it intended to respond to the global systemic financial and monetary crisis with a proposal to convene a new Bretton Woods conference to create a new international monetary system, including provision of new credits for large infrastructure investments and other productive initiatives in the physical economy. Former Hong Kong Governor Chris Patten, commissioner for External Relations, in the name of the EC, delivered the following written answer on Feb. 25:

“In regards to the financial crisis in Asia and its impact on the real economy and on the societies of the countries which have been affected, it is common opinion that by now the worst of the crisis is past and that in some of the countries most affected by the crisis, growth has been relaunched. A consensus has been by now reached on the fact that the specter of world recession, following the crisis in Asia and its repercussions on the rest of the world, appears far away. The position of the European Community in relation to the financial crisis has been expressed on several occasions: that is, the necessity to maintain open markets and to fight against protectionist temptations (the Euro-Asia [ASEM] trade deficit has reached 87,000 ME [millions of euros] in 1998, double the 1997 level), the importance of international aid, of EU aid given in a bilateral and also in a multilateral way, also through the ASEM fund, as well as the necessity to continue with the reforms of the financial systems of the countries affected by the crisis and to find a solution to the social consequences of the crisis.”

Patten completely avoids commenting on the new Bretton Woods proposal, which was the primary subject of the interrogatory.

In regards to the “Eurasian Land-Bridge,” Patten reports that the European Commission has been studying a number of proposals relative to this great project, particularly in the transportation sector. At the same time, he writes, “The Community should not in any case participate financially in transport projects regarding trade between Europe and the Far East.”

Patten then reports that the EC has begun a project called “Traceca,” which consists of supplying technical assistance in a West-East transport corridor project, starting from Europe, and involving the Black Sea, the Caucasus, and the Caspian Sea, reaching into Central Asia, with a number of projects already in the process of construction.

EU summit boosts the 'dot.com' bubble

by Jacques Cheminade

The European Union summit in Lisbon, Portugal, on March 23-24, announced plans for a yearly 3% economic growth rate, based on investments in the Internet, deregulation of the labor market, and further “neo-liberal” dismantling of the state’s role in the economy. The final statement’s grandiose predictions that Europe will “become the most competitive and dynamic knowledge-based economy” in the world, are a lot of hot air. In fact, the meeting was a resounding defeat for Europe’s nation-states, and a victory for British Prime Minister Tony Blair’s “Third Way” policy of “compassionate” austerity and the destruction of productive industry.

Spanish Prime Minister José María Aznar, at the end of the summit, said that he was delighted that a “liberal wind” is blowing across Europe. Before the meeting, most of the European papers reported that, due to the inability of the German and French governments to come up with any common approach, “a Blair-Aznar tandem” has taken over Europe, with the support of European Commission President Romano Prodi of Italy, more Anglophile than the British.

The result is that any pretense of defending either the German social market economy or the French state-regulated approach, was thrown out the window.

First, the summit called for an economy based on “knowledge,” meaning the “information society.” Second, this is to be accomplished by a “disengagement of the state,” whose role should be limited to “helping supply the manpower that is best adapted to the technologies of the new economy” and to “eliminating the legal and administrative constraints on private initiative.” For that purpose, “all the schools of the European Union should be provided with access to the Internet and multimedia resources before the end of the year 2001,” and “the telecommunications markets should be, by that same date, fully integrated and liberalized.” Third, this is to be accomplished through “deregulation of the European labor market.” Fourth, the employers of cheap labor, “unskilled and poorly paid,” should benefit from fiscal cuts. Fifth, the remaining public monopolies should be dismantled and privatized. The French delegation was compelled to agree that “this adaptation has to take place,” and dared only gain a little time to dismantle its energy, transportation, and postal monopolies.

Thus, the Europeans have sold their countries to the Internet-based “new economy,” just as that economy is about to blow sky-high.

How was such capitulation possible?

How could the French and German governments, in particular, have so betrayed their nations?

In the case of Germany, the political destruction of former Chancellor Helmut Kohl—the man who engineered Germany’s reunification and was supposedly the strongest German politician—sent shivers down the spines of those in the current government of Chancellor Gerhard Schröder. “If they can do that to Kohl,” they thought, with regard to the scandals launched over the financing of his Christian Democratic Union party, “just think what might happen to us Social Democrats!” Schröder understood very well, after his intervention to save the Philip Holzmann construction company from bankruptcy last year, that he could expect nothing good from “the markets,” and so he let other branches of German industry be fed to the wolves—like the takeover of Mannesmann by Britain’s Vodafone, and the credit cutoff to the small customers of the newly merged Deutsche Bank and Dresdner Bank. To make certain that Schröder got the message, his nose was rubbed in Austria’s “Haider scandal” (a populist leader of a party in the ruling coalition, Jörg Haider, was falsely accused of being a neo-Nazi), replete with warnings against a “possible pan-German revival,” should Schröder step out of line.

In France, the government of Lionel Jospin is threatened by the return of Alfred Sirven, the former moneybags of Elf-Aquitaine, who has supposedly been found in his Philippines hideout, and has “enough to say to bring down the whole French elite.” And all of a sudden, when Jospin refused to lift the French embargo on British beef and American hormone-treated meat, the media discovered that his government suffered from “sclerosis.” When he started to talk about the need for a real European social policy, under state regulation, the media went after him. The man who just yesterday was promoted by *Newsweek* as “the author of a new French miracle,” became a loser, capitulating to the pressures of the street, unable to impose budget cuts on civil servants. The president of the European Central Bank, Wim Duisenberg, accused Jospin of being the only head of a European government to make use of a budget surplus to benefit the less well-off, instead of “cutting expenses, to the benefit of private employers, so that they would create jobs.” Not only did Jospin feel compelled to keep a low profile at Lisbon, but he shook up his government, bringing in notorious figures from the François Mitterrand era, like the new Finance Minister, Laurent Fabius, and the new Education Minister, Jack Lang.

Jospin brought the *Mitterrandistes* back in, along with an ecologist and a communist, because he calculates that, in the April 2002 Presidential elections, it would be better to have them under control, than running around loose. Meanwhile, Chirac wants to make friends with Aznar and Blair, so as to corner Jospin. And Schröder hopes that by bending, he can maintain himself in power—even if it is at the expense of crumpling his Armani suit.

International Monetary Fund plunges Argentina into deep poverty

by Gerardo Terán and Gonzalo Huertas

Last Feb. 14, the Argentine government announced the details of the letter of intent it had signed with the International Monetary Fund (IMF). In exchange for a \$7.4 billion credit line, to be disbursed over a three-year period, the De la Rúa government agreed to the following: 1) transform the state-owned Banco de la Nación into a stock company, as the first step toward full privatization; 2) sell off the stock the state still owns in privatized companies, worth approximately \$700 million; 3) eliminate exemptions from the value-added tax (VAT) and income tax; 4) gradually increase the retirement age for women, from 60 to 65; 5) implement the so-called “labor flexibility” plan to smash labor unions; 6) reduce the wage bill in the public sector by 3.5%, “saving” \$250 million largely through “voluntary” retirement; 7) limit provincial indebtedness; 8) increase Gross Domestic Product by 3.5% this year; 9) gradually reduce the fiscal deficit, from \$4.5 billion this year to zero in the year 2003; and 10) increase tax revenues by \$2 billion this year.

In statements on March 9, Claudio Loser, head of the IMF’s Western Hemisphere Department, said, “We’re supporting the government’s plan, which is very ambitious. . . . The current government has understood the country’s challenges and is managing them very well. So-called conditionalities aren’t really that, but are reflections in the economic program of the national and international economy.”

The IMF’s orders imply a policy of looting and confiscation which will lead to the destruction of the two pillars of the Argentine nation-state: the pioneering agricultural sector, which will be stripped of its lands—some of the most fertile in the world—by international food cartels; and the Argentine middle class, made up of workers, small businessmen, and professionals.

Gutting wages

The “tax reform” announced at the beginning of this year is the centerpiece of the government’s plan to lower the fiscal deficit, by gutting wages and living standards. The shrinkage of productive economic activity over the past ten years, as a result of the Menem government’s currency-board system, has destroyed the tax base. The tax package is an extreme case of what Lyndon LaRouche refers to as “chiseling”: It removes many existing exemptions, especially for lower-income or self-employed brackets, increases the personal in-

come tax, expands the VAT tax, but *does not* tax financial transactions and income (i.e., stock dividends) or funds sent abroad. Families are a particular target of the reform, as it reduces deductions that can be claimed for wives, children, or other dependents. It is now the case, as the daily *Clarín* reported on March 7, that almost half of the average wage will go toward tax payments. Panicked citizens report that their only option now is to *reduce consumption*.

Combined with the year 2000 budget, which mandated \$1.4 billion in cuts, the De la Rúa tax reform targets the middle and lower classes, gouging wages, pensions, medical benefits (including medicines), and provincial funds, to cough up the money that the IMF is demanding, supposedly to make Argentina “attractive” to foreign investors and guarantee payment of foreign debt.

Along the same lines, through Chief of Cabinet Rodolfo Terragno, the government has announced that it will send a package of bills to Congress to curb tax evasion, the spirit of which is totally repressive. This legislation demands that, to be considered legally paid, all taxes over \$10,000 must be paid by check, bank draft, credit card, or cashiers check. In addition, the tax revenue agency AFIP plans to privatize the collection of tax arrears, estimated to be in the range of \$8 billion. Those who don’t pay will have to hand over assets, not to the government, but to a private collector, while AFIP will be authorized to file suit against employers whose employees are in arrears.

Scorched-earth plan for agriculture

Using IMF rhetoric, on Feb. 8, President Fernando de la Rúa announced a plan to refinance the agricultural sector’s debt, over 20 years and at an annual interest rate of 12-13.5%, through the Banco de la Nación (BNA). To be eligible for the BNA plan, producers who were in arrears as of Oct. 31, 1999 must buy up part of their debt in cash, and the rest through bonds. Those who are up to date in their debt payments can access the refinancing plan, at a lower interest rate of 11.5%. The plan also includes the offer of a \$150 million credit line to “finance” sales in the futures market, at a better price, of the grain, cotton, and tobacco crops from the 1999-2000 season; and a \$100 million credit line to “finance the purchase of nationally produced capital goods at an annual rate of 7%, over five years.”

As of this writing, agriculture sector debt held by the BNA amounts to \$3.1 billion, of which \$1.8 billion is current, and \$1.3 billion is in arrears, because people are just unable to pay. As an important agricultural producer asked *EIR*, “How can we pay these interest rates, if the farm sector’s annual profitability is barely 4%?” There is no doubt that the refinancing plan is definitely “in the spirit of the IMF.” The president of the Confederation of Rural Associations of Buenos Aires and La Pampa, said, “They hit us with a tax bludgeon, without eliminating the tax on gasoline and the minimum presumed income. Moreover, the refinancing offered by Banco de la Nación is expensive and inadequate.”

The president of Banco de la Nación, Chrystian Colombo, has made it very clear that this plan is confiscatory in nature, and its design was not intended to revive agriculture. When asked whether producers could expect a “less onerous” refinancing plan, he answered menacingly, “You’re wrong. Let’s be clear that this is the last chance to normalize the debt [situation]. Lawsuits have been suspended, but only to give people time to get themselves in shape with this program. This is not a forgiveness of debts—it’s a payment plan.” That is, anyone who doesn’t pay, loses his land!

This hasn’t escaped the attention of the bankers, who can’t wait to get their hands on Argentina’s lucrative farmlands. Over 50 years, the farm sector has contributed \$350 billion to the rest of the economy, according to a study by the Carlos Pellegrini Foundation.

Labor reform: the eclipse of the CGT

On Feb. 24, the Chamber of Deputies approved the labor reform ordered by the IMF. One day prior to this vote, through a “negotiation,” the government succeeded in breaking the resistance of the General Labor Confederation’s (CGT) leadership, after which the labor leaders backed the reform “in exchange for maintaining control over some economic resources,” according to the daily *La Nación*’s Joaquín Morales Solá. The deal offers immunity to those CGT leaders implicated in corruption in an investigation of the Integral Medical Assistance Program, the social security program for retirees, being pursued by the government and the “anti-corruption” non-governmental organization, Transparency International.

Other fruits of the CGT’s negotiation with the government include letting the union reassume control over the labor health benefits fund (\$360 million annually); union participation in “new” collective bargaining, by company, instead of industry-wide; and, government acquiescence to labor’s continued management of its mandatory contributions to social and other programs.

Lest there be any doubt as to the government’s success in imposing austerity, according to *La Nación* on Feb. 27, Labor Minister Alberto Flamarique triumphantly boasted, “The government sought a process to modernize labor relations. We have that. What did the government give up? Nothing.”

Following its negotiations with the government, the CGT

had dropped its earlier call for a national strike. But, not everyone in the labor movement has rolled over. A more radical grouping within the CGT, which opposes the IMF’s “reform,” is led by the Argentine Workers Movement (MTA) and its secretary general Hugo Moyano. Together with the Argentine Workers Confederation, the MTA organized two large demonstrations on Feb. 24 against the economic model, and the negotiating stance of the CGT’s leadership. Then, on March 17, the CGT effectively split, and Moyano was elected to preside over what is now called the “combative CGT,” which argues that IMF “prescriptions have failed around the world.”

Slave labor for the Armed Forces

This year, the De la Rúa government has reduced the defense budget by \$150 million, continuing the policy of dismantling the Armed Forces which *EIR* exposed in its 1993 book *The Plot to Annihilate the Armed Forces and the Nations of Ibero-America*, a policy which has been demanded by the IMF and the World Bank. It has also fired 1,500 experienced intelligence agents, 1,000 from the State Intelligence Service (SIDE), and 500 from the Army. All military intelligence, including the SIDE, will be centralized, and as of March, the new Intelligence Institute of the Armed Forces began operation at the Army’s Superior War College. Departments and military units of the three branches of the Armed Forces will either be eliminated or merged, and buildings belonging to the Armed Forces will be sold.

As a further blow, and in the tradition of Adolf Hitler’s Economics Minister Hjalmar Schacht, the government is now introducing a plan for “volunteers for defense,” in which the ultra-monetarist Defense Minister, Ricardo López Murphy, will “contract” between 15,000 and 20,000 unemployed youth to serve as volunteers through the so-called Labor Plan. These young people will be offered \$100 to \$200 a month, in exchange for unproductive slave labor, with the idea of saving another \$50 million the Army currently spends to maintain a 5,000-man volunteer force.

Should anyone doubt the degree to which government officials are steeped in IMF mentality, they should consider the following. Recently, Omar Evequoz, the Honorary Consul of Mozambique, where flooding has caused enormous human tragedy, requested a meeting with Argentina’s Foreign Minister, “economist” Adalberto Rodríguez Giavarini. Evequoz wanted to ask the Argentine government to assist in transporting food and other humanitarian aid to Mozambique, by making an Air Force plane available for that purpose. Rodríguez refused to meet with the consul, instead passing him off to a third-level official, who informed Evequoz that the De la Rúa government “was not in a position to send an Air Force plane with humanitarian aid.” In a subsequent phone conversation, a Foreign Ministry official told *EIR* that the Ministry cannot help Mozambique with transport of humanitarian assistance “because the cost [of sending] the plane is too great.” There is no doubt that Argentina is on the road to Africanization.

How Wall Street 'shareholder value' destroyed America's hospital system

by Richard Freeman and Linda Everett

Since 1987, Wall Street has deployed Columbia/HCA, the largest for-profit hospital chain in America, in an operation that has ripped apart the quality of America's medical services, and shut down hundreds of hospitals.

Columbia/HCA was created as an instrument for looting, with heavy Wall Street financial backing, by speculator Richard Rainwater of Fort Worth, Texas, and his attack dog and assistant, Richard Scott. Therein lies a major story. What Rainwater did between 1987 and 1997, in using Columbia/HCA to decimate the American hospital system, is a blueprint for what George W. Bush would do, in medical and hospital policy, were he to become President. What Rainwater and Columbia/HCA did was not only supported by Bush as a matter of a private, free market, "shareholders' value" approach to hospital policy, but in 1995, when Columbia/HCA was under attack by the Texas citizenry for its pillaging of the state hospital system, Governor Bush intervened to protect Columbia/HCA so that its operations could continue.

Rainwater is a business partner, confidant, and financial angel of George W. Bush. It is Rainwater who brought Bush into part ownership of the Texas Rangers baseball team, in which "Dubya" (as the Governor is known) made more than \$14 million when he sold his stake. It is Rainwater who structured Bush's investment in Rainwater's Crescent Real Estate Equities, which Rainwater used to buy out and then destroy America's largest system of psychiatric hospitals (see "The Bush Mob Destroys America's Psychiatric Hospital System," *EIR*, March 3, 2000).

Both Rainwater and Bush are fervent advocates of "shareholders' value": the Wall Street policy by which a company, utility, or infrastructure, such as hospitals, is defined solely in terms of "profit-generation." It is stripped of assets to a non-functional level, and the "savings" used instead to prop up artificially inflated stock values, or to pay dividends and other payments to wealthy individuals and families.

In 1987, bankrolled by Citibank of New York, Rainwater bought two hospitals in El Paso, Texas. By 1996, with steady infusions from Wall Street, Columbia/HCA had gobbled up a good part of the U.S. hospital system. It owned 340 hospitals in the United States (7% of the total), and a few in Europe, and it was seeking to at least double that number. It also owned several hundred ambulatory surgery centers, home health care agencies, and laboratories. It had \$20 billion in annual reve-

nues, and was projecting a quintupling of that. It employed 285,000 workers, making it the ninth-largest employer in America, larger than either General Electric or McDonalds.

Following a round of mega-mergers in 1993-95, Columbia/HCA intensified its cost-cutting activities, to pay off burgeoning financial obligations. It shut down 25 hospitals, and transferred the patients to other hospitals it owned, to increase their occupancy and profitability rates. Further, it would not let any other entity buy and reopen the closed hospitals, or build new hospitals in those areas. It slashed employment by 10-30% at several hospitals, slashed the number of skilled registered nurses on staff, and broke labor contracts. It closed down services. It illegally bilked Medicare for hundreds of millions of dollars, for which it was served search warrants; some indictments were handed down by the Federal government in 1997.

Assault on the General Welfare

While Columbia/HCA was undermining its own 340 hospitals, it was also serving the preeminent function that the City of London-Wall Street financier oligarchy had assigned to it: delivering a frontal assault on the General Welfare clause of the U.S. Constitution, and battering down the conditions of the U.S. hospital system as a whole. Under the General Welfare mandate, the American nation provided for the economic development and well-being of the citizenry, as well as its cognitive development, both of the present and future generations. Building hospitals, and providing essential medical services, are prominent parts of the General Welfare concept. The Hill-Burton Act of 1946 had authorized the Federal government to finance an important part of the construction costs of local hospitals throughout the country, and other provisions, which led to the expansion and improvement of America's hospital infrastructure in the 1950s and 1960s. Postwar America enjoyed an unprecedented rise in health standards and life expectancy.

Columbia/HCA, as the flagship of the City of London and Wall Street, counterposed shareholder values to the General Welfare. It used its dominant position, and financial backing, to bully the entire U.S. hospital system. Faced with the intense competition from Columbia/HCA and from Wall Street's health maintenance organizations (HMOs), not-for-profit hospitals, which comprised 90% of all American hospitals in

the late 1980s, faced three aversive choices: be bought out by Columbia/HCA; be driven out of business altogether by Columbia and the HMOs; or impose on themselves Columbia's ferocious cost-cutting shareholder values policy in order to survive independently. Thus, from the top down, the genocidal shareholder values policy had become the dominant ideology governing most of the 5,700 hospitals in the U.S. system. In their primary task, Columbia/HCA and Rainwater were succeeding. During the late 1980s and the 1990s, this led to the shutdown of hundreds of hospitals nationwide, with dire consequences for the health of Americans.

All during the 1990s, Bush steadfastly abetted the genocidal policy of Columbia/HCA and Rainwater.

This report looks at the buy-out fever and rapid emergence of Columbia/HCA, from being an owner of two hospitals, to becoming America's largest private for-profit hospital chain. It examines the looting philosophy of shareholder values: the firing of nurses and other staff, the cutting of essential services, and the closing of many hospitals.

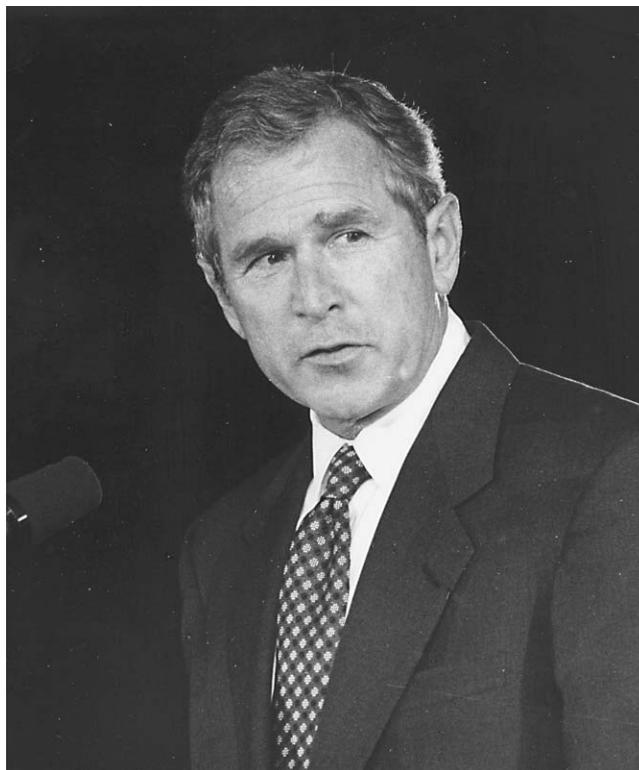
Anatomy of an asset-stripper

In 1987, Rainwater, with his 35-year-old assistant, Richard "Rick" Scott, formed the Columbia Hospital Corp. In 1988, Rainwater and Scott each anted up \$125,000 and formed a partnership with 110 doctors, to buy two hospitals in El Paso. The deal was financed with a \$65 million loan from Citicorp Bank, which constituted a hallmark of Columbia deals—Wall Street financing.

Only five months after Columbia had launched its operations, it bought a third hospital, Landmark Medical Center, also in El Paso. Landmark had 355 beds. Columbia carried out a procedure that would become its trademark: It shut down Landmark Medical Center, right after buying it, and transferred its patients to its two other hospitals, boosting their occupancy rate and profits—and, then took a tax write-off for the losses at the hospital it closed. The Texans who lived in the section of town where Landmark Medical Center once functioned, now had no local hospital.

For Rainwater, buying and stripping assets came naturally. In the 1970s and 1980s, he got his start as a major figure in the gambling business (he has been quoted saying, "People can't get enough of the thrill of betting"), and as a financial manager for the Bass brothers of Texas. During this time, he became heavily involved in junk-bond and leveraged buy-out operations with Michael Milken of Drexel Burnham Lambert (for background on Rainwater, see "How George W. Bush Got Rich Through Graft, Kickbacks, and Family Connections," *EIR*, March 25, 2000). Starting in 1987, Rainwater had Columbia buy hospitals at a prodigious rate. During this period, financier sharks were buying and trading hospitals at a rapid pace, often bankrupting hospitals, after loading up the hospitals with the debt they themselves had incurred in the takeovers.

By 1990, through mergers, Columbia owned 11 hospitals; by early 1993, it owned 27 hospitals. Then, under Wall



Texas Gov. George W. Bush backs "shareholder values," the policy which has destroyed America's health system. Bush's financial angel, Richard Rainwater, carried out the destruction.

Street's direction, Columbia carried out a three-stage rapid-fire raiding operation:

- On Sept. 1, 1993, Columbia bought out Galen Health Care, which had 71 hospitals, for \$3.5 billion.
- On Feb. 10, 1994, Columbia undertook a \$7.6 billion merger with Hospital Corporation of America (HCA), owned by the Nashville, Tennessee-based Frist family, which had 97 hospitals in 21 states.
- On April 21, 1995, Columbia carried out a \$3.3 billion takeover of Healthtrust, Inc., which had approximately 100 hospitals.

Columbia/HCA had shelled out \$15 billion, most of it backed by Wall Street, in 18 months. By 1996, Columbia, which was now Columbia/HCA, owned 342 hospitals in 36 states (and a few in England and Switzerland), 130 surgery centers, and 200 home health care agencies. It owned 7% of all the hospitals in America, up from zero only nine years earlier. It owned 30% of all hospitals in Florida, and 17% of all hospitals in Texas.

In 1995, out of Columbia/HCA's 14-member board of directors, five were officers of banks or insurance companies—Wells Fargo, Brown Brothers Harriman, Prudential Insurance Corp., Third National Corp., and E.M. Warburg Pincus.

Columbia/HCA believed it could impose its policy on whomever it pleased.

Corporate rule of financial accounting

Columbia Hospital Corp. had always had a ferocious profit-making approach. Since the company's inception in 1987, Rainwater had proclaimed that the hospital system had to be run as "a private for-profit business," and that the idea of hospitals as instruments for the public good was old-fashioned. Rainwater, acting through his assistants such as Scott, centralized all decisions for the hospitals in his system. He made all purchases of supplies and equipment, and demanded that suppliers give him sharp discounts. He and his management boasted that Columbia/HCA was able to purchase supplies at a 30% discount from list price. Whether that claim is true is not known, but because of its size and purchasing power, Columbia/HCA was getting discounts of at least 20%. Most independent hospitals, which were targets for Columbia/HCA takeover, could not compete with that. Moreover, supplies were often shoddy. One hospital complained that the rubber gloves were of such poor quality that when personnel tried to take an individual glove out of a box, several wadded together in a bundle.

Columbia/HCA got the optimum cost-cutting, which maximized returns to Wall Street, by demanding that every hospital in the system meet specified "financial objectives." *Every policy decision, every purchase or non-purchase, every provision or non-provision of patient care, was strictly subordinated to and determined by the "financial objectives."* By these standards, cannibalization and thievery became the norm. Columbia/HCA president and CEO Scott relied on a system called EBDITA, or "earnings before depreciation, interest, taxes, and amortization," as a measure of cash flow before certain expenses. Scott demanded that for each hospital group, EBDITA increase by 5-20% per year. What was a hospital to do? It could increase its patient flow, but that would require closing down competing hospitals. It could increase prices (or overbill for its services), but only if it could get away with it. Or it could cut essential services. The first year, there might be something, however painful, that one could cut. The same might be true the second year. But there was no end to this process: Each year the EBDITA had to increase 5-20% over the previous year's level.

This led one health care executive to call Columbia/HCA "Attila the Hun."

The demands to slash services intensified as Columbia/HCA became bigger. In 1991, Columbia's long-term debt was only \$0.23 billion. By 1995, after its merger with HCA, in which it assumed HCA's debt, Columbia/HCA's debt had ballooned to \$7.38 billion. Columbia/HCA had huge debt service expenses. As well, as part of shareholder values, Columbia/HCA had pushed its stock price higher. That way, Wall Street would reward it with new investments, and Wall Street investors could get rich off the appreciation in Columbia/HCA's stock price, which had risen from \$10 per share in 1990 to \$54 per share in late 1995, a fivefold increase. That price had to be maintained at all costs. Further, Columbia/HCA had paid \$4.2 million in a compensation package, in-

cluding stock options, to Scott in 1995. It also had paid \$3.75 million for luxury skyboxes at Nashville's new National Football League stadium, and had to make other similar payments.

Thus, especially after its February 1994 merger with HCA, in order to meet its various financial obligations, Columbia/HCA intensified the cost-accounting activities it had practiced since 1987. Its ruthless austerity was the model for a company acting according to shareholder values, and how that ideology wrecked America's medical system as a whole, particularly in three areas: the shutdown of services and hospitals, the attack on employment, and the cutting off of the poor.

Taking apart the hospital system

In May 1994, Columbia/HCA gave the town of Destin, Florida (population 8,000) three days notice that it was closing the only hospital there. Despite public protest and a petition with 11,000 signatures, Columbia closed the hospital, leaving only the emergency room open. In August 1994, Columbia closed the emergency room, too. Townspeople now travelled 45 minutes to get care. Columbia/HCA chief operat-

A 'cost-efficiency' scam

Columbia/HCA's oft-repeated lie is that the conglomerate provided better, cheaper care to patients due to its "economies of scale." In fact, studies show that Columbia/HCA doesn't pass on these "savings" to patients. Rather, it *increases* costs to patients—as well as to Federal programs.

The firm's CEO Thomas Frist, Jr. claims: "Columbia/HCA has been able to control costs for patients by reducing operating costs in a number of ways: using the size of our company to buy medical products in large volumes to attain low prices, sharing administrative costs throughout a local network, and working with employees to improve quality—often reducing redundant tests, drugs, treatments." An FBI affidavit for a search warrant of several Florida Columbia/HCA hospitals details how the company charged Medicare more than it should have, or filed false billings, "adding on additional tests for services that were never ordered or not medically necessary."

Advantages of not-for-profit hospitals

Data show that, although the median costs for providing care to a patient at Columbia/HCA hospitals was 1.5% less than at other hospitals, the price paid by patients at Columbia/HCA facilities was 8% or more higher. After one Tennessee hospital was purchased by Columbia/HCA, some charges to patients doubled. One study in Florida, where in 1994 Columbia owned 25% of the gen-

ing officer David Vandewater said, “You just can’t have a hospital on every corner.”

Also, when it bought the Destin hospital, Columbia bought the state license and “certificate of deed,” which it refused to relinquish when it closed the hospital. Without these, no hospital other than Columbia/HCA could re-open the closed hospital or build a new one in the same locale. This is a key part of Columbia’s strategy: to buy a hospital only to shut it down, and then force patients to Columbia’s other hospitals, no matter how far away, thereby increasing the all-important EBITDA. California citizens had to get Federal judges to order Columbia/HCA to resell hospitals or clinics it had closed, to groups that would re-open them.

In July 1994, Marc Gardner, who was then 30 years old and had worked a few years in the hospital field for Columbia/HCA, landed the job as vice president of its Sunrise Medical Center in Las Vegas, Nevada. The hospital had 688 beds, and gross billings of almost \$1 billion, one of the largest in the nation. One of Gardner’s principal responsibilities was to implement cost policy. Gardner described what happened in the

May 30, 1997 *Wall Street Journal*, which reported it under the headline, “Ex-Manager Describes the Profit-Driven Life Inside Columbia/HCA.”

Gardner’s job paid \$55,000 per year, he recalled, but the Las Vegas scene was pretty heady stuff: The first month there he attended a charity event at the Stardust Hotel, where he was seated next to the Governor of Nevada.

However, in late 1994, reality set in. Gardner reported that Columbia/HCA told him that the 1995 quota for his hospital would be a 50% growth in EBITDA. He told the *Journal*, “That blew me away. I knew we would have to scrape, cheat, and lie and do everything in our power to get that number to increase.” He says that he was depressed when he left work that night, and told his wife, “I don’t think I can do it.”

During 1995, the staffing at Sunrise Medical Center was cut 7%. Gardner fired 15 nursing managers and cut back on registered nurses in favor of licensed practical nurses, who have less training and earn much less. Gardner cut the number of nurses in neo-natal care, increasing the number of babies each nurse had to attend to. He explained that he and other

eral acute care hospitals in the state, found that, once acquired by Columbia/HCA, some inpatient charges shot up 32%.

Florida has the most comprehensive statewide database in the country, which details financial and patient-specific reporting to the state Agency for Health Care Administration (AHCA). A 1997 study, “Comparison of Community-Owned Not-For-Profit Hospitals and Columbia/HCA Facilities in Six Florida Markets,” using AHCA data, found that, based on a variety of factors, community not-for-profit hospitals provided superior value to their communities. Not only were charges per patient admission 12-33% less, but they also provided higher staffing levels and more full-time equivalent staff devoted to serving patients. The amount of community benefits, including uncompensated care to the medically indigent and unreimbursed research and education expenses, as well as outreach programs, far exceeded that provided by Columbia/HCA hospitals.

Columbia/HCA has become infamous for buying up and converting not-for-profit community hospitals to for-profit facilities. The former community hospital becomes its vehicle to bleed the community, at the same time that it drains billions of dollars out of the delivery of health care to the community. According to Linda Miller of the Trustees Volunteer Foundation, an organization of non-profit hospitals, the sales of community hospitals are usually enshrouded in secrecy—before, during, and after the sale—so the community knows nothing of how much the facilities have been sold for, who got jobs in the transaction, and where the community’s money went.

John Leifer, a former Columbia/HCA official, for example, tells how Columbia/HCA uses rewards or enticements to “persuade” key players of community not-for-profit hospitals to sell their facilities. Often, a community hospital’s executive would be given a higher-paying job or offered a leading role in a foundation that is set up with funds from the sale. The claim is, that such foundations will then use the sales money “for the good of the community.” In one case, \$80 million from the sale of a community hospital to Columbia/HCA was used to set up a foundation to ensure that the money went “back into the community.” It did—it paid for free flying lessons for teenagers. The costs to the community also hit in less obvious ways, including through higher charges for care at the now for-profit hospital, as well as through lost jobs, staffing cuts, etc.

While the overall cost of the sales of community hospitals is not known, during 1990-96, for-profit corporations purchased some 200 community hospitals. If even half of these communities lost anywhere near \$80 million in diverted health-care dollars through the sale of their not-for-profit hospital, then billions of dollars have been robbed from the delivery of health care, over and above the billions that Columbia/HCA is accused of defrauding Federal and state governments and private insurers.

The purchases, mergers, and takeovers by for-profit hospital cartels, including, increasingly, through 100-year leases by for-profit hospital management companies, has accelerated. Miller says that the sales of these community hospitals represent *what is possibly the largest redeployment of charitable assets in the country.*

managers assumed that the cuts would not be detected, because “babies don’t talk too much.”

In one of his useful proposals, Gardner urged that Sunrise Medical Center become a designated trauma center for the region, since it had 24 modern surgery rooms. The CEO of the hospital snapped back, “Are you kidding? There’s no money in the gun-and-knife club.”

Gardner reported two significant incidents. In August 1994, he said, an elderly homeless man entered the Sunrise emergency room in a disoriented state, and was discharged without the indicated computed tomography scan. Hours later, he ended up at a Catholic hospital, which ran a CT scan and found a brain hemorrhage that required surgery. Sunrise refused to take him back, although by law a hospital cannot dump a patient onto another hospital, or refuse to perform the necessary tests which would lead to admitting the patient.

A few months later, another homeless man was denied treatment at the Sunrise emergency room. According to Gardner, a doctor gave the man a glass of juice, and noted on his chart that he was “filthy” and suffered “acute homelessness.” He was ushered out. About an hour later, the man died of pneumonia on the hospital lawn.

According to the March 5, 1996 *Orlando Sentinel*, Columbia/HCA president and CEO Scott acknowledged in court proceedings that the company had closed down 15 hospitals to “streamline” the market. This built up the occupancy rate at the other Columbia/HCA hospitals and padded the EBITDA cash flow. By 1997, Columbia had closed 25 hospitals, and at least 20 health care agencies.

In 1995 alone, Columbia closed 12 hospitals and eliminated more than 2,000 beds nationwide. The biggest slaughter occurred in Texas, where Columbia/HCA was directly responsible for closing seven hospitals, which comprised 62.5% of all hospital closings that year in Texas. In 1995, the Texas state legislature passed the Patients Protection Act, which was directed primarily against HMO practices, but also those of Columbia/HCA. Governor Bush vetoed the measure, but when some of its provisions were enacted despite his veto, Bush ordered the state Insurance Commissioner to make a notable exemption, to protect Columbia/HCA’s profits.

Attacks on labor, wages, and skill-levels

Columbia/HCA also assaulted labor. On Oct. 31, 1995, Columbia/HCA formed a “partnership” with Denver Health One of Colorado. The next month, Columbia laid off 169 people, left another 230 jobs vacant, and replaced some employees with contracted hires. In March 1996, it announced another 139 layoffs, half of them nurses and professional health-care workers: a total of 538 layoffs in six months. It also closed 12 Denver outpatient clinics.

On Jan. 1, 1996, Columbia/HCA bought Good Samaritan Health System of San Jose, California, which comprised four hospitals, and converted it from a non-profit to a for-profit basis. Within the year, Columbia/HCA eliminated 700 to 890 jobs (the exact number is not clear), or 15.6% to 19.8% of

Good Samaritan’s staff of 4,500. Columbia/HCA fired 9.5% of the registered nurses, whose work with doctors forms the backbone of the U.S. hospital system. Columbia/HCA ripped up and renegotiated contracts with six collective bargaining units, including nurses and engineers. The agreements included concessions from the union relating to shift-differential pay and flexible hours. (The latter means that the employees can be furloughed when the hospital’s census of patients is low.)

Treatment delays and filthy conditions were reported by nurses, and two union leaders were fired. Good Samaritan’s former chief of surgery said, “People do get hurt. Medicine cannot be treated like a factory product.”

In 1995, Good Samaritan’s capital expenditures totalled \$29 million; in 1996, under Columbia/HCA, it was slashed to \$13 million.

But Columbia/HCA was not concerned with patient wellness. In 1995, Good Samaritan’s reported operating margin was -13%; in 1996, under Columbia/HCA, it was +3%.

In early 1996, Columbia/HCA’s Henrico Doctors Hospital in Richmond, Virginia laid off 65 workers, most of them registered nurses, many in supervisory positions, and a few months later eliminated another 38 jobs. In place of the skilled nurses, it brought in often less skilled, but lower paid, part-time nurses, nurse technicians, and unlicensed personnel, in several cases, putting patients at risk.

In April 1997, a judge found that Columbia/HCA supervisors, including national chief operating officer David Vandewater, had threatened nurses at Audubon Regional Medical in Louisville, Kentucky, with loss of benefits and the possible closing of the hospital, if they voted for a union at the hospital. The judge instated the union.

Cutting off the poor

A defining feature of the public and not-for-profit hospitals is that they treat a certain percentage of poor and indigent patients. This has been a fundamental concept of American hospitals for nearly 200 years, though a tradition that is less and less observed. Columbia/HCA decided to end that practice, because it cuts into earnings.

A March 24, 1995 study by *Modern Healthcare* magazine found that of the 166 hospitals in Tennessee that it examined, all nine hospitals that were owned by Columbia/HCA provided noticeably less uncompensated care to the poor than not-for-profit hospitals. Columbia/HCA’s “indigent care expenses” were 2-3% of total expenses, while the state average for indigent care expense was 8%. Columbia/HCA, which is headquartered in Nashville, then tried to gut Tennessee’s indigent care law.

Columbia/HCA prevented the Florida Agency for Health Care Administration from collecting indigent-care trust fund money for hospital-based health services from 14 of its hospitals. Florida imposes a 1.5% tax on hospital’s operating revenues to support care of the poor at some of the state’s large public teaching hospitals. Columbia, which owns 60 hospitals

in Florida, has won its battle to prevent collection of this money from its hospitals' home health services.

In the April 14, 1997 issue of *Modern Healthcare*, in a story entitled "Inside the Predator," former Columbia/HCA officer and consultant John Leiffer summed up the company's view: "Wars are never gentlemanly, and economic conflicts are no exception. I grew tired of the perceived atrocities committed by Columbia."

Trampling the law

Desperate for new sources of loot, Columbia/HCA next took its practices, already genocidal in character, clearly outside the bounds of the law—the inevitable consequence of the financial philosophy of Rainwater and Columbia/HCA.

Columbia/HCA made a system-wide decision to illegally drain money from the Medicare system, the Federally sponsored program that pays hospital costs, and some doctor costs, for 37 million elderly and disabled in America. Wall Street has complained that Medicare is a much too "inefficient" and "expensive" government program, which represents an excessive burden on the taxpayer. Yet, the paradigmatic "free enterprise" firm of Columbia/HCA picked Medicare clean.

Columbia/HCA used "up-coding" to over-bill for patients. Medicare pays a fixed rate for treatment of roughly 470 coded illnesses. Rates vary sharply—the more severe the illness, the more Medicare pays. In upcoding, a hospital bills for a more severe illness than the one treated.

The Federal government started a probe of Columbia/HCA billing procedures at its Spring View Medical Center in Kentucky. It focussed on respiratory infections, which can be "complex respiratory infections," or less severe, such as pneumonia. In 1995, Spring View billed Medicare for treating 191 cases of complex respiratory infection, and billed only 10 cases of pneumonia. By contrast, four nearby Kentucky hospitals billed Medicare for 263 cases of pneumonia with complications, compared to 117 cases of complex respiratory infection. How could there be such a glaring discrepancy, since they were drawing from the same patient pool? The answer is found in the fact that Medicare paid \$5,700 for treatment of a complex respiratory infection, but only about \$4,000 for pneumonia with complications.

The focus shifted to Columbia's Cedars Medical Center in Miami, Florida. In 1992, the last year that Cedars Medical operated independently, of the total respiratory cases for which it billed Medicare, only 31% were billed at the highest rate. A year later, after Columbia took over, 76% of the respiratory cases were billed at the highest rate. By 1995, some 93% of cases were billed at the top rate: It billed 355 cases of complex respiratory infection and only 28 cases of respiratory infection at the three lowest-paying diagnoses. In this area, Medicare paid roughly \$6,800 for a case of complex respiratory infection, but only \$3,150 for simple pneumonia.

The pattern was clear: Columbia/HCA would upcode a diagnosis of pneumonia, or pneumonia with complications, to a "complex respiratory infection," and collected \$1,700 to

\$3,650 more per case. It did this at its hospitals across the country, and not just for respiratory infections. A study by the *New York Times*, which included an analysis of more than 30 million Columbia/HCA billing records, published on March 27, 1997, reported that "at Columbia, employees responsible for billing Medicare recalled being presented with lists of 'focus [billing] codes' on which Columbia wanted them to concentrate." These codes were the more lucrative ones, and the directions came from the top.

Columbia/HCA also billed a lot of cases through its "home health care" division, because Medicare's reimbursement level for treatment provided through home health care is more lucrative than for inpatient care. Due to its use of billing for home health care and other practices, the *New York Times* study found that in Texas, "Medicare pays nearly 10% more for treatment that begins at a Columbia hospital than at other Texas hospitals. This meant extra Federal payouts of nearly \$50 million in 1995" to Columbia/HCA hospitals in Texas. If Columbia/HCA carried out the same practices nationwide, it is possible that it overbilled Medicare by as much as \$150-250 million in 1995. It is possible that between 1993 and the end of 1996, Columbia/HCA overbilled Medicare—that is, carried out a theft of—\$600 million to \$1 billion.

There is a second illegal practice that Columbia/HCA apparently was very fond of. Laws prohibit doctors from referring patients to laboratories and clinics in which they hold an ownership stake, since the doctor would benefit from the referral, called "self-referral." U.S. Rep. Pete Stark (D-Calif.) had introduced legislation that would prohibit doctors from referring patients to hospitals in which they held an ownership stake. Yet, Columbia/HCA would sell syndications, in which a group of doctors would own 20-40% of a hospital, tying them financially to the hospitals' profit. This had two interconnected purposes: First, it was an attempt to bribe doctors to accept whatever cost-cutting Columbia/HCA was carrying out, because if the doctors protested the cuts, that would lower the profits and lower what the doctors earned from their ownership stake. Second, it was an attempt to have doctors refer their best-paying patients to the Columbia/HCA hospital, while sending their non-paying or heavily discounted HMO patients to non-Columbia/HCA hospitals. On top of the serious moral problems this posed for doctors, it increasingly happened that, as Columbia/HCA's hospitals bought laboratories and clinics, doctors who owned an ownership stake in a Columbia/HCA hospital, and who referred patients to that hospital, ended up, directly and indirectly, referring patients to laboratories and clinics owned by Columbia/HCA, thus violating the "non-self-referral" law.

By 1994-96, Columbia/HCA was paying bonuses to doctors who would boost patient traffic at its hospitals.

Raids and indictments

Columbia/HCA reportedly pushed to double its more than 7% ownership of America's hospitals. It tried to regiment its workforce. It put pressure on employees to wear a Columbia/

HCA lapel pin, and at one point there was a proposal that its managers wear uniforms. Columbia/HCA implemented a \$100 million “branding campaign,” with newspaper ads and electronic media commercials, to get prospective patients to recognize the Columbia/HCA brand and go to Columbia/HCA hospitals.

But, on March 19, 1997, more than 100 Federal agents, led by the FBI, Internal Revenue Service, and Defense Department, served unsealed search warrants on Columbia/HCA facilities in El Paso. On June 25, indictments were handed down against three Columbia/HCA officials in connection with overbilling Medicare at Columbia’s Fawcett Memorial Hospital in Florida. Then, on July 16, 1997, several hundred Federal agents, including from the Fraud and Investigative Unit of the U.S. Department of Health and Human Services, the Defense Criminal Investigative Services, and the U.S. Postal Service, served search warrants at 35 Columbia/HCA facilities in Florida, Texas, Tennessee, Utah, North Carolina, and Oklahoma.

Throughout all of this, Rainwater and his flunky, CEO Rick Scott, acted as if nothing out of the ordinary were happening. When attempts were made to remove Scott, Rainwater backed him and Columbia/HCA practices to the hilt. Rainwater told the Sept. 8, 1997 *Fortune* magazine, “Great executives make mistakes, and usually they recover.” But within days of the July 16 raid, the stock price of Columbia/HCA fell 12%. At that point, it was decided that Scott had to go. He was dismissed on July 25, with a \$10 million severance package. Thomas Frist, Jr., the chief partner of the Frist family which had founded Hospital Corp. of America whose merger with Columbia Hospital Corp. in 1994 created Columbia/HCA, replaced Scott as CEO (see box on Frist). Between 1997 and 1999, Columbia/HCA sold off 100 hospitals, and put on a cosmetic face, that it was mending its ways, as it waited to see what charges would be brought against it by several Federal and state investigations of its illicit practices.

The damage is done

But, during 1989-97, Columbia/HCA had shattered the American hospital system: Its policies and practices significantly redefined how hospitals are governed.

Columbia/HCA’s chief operating officer David Vandewater had said, “You want to know who the enemy is? The enemy is St. Mary’s [hospital]. They’ve got your patients.”

Not-for-profit hospitals were caught in a pincer’s movement. Columbia/HCA intimidated many hospitals: It could purchase supplies 20-30% cheaper, it was cutting staff and services to increase its profits, it was paying bonuses to have doctors refer the highest-paying patients to Columbia/HCA, and so on. Columbia/HCA could steal away the patients from an independent hospital, or, with its huge size and backing from Wall Street, it could buy out the independents. Another side of this operation were the HMOs, which were putting limits on coverage for patient surgeries, the length of hospital stays, and post-operative rehabilitation.

Though several independent hospitals resisted, the hospitals increasingly adopted the draconian cost-cutting of Columbia/HCA, as well as other big company in the for-profit hospital business, Tenet Healthcare Corp. Independent hospitals which were not financially strong, which were originally set up to serve patients and the advancement of medicine, would have done just fine if left to carry out their original purpose, but they failed in this dog-eat-dog environment.

Table 1 shows that during 1985-97, of all hospitals in America, 11.8% were closed down, and 14.7% of all beds eliminated. The beds-per-capita ratio went from 4.19 in 1985 to 3.22 in 1997, the last year of available figures. This is

Rainwater tied to HCA

When Richard Rainwater launched his Columbia Healthcare looting scam with Richard Scott, he was a major investor in another for-profit hospital cartel, the Tennessee-based Hospital Corporation of America (HCA). HCA was founded in 1968 by former Kentucky Fried Chicken owner Jack C. Massey, Dr. Thomas F. Frist, Sr., and Thomas F. Frist, Jr. In 1982, Frist, Jr., no less ruthless than Scott in enforcing the “shareholders’ value” in hospital looting, was named CEO. HCA eventually owned or managed nearly 500 U.S. hospitals and spawned numerous for-profit healthcare and hospital management companies. But, by 1992, Frist, Jr. reduced its holdings to 74 acute care and 54 psychiatric hospitals. When Columbia merged with HCA in 1994, Scott took over as CEO (Frist, Jr. later succeeded Scott as CEO at Columbia/HCA in 1997 after Federal investigators raided Columbia/HCA’s operations in several states).

Bill Frist: Columbia/HCA’s man in Congress

In February 1994, as Rainwater and Scott carried out their \$7.6 billion merger with HCA, another son of Thomas Frist, Sr., cardiologist Bill Frist, was running for U.S. Senate. According to *Modern Healthcare* (August 1997), Bill Frist, who, with his wife and children reportedly owned \$9-25 million in Columbia/HCA stock, used the stock to secure a loan with which to bankroll his campaign.

Frist is vehemently opposed to the Bipartisan Patients’ Bill of Rights (passed in the House with the support of more than 160 Republicans), which provides all Americans with critical protections, such as access to independent external review when “managed” health plans wrongfully deny or delay needed treatment, and the right to sue plans whose denial of treatment results in harming, disabling, or killing patients. (In February, the Tennessee

significantly below the level of 4.5-5.5 beds per capita stipulated by the Hill-Burton Act of 1946. This is what the Columbia/HCA assault had achieved.

Rainwater also led the attack on the psychiatric hospital sector. In 1997, Rainwater bought the Charter Behavioral Health System, the largest chain of psychiatric hospitals, with 90 hospitals, which represented 15.3% of all psychiatric hospitals in America. Charter Behavioral had approximately 8,000 patients. Through asset-stripping, Rainwater forced the closure of 57 of those hospitals, 59% of the total, and dumped 3-5,000 patients. Rainwater did this through his real estate vehicle, Crescent Real Estate Equities, which owned Charter

Behavioral. Up through late 1998 when he was elected Texas governor, George W. Bush owned up to \$1 million worth of stock in Crescent Real Estate Equities.

Every step of the way, George W. Bush supported and intervened to protect Richard Rainwater's operations. The consequences are clear: Through Charter Behavioral and Columbia/HCA, Rainwater carried out a pre-meditated, systematic asset-stripping of America's hospital system, which decimated health care and hospital infrastructure, and created the potential for a dramatic increase in the death rate. The objective was to suck cash flow out of hospitals and patient care, to send it to Wall Street. With "shareholder value" as the core

House passed a bill similar to the Bipartisan Patients' Bill of Rights.) But, Bill Frist, trotted out as the Senate's "only doctor," repeatedly lied on national television that the Senate Republican alternative to the Bipartisan Patients' Bill of Rights, concocted by Conservative Revolution extremists to stop the Patients' Bill of Rights at all costs, guarantees "independent external appeals" to millions of patients. The George Washington University Medical Center, School of Public Health analysis, says that the GOP's bill actually gives health maintenance organizations (HMOs) more rights than ever. It lets the managed-care plan choose and pay for an "expert" who is under contract with the plan, and base its "review" of the HMO's negative treatment decision solely on the plan's *own* arbitrary definition of medical necessity.

Frist's plan to privatize Medicare

Senator Frist has a vast personal stake in the for-profit hospital company, and has used his position as a U.S. Senator to promote Federal legislation to greatly enhance Columbia/HCA's profitability. One such bill is the Breaux-Frist proposal to "reform" Medicare, the Medicare Preservation and Improvement Act (S. 1895), which would end Medicare's 40-year commitment to cover all the medical needs of the nation's 40 million elderly and disabled citizens, and instead, would cap Medicare expenditures and privatize the program.

Medicare beneficiaries would be given a voucher or a defined contribution (known as a premium support) that pays for a fixed percentage of the average costs of a premium from a *private* insurance or managed-care plan (it's modelled on the Federal Employees Health Benefits Program that pays 72% of premium costs). Medicare beneficiaries would pay the remaining cost of the premium. Those with complicated or chronic medical problems, who need more costly plans and who are often the most indigent, would have to pay more, for more comprehensive coverage. When the Federal budget cap is not enough to cover average costs, beneficiaries would have to pay more



Sen. Bill Frist (R-Tenn.) (left), touted as the only medical doctor in the Senate, backs "shareholder value" legislation which benefits his family's financial holdings, to the detriment of health care.

out of pocket. Frist claims his bill gives seniors more "choices" from more market-based options—but, "market" solutions are not tailored to the needs of seniors, and restrict their access to hospitals and doctors. In fact, HMOs are dumping nearly a million Medicare beneficiaries—after fleecing them and the Medicare program itself.

There is no guarantee under Frist-Breaux that fee-for-service plans will even be available. As Diane Archer, Executive Director of the Medicare Rights Center, told *EIR*, "This plan gives you a choice of no choice." Frist's plan lets hospitals and physicians form groups that offer health insurance plans to seniors, like HMOs and insurers. Should his bill pass, Columbia/HCA, which is, by far, the largest hospital cartel in the country, stands to make billions on for-profit enterprise preying, this time, on the elderly and disabled.

TABLE 1

Community hospitals closed and beds eliminated, 1985-97

	1985		1997		Number shut down		Percent shut down	
	Hospitals	Beds	Hospitals	Beds	Hospitals	Beds	Hospitals	Beds
Massachusetts	112	25,892	84	17,400	28	8,492	25.0%	32.8%
Michigan	193	37,546	154	27,900	39	9,646	20.2%	25.7%
Minnesota	165	21,933	137	17,100	28	4,833	17.0%	22.0%
Texas	480	66,061	407	55,800	73	10,261	15.2%	15.5%
Illinois	238	54,925	202	40,300	36	14,625	15.1%	26.6%
Washington	103	13,173	88	10,800	15	2,373	14.6%	18.0%
Tennessee	145	25,230	124	21,100	21	4,130	14.5%	16.4%
Alabama	129	19,703	111	18,600	18	1,103	14.0%	5.6%
Ohio	197	47,500	170	36,100	27	11,400	13.7%	24.0%
California	479	83,232	414	74,100	65	9,132	13.6%	11.0%
New York	259	78,986	225	71,000	34	7,986	13.1%	10.1%
Missouri	141	25,734	123	20,900	18	4,834	12.8%	18.8%
Louisiana	145	20,190	127	18,600	18	1,590	12.4%	7.9%
Pennsylvania	241	56,221	217	45,700	24	10,521	10.0%	14.7%
U.S. total	5,732	1,000,688	5057	853,300	675	147,388	11.8%	14.7%

Sources: American Hospital Association; *U.S. Statistical Abstract*, various years; *EIR*.

of his outlook, one can only shudder to think what George W. Bush would do if he became President.

Documentation

‘Whistleblower’ lawsuits plague Columbia/HCA

Since 1993, when the very first “whistleblower” lawsuit was filed against Columbia/HCA, up to the latest filing on Feb. 15, 2000, an estimated 700 U.S. government agents from at least seven Federal agencies have been deployed to investigate criminal and civil violations perpetrated by Columbia/HCA, its hospitals, subsidiaries, and other companies, such as the accounting firm KPMG Peat Marwick, connected to their operations. Involved are the Department of Justice (DOJ), the Federal Bureau of Investigation, the Department of Defense (including the Civilian Health and Medical Program of the Uniformed Military Services, or CHAMPUS, and the Office of Inspector General for the Defense Investigative Service), the Office of Inspector General for the Department of Health and Human Services, the Health Care Financing Administration (which administers the Medicare and Medicaid programs), and the Securities and Exchange Commission.

The Federal Trade Commission has acted on scores of separate anti-trust violations, as well.

Under the *qui tam*, or whistleblower provisions of the Federal False Claims Act, private individuals are allowed to sue on behalf of the government. The False Claims Act provides treble damages and civil penalties for violations of the act. Under certain circumstances, the whistleblower, or relator, usually a former employee of the company, can get up to 15-25% of the government’s recovery, in cases in which the government joins the suit.

The dozens of lawsuits filed against the Tennessee-based giant allege that Columbia/HCA used hundreds of schemes to systematically defraud the Federal government of an estimated \$1 billion of Medicare, Medicaid (the Federal-state health care program for the indigent and disabled), and other health program dollars. Hospital management, inpatient care, home care services, wound care, psychiatric or rehabilitation services—just about every aspect of Columbia/HCA’s “successful market-based” prescription for “righting” America’s health care problems—appears rife with criminal activity. The extent of criminal activity may never be determined, because the government appears to lack the aggressiveness needed to bring all the cases to court.

To date, the Justice Department has told *EIR*, only a few of the suits have been settled (see below). In October 1999, Columbia/HCA reportedly was working with the DOJ to reach a quick settlement of over two dozen lawsuits. Columbia/HCA’s strategy has been to seek a settlement based on the alleged issues raised in all of the suits, issue by issue, rather

than dealing with each case.

In December, a special Federal judicial panel allowed 26 civil whistleblower cases to be consolidated, leading eventually to a possible global settlement against Columbia/HCA. According to the DOJ, many of the suits are still sealed, or only partially unsealed. In January, it was announced that three civil fraud lawsuits, in which 50 private health insurers are alleging that Columbia/HCA defrauded them, are about to be filed against the cartel.

The lawsuits

A summary of a few *qui tam* suits follows:

United States ex rel. Schilling v. Columbia/HCA

The lawsuit was filed in 1995 by John Schilling, a former Florida Columbia/HCA reimbursement supervisor, who gathered evidence of suspected fraud while he prepared claims for Medicare reimbursements. On Dec. 30, 1998, the DOJ joined the lawsuit, saying that virtually every health-care facility (100 hospitals) that belonged to the Columbia chain prior to its merger with Hospital Corporation of America, was infected with “fraudulent cost-reporting practices.” Columbia systematically defrauded the government for ten years by keeping two sets of books, or costs reports, on hospital expenditures for Medicare patients. In the first set, Columbia illegally charged Medicare for costs which the hospitals knew were unallowable, such as its marketing or advertising, and illegal financial inducements to doctors to refer patients to its facilities. They then prepared internal “reserve costs reports” that listed their real Medicare expenditures. In case the government were to discover the fraud, the firm set aside funds to repay Medicare for the illegal reimbursements.

The Schilling evidence led to the July 22, 1998 seven-count indictment and prosecution of two middle-level Columbia/HCA executives, who were sentenced to 24 and 33 months imprisonment, and ordered to pay small fines, and, in one case, \$1.5 million in restitution (pending appeal).

United States ex rel. McLendon v. Columbia/HCA

On July 19, 1999, the DOJ joined this lawsuit which charged that Columbia/HCA and the Olsten Corp. “caused the taxpayers to foot the bill” for Columbia/HCA’s acquisition of Olsten’s subsidiary, Kimberly Home Health Care, Inc., by passing on part of the purchase costs to Medicare by disguising them as management fees. Olsten and Kimberly agreed to pay \$61 million to settle allegations that both companies defrauded Medicare. Olsten agreed to pay \$51 million in a civil settlement; Kimberly will enter a criminal plea agreement and pay \$10 million in criminal fines. To date, none of the allegations against Columbia/HCA have been resolved.

United States ex rel. Alderson v. Columbia/HCA, Quorum Health, Health Trust, et al.

On Oct. 5, 1998, the United States joined this lawsuit first entered by James Alderson in 1993 against more than 200 hospitals in 37 states owned by Hospital Corporation of America and HealthTrust. The two hospital chains were purchased by Columbia in 1994, and the alleged fraud continued against Medicare and other Federal programs. Also named in the suit is Quorum Health, at the time a corporate cousin of HCA. In 1989, HCA sold its subsidiary, HCA Management, to Quorum, as a corporate spin-off that is a for-profit hospital management company. According to Alderson, Columbia/HCA and Quorum defrauded Medicare of about \$1 billion beginning in 1984, by padding their expenditures, including with illegal public relations costs and for treatment of non-existent patients.

United States ex rel. Aldrich v. Columbia/HCA, et al.

The lawsuit, entered in 1997, charges that Columbia/HCA submitted false claims to a Medicaid-funded managed-care plan for adolescent psychiatric services at its Brunswick Hospital in North Carolina. The suit alleges that during 1994-96, the hospital billed Medicaid for services that were provided by unqualified employees, as if they were provided by qualified mental health professionals. They also billed for services never provided, and falsified records to conceal fraud. On July 29, 1999, Columbia/HCA agreed to pay a \$1.25 million settlement to both the U.S. government and the state of North Carolina.

United States ex rel. Parslow v. Columbia/HCA, Curative Health Services, Inc.

In April 1999, the DOJ joined the lawsuit against Columbia/HCA and the New York-based Curative Health, which manages wound care centers at more than 175 hospitals nationwide, including at 42 Columbia/HCA hospitals. The complaint charges that, since 1993, the 42 Columbia/HCA hospitals have charged Medicare for excessive management fees which Columbia/HCA paid to Curative—fees which were inflated by over 400% to cover the cost of a Curative product which Medicare does not reimburse. The hospitals also illegally charged Medicare for advertising and for kickbacks of \$400 per patient that Columbia/HCA paid to Curative for patient referrals.

United States ex rel. Marine v. Columbia/HCA, et al.

On Feb. 15, 2000, the DOJ joined this suit, which alleges that Columbia/HCA submitted false reports pertaining to home health-care services provided to homebound patients by nine of its hospitals since 1994. The suit also alleges that Columbia/HCA shifted costs from one facility that was over the Medicare costs limit, to its other facilities that were under the costs limit, to maximize reimbursement from Medicare. The suit states that Columbia/HCA double-billed Medicare for administration and billing costs incurred by contractors hired to manage the hospitals’ home health agencies.

Business Briefs

Insurance

British government to allow DNA testing

The British government will allow insurance companies to use genetic testing to weed out less eugenically fit individuals, the March 20 London *Daily Telegraph* reported. Those determined to be pre-disposed to "inherited" diseases, such as breast cancer, cystic fibrosis, Alzheimer's, and sickle cell anemia, would be charged higher rates or priced out of coverage for health and life insurance.

The reported excuse for changing the previous policy against allowing such testing, is that without government approval, insurers would do the tests without regulation. Up to seven tests will be presented for government approval by September.

Anna Bradley, director of the National Consumer Council, is quoted: "We would be very concerned about measures that could stop people getting insurance." Dr. Evan Harris, a Liberal Democrat Member of Parliament for Oxford West and Abingdon, said, "By allowing insurers to test for even single-gene disorders you are going to get a genetic under-class. There will be enormous public opposition to this. People should not take these tests without adequate counselling."

A Department of Health spokesman said, "The genetics and insurance committee has been set up to receive applications to demonstrate the validity of tests, but the industry will have to prove that such tests are reliable. If the insurance company thinks you have a genetic condition, it can load a policy."

Science & Engineering

NASA's Goldin scores cyberspace drain

NASA Administrator Dan Goldin blamed the fantastic salaries offered to young men and women in the booming computer and Internet companies as a major reason why the space agency is facing a critical shortage of capable science and engineering manpower,

in a mid-March speech to the NASA Advisory Council. There are 65 new millionaires created every day in Silicon Valley, he said, which has made it difficult to attract young professionals to NASA.

Goldin said that, often, students coming out of school are being drawn to the prospect of getting rich quick, rather than taking up a career in the space program, or aerospace industry. "NASA has no credibility with the young people," he stated. He blamed ups and downs in the space agency's budget for some of the problem. Goldin has proposed that young people be hired at NASA for limited periods of time, which would then weed out those who are not serious enough to stay. The average age at the space agency today is 45 years.

Aviation Week, in its March 13 issue, echoed Goldin's concerns, warning that design experience is "vanishing" for fighter and bomber design, the nuclear weapons industry, and space launch infrastructure. In "Industry's Loss of Expertise Spurs Counterattack," part of its series on "Aerospace in Crisis," it reports on the efforts by government agencies and private corporations and foundations to secure "knowledge management," to counter the "tremendous loss of expertise caused by a decade of budget cuts, downsizing, and an aging workforce." Many studies, including a recent one by RAND, show the loss of "intellectual capital" in the United States, and the brain drain of engineers and highly skilled people out of aerospace and related technology into Internet and computer-related jobs.

Asia

Trade surpluses shrink, as 'recovery' fizzles

The outlook for trade and the so-called recovery in Asia has dimmed, after much ballyhooing that the rebound from the financial crisis of 1997 was caused by International Monetary Fund (IMF)-World Bank conditionalities.

In a survey of 119 independent economists covering Asia outside Japan, Reuters reported on March 18, the post-crisis surge in trade surpluses, caused by the crash of Asian

currencies and commodities values, is now headed down. South Korea's trade surplus will contract from a forecasted \$14.7 billion to \$12.6 billion; China's surplus will decline by more than \$1 billion from its forecasted \$28.35 billion; Hong Kong is expected to suffer a bigger deficit, from a projected \$8.5 billion to \$9.9 billion. Exports from Thailand and Indonesia are expected to slide to \$22.2 billion and \$6.3 billion, respectively. The Philippines' exports, one of the lowest in the region and behind Indonesia, are expected to rise from \$3.2 billion to \$4.54 billion on the back of expanding cheap electronics exports because of the bigger peso depreciation vis-à-vis competing Asian electronics producers.

Water Management

China to become world's 'hydropower superpower'

Over the next 15 years, China plans to build a national network of electricity-generation stations, to become the world's biggest "hydropower superpower," Water Resources Minister Wang Shucheng said, *China Daily* reported on March 20. By 2015, China should have harnessed 40% of its water resources for power generation. So far, only 17% of potential hydropower has been tapped, and only 14% of potential power is being used, lower than that of Brazil, Egypt, India, and other developing countries, due to the long construction times for these projects in China and the huge investment needed. The international average of potential water resources used for power generation is 30%.

The network will give top priority to western areas, where five of China's provinces with the biggest potential are located, and which have 75% of China's hydropower potential, of which only 8% is being used.

A State Power Corp. blueprint designates an electricity-supply hub based at the Three Gorges hydropower station on the Yangtze River, as the first regional power grid. By 2010, three more regional grids will be established, in north, central, and south China. By 2015, all the regional grids will be linked, after construction of a number of state-run hydropower stations, to form an in-

SUDAN plans to build rail links to Ethiopia, Chad, and the Central African Republic, Minister of Transport Lam Akol told the Sudan News Agency on March 24. By establishing a rail link to Ethiopia, he said, Sudan will be connected to the rail line that will run from South Africa to Egypt.

PAKISTAN has assured Iran of its support for a proposed gas pipeline to be laid from Iran to India through its territory, the Islamabad *Dawn* reported on March 21. "Considerable progress" has been made toward implementation of the project. Pakistan could earn \$600-700 million in foreign exchange from transit fees, and the government wants to import gas from the pipeline.

RUSSIA'S death rate is twice its birth rate. In January, according to the State Statistics Committee, there were 195,500 deaths (an increase of 19,300 from January 1999) and 93,900 births (a decline of 600). This rate of "natural decrease" puts Russia on course toward more than 1 million natural population decrease this year. The record, set in 1999, is 816,000.

U.S. DEBT grew three times faster than Gross Domestic Product during the 1990s. GDP rose \$3.9 trillion, and debt rose \$12.8 trillion, a \$3.27 rise in debt for every \$1 rise in GDP, compared to \$2.92 in the 1980s and \$1.68 in the 1970s. At the end of 1999, GDP was \$9.5 trillion and total credit-market debt was \$25.6 trillion.

DAIMLER-CHRYSLER has agreed to buy a 33.4% stake in Japan's Mitsubishi Motors for \$1.3 billion, according to Kyodo news agency. The deal, which Reuters calls an "effective takeover," will give the German automaker veto power over Mitsubishi board decisions under Japanese law. The two firms make 6.5 million vehicles annually, trailing only General Motors and Ford. Toyota and Honda will be the only fully independent Japanese automakers. (Last year, France's Renault acquired a 37% stake in Nissan.)

tegrated network. This power grid could provide power for China's more industrialized eastern seaboard.

China could produce as many as 676 million kilowatt-hours (kWh) of hydropower, more than any other country in the world. China is now capable of harnessing 378 million kWh. Yunnan province alone, which has many rivers with big drops in elevation, could produce more than 90 million kWh.

Debt

Nigerian President urges immediate relief

Nigerian President Olusegun Obasanjo insisted on debt relief "now," turning the tables on foreign banks and their charges of corruption, at a meeting with Kwesi Owusu, head of the Jubilee 2000 Africa Initiative in Abuja, Nigeria, on March 21, Africa News Online reported. "The time for an international commitment of deep debt reduction and forgiveness is now. Our foreign debt stands at \$31 billion, and continues to rise, not because of any significant additional borrowing, but mainly as a result of the cost of servicing what was actually borrowed in the past. In these circumstances, it is simply not possible to allocate so much of our lean resources to debt servicing. It is morally unjustifiable for the poor people of Nigeria to suffer any longer," he said.

Obasanjo also supported a call for a new international independent arbitration process: "We need a fairer system to regulate between borrowing and lending, between creditors and indebted countries. Only a process of independent arbitration can guarantee this. What we are seeking from the industrialized world is not charity but fairness. We also seek a fairer understanding of the plight of developing countries, especially as they struggle to enthrone truly democratic culture in their countries, and at the same time provide their peoples with the basic amenities of life."

He continued, "Vast sums of our public funds have been stolen and transferred out of Nigeria in the past 20 years. A large portion of this stolen money is deposited in banks in the West, including the U.S., Swit-

zerland, and the U.K. And yet the banks which frequently dismiss Nigeria as a corrupt country are the very ones which continually cite the convenient doctrine of confidentiality as an obstacle which prevents them from assisting us in tracing and recovering these funds. . . . Profiting from stolen goods is just as culpable as stealing the goods in the first instance. Here too, we are calling for an international solution to the problem of stolen wealth."

Economic Policy

Slovakia rejects IMF conditions on loans

On March 21, Slovakian Finance Minister Brigita Schmognerova told journalists in Bratislava, that her government will not ask the World Bank for a structural loan, because it is linked to an agreement with the International Monetary Fund (IMF). "If the World Bank does not change its mind that it is necessary to have a respective agreement with the IMF . . . we will not accept the loan," she said.

Acceptance of the Fund's conditionalities and its demand to see Slovakian economic and financial guidelines set for several years in advance, would imply "a certain degradation of Slovakia," Schmognerova said. Last year, Slovakia was able to stabilize its economy without IMF assistance, and if need be, the government would ask for normal banking loans on the private market. She pointed out that the World Bank has provided loans to neighboring Hungary and Slovenia without asking for the IMF's consent, and Slovakia is asking nothing more.

The week before Schmognerova's remarks, Slovakian Foreign Minister Eduard Kukan visited Malaysia, where he met with the foreign and defense ministers, and Prime Minister Dr. Mahathir bin Mohamad, who used capital and currency controls to protect his nation against the depredations of speculators and the IMF. Kukan said that Malaysia will help Slovakian industry get into the Association of Southeast Asian Nation markets, and that Slovakia will establish an embassy in Kuala Lumpur.

Hands off Fujimori's Peru! . . . unless you are for legalized dope

by Gretchen Small

The U.S. State Department, with the support of the United States Congress and now the White House, is preparing to unleash a strategic disaster in the Americas, from which the United States, itself, may not recover. At issue is Peru.

The Presidential elections in Peru, the State Department asserts, are fraudulent, and undemocratic. Mind you, the elections have not been held yet; they are scheduled for April 9, with a run-off election to be held in June, if no candidate wins 50% of the vote in the first round. No matter. The Carter Center and the National Democratic Institute, the powerbrokers at the Inter-American Dialogue, the U.S. State Department, and the major media already assert that “the political conditions for a fair election campaign do not exist. Irreparable damage to the integrity of the election process has already been done.” Why? Because “authoritarian” President Alberto Fujimori is running for re-election for a third term, and will likely take the lead, if not win the majority in the first round.

The same agencies are already promoting their choice of candidate to replace Fujimori: Alejandro Toledo, a Harvard-educated, former World Bank official married to a Belgian anthropologist and banker who believes Indians are not human beings, but a separate species. Elect us, we have all the right “international connections,” the pair is telling Peruvians. According to Toledo’s wife, at least, Toledo plans, should he become President, to follow Costa Rica’s example, and eliminate its Armed Forces!

Whether Peru is considered a democracy or not by foreign governments, is not simply a matter of a value judgment. Since the 1991 adoption by the Organization of American States (OAS) of the so-called Santiago Clause, Resolution 1080, under the impetus of George Bush’s Ambassador to the OAS, Luigi Einaudi, any country in the Americas where democracy is deemed to have been violated, becomes subject to economic, political, and diplomatic sanctions. Any country designated “undemocratic,” is a pariah state, to be treated accordingly.

Remember that Peru imports much of its food. This is a threat to starve Peru

FIGURE 1

The FARC 'narco-nation' expands



into submission, if President Fujimori is not voted out of office. Isn't that ever so democratic? Peruvians are given a choice: to starve, or vote the way they are told.

Bucking world imperial rule

What is Fujimori's crime? He saved his nation from narco-terrorism, and did so by breaking the rules of globalization's game. From the time the cocaine "boom" began in the late 1970s until the mid-1990s, Peru was the leading producer of coca, the raw material of cocaine. By the end of 1991, the drug trade and its ever-present twin, narco-terrorism, had brought Peru to the brink of extinction. The country looked like Colombia does today: Dope revenues were the leading source of cash. Terrorists controlled at least half the country, and had the capital surrounded. Fear and death dominated national life.

In 1992, with most of the world powers opposing him, Bush's government included, Fujimori asserted Peru's sovereign right to deploy its military to defeat the narco-terrorist killers of the Shining Path and the Tupac Amaru Revolutionary Movement (MRTA). And Peru survived thereby. He did so again in 1997, and he insists that Peru's neighbors, most notably Colombia, have the same right to defend themselves today. Even such declared enemies of Fujimori as the *Washington Post* admit, "Fujimori has turned this country into by far the most stable in the region" (March 22, 2000).

President Fujimori thus demonstrated on the battlefield of national security, what Malaysia's Dr. Prime Minister Ma-

hathir bin Mohamad demonstrated on the battlefield of economic survival, when he imposed currency controls in September 1998: Nation-states can defend themselves, whether they are assaulted by the global dope trade's terrorists, or by its financiers, the foreign speculators.

Fujimori, like Dr. Mahathir, demonstrated the efficacy of the nation-state in securing the survival of its people. That principle defines the great strategic battle which is being fought out globally in the crisis of today: Will nation-states be eliminated, replaced by world imperial rule built upon the mantra of "free trade" and "democracy"? Or will the United States and other nations join Fujimori and Mahathir in reasserting the primacy of the nation-state?

The New Opium War is under way

The campaign against Fujimori's Peru, in fact, has an historical precedent: Britain's Opium War against China. Don't you remember how the British Empire waged its two wars against China, in the name of "freedom"? Their freedom to trade dope, that is. The war against Peru has as much to do with concern for "democracy," as the Opium War had to do with "freedom." Britain's financial interests and their kissing cousins of Wall Street intend to legalize the global dope trade again, and Fujimori's Peru refuses to go along. From Colombia, to within the United States itself, sane patriots hold up Peru as proof that the drug trade and its killers do not have to rule.

Just look who's running the campaign against Fujimori.

LaRouche on Peru and Project Democracy

In a March 23 webcast press conference with international journalists, Democratic Presidential pre-candidate Lyndon H. LaRouche, Jr. was asked by José Valbuena, of Channel 4 television in Lima, Peru, for his evaluation of why the Carter mission feels that the conditions for a normal electoral process do not exist in Peru. Here is his reply.

Carter is essentially a front operation for what's called Project Democracy, or the National Endowment for Democracy, which controls certain assets in the name of non-governmental organizations around the UN, and so forth. This group, together with a bunch of other people who are tied to George Soros, for example, who are for the generalized legalization of drugs, and international drug trafficking, actually, in Colombia and elsewhere, are committed to the destruction of the institution of the nation-

state, as a sovereign nation-state, throughout the Western hemisphere.

We see that in Argentina; we see the threat of that in Brazil; we see that as already happening in Colombia, in an advanced way. It's happened in Ecuador with the idea of dollarization, which the present Secretary of the Treasury, Larry Summers—I think he's insane, but he's for it. The destruction of Venezuela, which is in progress; the destruction of Argentina, which is far advanced, and so forth and so on.

The same thing is happening in other parts of the world. People do not understand that the existence of modern civilization, with its present population levels, and its potential standard of living, is the result of the establishment of the modern sovereign form of nation-state, and the economic institutions that go with it, in the 15th century, as a beginning. Those who are trying to destroy the nation-state today, as Project Democracy, which controls both the Republican and Democratic parties from the top in the United States, is doing, as in Peru—this is something which is as bad for civilization as Adolf Hitler was back in the 1930s, and the sooner we wake up and find that out, and act accordingly, the better off we're all going to be.

The mastermind of the campaign is that old evil “Peru hand,” Luigi Einaudi, today enconsced at the Inter-American Dialogue as a Senior Fellow. The Dialogue first launched its open drive for legalization in 1986. (“Waging war on drugs costs money. More important, it will inevitably result in the loss of . . . foreign exchange that the drug trade provides [which] amounts are substantial for strapped economies carrying large burdens of external debt,” they wrote.) London's loudest champions of legalization, the *Economist* and the *Financial Times*, label Fujimori “an outlaw.” Don't forget Dr. Mahathir's enemy, mega-speculator George Soros, the number-one financier of drug-legalization efforts globally today; his Human Rights Watch/Americas attacks Peru for “human rights violations,” almost as much as it hounds the Colombian military. In this *Feature*, we provide profiles of key agencies behind these campaigns: Jimmy Carter, Project Democracy, and Wall Street's “New Economy” freaks at America Online, who have embraced Colombia's narco-terrorists, the Revolutionary Armed Forces of Colombia (FARC).

EIR first warned the world of this plot in *Dope, Inc.: Britain's Opium War against the United States*. First printed in December 1978, the book exposed how the same British imperial interests which ran the Opium Wars against China, were out to legalize the global dope trade again, and they knew that to do so, they would have to destroy the United States.

EIR Founder and U.S. Democratic Presidential pre-candidate Lyndon H. LaRouche, Jr. once again identified the strate-

gic drive which underlies this New Opium War, which goes deeper than the financiers' admittedly avid interest in the enormous revenues generated by the dope trade, in an *EIR* seminar on “The War on Drugs and the Defense of the Sovereign Nation-State” on Feb. 23, 2000.

“The same people, or the same current of thought, which dreamed up the opium trade as a way of destroying China, is the same crowd which dreamed up the drug trade as a way of destroying the people of the United States, and destroying the Americas,” LaRouche said. “These people have always been out to destroy the nation-state as an institution. Because the heirs of [Britain's Lord] Shelburne conceived of establishing a world empire, ruled by a financier oligarchy, which would control all parts of the world, and loot them as they chose. And would use social weapons, sociological and psychological weapons, as a way of destroying nations, depriving them of the power to establish and maintain their sovereignty. . . .

“You take the model of what was done to China, the destruction of the population of China, of the minds of the people of China, of the institutions of China, and you look at the same thing that's being done in Colombia, and other countries of Central and South America, and look at what's being done to the people of the United States themselves.”

Could the U.S. survive the fall of Peru?

Look at the accompanying map, marking the spread of the drug empire across South America. Start with the nation

of Colombia. Chosen more than two decades ago by the international mafia as the dope-processing and transportation center for the continent, narcotics has taken the country over, despite significant continuing resistance, including by many patriots who gave their lives to stop the takeover.

Colombia's already desperate situation was pushed over the edge in November 1998, when the Pastrana government, at the instigation of the U.S. State Department and London interests, handed the leading drug cartel in the country, the terrorists of the FARC, a protected base in the south of the country the size of Switzerland. The same State Department which calls Peru undemocratic, insists Colombia must strike a peace deal with that cartel, and hailed the recent FARC tour of Europe, as "remarkable" and "very encouraging." The State Department headed by Madeleine Albright, whose personal terrorist project, the Kosovo Liberation Army, is now flooding Europe with drugs.

The FARC's rise in power, has been matched by an explosion of the drug trade. Over the past four years, Colombian cocaine production rose 140%—an increase of almost two and a half-fold. It is estimated that over 520 tons of cocaine are now produced per year in Colombia; some 70% of the total of about 750 tons of cocaine produced worldwide, are processed in Colombia. Over the four years, opium production and heroin processing have also zoomed.

The regional picture

Now look to Colombia's east. Venezuela is today governed by an avowed friend of the FARC and its narco-terrorist allies in the National Liberation Army (ELN), President Hugo Chávez. Under Chávez, Venezuela, already a transshipment point and financial center for the drug trade, has become a secure source of resources and logistics for the Colombian narco-terrorists. At the same time, Chávez is reshaping the institutions of Venezuela, to crush any resistance to this nation, too, being turned into a narco-terrorist den. All in the name of *vox populi* (Chávez repeats to all who challenge him, "The word of the People is the Word of God"), and under the close advice of the FARC's latest ally and America Online partner, Gustavo Cisneros.

To the south of Colombia lies Ecuador, into whose jungles the FARC has extended its operations, too. Driven into national bankruptcy and domestic breakdown by the weight of an unpayable foreign debt, a government allied with Chávez and the FARC came within a hair's breadth of seizing power in January 2000, on the back of a national rebellion against the Mahuad government's U.S. Treasury-backed plans to give up the national currency, and adopt the Federal Reserve dollar. Though the shell of a government is in charge of the country, current President Gustavo Noboa lacks any means to hold the country together, as he remains committed to the profoundly hated policy of dollarization, in a vain attempt to gouge out yet more foreign debt payments.

To the northwest of Colombia, lies Panama, a small coun-

try which foreign bankers had already seized as a base for their money-laundering. Its military disbanded by the invading troops of President George Bush in December 1989, the FARC marauders have now filled the vacuum.

Brazil, which borders Colombia to the southeast, remains a battleground. The Cardoso government is considering granting the FARC and the ELN official representation in the country, but significant opposition within the Armed Forces has thus far blocked any official adoption by Brazil of a leading role in the project to legalize the narco-terrorists. The power of the traffickers and money-launderers, however, is increasing, as financial transactions are freed from government regulation, as fast as ever-larger swathes of the Amazon region are left "free" from military and police protection, in the name of "environmentalism" and "indigenism."

Now consider Fujimori's Peru again. By breaking the back of the narco-insurgency, the Fujimori government has been able to steadily drive down Peru's share in the dope trade. In the four years in which Colombia's production rose by 140%, Peru cut the number of hectares under coca cultivation in its territory by two-thirds.

Protected by Peru's success, the government of President Hugo Banzer in Bolivia, historically the second-largest coca producer, has also made major advances against the drug trade. Here, over the last four years, hectares under coca cultivation fell by about half.

Think, for a moment, what happens if the campaign to overthrow the Fujimori government, and replace it with a government which will "negotiate" with terrorist traffickers, as the Pastrana government is doing, succeeds. Were Peru, and in its wake, Bolivia, to become like Colombia today, within four years of the consequent increases in production, world cocaine production will likely double from 750 tons to 1,500 tons per year.

Where do you think the drugs would go? Can the United States withstand a doubling of the tons of drugs which are already flooding into the country? Are not too many U.S. citizens already slaves to illegal dope, never mind the millions of children now being "legally" doped, on Ritalin, Prozac, and the like? Can the United States continue to exist as a republic, with so much of its population drugged? Does not the situation already bring to mind the bitter images of those hideous opium dens which Great Britain imposed on China, at gunpoint?

What, then, can be said about any American agency which participates in the drive to crush Fujimori's Peru? Or, a U.S. State Department, which runs Britain's Opium War against the United States itself?

"They say things are better *without* the nation-state; that government is *bad*; you must have an international rule of law. By what? By drug pushers?" LaRouche said at the Feb. 23 seminar. "These people make the very word 'democracy,' the very word 'human rights,' an anathema, an evil, ugly thing."

The face of 'peace' in Colombia

by Valerie Rush

Colombia has served as a laboratory for Dope, Inc. since the 1970s, when, first, marijuana, and then cocaine (and now heroin), were promoted as “alternative crops” for the region’s economies. This new Opium War by the international financial elites against the producer nations of Ibero-America and the consumer nations of the United States and Europe alike, has a multiple purpose: to re-colonize the region, to enslave people to mind-deadening drugs, and to generate billions in drug revenues to prop up a dying world financial order.

As the first stage in this process, Wall Street and London bankers, and the drug legalizers pulling the strings of the international “human rights” lobby, are moving to hand the government of Colombia over to Revolutionary Armed Forces of Colombia (FARC) and National Liberation Army (ELN) narco-terrorists, who are more than willing to oversee the “plantation,” while annihilating all opposition. The first phase of this scenario was last summer’s U.S. State Department-blessed visit to Colombia’s southern jungle region—currently under total narco-terrorist control—by New York Stock Exchange president Richard Grasso (the infamous “Grasso *abrazo*,” or “Grasso embrace”). As a prominent spokesman for Wall Street financial interests, Grasso discussed mutual “investment opportunities” with the FARC, and invited the terrorist leaders he met with to come walk the floors of the New York Stock Exchange with him, to “see how it’s done.”

In mid-January of this year, Grasso returned to Colombia, with the so-called “Millennium Club” in tow—14 of the world’s leading financial “heavyweights,” as the Colombian press called them. They met with President Andrés Pastrana and Finance Minister Juan Camilo Restrepo, the latter having just returned from a visit to the FARC’s southern territory (another “*abrazo*”), where they discussed the virtues of investing in Pastrana’s so-called “peace process.” One of the “heavyweights” was America Online founder James (“Rambo”) Kimsey, who would return to Colombia on March 4 for a visit to FARC country, where he would be photographed embracing FARC leader Manuel “Sureshot” Marulanda.

Then, in February, came the government-sponsored public relations tour of Europe by six of Colombia’s top FARC narco-terrorists. For 23 days, the world was treated to joint FARC-government press releases and photos of smiling European diplomats arm-in-arm with the world’s bloodiest narco-terrorists. With the “good housekeeping seal” thus af-

fixed, the FARC stronghold in southern Colombia has become the mecca for an unending pilgrimage of so-called “peace-seekers.” Not just American Congressmen, Italian legislators, and Wall Street financiers, but a former Colombian President, government ministers, top trade unionists, political party hacks, and a gaggle of the country’s most prominent business leaders, all left their bodyguards at the airport, and trekked by jeep into the FARC’s cocaine-financed jungle lair, to consult with “Sureshot” on how best to deliver him the reins of power.

Just who are these “guerrillas,” so zealously courted by some of the world’s most prominent political and financial figures? The FARC came into being 40 years ago as a handful of bandits, dispossessed peasants, and Moscow-trained Communist intellectuals turned “guerrilla leaders.” Under the wing of the Colombian Communist Party, the FARC operated for years as little more than a bandit operation plaguing the countryside, haranguing villagers, robbing rural banks, and engaging the occasional squad of police or soldiers.

Faced with the encroachment of the drug cartels in the 1970s, the FARC turned to kidnapping to get funds for weapons with which to expand operations and compete seriously with the cartels. As the narcotics trade began to make major inroads into the Colombian economy, the FARC underwent a metamorphosis. At first, it collaborated with the marijuana and cocaine cartels, providing security in exchange for weapons. Convinced that the big bucks were in drugs, the FARC was no longer content to sell its protection services to the cartels. It itself became the Third Cartel, as Colombia’s military forces dubbed it. Well-financed and well-armed, the FARC rapidly expanded its terrorist ranks, recruiting both rural and urban cast-offs en masse. It began to force peasants to cultivate coca (and later poppy) in areas where government presence was minimal, offering the persuasive choice of money—or bullets. They collected a “tax” for every hectare of coca leaf sowed, for every ton of coca leaf sold, for every shipment of coca paste or processed cocaine leaving the clandestine labs, for every airstrip carved out of FARC-controlled territory.

The bigger and richer the FARC grew, the more territory it pulled under its control. Elected officials, clerics, teachers—anyone who posed the slightest resistance—was either forced to flee, or killed outright. Repeated murderous assaults on police across the country have stripped a vast number of the country’s 1,200 municipalities of official protection. In 1999 alone, police protection literally disappeared from 177 towns. Those towns which refused to accept FARC dominance were razed, their populations forced to flee across borders into Venezuela, Ecuador, Brazil, and Panama, or into Colombia’s crowded cities, to join the ranks of the displaced. Colombia’s “internal refugee problem,” as it is now called, is estimated at 1.9 million persons, out of a total population of 40 million. Military estimates are that eight towns a month are literally disappearing from Colombia.



Above: New York Stock Exchange President Richard Grasso (left) with FARC negotiator Raúl Reyes.



Above: FARC chief Manuel "Sureshot" Marulanda Velez (left) with Colombian Finance Minister Juan Camilo Restrepo.



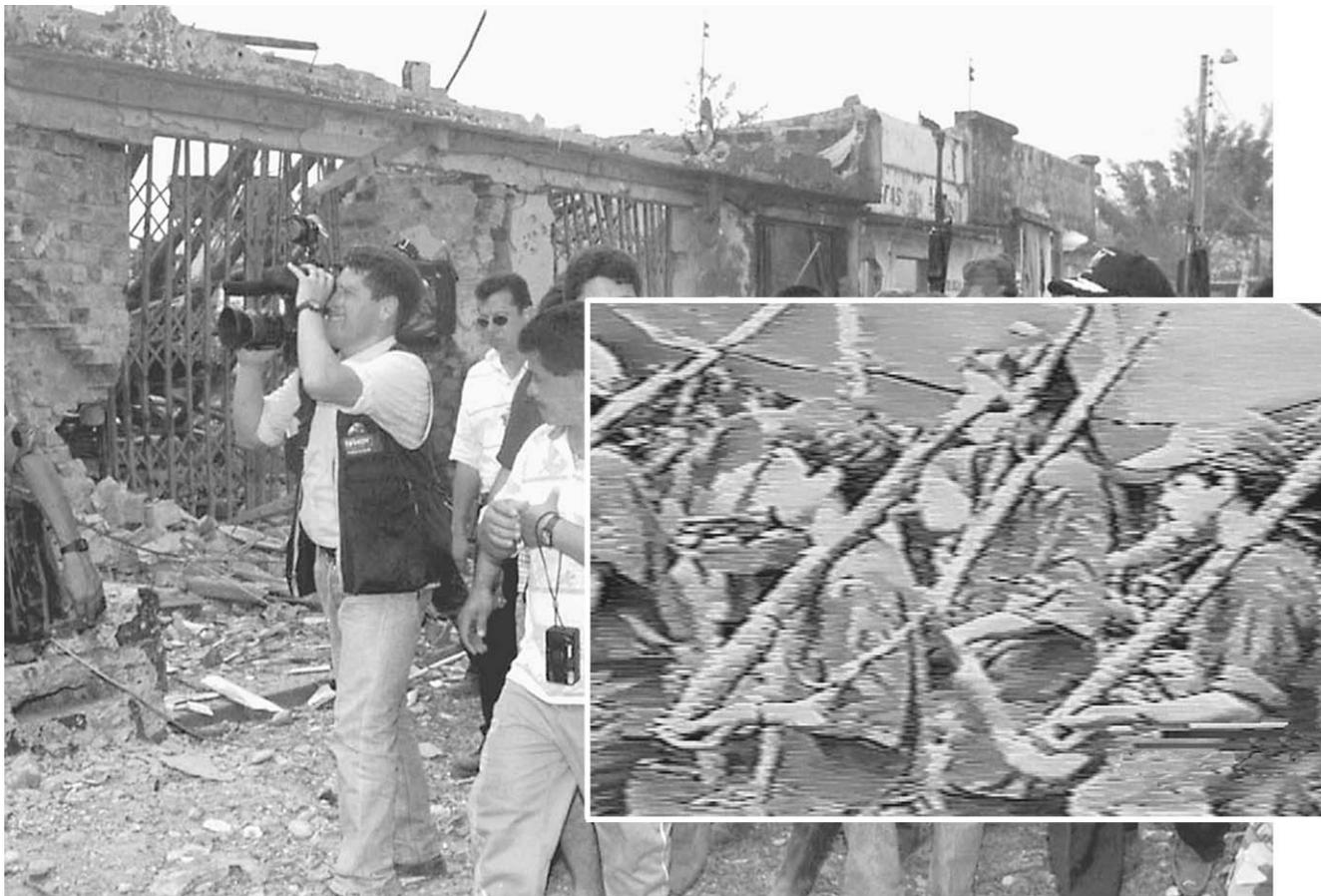
The FARC's Manuel Marulanda (left) with Jim Kimsey, founder of America Online.



Above: The president of the Italian Parliament, Luciano Violante (in suit), with the FARC's Raúl Reyes (right).



Left: Colombian Peace Commissioner Victor Ricardo (left) with the FARC's Manuel Marulanda.



An area of Colombia devastated by FARC rebel attacks. Inset: Children in combat drill, forced to become soldiers of the FARC, as shown on Peruvian television.

The FARC's most tragic victims are Colombia's children, who are being seized as young as age nine or ten, to become FARC "recruits," serving as sexual objects in the camps and as cannon fodder in battle. According to many of these children captured in battle, they spend their mornings with the FARC in ideological indoctrination sessions, and the rest of their day receiving "military training," i.e., learning how to kill. When these children attempt to escape their enslavement, they are killed. Mass graves filled with the bodies of these children, many showing signs of torture, have borne silent witness to these barbaric practices.

At the same time, businessmen and landowners throughout the country are targeted for "vaccination"—that is, forced to pay monthly protection money to the FARC, in exchange for their lives and those of their families. All too frequently, the FARC kidnap their targets anyway, raking in vast ransoms and just as often killing their captives as releasing them.

While the FARC terrorizes the population, its narco-terrorist cousins in the ELN are targeting the country's economic infrastructure. The ELN has focussed its attacks on Colombia's electricity grid, downing 200 transmission towers in 1999 alone, and repeatedly plunging entire sections

of the country into darkness. Both the ELN and FARC regularly blockade major inter-city highways, in what have been dubbed "fishing expeditions." Traffic is held up, and the terrorists pick and choose their kidnap victims at leisure from among the drivers and passengers—making use of laptop computers to determine the identities and resources of their potential victims. Colombians rarely travel outside their own towns and cities anymore, as a result.

The ELN has also dynamited the country's oil and gas pipelines more than 700 times in the past decade and a half. A special target has been the Caño Limón-Covenas pipeline, which was attacked 79 times in 1999 alone. Not only has the country lost untold millions of barrels of spilled crude, and suffered millions in repair costs, but it has been forced to deploy its military forces in an attempt to protect the pipelines, thereby shrinking their offensive capabilities.

The FARC today has an estimated 15-17,000 armed terrorists at its command; the ELN has 5-8,000. With the human rights mafia, both at home and abroad, dedicating their energies to emasculating Colombia's military forces, Colombia will soon be utterly defenseless against a narco-terrorist army that is comparable to the bloody Cambodian Khmer Rouge.

Why Project Democracy hates Peru's Fujimori

The international media are full of cock-and-bull stories about Peru and its President, Alberto Fujimori, and how his "autocratic," "dictatorial" regime has to be brought to heel—i.e., toppled. However, in their eyes, Fujimori's real crime is his steadfast defense of national sovereignty in the face of repeated bloody narco-terrorist assaults, as is apparent from the following chronology of recent statements.

February 1999: Peruvian President Fujimori sought to rally regional support for Colombia's right to defend itself against terrorism, in an address to the Inter-American Defense College in Washington, D.C. He was given a standing ovation at its conclusion by the attending military officers from around the hemisphere. Fujimori warned that the expansion of terrorism in Colombia threatened the security of the entire region. "The FARC, a criminal organization whose main objective is the destruction of democracy and seizure of power by violence," seeks to acquire "a statute of legality," he warned; the state cannot bow down before "a handful of criminals." He summarized how Peru had won its battle:

"In assuming the Presidency of Peru in 1990, some sectors advised me to listen to the siren songs of the terrorist groups that called for dialogue with the new government. What they wanted was to make legitimate power from the ballot equal to illegitimate power from weapons and violence. . . . It is true that they controlled several important zones of the country. But I definitively rejected any possibility of becoming a half-President, sharing power with another half-President. President and power are one and the same, and that is what the people elect and the Constitution and the law support. So, I preferred to impose legitimate authority and pacify the country. In 1997, again with the assault on the residence of the Japanese ambassador in Lima, the issue was ingenuously raised, the possibility of dialogue and a 'peace agreement' with another terrorist group, the MRTA [Tupac Amaru Revolutionary Movement]. You know the story. I refused repeatedly to accept the blackmail of terror. A country of 24 million cannot be manipulated by a handful of criminals. Again, law and order was imposed. . . . And thus, Shining Path and the MRTA were dismantled, and today we enjoy peace in Peru."

May 12: The U.S. Senate Foreign Relations Committee's Subcommittee on the Western Hemisphere held hearings on Peru, and leading off the testimony was former State Department policy planner Luigi Einaudi, now based at the Inter-American Dialogue. Einaudi characterized Fujimori's April 1992 decision to put Peru on a war footing against Shining

Path, as one of "the most severe regional political crises of the past decade," a violation of "the rule of law," which had proved "unsuccessful." Einaudi identified the Fujimori regime as a continuing threat to "democracy," asserting that "authoritarian challenges to the separation of powers and to individual freedoms have continued." New mechanisms are needed, he argued, to permit preventive regional intervention into any country where democracy is threatened in cases similar to that of Peru.

Former State Department official Elliott Abrams, infamous for his leading role in George Bush's Iran-Contra arms-for-drugs operation in the 1980s, also testified. Alleging human rights violations, Abrams specifically proposed that Congress cut U.S. funding to the anti-drug unit of Peru's National Intelligence Service (SIN).

June 3: The Inter-American Human Rights Court (IAHRC), which operates under the jurisdiction of the Organization of American States (OAS), ruled that Peru must free four Chilean members of the MRTA serving life sentences on charges of being terrorist kingpins in Peru, and must pay them each an indemnity of \$10,000. The court acknowledged that the four had committed terrorist crimes, but ruled that trial by special military court did not meet "rule of law" standards, and therefore they must be released, to be re-tried by civilian courts. The IAHRC ruling covered Jaime Castillo Petruzzi, number three in the MRTA hierarchy, and Lautaro Mellado, who personally ran the brutal "people's jails," where MRTA kidnap victims were tortured and usually murdered.

June 4: Peru "will not release any terrorist, not a single one," President Fujimori answered. The real issue, he said, is "whether the court operates above Peruvian sovereignty. We are a sovereign country, and the fundamental point is that no one, no entity, can give orders to the state. . . . *These terrorists won't be released in Peru, as long as I am in the government; nor will they serve their sentence in any other country, as some would wish*" (emphasis added).

Peru's Ombudsman Jorge Santistévan, who today leads the "election fraud" campaign against the government, defended the IAHRC ruling, and called upon the government to release the terrorists.

Early July: The U.S. Senate Budget Committee voted to cut off all State Department aid to Peru's SIN, echoing the arguments made by Abrams in his May testimony. U.S. Ambassador to Peru Dennis Jett warned that such an aid cut would "affect the fight against the drug trade," because the SIN is "an important element in the fight against terrorism and the drug trade."

July 6: President Fujimori announced that Peru had informed OAS Secretary General César Gaviria, that Peru preferred to pull out of the Inter-American Human Rights Court, rather than free terrorists. Documentation provided to the OAS proved that should Peru accept the IAHRC ruling, it would set a precedent, under which 30 other MRTA leaders, who have also appealed to the court challenging their convic-

April 1992 measures saved democracy

By 1991, Peru's democratic institutions had been destroyed by narco-terrorism. Any judge who failed to free a captured terrorist, was a dead judge. The same fate was guaranteed for any Congressman who proposed laws to confront the situation. President Alberto Fujimori's so-called "self-coup" in April 1992, consisted, simply, of imposing emergency wartime measures to allow the state to rapidly crush the narco-terrorists militarily.

On April 5, Fujimori, with the support of the Armed Forces, shut down the Legislative and Judicial branches of government, and issued several anti-terrorist and anti-drug decrees which the frightened Congress had rejected. Among them was Decree 25475, which established life sentences for the crime of terrorism, shortened the time frame for trials, and ordered the trials to be held in prisons, before anonymous judges. Decree 25659 defined activity such as leading a terrorist organization, belonging to an annihilation squad, participating in catastrophic assaults, and supplying or warehousing explosives, to be acts of treason, subject to trial in military courts. On April 10, Fujimori authorized military participation in anti-drug operations, to cut off the terrorists' drug-trade supply lines. On May 16, a Repentance Law was promulgated, mandating reduced or suspended sentences for terrorists who cooperate with authorities, identify their superiors, and reintegrate themselves into society.

When the back of the insurgency had been broken, Peru began reestablishing peacetime democratic institutions.

tions, would have to be released. "The ruling of the Inter-American Court . . . intends to invalidate and order the modification of [Peru's] legal and constitutional norms. This absolutely lies outside its jurisdiction . . . which only authorizes it to issue opinions on the compatibility of a country's domestic law with the Inter-American Human Rights Convention, if a country so requests," Peru argued.

July 10: The London *Economist* magazine labelled Fujimori "an outlaw."

July 13: Fujimori outlined how the fight against terrorism can be won, in an interview published by the Colombian daily *El Espectador*. "Here in Peru, at no time have we negotiated, even in a situation as extreme as that of [the Japanese] embassy [takeover in 1997]. . . . Nor have we allowed the terrorists to have a sounding board, or democratic means through

which to influence public opinion," he said. "This is what we have done here in Peru: fight efficiently. It means not to concede anything to terrorism; it means what is summed up in the rescue of the hostages at the Japanese embassy: That even in *that* situation, we didn't give in to blackmail. We are unwilling to have any kind of contact or dialogue. Put simply, if they act illegally, they will be treated as terrorists by Peruvian law. . . .

"We've achieved this peace with an entire strategy which included the development of an efficient intelligence service, the Armed Forces becoming closer to the population to gain its confidence, and the participation of the population in the battle through the peasant self-defense groups, and then extremely severe legislation. If someone calling himself a guerrilla explodes a car-bomb and kills 20 civilians, including children, women, and the elderly, what punishment does he deserve? Simply, life in prison."

Fujimori reported that Peruvian security forces are deployed to secure the Colombian-Peruvian border against FARC infiltration, and called the crisis in Colombia "a threat to the continent." "There are ramifications," he said. "There is no doubt that the Tupac Amaru Movement has ties to what you call guerrillas in Colombia, and with some terrorist leaders in Chile and Bolivia."

July 14: A *New York Times* editorial, "Peru's International Defiance," called upon multilateral financial bodies and the OAS to support the IAHRIC against Peru, before other Ibero-American nations follow Peru's precedent, and ignore its rulings.

July 16: A *Washington Post* editorial, "Peru on the Line," charged that Fujimori is "abusing his Presidential privilege to aggrandize his personal power," with his decision to pull out of the IAHRIC. What most worried the *Post*, is that no Ibero-American nation protested Peru's defiance of the court decision. "Not even Costa Rica has so far been heard to criticize Peru. . . . There is a layer of quiet respect for what is seen as [Fujimori's] rescue of his country from terrorism."

July 20: The *Washington Times* reported that Arturo Valenzuela, newly appointed director of the U.S. National Security Council's office of Inter-American Affairs, in his first press briefing, pressed for Einaudi's proposal that the OAS be empowered to activate a collective "early intervention mechanism" where a "democracy" crisis is anticipated. "Had such a mechanism been in place at the time, it might have prevented President Alberto Fujimori's *autogolpe* [self-coup] that extended his own powers while curbing those of the Peruvian Congress," Valenzuela is reported to have argued.

Aug. 3: The Inter-American Dialogue (IAD) sponsored a meeting in Washington on the need to strengthen regional mechanisms, so as to act against "authoritarian" countries like Peru. Lead speakers included Einaudi, IAD President Peter Hakim, and IAD Democracy Program chair Michael Shifter.

Sept. 6: Fujimori proposed the establishment of "a strategic association of the United States and Peru," in order to eradicate all coca production in Peru within the next five

years, and “definitively consolidate our triumph over the drug trade.” Anti-drug cooperation between the two countries had succeeded in reducing illegal coca production, from 118,000 hectares in 1992 to 56,000 in 1999, he said. Fujimori’s proposal followed the visit to Lima the week before by President Clinton’s anti-drug chief, Gen. Barry McCaffrey (ret.), during which McCaffrey praised the government’s anti-drug achievements, and countered attacks on the SIN made by Einaudi’s cohorts.

Nov. 9: The U.S. Senate Foreign Relations Committee unanimously passed “Sense of the Senate” Resolution 209, introduced by committee chair Jesse Helms (R-N.C.) and Chris Dodd (D-Conn.), condemning Fujimori for “undermining” the independent judiciary, attacking the press, and “manipulating” the electoral process in order to seek a third term in office. Copies of Resolution 209 were ordered sent to the World Bank, International Monetary Fund, and Inter-American Development Bank.

Nov. 13: Where was the U.S. Senate when Shining Path was attacking democracy? Fujimori responded. When Peruvian democracy was in trouble, “no one said anything.” There were no statements from the U.S. Senate, or any parliament or international organization. “And now that we’re in the process of recovering democracy, which is yet imperfect, we see these types of resolutions,” he said.

Nov. 28-Dec. 3: A joint mission of the National Democratic Institute and the Carter Center made its first inspection for the April 9 Peru elections. Its public report at the conclusion of the visit charged, “The pre-election environment is marked by serious flaws,” and changes must be enacted “to make it possible for the electoral process to meet international standards for genuine democratic elections.” Notably, the Carter Center-NDI statement named the decision to pull out of the IAHR as a possible threat to election fairness. In private discussions, the mission reportedly urged opposition parties to threaten to pull out of the election, should President Fujimori run for a third term.

Dec. 27: Fujimori announced that he will run for a third term, vowing to “extinguish every vestige of terrorism from the country.”

Feb. 6-8, 2000: Shining Path prisoners in the high-security Yanamayo prison revolted, taking 24 guards hostage, and demanding better prison conditions, and that jailed Shining Path chief Abimael Guzmán be presented publicly. MRTA prisoners in Yanamayo prison placed a call to a Chilean radio station, to urge Chilean authorities to intervene as mediator. The uprising was put down peacefully.

Feb. 11: The second Carter Center-NDI mission to Peru issued a new report, this time affirming that “the political conditions for clean and fair elections do not exist” in Peru. Shortly thereafter, U.S. State Department spokesman Jamie Rubin endorsed their conclusions, declaring that “the U.S. government welcomes, and essentially concurs with the recommendations issued today by the NDI and the Carter Center on pre-electoral conditions in Peru.”

Feb. 15: An International Federation of Human Rights mission to Peru, led by drug-rock star Mick Jagger’s former wife, Bianca (now with Amnesty International), held a press conference to announce its “findings,” that the Fujimori government itself constitutes “a permanent coup d’état,” and that the elections are a “process which seeks to justify, or disguise, what in reality is the perpetuation of an authoritarian regime with a strong military presence.” The IFHR specified, as a solution, that the United States cut off anti-drug aid to Peru, charging that this is used by the regime to promote Fujimori’s reelection.

Feb. 17: Spain’s anti-corruption prosecutor, Carlos Castresana, launched a public defense of the convicted terrorists in Peru, charging Peru with holding “six times the number of prisoners of conscience [sic] than Cuba,” at a meeting in Madrid to release a new book attacking Fujimori by Peruvian opposition activist Alvaro Vargas Llosa. Castresana called for Fujimori to be tried internationally, under the precedent applied against Chile’s Gen. Augusto Pinochet. Sitting in the front row next to Castresana at the event, was Spain’s Judge Baltazar Garzón, who initiated the international prosecution of Pinochet. In a March 7 interview with the Peruvian daily *La República*, Castresana reiterated his call for an “international trial” of Fujimori on allegations of “massive violation of human rights,” made by Human Rights Watch and Amnesty International.

Feb. 24: IAD President Hakim declared that Peru’s elections are not free or fair, *ipso facto*, because Fujimori is running in them, in an article in the *Christian Science Monitor*. Hakim called on the United States and other governments of the hemisphere to “stop calling Peru a democracy,” an act which, under current OAS policy, would activate economic, diplomatic, and military sanctions against Peru. Hakim admitted that Peru is not “an oppressive police state. . . . Opposition activity is permitted. Political institutions, including the Congress, Judiciary, political parties, and labor unions, retain some measure of independence. Harsh repression isn’t used as an instrument of political or social control, and human rights violations have declined sharply since the defeat of the guerrilla insurgencies.”

March 9: U.S. State Department spokesman Rubin issued a press statement, reporting that senior State Department and National Security Council officials had informed Peruvian Prime Minister Alberto Bustamante two days before, that Peru must meet seven conditions specified by the Carter Center-NDI mission, or the U.S. government and the international community will judge the elections to be neither fair nor free.

March 24: Carter Center-NDI team issued another statement at the conclusion of its third inspection of Peru, which declared that “conditions for a fair election campaign have not been established. Irreparable damage to the integrity of the election process has already been done.”

March 27: The White House Press Office issued a statement endorsing the Carter Center-NDI conclusions.

Project Democracy means tyranny

by Scott Thompson

In his March 23 webcast with international press, Democratic Presidential pre-candidate Lyndon H. LaRouche, Jr. warned about “this atrocity of an organization called Project Democracy, which is really about as democratic as the Democratic Party of Athens, that tried and executed Socrates.”

With the emergence of sovereign nation-state republics, one would have thought that Athenian “democracy” would have been a dead letter. However, after revelations in Congress in the 1970s that the CIA had been involved in coups, assassinations, interventions into elections, and so forth, targeting anyone who bucked the austerity policies of the International Monetary Fund, the London-Wall Street financial oligarchy found it necessary to launch Project Democracy, both as a cover and a means to coopt the leaders of both political parties and the Congress as co-conspirators in the same filthy operations. Thus, Project Democracy gave rise to the National Endowment for Democracy (NED), which carried out many of the same dirty tricks against sovereign nation-state republics, to which the CIA had confessed.

Officially, the NED was chartered by Congressional legislation a year after President Ronald Reagan’s 1982 address to the British Parliament on the need to build democracy worldwide. The NED’s theoretical roots are found in the 1975 Kyoto, Japan conference of the Trilateral Commission, which set the stage for the disastrous Trilateral-controlled Carter administration. Samuel P. Huntington, protégé of Trilateral Commission Executive Director Zbigniew Brzezinski, co-authored the main report for Kyoto, *The Crisis of Democracy*. Brzezinski, who became Carter’s National Security Adviser, served on the NED board during 1988-96. Under both Congressional legislation and the Reagan/Bush administration’s Executive Order 12333, the NED was known as a “quango” (quasi-official autonomous non-governmental organization), that was neither public nor private. Today, it receives most of its money from Congress, more than 50 private foundations, and the U.S. Agency for International Development (USAID).

Who’s Who in the NED

Almost since its founding in 1983, the president of the NED has been Carl Gershman. At Harvard and Yale, where he had been a member of the Young People’s Socialist League; later, FBI documents released under the Freedom of

Information Act show, he became a “snitch” for the Anti-Defamation League of B’nai B’rith (ADL). One document co-authored by Gershman stated that the Black Panther Party was “armed and dangerous,” and that police should be prepared to “shoot to kill” at the slightest provocation. During 1974-80, Gershman was executive director of the Social Democrats USA, whose leaders included many leaders of the Meyer Lansky-funded ADL, such as the late Irwin Suall. During 1980-81, Gershman served at Freedom House under Leo Cherne, who shortly thereafter became a key member of the “Get LaRouche” task force, as vice-chairman of the President’s Foreign Intelligence Advisory Board.

Since 1993, the chairman of the NED has been John Brademas, who had been president of New York University (1981-92) after serving 22 years in Congress (1959-81), the last four years as House Majority Whip. One chairman emeritus of the NED is Charles Manatt, who had been chairman of the Democratic National Committee during the Carter administration.

One of the newer NED board members is Ambassador Paul Wolfowitz (“the hard-liners’ hard-liner”), who served in several top positions at the State and Defense departments during the Reagan/Bush administration and is today a member of the “Vulken” group which advises Texas Gov. George W. Bush on foreign policy issues. Another board member is former Rep. Stephen Solarz (D-N.Y.), who served 16 years in the House of Representatives until he was caught overdraw-ing his account on the House Bank by an amount several times his salary.

NED funding

Some of the foundations that fund the NED include:

- **The Carthage Foundation**, which is controlled by Richard Mellon Scaife, who funded many features of the attempted parliamentary coup d’état against President Bill Clinton, and continues to fund the ongoing operations.
- **The Ford Foundation**, the premier foundation of the Wall Street establishment.
- **The Open Society Institute** of New York is run by British “golem” George Soros. In October 1997, he led a hedge-fund attack that wrecked the finances and currencies of many nations, especially in Asia. Through the OSI’s Lindesmith Center, Soros has also funded drug legalization campaigns, promoting drug use as a “human right” internationally, and conducting an “Opium War” against all nations.
- **The Soros Foundation**, the chief conduit for three strategically placed OSI funding groups, which have run an operation in parallel with the NED to create what the late British Aristotelian Society head Sir Karl Popper defined as “open societies” — part of a globalized system against sovereign nation-state republics.
- **The Rockefeller Brothers Fund**, a major funder of the anti-nation-state gatherings of the Bilderberg Society and the Trilateral Commission.

- **The Smith Richardson Foundation**, a frequent pass-through for money from the CIA.
- **The Westminster Foundation for Democracy**, the British equivalent of the NED.

The ‘Journal of Democracy’

The NED’s International Forum for Democratic Studies publishes the *Journal of Democracy*, which a spokesman characterized as advocating “Third Wave Democracy” after the lunatic “post-industrial society” theories of futurist Alvin Toffler. The spokesman said that its two main theoreticians are editorial board members Samuel Huntington and Francis Fukuyama, promulgator of the insane view that there had been an “end of history” when the Cold War stopped.

In *The Crisis of Democracy*, Huntington wrote: “We have come to recognize that there are potentially desirable limits to economic growth. There are also potentially desirable limits to the indefinite extension of democracy. . . . A government which lacks authority . . . will have little ability, short of cataclysmic crisis, to impose on its people the sacrifices which may be necessary.”

This work, which was aptly characterized as promoting “fascism with a human face,” was a precursor to the austerity, or “shock therapy,” being imposed today in the name of globalization.

Also on the board of the *Journal of Democracy* is Condoleeza Rice, a Soviet desk officer at the National Security Council during the Bush administration, and today head of the team of “Vulken” advising Governor Bush on foreign policy issues. Ironically, Rice had been a protégé of former Czech diplomat Josef Korbel, a professor at the University of Denver, the father and first mentor of Secretary of State Madeleine Albright. Albright, who served under another mentor, Brzezinski, in the Carter National Security Council, was a board member of the NED during 1991-92.

Four ‘core grant institutes’

There are four “core grant institutes” affiliated with the NED:

- **The International Republican Institute**, whose board members include:

Gen. Sir Brent Scowcroft, who had been Henry Kissinger’s Deputy National Security Adviser, before replacing Kissinger as chief officer of the National Security Council when Kissinger became Secretary of State. Scowcroft served as vice-chairman of Kissinger Associates, Inc., and was named National Security Adviser to President Bush. Today, Scowcroft is once again a business partner of Kissinger, and is president of the Forum for International Policy (FFIP), which includes Rice.

Sir Lawrence Eagleburger. This Balkan hand of the Diplomatic Service, who had been a friend and later business partner of Yugoslav dictator Slobodan Milosevic, was the founding president of Kissinger Associates, Inc. During the

Bush administration, he was Secretary of State. He is chairman of the FFIP.

Ed Feulner. Handpicked by Mellon Scaife to be president of the British intelligence outpost known as the Heritage Foundation, Feulner just finished a term as president of the British ultra-free trade Mont Pelerin Society.

With grants from the NED and USAID, the IRI has meddled in the internal affairs of foreign countries around the world under the rubric of building democracy and “civil society.”

- **The National Democratic Institute for International Affairs**, which is the Democratic Party-associated equivalent of the IRI, has a somewhat less stellar board, despite its close work with the Carter Center of Atlanta, Georgia. Perhaps its leading board member is Sen. Daniel Patrick Moynihan (D-N.Y.), who has been in the Senate since 1977. He is retiring next year. Moynihan, a noted racist, coined the phrase “benign neglect,” for how he thinks the poor ought to be treated, and wrote the anti-immigration book *Beyond the Melting Pot*. Winner of the SEAL Medallion from the CIA in 1986, Moynihan has deep ties with one of the dirtiest factions of U.S. intelligence.

- **The Center for International Private Enterprise** is one of the leading advocates of globalization and British liberal free-trade policies. Its president is Thomas Donahue, a board member of the NED. Donahue had been AFL-CIO Secretary Treasurer (1979-95) during the Lane Kirkland years, and upon Kirkland’s death, was elected in August 1995 to complete Kirkland’s unexpired term.

- **The American Center for International Labor Solidarity**: When John Sweeney was elected AFL-CIO president, he placed all the former foreign branches of the International Affairs Department (IAD) within this “Solidarity Center,” including those that had been Cold War institutions in Europe, Asia, Africa, and Ibero-America. This section of the AFL-CIO is the dirtiest cesspool within organized labor, and it is probably one of the significant advocates for the AFL-CIO’s early Presidential endorsement of Vice President Al Gore.

Before their recent deaths, the real powerhouses in the IAD were Jay Lovestone, who had been the Bukharin-appointed head of the Communist Party USA, before he was taken under the wing of International Ladies Garment Workers Union President David Dubinsky, and Lovestone’s sidekick Irving Brown. Despite proof that Lovestone and Brown had worked for precursors of the KGB at least until the purge of Bukharin in 1938, this lifetime “Chekist” was funded and protected by the late CIA Director of Counterintelligence James Angleton. Hence, the appellation earned by the IAD of being part of the “AFL-CIA.”

Given Project Democracy’s NED, its affiliates, personnel, and policies, the United States ought to be ashamed to have such a mob represent it abroad, and it is a national security scandal that it is allowed to meddle in the internal affairs of other nations in the name of democracy.

Jimmy Carter's legacy of vote fraud and dope

by Jeffrey Steinberg and Edward Spannaus

For the past months, Project Democracy's National Democratic Institute (NDI) and the Atlanta-based Carter Center have been sending "democracy delegations" down to Peru, ostensibly to "monitor" the ongoing Presidential and Congressional elections. The Carter Center-NDI team has already pre-judged the elections to be "undemocratic," and has singled out President Alberto Fujimori for "the Noriega treatment." If the Carter crowd have their way, regardless of the outcome of the April 9 elections, President Fujimori will be pilloried as a "human-rights violator," an "enemy of democracy," and will be hounded out of office, and targeted for financial warfare, both personally, and against the nation of Peru. If this effort succeeds, all of the achievements of Fujimori, in eradicating the power of the drug cartels and the narco-terrorist Shining Path and MRTA, will be reversed, and Peru will be handed over to the same combine of international narco-bankers and terrorists that have been given free rein over Colombia.

It is no small irony that Carter should be personally leading the charge against Fujimori. Why?

- The Wall Street-London Trilateral Commission's hand-picked President Carter was elected in November 1976 through the most flagrant vote fraud in American history.
- The Carter administration was openly in favor of the legalization of drugs—from marijuana to cocaine.
- Carter "wrote the book" on capitulating to international terrorism, through his handling of the U.S. Embassy hostage crisis in Iran during 1979-80.

Recall that, in November 1980, the American electorate drove the Carter-Mondale administration out of office, in a landslide victory for Ronald Reagan. By the time he returned to Georgia, to set up the Carter Center, Carter's name was synonymous with disaster.

Vote fraud

At best, Carter and Walter Mondale received 35% of the vote in the 1976 elections. Through a massive vote rigging operation, facilitated by a string of so-called voting "reforms," including same-day registration, the Democratic Party/labor apparatus was able to cast hundreds of thousands

of illegal votes, in one of the closest Presidential races since the 1960 Kennedy versus Nixon election.

In December 1976, a Committee for Fair Elections (CFFE), made up of supporters of Lyndon LaRouche and Ronald Reagan, along with political independents, filed suit in Federal courts in New York City and Cleveland, charging that the elections in New York and Ohio had been determined by vote fraud on behalf of the Carter-Mondale slate. Evidence of thousands of instances of fraudulent voting was presented to Federal judges in both states. Exploiting the chaos of the new "same day" voter registration, Democratic Party officials cast thousands of votes from vacant lots, abandoned buildings, and non-existent addresses. Using professional survey techniques, designed by some of America's leading experts on statistical sampling, the CFFE investigators demonstrated that the number of illegally cast votes in those two states exceeded the margin by which Carter-Mondale won the election against President Gerald Ford. A reversal of the outcome in New York, alone, would have given President Ford the Electoral College victory.

Ultimately, the two Federal judges ruled that there had been a massive pattern of fraud *proven* by the investigators, but, they refused to order new elections in New York and Ohio, on the spurious grounds that it could not be proven that the illegal votes were all cast for Carter-Mondale, given the secret-ballot system. The evidence, nevertheless, stands: Carter was given the White House via the most massive vote-rigging effort in the history of the United States. Can anyone honestly say that Jimmy Carter is qualified to judge any other country's electoral process?

The dope ring in the White House

Long before George Soros put up \$15 million to peddle drug legalization as the "solution" to drug-related violence and social decay, the President of the United States—Jimmy Carter—used the White House as a bully pulpit to launch the movement to legalize dangerous drugs in America. Through his White House drug czar, Dr. Peter Bourne, Carter became America's leading advocate of legalization of marijuana, LSD, and even cocaine! Bourne was an active booster of the first dope lobby group in America, the National Organization for the Reform of Marijuana Laws (NORML),

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which, during the Carter years, ran a nationwide effort to “decriminalize” marijuana.

Ultimately, Bourne was forced to resign his White House post, after he was caught writing illegal prescriptions for administration staffers. Largely through the mobilization of the LaRouche political movement, which assembled a team of medical experts, law-enforcement professionals, and civil rights leaders, drug-legalization laws were defeated in a dozen states, and several states that had earlier passed laws “decriminalizing” marijuana, rolled back those laws. White House-backed U.S. Congressional legislation to decriminalize marijuana nationally was defeated, through that effort. Nevertheless, President Carter, the Trilateral Commission’s hand-picked front-man, did everything in his power to advance the drugging of America and the transformation of Ibero-America into the marijuana and cocaine plantations for the North.

Kow-towing to terrorists

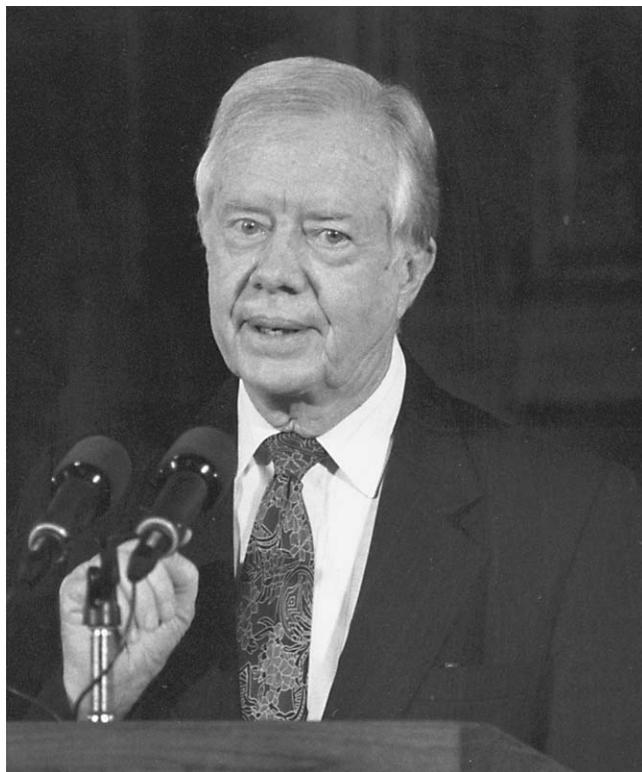
During what turned out to be the last year of his Presidency, Carter faced his own hostage crisis in November 1979, when the U.S. Embassy in Tehran was stormed by militant Islamic fundamentalist “students,” and more than 50 Americans were taken hostage.

Carter’s response stands in sharp contrast to President Fujimori’s handling of his hostage crisis, the December 1996 takeover of the Japanese ambassador’s residence in Lima, by the narco-terrorist Tupac Amaru Revolutionary Movement (MRTA).

The response of the Carter administration to the Iran hostage crisis of 1979-80—except for one abortive attempt to rescue the hostages, which resulted in the deaths of eight Americans—was to try and make a deal with the forces behind the hostage-takers.

As one of the many attempts to establish a negotiating channel, Carter’s State Department made special arrangements a few weeks after the Embassy was seized, to bring Iranian banker and arms dealer Cyrus Hashemi to Washington from London. Hashemi—who had already been designated a member of the “Islamic Revolutionary Committee” in New York City in order to take over, with threats of force, two Iranian banks in Manhattan—met with State Department officials, and stayed in close contact with them throughout the crisis.

Part of the deal also involved the Carter administration’s protection of Iranian terrorists inside the United States. In December 1979, *EIR* discovered that, despite the ostensible cut-off of all ties with revolutionary Iran, the Iranian Defense Attaché, Capt. Siavesh Setoudeh, and a 16-man team, were working out of Naval Intelligence offices in Arlington, Virginia. *EIR* investigators found Captain Setoudeh’s office walls covered with posters of the Ayatollah Khomeini and revolutionary slogans. A few days after an *EIR* correspon-



Jimmy Carter is an expert in election fraud—after all, that’s what got him elected!

dent raised the issue at a White House press briefing, Setoudeh and Co. were quietly moved out of the Navy offices.

Around the same time, a prominent anti-Khomeini spokesman in Washington, Ali Akbar Tabatabai, met with officials from the State Department and FBI to warn them that Cyrus Hashemi was the funding conduit for Khomeini’s secret service, the Savama, inside the United States, which was planning acts of terrorism. Tabatabai’s warnings were received coldly and ignored. On July 22, 1980, Tabatabai was shot to death by an assassin who fled the country and ended up in Iran.

Desperate to win re-election in November 1980, the Carter White House and State Department continued to plead with the Iranian Ayatollahs, offering to secretly provide weapons and other military equipment in exchange for the release of the hostages.

After his 1980 landslide defeat, Carter returned to Atlanta, where, two years later, he founded the Carter Center as a new base of operations for the Trilateral Commission-run apparatus that had formed the core of his administration. With his track record in Washington of vote rigging, dope legalization, and pandering to terrorists, Jimmy Carter, today, is the most unqualified person in the world to be judging whether Peru, a country under siege for decades by the dope cartels he helped to launch, is holding free and fair elections.

Behind AOL's Kimsey's embrace of FARC narco-terrorists

by L. Wolfe

To people who know James V. Kimsey, the co-founder and chairman emeritus of America Online, and his sidekick, millionaire real estate investor Joseph E. Robert, Jr., the recent sight of them embracing the leadership of the narco-terrorist FARC in the jungles of Colombia, was not surprising. Kimsey, a former U.S. Army Special Forces officer, has a reputation for risk-taking and “daring” acts, they explained, and has often dragged Robert along. But, a preliminary investigation by this news service reveals that there is much more to it than that. Kimsey and Robert are part a group of interventionist “New Economy” business executives and speculators who have made their millions and, in some cases billions, from the “New Economy” of the Information Age, and who see themselves as shaping a “new world order,” in their own interests — one that supplants the nation-state with corporatist power. The FARC drug lords and their billions in drug profits are instrumentalities in their designs.

Some of this emerged in January of this year at a press conference in Colombia in which Richard Grasso, a friend of Kimsey's and the president of the New York Stock Exchange, announced the existence of a “Millennium Advisory Board,” which was “helping” Colombian President Andrés Pastrana deal with the FARC, and would promote business partnerships with them and “investments” in “FARC-land,” the vast portion of the country that has been effectively ceded to the narco-terrorists. Besides Grasso and Kimsey, this group of business and banking heavyweights includes Mitsubishi's Minoru Makihara; former Canadian Prime Minister Brian Mulroney, now a partner in a Montreal law firm and a board member of several multinational corporations; former American Express CEO James Robinson III; Lorenzo Zambrano, president of Mexico's cement company, Cemex; Eduardo Fischer, president of Total Communication Group, a public relations firm operating in Argentina and Brazil; and Ronnie Chan of Hong Kong's Hang Lung Development company. It is also thought that Robert is a member.

At the time of the Grasso press conference, the Colombian media reported that it was Violy McCausland who orchestrated the meeting.

Colombian by birth and now living in New York, Mc-

Causland is president of Violy, Byorum & Partners, considered one of the top ten investment advisory firms in Ibero-America. McCausland is described as “a pioneer in restructuring, [and] mergers and acquisitions,” skills she developed during her 1979-93 work at the J.P. Morgan investment firm. In 1994, McCausland moved into a partnership with James D. Wolfensohn, currently president of the World Bank. In January 1996, she founded her own firm. During her 20-year career, McCausland has “led over \$30 billion in successful transactions, including mergers, divestitures, acquisitions, spin-offs, public and private capital raising, restructurings, privatizations, and project financing.”

McCausland's firm employs people from throughout Ibero-America, the United States, and Europe, including Spain, Holland, and Britain. One of the groups she has reportedly worked closely with in Venezuela is the Cisneros financial group, which has been repeatedly exposed by *EIR* for its unsavory links to drug-money-laundering interests.

But, *EIR* investigations indicate the likely existence of a “Millennium Group,” comprised of many of the same individuals, with a broader scope of operations—the creation of a “new global order.” Sources who are familiar with Kimsey report that he is a zealot for this effort and sees himself in the image of a “corporate Roughrider,” and crusader for a “new global democracy” transcending the old order of nation-states. The backbone of this “new order” is to be the Internet, where the company that Kimsey founded, America Online, is the world's largest service provider.

Kimsey and Robert

Of the two, Robert appears less of the ideological zealot. He is what is called in financial circles, a “bottom-feeder,” who has made money on picking on the shards of wrecked real estate projects, both in the United States and, more recently, internationally. He founded his firm, J.E. Robert, back in 1981, by stealing the clients of his father's outfit, for which he was sued by his father and forced to pay a judgment. Robert made a good portion of his money and reputation as a by-product of the 1980s crisis in savings and loan institutions, taking over properties and mortgages from

bankrupted S&Ls for a song, and selling them off for huge profits. More recently, he has picked on the remains created by the so-called Asian financial crisis, triggered by the actions of George Soros, buying up bankrupted properties in Korea. A former Golden Gloves amateur boxer and self-described “tough guy,” he has “hung with” Kimsey for years — both went to the same Catholic high school in Washington, D.C.

Kimsey, meanwhile, has a history consistent with his current role, including his operations with the FARC. A Special Forces Ranger officer, he served two tours of duty in Vietnam during 1965–69, where he served as assistant to the commanding general of Special Operations at the Military Assistance Command, and was responsible for making assessments of special operations. Among the operations run through that command were coordination of various mercenary outfits composed of narco-terrorist operatives similar to the FARC. Such operations were precursors to drug gangs used in “covert actions” and as “guerrilla assets” by Lt. Col. Oliver North and the Iran-Contra crowd, as well similar operations in the Afghan war.

Kimsey left military service in 1970 to embark on a career as a stockbroker. He appears, however, to have never left the orbit of leading military and other intelligence operatives. For example, a recent biography reports that he “continues active involvement in national security issues through his participation in the Joint Special Operations Forces Institute Advisory Board.” He is also member of the “Tail to Tooth” Commission of Business Executives for National Security (BENS), who along with a host of ranking military officers and former Secretaries of Defense, want to restructure the Defense Department to be like a normal business; BENS is also involved in counter-terrorism projects. (Kimsey also serves on both the New York Council on Foreign Relations and the Atlantic Council.)

Soon after he began his career as a stockbroker, he ran afoul of the Securities and Exchange Commission (SEC) for allegedly knowingly providing misleading information to clients and participating in a scheme to manipulate the value of stocks. In 1975, as the result of an SEC plea bargain, he was banned for five years from associating with any dealer, investment broker, or adviser. Yet, despite this blot on his record, Kimsey appears to have been selected to enter what was to become one of the more lucrative investment technologies of the last part of the century — the field of computer connectivity, which was to become the Internet.

The AOL connection

EIR is conducting research on the Internet and its adverse effects on human society. For the purposes of this brief report, let us offer some pertinent preliminary findings. The Internet, as such, was created as a by-product of primarily U.S. national security-controlled research, whose commercial application is steered according to theories of various brainwashers asso-

ciated with the Tavistock Institute of Human Relations, the psychological warfare arm of the British royal family and the London-Wall Street financial oligarchy. It is seen, in the hands of such Tavistock brainwashers, as a vehicle for social control and mass brainwashing, with an addicting effect similar to, and as destructive as, the drugs produced and distributed through the networks of the Wall Street/London-controlled global drug cartel, “Dope, Inc.,” of which the FARC is a component feature.

Kimsey, as we indicate, was in on the creation of this medium as a mass distribution product. In 1985, he started Quantum Computer Services; by November of that year, it launched its first online service, “Q-Link,” on Commodore Business Machines. In August 1988, Quantum’s “PC-Link” was launched in a joint venture with Tandy Corp., then one of the largest producers of personal computers. In 1989, “America Online” was launched for Macintosh and Apple II computers; a DOS version of America Online was available by 1991. That same year, Quantum Computer Services changed its name to America Online, Inc., and a few months later, on March 19, 1992, America Online went public on the Nasdaq stock market at the original price of \$11.50 a share. (It now trades at \$60–80 per share on the New York Stock Exchange, and is the most widely traded stock in the world.)

Early in the process, Kimsey brought in Steve Case, a young marketing “whiz kid.” They devised a strategy to promote AOL, which is similar to the way drugs are marketed; the idea was to give away the service initially, offering free hookups and free line-time, with the idea that use of the Internet would become so quickly addictive that people would then pay money for the service. The strategy has worked, especially as the number of pornography and related websites grew, along with the overall expansion of available sites:

By the end of 1993, the service had 500,000 members; it topped 1 million in August 1994, over 5 million in February 1995, and had 10 million subscribers by November 1997. By February 2000, it had 21 million members; reportedly, at any time, about one-third of those members are using the service as part of the free, “addicting” promotions. The average member spends more than one hour online daily, with that figure rising rapidly.

While AOL, which is based in Loudoun County, Virginia, promotes itself as wholesome family-oriented activity, studies have shown that much of its traffic is in so-called “porn” websites, chatrooms, etc.; the vast majority of traffic is related to what is called “entertainment,” of all varieties.

AOL’s board of directors befits a corporation which is at the center of bubble.com, as well as Kimsey’s roots in the intelligence and financial communities. Among its luminaries are former Secretary of State Gen. Alexander Haig (ret.); former chairman of the Joint Chiefs of Staff Gen. Colin Powell (ret.); Franklin Raines, CEO of Fannie Mae, and former general partner of the Lazard Frères & Co. banking house;

Robert Pittman, the man who created and headed Music Television (MTV Networks); and individuals who created Rupert Murdoch's Fox television network.

Not surprising, among AOL's list of joint-venture business partners is the Venezuela-based Cisneros Group, which owns 50% of all AOL's Ibero-American operations. Cisneros, known as the "porn king" of Venezuela, had his connections to international drug-money-laundering circles exposed in *EIR's* book *Dope, Inc.*, the Spanish version of which he arranged to have banned in Venezuela.

AOL, which has announced plans to merge with Time-Warner, to become the world's largest multimedia giant, made a profit of a little under \$400 million in 1999. This compares to its astounding bubble-driven market capitalization of \$150 billion—far more than the Gross National Product of Colombia and many other Ibero-American countries combined.

The hyperinflated value of AOL stock enabled Kimsey to retire in 1994 and to continue to increase the value of his \$150 billion portfolio, while pursuing his other "interests." He runs two foundations, the Kimsey Foundation, as well as AOL's own foundation. He participates in the work of another foundation, the Jamestown Foundation, in which he was part of a team which was sent in 1996 to "observe" the Russian elections; and was planning to do the same this year.

In those activities and in his recent visit to FARC-land, Kimsey has attempted to distance himself from AOL. However, sources report that AOL executives were fully aware of the visit, and supported it. It is widely known that the FARC have used the Internet to post communiqués and send e-mails to journalist "stringers," and have used computers to track the finances of their drug-trafficking and to develop intelligence about potential kidnap victims. It is thought that Kimsey may have touched on such matters with FARC drug lord Manuel "Sureshot" Marulanda.

Kimsey and Robert are both actively organizing for a FARC tour, to address Congress and prominent business forums. In a defensive commentary in the March 20 *Washington Times*, the two argue that giving such prominence to the narco-terrorists might speed their conversion away from drug operations. The FARC leaders "maintained they could and would cooperate in ending drug trafficking, and swore they were willing to make these promises directly to the U.S. Congress and to the American people," the two write. FARC financial expert Raúl Reyes "not only denied he had 'declared war' on us, but does not consider himself our enemy, and he lamented the recent killings of three Americans, branding it a 'mistake,' of the same sort as our bombing of the Chinese Embassy in Belgrade." One businessman who knows Kimsey, upon hearing this and seeing a picture of "Sureshot" sporting an AOL cap given him by Kimsey, suggested that maybe the company should change its name to "America Mainline."

Why Kosovo has become the 'Colombia of Europe'

by Umberto Pascali

Ibero-America is not the only region in which the Project Democracy crowd and the U.S. State Department have gone out of their way to boost narco-terrorist gangs into state power. The role of these agencies in the Balkans, particularly in Kosovo, has been as shameless as their behavior in Colombia and Peru.

"Kosovo today is the Colombia of Europe!" Thus did Marko Nikovic, the vice president of the International Narcotics Enforcement Officers Association, describe the situation in the Balkan province of Kosovo, which has been a crucial element in the drugs-for-weapons "Balkan connection" since at least the early 1980s. The Kosovo mafia was a vital link in the organized crime chain that connects Turkey to Central Europe and, through Albania and the Adriatic Sea, to Italy, whence new traffic routes spread out in several directions. Later on, Kosovo became a transit point for opium and heroin produced in the Taliban-controlled Afghanistan, after the Taliban "freedom fighters," with NATO support, especially from London and Washington, took over the country. However, it was only after June 1999—when NATO took over Kosovo following 78 days of relentless air bombings against Kosovo, Serbia, and Montenegro—that Kosovo became a safe haven for the drug mafia. In less than one year under a "NATO protectorate," Kosovo has become the supplier of 80% of the heroin consumed in western Europe, with routes now also reaching into North America.

The basic reasons for this cancerous growth of the drug traffic in Kosovo, is to be found in the connection between the drug mafia and the organization sponsored, trained, cultivated, and established in power in the province by NATO, and by intelligence organizations based both in London and Washington. We are talking about the Kosovo Liberation Army, whose head, Hashim Thaci, was imposed as the representative of Kosovo at the 1999 Rambouillet "peace" talks by U.S. Secretary of State Madeleine Albright, NATO Commander Gen. Wesley Clark, and British Foreign Secretary Robin Cook (see *EIR*, March 31).

In anointing Thaci as head of the Kosovo Albanians, Albright ensured that the KLA's ferocious war waged against Ibrahim Rugova, the elected head of the Kosovo's Albanians, would be a success. That war led to the intimidat-

tion, and often the assassination, of every significant leader loyal to Rugova.

The Albright-Thaci connection

Unfazed by the growing rumors surrounding her flirtation with Thaci, Albright publicly characterized Thaci as “the Gerry Adams of the Balkans” (referring to the bona fide peacemaker of Northern Ireland’s Sinn Fein), and even imposed upon her good friend Clark (who immediately obliged) to fly to Paris to meet Thaci in a hastily organized tête-à-tête, in a Rambouillet café outside Paris.

“The KLA is indebted to Balkan drug organizations that helped funnel both cash and arms to the guerrillas before and after the conflict,” wrote a Stratfor global Intelligence news report on March 3. “Kosovo is the heart of a heroin-trafficking route that runs from Afghanistan through Turkey and the Balkans and into western Europe. It now appears that the KLA must pay back the organized crime elements. This would in turn create a surge in heroin trafficking in the coming months, just as it did following the NATO occupation of Bosnia in the mid-1990s.”

Reports by the U.S. Drug Enforcement Administration (DEA) concerning the “Kosovo connection” were already being covered early last year by national newspapers and magazines. Still, in June, NATO took over Kosovo, and what was a dangerous situation rapidly went out of control. “Backing the KLA is simply insane,” decorated former undercover DEA agent Michael Levine stated in May 1999. “My contacts within the DEA are quite frankly terrified, but there is not much they can say without risking their jobs. These guys [KLA] have a network that is active on the streets of this country. It is a scary operation. In fact, the mafia relied on Albanian hit-men to carry out a lot of their contracts. They are the worst elements of society you can imagine, and now, according to my sources in drug enforcement, they are politically protected.”

‘Exactly what we did with Afghanistan’

How is that possible? How is it that NATO, the alliance created to defend the West, is not only unable to stop these organized crime groups, but also that under NATO, those groups seem very often to thrive?

Levine gave his answer: “It’s the same old story. Ten years ago we were arming and equipping the worst elements of the mujahideen in Afghanistan—drug traffickers, arms smugglers, anti-American terrorists. We later paid the price, when the World Trade Center was bombed, and we learned that some of those responsible had been trained by us. Now we are doing the same thing with the KLA, which is tied in with every known Middle and Far Eastern cartel. Interpol, Europol, and nearly every European intelligence and counter-narcotics agency has files on drug syndicates that lead to the KLA.”

The DEA official could have easily added the example of other “freedom fighters,” groups such as the protégés of Sen. Jesse Helms (R-N.C.), the Contras of Nicaragua, and their role in the cocaine traffic flooding the United States.

According to Stratfor: “Two to six tons of heroin, worth 12 times its weight in gold, moved through Turkey towards eastern Europe each month. The route connecting the Taliban-run opium fields of Afghanistan to western Europe’s heroin market is worth an estimated \$400 billion a year—and is dominated by the Kosovar Albanians. This ‘Balkan route’ supplies 80% of Europe’s heroin.”

Most of these drugs are paid for with weapons, and this gives just a faint idea of the kind of firepower that is available in the Balkans at this point—under the protection of NATO!

Nikovic told the London *Guardian* on March 13: “It’s the hardest narcotics ring to crack, because it is all run by families. . . . Kosovo is going to become the cancer center in Europe. After NATO took over Kosovo, there was no police control over drug traffic at all. [Heroin] is coming through easier and cheaper—and there is much more of it. The price is going down, and if it goes on, we are predicting a heroin boom in western Europe.”

The *Guardian* also reports that since NATO installed itself in the province, Kosovo heroin dealers, most of them coming from four main families, are concentrating on western Europe and in the United States.

The Balkan route

During the beginning of March, anti-drug officials from northern and eastern Europe met in Sweden to discuss an issue that is considered scary and out of control: the Balkan route. The chief of the Czech anti-narcotics agency, Jiri Komorous, stated: “There are four paths of drug trafficking through the Balkans to western Europe, and we have to improve our attempts to control the Kosovo Albanians.”

Even the British *Jane’s Intelligence Review* had pointed to this disaster in preparation for a report, “The Balkan Medellín,” published on Feb. 1, 1995. “If left unchecked, this growing Albanian narco-terrorism could lead to a Colombian syndrome in the southern Balkans, or the emergence of a situation in which the Albanian mafia becomes powerful enough to control one or more states in the region,” it said.

In the early 1980s, the Balkan route was known as the “Bulgarian connection.” It became the target of an international “David and Goliath” investigation by the Trento, Italy Magistrate Carlo Palermo. Palermo had fought bravely for years, until in the media the “Bulgarian connection” was associated not only with the network behind the attempt against Pope John Paul II in 1981, but also with Henry Kissinger and his cronies. For unclear reasons, Palermo was forced out of his jurisdiction and sent to one of the most dangerous places in Italy, in Sicily, apparently with drastically reduced security.

‘National liberals’ try to kidnap Russia’s economic policy

by Jonathan Tennenbaum

With his first-round election victory on March 26, Acting President, and now President-elect, Vladimir Putin has a mandate to launch the kind of dirigistic economic mobilization of Russia, which is urgently needed, to reverse the catastrophic collapse of production and living standards that has occurred over the past decade as a result of “shock therapy” and so-called “liberal reforms.” Various statements by Putin himself have raised the hope, that this is indeed what Russia’s dynamic new head of state has in mind.

In his article on “Russia at the Doorstep of the New Millennium,” published at the end of last year, just days before Boris Yeltsin’s resignation from the Presidency, Putin emphasized that Russia had come to an “absolute limit,” where a further deterioration of the life of its citizens had to be prevented by all means; and, that strong intervention by the government into the economic and social sphere would be necessary, including the channelling of investment into the “real sector” of the economy and mobilizing Russia’s most advanced technological potentials, centered in the scientific-military-industrial complex. In his “Letter to Voters,” issued in lieu of an election program, Putin told the Russian population to view his own demonstration of strength and decisiveness in dealing with the Chechen separatists, as a paradigm for the kind of straightforward and potent approach he would take toward Russia’s many other problems, the economic situation above all. Instead of endlessly squabbling over abstract ideologies and academic studies, the time had come to jump into the middle of Russia’s problems and grapple with them directly, Putin declared. He pledged to gather the “best minds in Russia,” regardless of political ideological color, to work out real programs and solutions for rebuilding the country.

Economic competence needed

With great hopes having thus been raised, and with a strong popular mandate behind him, it is indeed surely time for Putin to put together a “general staff” of those economists, scientists, industrial managers, and others, who are the best qualified to lead a dirigistic national-economic mobilization. At the top of the list should obviously be people like Sergei Glazyev, well known as one of the most brilliant young economists in Russia—people who have been the most devastatingly truthful in attacking the policies that have destroyed the Russian economy, and who have long prepared themselves through thorough study, not only of Russia’s mobilization potentials and problems, but also of such historical precedents as the economic mobilization of the United States under Franklin Delano Roosevelt. Required above all, is a grasp of the principles of physical economy, as embodied in the work of Leibniz, Hamilton, Carey, List, Witte and Mendeleyev in Russia, and, in most recent times, Lyndon LaRouche. Thanks to the work of Moscow Schiller Institute President Prof. Taras Muranivsky and others, LaRouche’s ideas have become widely known and studied in Russia for many years.

Unfortunately, the kind of economic competence, which Russia urgently requires now, appears singularly lacking among Putin’s entourage, as well as on the list of those under public discussion as potential cabinet members and advisers in the new government, to be officially formed after Putin’s inauguration on May 5. Like Putin himself, most of the people in his entourage are lawyers, diplomats, or persons with a background in the intelligence field, who have little knowledge and experience in science and industry, not to speak of expertise in economics as such. The man purported to be Putin’s main economic adviser, German Gref, is also origi-



German Gref, head of the Center for Strategic Projects which is advising President-elect Vladimir Putin on economic policy. Gref describes himself as a "romanticist of privatization."

nally a lawyer, whose main economic experience is the privatization of public property.

More worrisome, is the present hyperactivity of old and new "young reformers," who are evidently looking to Putin as the "strong man" who is going to push through a new, "corrected," and more "disciplined" version of the same British-style liberal economic doctrines, that have already plunged Russia into total disaster. Amid this swarm of old and new "liberal reformers," who are currently buzzing around the Kremlin, is Anatoli Chubais, one of the most hated persons in Russia for his role in the brutal looting of the country, but who nonetheless continues to orbit at a certain distance from Putin and is even mooted by some (perhaps in merely wishful thinking) as a possible candidate for a leading post in the new government. A different case, is the role of German Gref, a self-described "conservative liberal" who heads the Center for Strategic Projects, set up at the request of Putin to develop a comprehensive long-term strategy for the coming new government. Gref is reportedly a favorite for the post of Economics Minister.

Another, wilder specimen of this phenomenon is the British-connected veteran "young reformer" Vladimir Mau, who works in and around Gref's Center for Strategic Projects. Mau goes beyond advocating the so-called "Pinochet" model—the Chilean General's name is appropriately used as shorthand for the administration of liberal economics by a strong-man regime—and compares the present period in Russia to France of 1796-99, when "a consolidation of the new and old elites" occurred under Napoleon. In a recent commentary on the website of Gleb Pavlovsky (see below), Mau has even started talking about "the 18th Brumaire of Vladimir Putin."

Foreign influence

None of these fanfares mean, of course, that Putin will do what these "national liberals" want him to. In interviews, Gref, Mau, and others have themselves stressed that they do not control the President, that there are strong differences in views among top Russian institutions, and that Putin could

very well end up taking an entirely different policy course from the one they are recommending. The same anxiety has been voiced privately by British insiders with hooks into the Russian liberal establishment.

Nevertheless, one should not underestimate the influence of Anglo-American-linked liberal circles in Russia, particularly in light of British Prime Minister Tony Blair's recent new romance with Russia and Putin—a phenomenon which, albeit still in its initial stages, already calls up memories of Margaret Thatcher's disgusting "Gorbomania" in the mid-1980s. Exploiting the vacuum left by a lame-duck U.S. President Clinton and by the stupidity and paralysis of the continental Europeans, the British establishment is trying to maneuver itself into a geopolitical "special relationship" with Moscow, offering to open up flows of foreign investment which Putin himself has declared as absolutely indispensable for Russia's economic survival.

The prospect of attracting foreign money, in fact, is the major pretext the International Monetary Fund-style "liberal reformers" have always offered for insinuating themselves into government positions. The argument goes: "Don't be overheard talking about dirigistic economic mobilizations, or you will scare away all the foreign investors!" However, the whole game of dangling foreign investment in front of Russia, will not go on for much longer. The impending financial collapse in the West is already shaping the policy discussion in Russia. As former Deputy Foreign Minister Andrei Fyodorov told a German audience in Bonn on March 28, strategic policy documents already submitted to Acting President Putin contain two main scenarios for global developments, one of which projects the consequences of devastating financial collapse in the United States.

The reformed 'reformers'

The new activation of "liberal reformers," who had fallen into more or less profound disgrace no later than the Russian financial collapse of August 1998, has been accompanied by a certain change in tactics. In the earlier 1991-92 phase of "shock therapy," the wholesale dismantling of the central state—and, above all, the economic role of the state—was hailed by "young reformers" as the golden pathway to economic prosperity. This time around, however, key liberal reformers are now coming out as "statists" or "national liberals," talking about the need to create a strong state, with a strongman at its top, as the guarantor "property rights," of a "level playing field" for competition among the various economic "players," and of Russia's potential to compete on the globalized world market—all expressions which have also been used by Putin.

In one respect, the re-emphasis on state power is an unavoidable concession to the simple reality, that although the nearly total lawlessness, created by shock therapy, has permitted a thin layer of people, dubbed the "New Russians," to become rich beyond their wildest dreams, it has also cut Rus-

sia off from significant foreign investment and made substantial long-term investments of any kind virtually impossible. Russia has collapsed to the point that even so-called oligarchs require a certain consolidation of the central state and economic base, to continue operating. Furthermore, without a speedy consolidation, including a certain modernization of the aging military-industrial complex, the prospect of Rus-

sia's return to world power status in the foreseeable future drop rapidly to zero.

In this context it is relevant to note, that the show of patriotic fervor, put on by Chubais, Boris Berezovsky, and certain other members of the group labelled as the oligarchs (even as they engage in internecine cat-fights among themselves), as well as large sections of the mainly oligarch-controlled Rus-

LaRouche: the blunders of Western strategists

During his campaign webcast of March 23, Democratic Party Presidential pre-candidate Lyndon LaRouche took the occasion of a question from Prof. Stanislav Menshikov, on the eve of Vladimir Putin's election as Russian President, to make a statement about the lethal failures of Western policy toward Russia, and how it should be changed. The exchange is excerpted, here.

Menshikov: . . . Now, we are having an election this Sunday, and we're going to have a strong President for a change, instead of Mr. Yeltsin. A strong, energetic, and young President. Now, apart from the economic proposals that Mr. LaRouche has made toward Russia, this big conference on economic and financial issues, what are your positions, Lyndon, on some of the issues of foreign policy that are worrying our whole nation and the President, of course, our future President, and that is basically on the expansion of NATO, number one, on the Anti-Ballistic Missile Treaty, number two, on the Chechen military situation, number three?

LaRouche: Well, first of all, the key problem here is that we have an attempt to turn back the clock of history, to the conditions before the 15th Century in Europe. That is, to go back to what was then the feudal system, which would be called in modern terms a system of radical free trade, and of globalizations.

Now, the intent has been, and was stated explicitly by George Bush and others in 1989 and on, to establish a "New World Order," which is an order of globalization. This means, of course, also to destroy the capability of Russia's restoration to a position as again a world power. Or, China's position as a world power. China is essentially not a world power, it's a regional power, but it has a potential, way down the line, as a powerful nation-state, to become essentially, partly a world power.

So, the problem here essentially is the prohibition of the continued existence of nation-state economies. Now

this problem reflects itself in the current rise of deep resentment, especially since the last Balkan war, which is really still ongoing, and since the attacks by mercenary forces directed from outside [in the North Caucasus], by the same people around Bush and Jimmy Goldsmith who ran the Afghanistan war, to deploy these mercenaries, these trans-Caucasians, into Central Asia and elsewhere, to destroy essentially anything resembling what had been there under the Soviet Union. This has produced a reflex, in which Russia has instinctively drawn a line in the sand, and said, "We are not going to be destroyed." And Russia's long history as a nation instinctively creates a potential for that. At this point, the candidacy of Vladimir Putin, the Acting President, becomes a rallying point in the minds of many for saying, "No further. Stop it."

NATO should have been dissolved after the '89, '91 events—there's no legitimate reason for it. You now have a situation, in my view, in which the relationship between Belarus and Russia, puts Russian troops on the border against NATO troops on the Polish border. This is a nightmare for Poland, it's a nightmare for all of Europe. Obviously, NATO should have been dissolved. And a new organization, based on cooperation as a diplomatic organization, to coordinate military relations, should have been established instead, to enable the transition to the economic recovery of Russia and other countries under the new conditions. That was not done.

My view on how this should be approached in practice is, I say that you take Russia, China, India, as three key nations in Eurasia which have a certain historic relation to each other, you combine that with a continental Europe based on Germany, you look at the vital economic and national-security interests of continental Europe, in particular centered around Germany, and you look at the economic problems which go with these interests—you would say the sane world is one in which the President of the United States, the key leaders in Europe, including Germany, Russia, China, India, would sponsor an international emergency conference to deal with the breakdown of the present international financial and monetary system, to do as was done, in a sense, in 1944, in that precedent, to create a new monetary system using the best lessons of experience from the 1944-58 period, plus and minus. And we could put something together fairly quickly.

sian media, in connection with the second Chechnya war, contained an unmistakable element of cynical calculation. On the one hand, there has been a real closing of the ranks in Russian society, against what is perceived as acute economic, political, and strategic threats to Russia's very survival; and Putin enjoys broad support in all layers of the population for having drawn the line in Chechnya and elsewhere. On the

Under those conditions, to establish a new monetary system that would be workable, which would do what the Marshall Plan and what the old Bretton Woods system did, in Western Europe for example, to do that, would mean we would have to restore to full authority, the principle of the sovereign nation-state. Because without the ability of nation-states to regulate and create credit, and to create long-term agreements to stabilize the prices of currencies and so forth, to stabilize low-cost interest rates, it will be impossible to reconstruct the world from the present catastrophe which is about to strike it. So, I think the whole thing has to go together as one package, that we have to understand among ourselves first of all, before we get to that point, that *that's where we should go*.

A New Bretton Woods conference

We should recognize that the crisis as it's onrushing should be accepted by everyone as a signal that in this case, I'm right and they were wrong. This system is not going to survive. It's coming down, and it's coming down *now*. We can either be sane, and recognize that and react accordingly, or we can be insane, and continue the way we're going now. If we're sane, we're going to say: Russia, China, India, people in Europe and the United States, are going to call an international conference of nations to replace the old Bretton Woods conference, an emergency conference to put the present system into bankruptcy reorganization, and set into motion the kinds of measures we should have learned from the postwar period of economic reconstruction, particularly the first 20 years' period after World War II. And learn from the pluses and minuses of that period exactly what we have to do, but this time, bringing the majority of the human race, as typified by Russia, China, India, and adjoining nations, into the management of the new system, so there's true equity.

I think that's the strategic perspective we must adopt, and I would hope that in the case of the Russian elections, that Europeans, people in the United States, would look at the crisis, and look at Russia, and take the Russian election campaign as a signal, and also the Taiwan cross-strait China crisis being orchestrated, take these as signals that the time has come to do this. If we do that, then I think the strategic issues, the foreign policy issues, can fall into place.

other hand, as has repeatedly occurred in history, the oligarchical enemies of the nation-state often attempt to ride on waves of national patriotic sentiment, and to try to maneuver themselves into a position, where they can brand any opposition to their policies as treasonous.

From the standpoint of the new "national liberals," the perception of an outside threat can provide a short-cut to imposing the particular sort of "strong state," including harsh austerity measures, which their policies require. But that implicitly proto-fascist, "Roman" notion of the state has nothing to do with the kind of creative leadership a nation needs, to carry out a successful, science- and technology-based economic mobilization.

The fallacies of German Gref

Late last year, while Putin was still Prime Minister, he caused an unusual institution called the Center for Strategic Projects to be set up, "to prepare recommendations to the government" on a comprehensive range of issues, from economic policy to the framing of a new set of moral and social values for Russia. Perhaps for election reasons, the Center was not officially connected with the government, nor publicly financed, but has been sponsored privately by large companies, including Gazprom, Chubais's United Energy Systems, and others. Nevertheless, as Center director Gref emphasized in a recent interview, all economic legislation and measures of the government were being sent there for checking and "corrections." Gref furthermore agreed to the characterization of the Center as an equivalent, in terms of formulating a powerful new state policy, to the famous Kurchatov Institute, where the Soviet atomic bomb was developed.

The Center is located in Alexander House, a modern building originally constructed for "oligarch" Alexander Smolensky's Stolichny Bank. Soon, Putin's election campaign staff moved into the same building, on the floor above the Center. The same Alexander House is also home to the Effective Policy Institute of notorious psychological profiler and expert on mass manipulation, Gleb Pavlovsky. Formerly a student and collaborator of the late Yevgeni Gnedin, son of the infamous Anglo-American "Trust" agent Alexander Helphand Parvus, Pavlovsky was an important figure in dissident circles, through which the liberal economic ideology was introduced into the Soviet Union. In the 1990s, he developed close relations with the U.S. Republican Party's International Republican Institute, and was a pioneer in the use of the Internet in Russia.

Pavlovsky also advised the Yeltsin family in critical periods, carrying out a number of media dirty tricks on their behalf. He boasts that he was part of the "conceptual" process of deliberation, which led to the selection of Putin as Yeltsin's successor. In the later phases of Putin's Presidential campaign, Pavlovsky emerged more and more openly as a key adviser to the campaign, finally taking credit for the decision for Putin not to issue any program (for a program, Pavlovsky argued, would only alienate potential voters and narrow his

support), nor to engage in any policy debates, in favor of an American-style approach based on creating “images.” Reportedly, there was close coordination between Pavlovsky, Putin’s campaign staff, and Gref’s Center during the election campaign.

Named to head the Center for Strategic Projects, Gref already had well-established relations with Putin, going back to Gref’s studies at the law faculty of St. Petersburg University (with which Putin and Putin’s early professor, St. Petersburg Mayor Anatoli Sobchak, were associated), and Gref’s later appointment as vice-chairman and then head of the St. Petersburg branch of the Committee on State Property, at a time when Putin was de facto running the city administration. Gref also developed close ties to Chubais, and appears to have been involved mostly in real estate deals.

From this time onwards, Gref became what he himself terms a “romanticist of privatization.” He admitted to a Russia interviewer, however, that there were naive errors in the original approach of the reformers, who did not take into account the “Russian mentality.” To explain what he meant by this, Gref said that when faced with a choice between “a bottle of vodka today or \$10,000 tomorrow,” the typical Russian will choose the vodka. Russian economic policies must be designed accordingly! Needless to say, Gref’s cynical view of the Russian population, whatever cultural weaknesses may exist, is the exact opposite of what is required to lead a true economic mobilization. To accomplish the latter, it is necessary to uplift the population, rather than adapting to its weak-

nesses; and to bring out the best in people, as Franklin Roosevelt once strove to do with his fireside chats.

The role of the state

Gref described the philosophy of the economic program the Center is developing for Putin in a nutshell, by saying, “We plan a liberal model with quite a lot of state regulation of the economy.” At the same time, he hastens to add that when Putin says, “I am for strengthening the role of the state,” the new Russian President allegedly means this only in the sense of “establishing the rules of the game,” and “creating equal conditions for competition.” Thus, a March 22 interview with Gref in the financial daily *Kommersant* contained the following exchange:

Q: In short, are you planning to strengthen the state in such a way as to give entrepreneurs more freedom?

Gref: Yes. Strengthening by way of the state’s withdrawal from what in principle it should not be involved in. And, at long last, the state should get down to its basic function—law enforcement, the judiciary, and administration.”

Here and elsewhere, Gref reveals his legalistic, essentially Hobbesian notion, typical of British liberalism, according to which the state is a mere umpire or referee for the economic game. He shows no understanding of a nation-state whose basic function is to serve as an instrument for the perfection of human society and the maximum possible development of the divine spark in every human being. Without that, by degrading the state to a mere legal framework, it is deprived

Some sanity inside the Washington Beltway

On March 27, one day after the Russian Presidential elections, a group of scholars and diplomats gathered at the Washington offices of the Atlantic Council of the United States to assess Vladimir Putin’s victory. In stark contrast with the usual “inside the Beltway” think-tank babblings, the speakers—the Atlantic Council’s E. Wayne Merry, Carnegie Endowment’s Thomas Graham, and McMaster University historian John Colarusso—argued against the buildup of a “cult of personality” around the newly elected Russian President, and the glib assumption that Russia will now go back to its “authoritarian, undemocratic” roots and become a new threat to security and stability in Eurasia.

Merry set the tone for the discussion by warning against any hasty conclusions about what path Putin will take. The only thing that is clear about the outcome of the Russian elections, he argued, is that the “Washington Consensus on Economic Policy” is dead in Russia—for-

ever. The 80% vote for Putin and Communist Party candidate Gennadi Zyuganov, Merry said, was a vote against the combined economic policies of the International Monetary Fund and U.S. Secretary of the Treasury Lawrence Summers. Merry later acknowledged that, unfortunately, the “Washington Consensus” may be dead in Moscow, but it is alive and well in the United States. Corrupt figures, like Jeffrey Sachs, whose Harvard Institute was caught profiteering off of its bad advice to the Yeltsin-era Russian governments, is fighting to retain control over Washington’s policy toward Russia.

No positive turn in U.S.-Russian relations will be possible, the speakers concurred, until this “Washington Consensus” is broken. In the past 18 months, they said, due to the U.S. bombing of Iraq, the war in Kosovo, NATO expansion, and the looming decision on a U.S. National Missile Defense system, U.S. relations with Russia hit rock bottom. In the context of the NMD issue, Graham and Merry urged President Clinton to avoid any decision on deployment, until the next President is in office. “If they start pouring cement for the silos in Alaska next spring,” U.S.-Russian relations will be “train-wrecked,” Merry warned.—*Jeffrey Steinberg*

of exactly the capability to *mobilize the population*, which Russia now urgently requires.

At the same time, in interviews Gref shows himself well aware of the historically tested dirigistic methods, put forward in the Russian context by Glazyev and others, and emphasized also by LaRouche, for using the *productive credit generation* and directed investment by the state as the locomotive of economic recovery. Although Putin had asked him to take the standpoints of different economic schools into account, and to make a synthesis of the most positive ideas, Gref rejects dirigistic methods out of hand, on the grounds that they would require wide-reaching state intervention into the economy, which, he implicitly — but wrongly — insinuates, would mean a return to the Soviet “command system.” Gref states in his *Kommersant* interview:

“If you take the first administrative steps, starting with the emission of money [for productive credit generation], you will have to take the appropriate subsequent steps. This includes the fight against capital flight by absolutely similar methods. This provides for an obvious strengthening of the state’s positions in the private sector. . . . After that, investments in fixed assets are to begin, but they are not coming. Because you do not have a competitive environment, you do not have any incentives to start doing this. . . . After that you will have to protect your own market. You begin raising customs duties to somehow equalize the conditions of competition. In other words, a seemingly insignificant one step in this direction pulls with it a whole number of other measures which, in reality, lead you down a blind alley. And in reality everything does lead to this.

Q: Oof! And we began to fear that Putin’s economic program does not differ in any way from [Communist Party leader Gennadi] Zyuganov’s. So, that is a road down a blind alley. But where to and how must we go?

Gref: A second road is possible, that of a non-coercive stimulation of investments by creating a favorable climate and *eliminating the state’s excessive presence in the private sector.*”

Here Gref has simply avoided the question: What agency, if not the state, is to coordinate and finance the large-scale projects for modernization and development of infrastructure—including energy, transport, water, and communications, as well as education and health systems—which are crucial to the very survival of Russia in the coming period, not to speak of launching a serious economic revival? What right have Gref and others to reject the legitimate use of dirigistic, protectionist measures, of the sort the United States, Germany, France, Japan, and other industrial nations have employed at crucial junctures in their history, and without which Russia will soon cease to exist?

If Putin is serious about an economic mobilization to save Russia, which his own statements indicate he is, then he must soon realize, that the prescriptions of Russia’s newly recycled “liberal reformers” cannot possibly work. The sooner he does so, the better.

Mid-term turbulence shaking up Germany

by Rainer Apel

In a recent interview with the weekly magazine *Der Stern*, German Finance Minister Hans Eichel revealed that by October–November last year, the Social Democrat–Green coalition government of Chancellor Gerhard Schröder had “arrived at the very end.” Six major defeats for the Social Democrats (SPD) in regional elections during September and October were blamed on the devastating performance of the Schröder government. And, public unrest was rapidly broadening over the hostile takeover of Mannesmann by Britain’s Vodafone/Airtouch, as well as over the plan by the major banks, led by Deutsche Bank, to let Philipp Holzmann, the nation’s second-largest construction company, go bankrupt. In mid-November, Chancellor Schröder had to fly back from the international summit of government leaders in Florence, to intervene in the Holzmann crisis. There also were increasing frictions between the German and British governments over the usefulness of the free market, with the Germans showing opposition to British Prime Minister Tony Blair’s “Third Way” free-market model.

Even more important during those turbulent days was the fact that an alliance was building between the Social Democrats and the opposition Christian Democrats (CDU) against Anglo-American shareholder-value methods, in reaction to the rotten role the banks had played in the Holzmann bankruptcy. At that moment, there was a real perspective that Germany would be run by a Grand Coalition of the SPD and CDU.

But within the few weeks before Christmas, this alliance collapsed, because the Social Democratic leadership became obsessed with the idea that they could capitalize on the party-funding scandals striking the CDU, hoping that the Schröder government could make up for autumn’s drop in popularity. And, in the state elections in Schleswig-Holstein on Feb. 27, the SPD vote improved by more than 3%—which seemed to prove to Schröder’s entourage that its tactic of letting the CDU drown in a sea of scandals, was working.

CDU’s new leadership

CDU chairman Wolfgang Schäuble was forced to resign on Feb. 15, and this set off several weeks of fierce political infighting over his succession. But now, on the eve of the national CDU party convention in April, the nomination of the

new party chairman seems clear: Angela Merkel, the party's general manager, will be elected chairwoman of the Christian Democrats. Her CDU is, however, only one of two conservative parties in Germany: While the CDU exists in 15 of Germany's 16 states, Bavaria has been run since 1949 by the Christian Social Union (CSU), which commands about 10% of the total electorate with its traditional absolute majorities in elections. Bavaria is the second largest state of Germany, with 14 million citizens.

Now, more than ever, Bavaria and the CSU are the king-makers for the CDU succession. There is talk about a deal between Merkel and CSU chairman Edmund Stoiber, in which the Bavarians, who have no direct vote within the CDU, but do control certain conservative blocs, would help Merkel be elected as CDU chairwoman; in return, Merkel would help Stoiber, who is also Bavaria's governor, be nominated as the CDU/CSU chancellor candidate for the next national elections, some two years hence. Merkel and Stoiber jointly led an event in Munich, Bavaria on March 16, prompting the press to say that the deal was done.

There is strong resistance to Stoiber among liberal-minded CDU members—of whom there are many—since he is a traditional conservative and a Catholic, and his bid to become chancellor candidate will not go unchallenged.

But Stoiber has been able to address various constituencies, notably the “losers of globalization,” who are increasingly angry at Schröder and the SPD. The ecology tax, which the new government introduced last year, is felt heavily by Germans, who have to pay an additional 30 billion marks in taxes on energy, gasoline, etc. this year. The government is planning to exempt banks and insurance companies that want to sell their shares in industrial corporations from some taxes. This, and Berlin's failure to force the big banks to keep credit lines open for both the big investment funds, as well as for Germany's crucial small industrial firms and farmers, has exposed a weak flank that Stoiber has been able to exploit.

Defending the social-market model

At an internal session of the CSU ethics commission on March 18, Stoiber attacked the Schröder government for its closeness to the globalizers. He said that the Anglo-American shareholder culture that has begun penetrating Germany, is a threat to the German social-market economy model. That model must be defended, and if the present government cannot do that, it will have to be voted out, Stoiber insisted. The Schröder entourage promptly attacked Stoiber for being a “right-wing populist.” Well, there is a paradox here: Had any Social Democrat said what Stoiber did, he would be branded a “left-wing populist” by the same Schröder entourage.

And indeed, there are some Social Democrats who, after several months of being forced into the background, while political debate was absorbed by the CDU scandals, are re-

emerging. By coincidence, on March 17, the day before Stoiber spoke to the CSU party ethics commission, the Social Democrats' labor organization, AfA, held its national convention in Bielefeld. Longtime AfA Chairman Rudolf Dressler, a senior member of the Bundestag (parliament), who will soon leave to take up his new post as Ambassador to Israel, gave his farewell speech, and the new chairman, Ottmar Schreiner, was elected to replace him.

First of all, it is important that Dressler, an outspoken opponent of Blair's “Third Way,” was replaced by an equally outspoken critic, Schreiner. Moreover, Schreiner is a long-time close ally of Oskar Lafontaine, the former Finance Minister, who resigned a year ago, after he sharply dissented against Schröder's support for the NATO air war against Serbia, and was critical of Schröder's failure to endorse a joint initiative of the German and French finance ministers to reform the International Monetary Fund and the international financial institutions (IFIs). The reform was not even meant as real overhaul, but only proposed modest changes, to exert some kind of control over the highly speculative hedge fund and speculative capital flows in general. Nevertheless, between November 1998, when Lafontaine and French Finance Minister Dominique Strauss-Kahn first presented their idea, and March 1999, the hard-core monetarists on Wall Street and the City of London launched a war of nerves and black propaganda against the two, which Lafontaine lost. He pulled out of the Schröder government.

Dressler's speech not only called for efficient government action against shareholder interests, but he also attacked, in very harsh and—for the German style of politics—very unusual, aggressive terms, the “neo-liberal Nirvana” which the government and its spin doctors wanted to lead the Germans into: Not since Marx published *Capital* and *The Communist Manifesto* more than 150 years ago, he said, have “manifestos from the German left been issued in London,” as we saw when Schröder and Blair presented their “Third Way” memorandum at a press conference in London on June 8, 1999. Nineteen ninety-nine, the entire first year of the Schröder government, has been a “dark one for the German labor movement,” Dressler said, and he hopes that it will not happen again this year. The labor movement, and the specific role that the AfA has to play inside the SPD, to defend the German social-market model, cannot be underestimated, Dressler emphasized.

With the traditional labor wing of the Social Democrats, which controls about 40% of the party membership, speaking out again, and with the most recent attacks on the SPD from the CSU's Stoiber and his backers in the Christian Democracy, Schröder's government is sitting very uncomfortably at the moment, and very soon, it may find itself in the same kind of mess that brought it close to its end last autumn.

About mid-way through his first term, Chancellor Schröder is closer to early elections, two years ahead of schedule, than he may wish.

Failure of Syria-Israel talks may mean war

by Dean Andromidas

Whether the summit conference between President Bill Clinton and Syrian President Hafez Assad was a failure, or just another disappointment on the road of hard bargaining for one of the world's most important peace agreements, is irrelevant, because the region continues to be vectored toward war.

It is widely believed that the two-and-a-half-hour summit conference failed to produce results, because of disagreement between Israel and Syria over demarcating their border along the "June 4th lines" of 1967. This line runs along the east bank of the Sea of Galilee, which lies at the bottom of the western face of the Golan Heights. The Sea of Galilee, (also known as Lake Kinneret or Lake Tiberias), is the largest source of freshwater in the region, and accounts for 40% of Israel's water resources. Press reports and sources close to Syrian and Israeli negotiators pointed out that Assad held to the position that the border lies at the bank of the Sea of Galilee, which it controlled until it was captured by Israel in the June 1967 war. Assad also wants access to the lake, which it also had until the war. Israel's position is that it will retain full sovereignty over the lake, while extending the eastern border several hundred meters in order to control the road that encircles it.

While the press has painted President Assad as "intransigent," the reality is, that "inside the box" of the Israeli-Syrian dispute, these few hundred meters have been at the center of the 50 years of conflict since the first Arab-Israeli war.

An Israeli military source said, "Listen, the differences are out in the open for everyone to see, but the point is, as long as nothing is offered 'outside the box,' why should Assad compromise?"

Indeed, since the Syrian-Israeli talks were suspended last January, and despite secret talks and the "good offices" of Washington, nothing was offered "outside the box." In the Jan. 14 *EIR*, we reported on the opening of the January talks, pointing out the absolute necessity for the United States to drop its radical free-market and globalization economic policies, and instead sponsor a regional economic development package, including massive development of new water resources in the region through desalination and other water development projects. It is only through such

a package that the political and territorial differences can be bridged.

We also detailed that at the heart of the territorial issues, is water. Israel went to war in 1967 in order to gain control over the entire Jordan River watershed, of which the Sea of Galilee is an integral part. As it stands now, nothing has been brought to the negotiations which will bridge the gap between Israel's demand for absolute control, and Syria's demand to regain the access it once had to these water resources.

Kissinger mobilizes in Washington

One reason why Clinton came to the talks empty-handed, is that there has been a mobilization in Washington against a U.S. commitment to underwrite a multibillion-dollar aid program, not only for Syria, but for Israel as well. According to Israeli press reports, former U.S. Secretary of State Henry Kissinger and other Washington players, including senior members of the American Jewish lobby, have been advising the Israeli government not to come to an agreement with Syria now, but rather to wait until President Assad has left the scene and is replaced by his son, Bashar. Which is to say, put off the issue until after either Bush or Gore, neither a friend of Middle East peace, is putatively elected President of the United States.

This pressure was so intense, that Israeli Prime Minister Ehud Barak did not submit a request for aid to finance the withdrawal of Israeli civilian settlements from the Golan Heights.

The destabilization of Barak

And, as *EIR* has been reporting, the most dramatic development in the past two months has been the destabilization of the Barak government. Key pro-peace figures have been targetted with political scandals and criminal investigations since the January suspension of the Syria-Israel talks. The list is impressive. At the end of January, Israeli President Ezer Weizman, in the middle of a personal mobilization in support of a peace treaty with Syria, was hit was the so-called "cash gifts" scandal (*EIR*, Feb. 4). Two weeks later, Barak and his "One Israel" electoral coalition became the target of a criminal investigation for alleged violations of the election campaign finance law (*EIR*, Feb. 11). A few weeks later, Barak's Transport Minister and key political ally, Yitzhak Mordechai, was forced to take a leave of absence from the government because of an impending criminal investigation for allegedly sexually assaulting an employee of the Transport Ministry (*EIR*, March 17). Mordechai's Center Party, which was instrumental in defeating Netanyahu's reelection bid, has also become a target of investigation for allegedly violating the election campaign finance law.

Several coalition partners in Barak's government have also threatened to bolt from the coalition if Barak signs a

peace agreement with Syria. Three of these partners, the Shas, the National Religious Party, and Yisrael B'Aliyah, support a referendum which, if approved, would make it impossible for the government to win a referendum in support of a peace treaty with Syria. In addition, Shas, the third-largest party in the Knesset (Parliament), is threatening to support a bill for early elections, sponsored by the opposition Likud party.

One Middle East observer commented, "With all these internal problems, it seems Israel, at the moment, is not interested in peace agreements."

Some political observers have compared the situation to the British-instigated "Clean Hands" scandals in Italy, which led to the decomposition of the traditional political parties and structures. But in the Middle East, the disintegration of regimes often leads to war.

This type of destabilization prevents Barak from seeing himself as politically capable of making decisive moves, especially if he is viewed as making "concessions."

Without Syria, all other agreements are off

According to a leading Israeli security expert, talks with Syria are "on hold without much prospect for resumption." Therefore, the Barak government will concentrate on its stated intention of withdrawing from its self-defined security zone in southern Lebanon by July, and coming to an agreement with the Palestinians. But, these issues cannot be dealt with separately from a peace agreement with Syria. The security zone is simply an extension into Lebanon of the Israeli-occupied Golan Heights. Moreover, Syria maintains a preeminent position in Lebanon, with more than 30,000 troops stationed there, ruling out a separate Israeli peace with Lebanon.

Hypothetically, even if the Syrian presence were removed, a separate agreement with Israel would not be possible. A withdrawal to the so-called "international border," means little given that 60% of the border is in dispute.

It is not clear whether Hezbollah, the Lebanese Shi'ite political and guerrilla movement currently resisting the Israeli occupation, will forgo attacks on Israeli territory proper.

Israel's withdrawal from Lebanon, without a peace agreement, according to the source, means a change in the rules of engagement, whereby Syrian military positions inside Lebanon, and even Syria, will no longer be off-limits to Israel. Even this source could not rule out a "worst-case scenario," of a war between Syria and Israel, including an exchange of missiles.

In the United States, the *New York Times* has rung the alarm bells about the gravity of the war threat. In its March 30 lead editorial, "After the Syrian Setback," the *Times* was remarkably blunt: "Some Israelis fear that if there is no negotiating breakthrough with Syria by the time of Israel's planned withdrawal from southern Lebanon, Lebanese Hezbollah guerrillas, with the approval of Damascus, will

move their rocket launchers to the border and shell northern Israeli villages. Israel would probably retaliate with air strikes against Lebanese power stations and other targets. If the rocket attacks persisted, Israel might consider air strikes against Syria itself. Even the remote possibility of such a development underscores the danger of continued stalemate."

The *Times* went on to call for cool-headed behavior by both Israel and Syria, and for progress on a durable Middle East peace. The *Times* noted that the progress being made on the Israeli-Palestinian peace negotiation front is bodes well for averting a disaster.

Circles in Israel and in the U.S. State Department have been advising Israel to concentrate on a final agreement with the Palestinians. But, it is foolish to think that this could be completed prior to a peace agreement with Syria, and with Lebanon, even more so.

The Palestinian refugees

Territory is not the only issue; there is the much-ignored question of Palestinian refugees, 1-3 million of whom are still living in refugee camps that have existed since the first Arab-Israeli war in 1948, more than 50 years ago. These camps exist in Jordan, Syria, and Lebanon, while hundreds of thousands of stateless Palestinians live throughout the Middle East, including in Iraq, Saudi Arabia, and the Gulf states. Anywhere between 500,000 to 1 million of these refugees are in Lebanon, most of them living an impoverished existence in refugee camps. Unable to become citizens of Lebanon, they are prevented from finding legitimate employment. Since many come from areas which are now part of Israel, their status is one of the last questions to be decided under the Oslo Agreements between Israel and the Palestinian Authority.

This is not simply a Palestinian issue, but a regional one, particularly true for Lebanon. In 1982, then-Israeli Defense Minister Gen. Ariel Sharon (bitterly referred to as the "Butcher of Lebanon"), used the presence of the Palestine Liberation Organization as the pretext to invade. Centers of gruelling poverty and disenchantment with the peace process, these camps are a flashpoint for war. It is already feared that terrorist groups, tied to neither Syria, Iran, nor the PLO, will launch provocations. It is known that groups linked to the London-controlled Osama bin Laden, many of whose members are not Palestinian, but rather, veterans of the 1980s Afghanistan War, are operating out of the camps and other areas in Lebanon. Security operations have been carried out against them by both the Lebanese and Syrian security services. Most immediately, they form an internal security problem for Lebanon, whose delicate ethnic balance among Christian Maronites, Sunni Muslims, and Shi'ite Muslims could be seriously destabilized. The last time this balance was upset, the country was thrown into a civil war that lasted for almost two decades.

Clinton and Vajpayee move to strengthen Indo-American relations

by Ramtanu Maitra

U.S. President William Clinton's historic March 19-25 trip through the Indian subcontinent was as much a success as it was a security nightmare. After an uneasy 24 hours in Bangladesh, where a threat of terrorist attack confined him to the capital city of Dhaka, the American President had an extremely successful four days in India, which more than made up for the last leg, which took Clinton to Pakistan for five hours under great security pressure.

The trip was historic in many ways. Clinton is the first American President to visit Bangladesh—a nation of 120 million—since it broke away from Pakistan in 1971 to become an independent nation. The freedom struggle that gave birth to Bangladesh was a bitter one, which the United States opposed and India actively backed.

India, despite being the world's "largest democracy"—a catch-phrase often used by policymakers in Washington for dubious reasons—of almost 1 billion people, was last visited by an American President in 1979. As for Pakistan, an "historic ally"—a phrase often heard on Capitol Hill—of the United States, and a nation of 130 million people, it had the distinction of hosting the late President Richard Nixon more than 30 years ago.

'Dynamic and lasting partnership'

Before the trip began, a number of seminars and conferences were organized in Washington by various think-tanks to influence President Clinton in setting up fresh U.S. policies for South Asia. It was evident to all that the keystone of the President's trip would be India. India's nuclear tests in May 1998; its dispute with Pakistan over Kashmir, which has begun to threaten an all-out war; and India's growing economic strength were the issues placed before the President. Whether Pakistan would actually figure on the itinerary was kept under cover till the last minute, because of security considerations; in the end, the stop was primarily to tell Pakistan's military regime to bring back democracy quickly, give up its nuclear weapons, give up encouraging violence in Kashmir, and eradicate terrorist extremist groups within Pakistan. There was little room left for any kind of dialogue with the Pakistani leader, Chief Executive Gen. Pervez Musharraf.

In India, a 200-person contingent of businessmen and investors, accompanied the President to meet with representa-

tives of Indian business and industry, and work out new deals and open new markets. For the President, it was a full itinerary. He not only met privately with the Prime Minister and the main opposition leaders of India, but he also had the honor of addressing a joint session of India's Houses of Parliament. He went to an Indian village, Nayala, in Rajasthan, to see how the village Panchayati Raj—an administration, run by elected village seniors, which has input into India's economic planning process—functions. He went to India's new computer software center in Hyderabad and addressed the Confederation of Indian Industry (CII) there. He even found time to visit a tiger reserve in Rajasthan and India's leading stock exchange in Mumbai (formerly Bombay). Although Clinton did not budge an inch on the nuclear non-proliferation issue, which clearly is the bone of contention between India and the United States, he was, at the same time, courteous and understanding—a trait greatly appreciated in New Delhi.

In a joint statement with Indian Prime Minister Atal Behari Vajpayee in New Delhi, President Clinton said: "I have come to India because I want to build a dynamic and lasting partnership, based on mutual respect and mutual benefit." There were clear signals that he indeed made efforts to that effect. Prime Minister Vajpayee was invited to visit the United States before Clinton's term as President ends, and it is expected that the Indian Prime Minister will be in Washington in early September.

Kashmir crisis

The unresolved Kashmir issue, which has plunged India and Pakistan into three wars over the last 50-odd years, was very much on the top of President Clinton's agenda. Prior to the trip, at a conference organized by the Carnegie Endowment for Peace, President Clinton labelled the Indian subcontinent as the "most dangerous part of the world" and called Kashmir "a flashpoint." He expressed concern that unless India and Pakistan lower the tension in the area, it may lead to a full-fledged war. This concern was echoed in Strasbourg, France, where the European Union discussed the Kashmir issue: European Commissioner Poul Nielson asked "third parties" to urge both sides to de-escalate military confrontation, to ask Pakistan "to put a stop to infiltration of paramilitary personnel crossing over" into India, and to encourage both

parties to re-launch the Lahore peace process of February 1999.

India had all along been adamant that the Kashmir dispute must be resolved bilaterally through negotiations, as was agreed upon in the 1972 summit between India and Pakistan at Shimla, India. Pakistan, on the other hand, continues to pursue implementation of a 1949 UN resolution which called for a plebiscite in Kashmir, whereby Kashmiris would choose India, Pakistan, or independence. The UN resolution was never implemented, but the three wars have created a disputed demarcation line, known as the Line of Control (LOC), between India and Pakistan. Pakistan has also reiterated that the dispute cannot be resolved without international mediation, a proposal which India vehemently rejects.

Over the years, the LOC has remained porous and infiltrators from the Pakistani side have joined hands with local Kashmiri militants seeking an independent Kashmir. The situation worsened following the withdrawal of the Soviet Army from Afghanistan in 1988. Subsequently, Afghan mujahideen, created by foreign intelligence outfits and represented by well-trained and well-armed religious extremists from various countries, found Kashmir a convenient place to spread *jihad* . Pakistan, as Islamabad openly admits, expressed sympathy with these *jihadis* , but did little to control them and, instead, allowed them to use Pakistan as the launching ground for terrorism. As a result, Kashmir has turned into a war zone, where Indian soldiers are fighting the *jihadis* and also Pakistani soldiers, who, in the garb of mujahideen, have crossed into the India-held part of Kashmir.

Last February, Indian Prime Minister Vajpayee made a historic trip to Lahore, Pakistan, where he met with his Pakistani counterpart, Nawaz Sharif, and together they began to formulate a solution to the Kashmir dispute. A few months later, India discovered that a large posse of mujahideen and Pakistani soldiers had infiltrated over the LOC and captured some of the Indian-held high-altitude territories in the Kargil area. The war that followed saw the Indians driving the infiltrators back. But Vajpayee's goodwill mission, the Lahore Initiative, as it is called, got pushed aside, and subsequently a war-like situation took hold over the area, causing more infiltration and more violence. Prime Minister Nawaz Sharif was overthrown in a coup, and arrested by the Pakistani Army in October 1999, bringing military control back once more to Pakistan.

It was clear from the outset of the trip that the U.S. President had no intention of mediating the Kashmir issue, but his mission was to impress upon both New Delhi and Islamabad the gravity of the situation. The day after Clinton arrived in New Delhi, extremists shot 36 Sikh citizens of Kashmir, bringing the issue to the forefront.

Addressing a press conference in Delhi following his two-hour meeting with the Indian Prime Minister, Clinton proposed a package of four principles: restraint by both sides; respect for the LOC; renewal of the Indo-Pakistani dialogue; and the rejection of violence.

Clinton's "four Rs" drew wide-ranging support in India. Although diplomatic sources pointed out that President's statement does not endorse the LOC as the international boundary, New Delhi thinks otherwise. Principal Secretary Brajesh Mishra, a close confidant of the Prime Minister, pointed out that the United States has not made such "specific" statements in the past, and its focus on cessation of cross-border terrorism "is also of recent vintage." Vajpayee said he hoped the U.S. President would discuss this question in Islamabad.

The nuclear issue

In contrast to his expression of concern on Kashmir, President Clinton's statement on the nuclearization of India and Pakistan was mild. Although he stated categorically his view that neither India nor Pakistan have become safer following the nuclear tests they carried out in May 1998, Clinton acknowledged India's security concerns. According to the joint Vision 2000 statement that followed the Vajpayee-Clinton meeting: "India and the U.S. share a commitment to reducing and ultimately eliminating nuclear weapons, but we have not always agreed on how to reach this goal. The U.S. believes India should forgo nuclear weapons; India believes that it needs to maintain a credible minimum nuclear deterrent in keeping with its own assessment of security needs." In opening statements after the delegation-level talks, Vajpayee said he had explained to Clinton the "reasons that compel us to maintain a minimum nuclear deterrent." But he emphasized that the discussions were warm, friendly, and candid, and reflected the common desire to "build a new relationship of mutual trust and respect."

Replying to Vajpayee, Clinton refrained from hectoring the Indian leadership on the nuclear issue, and observed that, while Russia and the United States are making real progress in moving away from nuclear weapons, "the world needs India to lead in the same direction." He also told newsmen that "there was a possibility that we could reach more common ground on the issues of testing . . . and on restraint generally." He made no effort, however, to push New Delhi to fall in line immediately.

New bilateral institutions

Although Clinton's trip to India suffered from the lack of tangible economic content, he assured India's 800-odd legislators, while addressing the Houses of Parliament, that he wants to forge a new Indo-U.S. partnership in economic cooperation.

Noting that India was among the ten fastest-growing economies in the world, Clinton forecast that the world economy would grow by as much as 500% in the next 20 years. Elaborating on the challenges, he said that the first is to "get our economic relationship right." In order to do that, he called for ties between the two countries, "especially in the cutting edge fields of information technology, biotechnology, and clean energy."

While Clinton was in India, two important forums were set up: the Indo-U.S. Science and Technology Forum is one, and the other is an arrangement whereby India and the United States will hold regular bilateral summits and an annual foreign policy dialogue, as part of efforts to intensify and institutionalize the interchange between the two countries.

The final joint communiqué said that the foreign policy dialogue will continue between the U.S. Secretary of State and the Indian External Affairs Minister. The two countries consider the ongoing discussion on security and non-proliferation between U.S. Deputy Secretary of State Strobe Talbott and Indian External Affairs Minister Jaswant Singh—who have met 12 times since the Indians carried out their nuclear tests in 1998—important for improving mutual understanding on bilateral, regional, and international security matters. They agreed that the dialogue would take place semi-annually or as often as considered desirable by both sides.

The communiqué also pointed out that both countries have decided to establish expert groups for discussion on specific issues and continue foreign office consultations between the U.S. Undersecretary of State and the Indian Foreign Secretary.

The Indo-U.S. Science and Technology Forum, which has already met at Hyderabad, was set up to commission studies, reports, and papers, and to facilitate and promote joint project collaboration. This forum will encourage interaction between governments, academia, and industry in science, technology, and related areas. The forum will be run by a 14-member governing body representing the government, academia, and industry of both countries. The seed money put into the forum is 300 million rupees, and the forum will be free to raise funds from industry and the private sector.

At a roundtable conference in Hyderabad, areas of interaction and collaboration were discussed. Although the list is yet to be completed, U.S. scientists suggested that emphasis be laid on joint research activities involving fuel cells, nanotechnology, biofuels, agricultural biotechnology, and transgenic crops. It is evident that the Indian scientists would like to lengthen the list, but, while Washington has removed 51 entities from the sanctions list, imposed in 1998 following India's nuclear tests, and removed prior to President Clinton's visit, 149 scientific institutes and enterprises of India, suspected of aiding India's nuclear and defense efforts, remain on the blacklist. Former Science Minister and the doyen of India's scientific community, M.G.K. Menon, a nuclear physicist of repute, said that cooperation implied mutual trust and friendship. "We have to move forward on trust and the right environment should be created for cooperative research," Menon said.

Although Clinton set up the Indo-U.S. Science and Technology Forum, the two countries have had scientific cooperation for more than 45 years. That cooperation was highly active in the 1980s, with the Rajiv Gandhi-Ronald Reagan agreement to establish a science and technology initiative. It went downhill in the 1990s, as the Indian political system

became unstable and inward-looking, and reached a new low following the nuclear tests in 1998.

Some progress has also been made in the area of concrete economic ties. The first batch of 13 company-to-company deals was signed on March 23. Indian Commerce Minister Murasoli Maran and U.S. Secretary of Commerce William Daley penned an agreement to launch an Indo-U.S. commercial dialogue. The establishment of this forum was spelled out in the Vision 2000 statement signed by Vajpayee and Clinton. Talks between Maran and Daley have already resulted in better appreciation of mutual concerns. The talks, for instance, have given rise to expectations that goods and services from the two countries would enjoy wider access in each other's markets. As a gesture, India announced that it would open up its market for as many as 715 consumer goods, textile items, and agricultural products, as of April 1. At the same time, the prospect of the United States restoring concessional tariffs on import of Indian pharmaceuticals under the Generalized Scheme of Preference (GSP) in June have brightened.

Economic issues

The reason that the economic content of the trip was low, is that the Presidential trip was billed in Washington as a "goodwill trip," so few U.S. business leaders clamored to accompany the President. But on this goodwill trip, the U.S. also recognized India's capability.

India's perennial economic problems, stemming from its weak infrastructure, were not addressed during the trip. Clinton spoke about globalization and asked the Indian legislators to help open up the economy, as this process only would help developing countries speed up development and tackle the scourge of poverty. He said that the answer to India's economic problems lies in promoting the information technology which would be the "new frontier" of growth in the 21st century. No mention was made, however, of necessities for India such as electrical power, faster and more widespread transportation, and education, among others. In the areas of joint collaboration, although mention was made of modernizing traditional technologies, this was not elaborated. This is where U.S. input will be essential, and New Delhi will have to give more attention in this direction.

The performance of the Indian economy, particularly its infrastructure, in the coming years, is not a purely domestic matter, however, and it certainly does not hinge on information technology. Contrary to President Clinton's rosy forecast of 500% growth worldwide in the next two decades, the world economy is careening toward a precipice, as the speculative bubble—including the bubble.com component of Internet "information technology" stocks—sucks out what value remains in the physical economy of nations. Short of the New Bretton Woods reorganization of the world financial system that Lyndon LaRouche and *EIR* have proposed, and the correlative development of the Eurasian Land-Bridge, there is no future for the economy of India, or of the United States either.

Cardoso's Brazil: bankers' gendarme for 'IMF democracy'

by Silvia Palacios and Lorenzo Carrasco

Statements by U.S. Undersecretary of State for Political Affairs Thomas Pickering, during a Feb. 12-18 tour of Ibero-America, confirm that Anglo-American diplomacy has assigned Brazil the role of gendarme for "democracy" and "free trade" on the continent, denoting a return to the policy practiced by Henry Kissinger in the early 1970s. Pickering reaffirmed the mission most recently assigned to Brazil by Defense Secretary William Cohen in November 1998, when he visited there and put bilateral relations back on the old Kissingerian footing.

Pickering said, "It is no secret that Brazil played a very important role in Ecuador," when, on Jan. 21-22, it underwent four governments. Underscoring the shift, he continued, "Her concerns coincide with ours over the same matters: that the military, which was incapable of carrying out its obligations to protect the President, was not carrying out its constitutional duty; that the country had to do everything it could to observe its Constitution. Otherwise, it would risk isolation and rejection by the hemisphere, and by the world."

This approach to the Western Hemisphere parallels the U.S. policy in Europe and Asia being implemented by Madeleine Albright's State Department. Recall that Albright's mentor, Zbigniew Brzezinski, has attempted to replicate the lunatic British geopolitics of the 19th century wherever possible, and that he was the one, as Jimmy Carter's National Security Adviser, who launched the "geopolitics of human rights" in Brazil in the 1970s.

In the early 19th century, British geopolitical designs on the hemisphere were halted by the 1823 Monroe Doctrine of the young American republic. Today, Albright's State Department is operating from the standpoint of the so-called "Roosevelt Corollary" to the Monroe Doctrine, adopted under President Theodore Roosevelt in the early 1900s, which turned the original doctrine on its head and justified U.S. gunboat diplomacy on behalf of British financial interests. Later in this century, the Franklin Delano Roosevelt administration reestablished an anti-colonial approach to the Americas, and this policy was reaffirmed by John F. Kennedy in the 1960s. It is that outlook which today is being demolished by the policies of Project Democracy and the Inter-American Dialogue, as implemented by the Albright State Department.

In this context, the ongoing drive to "dollarize" the Ibero-

American economies is a natural outgrowth of a policy whose objective is to create colonial protectorates, just as Teddy Roosevelt carved out a "dollarized" Panama from what was originally Colombia.

Brazil's lack of independence

The designation of Brazil as a gendarme for "IMF democracy" on the continent, to supervise the good behavior of countries of the region and to act rapidly and efficiently to smother any insurrection against globalism in South America, has been docilely accepted by President Fernando Henrique Cardoso. In fact, time and again, Cardoso has proven his qualifications for the job, as demonstrated in January, when Brazil helped strong-arm Ecuador into continuing the devastating dollarization which had precipitated the Jan. 21-22 coups. Cardoso played a similar role in last year's "democratic" solution to the crisis in Paraguay, during which Brazil fully collaborated with the U.S. State Department to sustain an artificial and unpopular regime. As Paraguay's nationalist Gen. Lino Oviedo recently declared to the press, "Without Brazil's support, the Paraguayan regime would fall within an hour."

The Cardoso government's lack of diplomatic independence is also evident in Brazilian recognition of the narco-terrorist Colombian Revolutionary Armed Forces (FARC) as a "belligerent force." Itamaraty, the Brazilian Foreign Ministry, was on the verge of granting full diplomatic recognition to the FARC, and was only prevented from doing so by pressure from the Brazilian Armed Forces, and by the acknowledgment by National Anti-Drug Secretary Walter Maierovitch, that the FARC has intimate ties to the drug trade. The same subservience was evident in Cardoso's presentation of the "democratic credentials" of Venezuelan President Hugo Chávez to U.S. President Bill Clinton, during which Cardoso insisted that the Venezuelan government represented no threat to hemispheric security.

Cardoso's "collaborationism" doesn't stem entirely from his membership in the "human rights" apparatus, to which he was recruited by the Carter-Brzezinski administration in the 1970s. It also has to do with his academic training in the French social sciences of Paul Rivet, Jacques Soustelle, and the existentialism of Jean-Paul Sartre and Frantz Fanon, all networks that moved in opposition to the nation-strengthening policies of Gen. Charles de Gaulle.

In Itamaraty, the person at the highest levels of the Anglo-American plan is Brazilian Ambassador to Washington Rubens Barbosa, who penned a letter, published in the London *Financial Times* on Feb. 21, which argued for Brazil's inclusion in the Group of Eight. Commenting on a *Times* editorial proposing that China be invited to join the G-8, Barbosa wrote, "You failed to consider Brazil, one of the major emerging economies and the country with the fifth-largest population in the world."

Such diplomatic "creativity" will have the same effect as



U.S. Undersecretary of State Thomas Pickering, who is pushing policies on Brazil akin to those of Henry Kissinger in the 1970s.

earlier Brazilian attempts to win a permanent seat on the United Nations Security Council. Before his posting to Washington, Barbosa had been appointed ambassador to London by Cardoso, who is determined to reestablish Brazil's special relationship with the British Crown. Cardoso has granted the House of Windsor enormous influence over his government's environmental and indigenist policies, as well as control over strategic mineral reserves, winning a knighthood at the hands of the Queen.

The dollarization of Ibero-America

To meet the new imperial demands, and under the illusion that Brazil will thereby win a place of "prestige," the government is being urged to surrender all that remains of Brazil's public patrimony, while giving control over the diminished national industry and banking system to international speculative capital. The next step will be dollarization of the economy.

It is these external factors which are driving Cardoso to put together a more "cosmopolitan" economic team, presumably to project prestige before the international banking community. This was expressed during the nomination of Francisco Gros to the presidency of the National Bank for Economic and Social Development. Gros's nomination completed an international troika, which includes Central Bank president Arminio Fraga, a protégé of global speculator and drug legalization advocate George Soros, and Finance Minister Pedro Malan.

Gros had been one of the leading executives of the U.S. investment bank, Morgan Stanley Dean Witter. The sap that runs through his family tree is free trade. His grandfather was

a prominent French jurist brought to Brazil at the turn of the century by Brazil's most prominent radical libertarian, Eugenio Gudin.

To understand the task Gros is to carry out, one need only look at his article in the Feb. 23, 1999 daily *Folha de São Paulo*, in which he defends dollarization. "Getting rid of one's own currency is an extraordinarily difficult decision, not just because of the macro-economic implications involved, but also because of the prior adjustments it demands. In the case of Brazil, these adjustments would produce a veritable cataclysm. But the Argentines, followed closely by the Mexicans, are increasingly convinced that this is the decision to be taken," he wrote. "These are the standards of good behavior that are imposed on all who desire to have access to the global markets. Nothing is forcing Brazil to accept them. But, to become part of this club, there is no alternative but to accept the rules by which the other members are guided."

Behind this rush to subject Brazil to the Anglo-American plan, is the concern that increasingly numerous forces are ready to rebel against globalization, as Pickering himself said in an interview with *Folha de São Paulo* on Feb. 20. In the midst of his fawning description of Brazil as a "vibrant democracy, with an ongoing economic recovery," Pickering let slip his fear of a nationalist military reaction. According to him, "this is related to the fact that many soldiers are still not in conformity with their duty, which is solely to protect the Constitution and to obey the civil authorities. This occurs in still undeveloped democracies. Even though democracy has spread throughout our hemisphere, it is still very fragile in several countries. . . . It is extremely important not to allow nationalism to turn into protectionism."

The IMF and the EU are bankrupt: Bosnia needs the Lautenbach Plan!

This statement was released by the Schiller Institute in Wiesbaden, Germany, on March 31.

The so-called “international community” has now openly declared the bankruptcy of its policy toward Bosnia-Herzegovina. At a conference on “Economic Infrastructure in Southeast Europe” on March 21-22 in Sarajevo, the representative of the High Commissioner for Civilian Affairs, Ralph Johnson, announced officially that Bosnia should not expect any more money and will have to rely “on its own resources.” Johnson then demanded that the remaining state-owned firms be quickly privatized. People had to finally give up the “illusion” that there is any such thing as a “strategic firm,” which could be exempted from the grip of privatization. The impetus for the economy has to come from small firms, and not from the state-owned firms, he said. Johnson conceded that he knows quite well that this will result in an increase in unemployment, but maintained that this cannot be avoided.

The real background of this brutal policy, is the global financial collapse, which means that there is no money for productive investment—even as liquidity is pumped into the speculative bubble. But no one wants to admit that fact publicly, lest everything go politically out of the control of the financier oligarchy.

Why should a country like Bosnia-Herzegovina have to continue to bow to the dictates of such bankrupt institutions as the International Monetary Fund (IMF) and the European Union (EU), which have nothing except destructive recipes to offer, nothing but empty slogans about “more democracy,” and which have not provided a shred of assistance for economic reconstruction since the signing of the Dayton peace accord at the end of 1995?

Five years after Dayton

With nearly 70% unemployment in war-damaged Bosnia-Herzegovina, the economy is still virtually at a standstill. Many people who remained in the country during the war, or who returned afterwards, are leaving now, in hopes of making a living abroad. That is a result of the policy of the “international community”:

- At the end of the war, the IMF declared that, for Bosnia-Herzegovina, repayment of 17% of the old Yugoslavian debts had priority over everything else. The urgent social expenditures which the war made necessary, were termed “inflation-

ary,” because they puffed up the fiscal budget. By the end of 1997, the foreign debt amounted to \$4.1 billion, or 90% of Gross National Product.

- The IMF forbade the government from taking independent measures to revitalize the large state-owned firms, and put priority on small and very small firms in dispensing a few pennies of financial assistance—which naturally created hardly any new jobs.

- In the Dayton accord (Annex 4), control of monetary policy was taken out of the hands of the government, and a foreign-controlled currency board took over the function of a central bank.

- Only a fraction of the promised \$5 billion in funds from the so-called international community actually went into reconstruction. The lion’s share was pocketed by the international consulting firms of the IMF, World Bank, and the EU, as well as 200 aid organizations. The money was actually an immense pork-barrel for a parasitic bureaucracy, while the country itself sank deeper into poverty. Were an investigation made to determine what Bosnia-Herzegovina lost, it would show that there is still a large volume of financing that should be available, to which the country has a justified claim and which could be used productively.

The same game is being played at the Brussels Donor Conference of the “Stability Package for Southeast Europe.” After months of delaying the conference, the EU and the World Bank now want to “promise” the ridiculous sum of 4.9 billion deutschmarks (about \$2.5 billion) for Kosovo as well as the rest of the Balkans, when the war in Kosovo alone caused hundreds of billions of dollars in damage.

If Bosnia-Herzegovina is not to expect any more foreign assistance, and is now supposed to reply on its “own resources,” then the logical consequence ought to be drawn from such a statement: The government has to take economic policy into its own hands, to be able to initiate productive credit-creation, on the model of the Lautenbach Plan of 1931 and the Kreditanstalt für Wiederaufbau (Bank for Reconstruction) in Germany after World War II.

In 1931, under the dictates of the “international community” of that time, Germany was in a similarly desperate situation, subject to the reparations demanded by the Versailles Treaty. There was no money available for national development, either domestically or on the foreign markets, and the political options were severely limited. At that time, an offi-

cial of the Economic Ministry, Wilhelm Lautenbach, proposed the basic outlines of a credit policy to overcome the economic depression, and to mobilize the nation's unused labor power and productive capacities. He demanded financing, in which the national bank would grant a rediscount guarantee for bills of exchange, which were to be linked to "economically reasonable and necessary tasks." This primary credit expansion was not inflationary, Lautenbach argued, and would bring about a generalized recovery of production: Fallow capacity would be used; production would increase; the tax-income of the state would increase. Had this plan been put into effect, the National Socialists would have had no chance to take state power. At that time, the plan was sabotaged by Anglo-American financial circles (among them, the father of former U.S. President George Bush), and they supported the Nazis instead, with disastrous consequences.

The German postwar "economic miracle" is another example. At that time, Germany used the total of \$1.4 billion, which it received between 1948 and 1952 from the United States in the context of the Marshall Plan, via the mechanism of the newly founded Kreditanstalt für Wiederaufbau (KfW), by circulating the dollar credits repaid by firms to the KfW. On the basis of this income, the KfW issued new credits or investments to selected areas of the German economy in the productive sector, infrastructure, and housing construction. In record time, millions of new homes were constructed in the largely destroyed western part of Germany, under conditions

where there were up to 8 million refugees from the East, and, until 1955, another 1.6 million people emerging from prisoner of war camps.

It is important to emphasize, that a one-time grant of equity capital by a government to a state development bank, on the model of the KfW, leads to the same result, even without previous grants of foreign credit. The prerequisite for that is the sovereignty of the nation, which Bosnia-Herzegovina must now achieve, five years after Dayton.

The alternative: chaos and war

If the consequences are not drawn from the fact of the total bankruptcy of the world financial system, in which the perspective of a New Bretton Woods System offers the only chance for a reconstruction of the real economy, a collapse into a Dark Age, like that of the 13th century, is imminent. At that time, one-half of the European population died, as the leading financial houses of the Bardi and Peruzzi collapsed, and the Black Plague spread through Europe, destroying civilization for over 100 years. The situation in the Balkans, destroyed by war and the policy of shock therapy, is a harbinger of what awaits Europe as a whole, if current policies are continued.

Bosnia-Herzegovina must become a paradigm for a just new world economic order, in the context of a New Bretton Woods System, in which sovereign nations can decide on their own economic and political development.

Reconstructing the Balkans

A delegation from the Schiller Institute visited Sarajevo, Bosnia-Herzegovina on March 20-23, and briefed representatives of the government, parliamentarians, and intellectuals about the institute's mobilization for a New Bretton Woods System, to reorganize the bankrupt world monetary system. They also gave a presentation to students at the Economics Department of the university. There was great interest in the initiative of Italian parliamentarians in Rome and the European Parliament, for a New Bretton Woods (see article, p. 7).

There was special interest in the U.S. Presidential election campaign of Lyndon LaRouche, as well as in the violations of human rights monitored by international observers at the Michigan Democratic Party caucuses, where Democrats who supported LaRouche were prevented from voting for their candidate (see "International Team Observes Michigan Election Atrocities," *EIR*, March 24, 2000).

The immediate reason for the visit of the Schiller Institute was a conference of the Regional Investment Forum 2000 on economic infrastructure in southeastern Europe,

where experts from Bosnia-Herzegovina discussed important projects for the development of infrastructure in the region with representatives of the Bosnian government, as proposed by a working group of the Stability Package for Economic Issues in Bari last October. Some of the projects are important for Europe as a whole, in the context of the Transeuropean Transportation Network. A memorandum on the basis for development of the nations of southeastern Europe was submitted to the conference. But a representative of the UN High Commissioner for Civilian Affairs, Ralph Johnson, pulled the rug out from under the feet of the conference participants, by stating that there would be no more international assistance forthcoming for Bosnia.

On Feb. 6, the U.S. Ambassador to Bulgaria, Richard Miles, had demanded that the Balkans concentrate on "economic transformation," by which he meant elimination of trade barriers, under the control of the European Union, the International Monetary Fund, and the U.S. State Department. He argued that the proposal for a new Marshall Plan for the Balkans, as proposed by the Schiller Institute, was a "misinterpretation of history." His approach guarantees a dramatic escalation of the social and political tensions in the region, which can explode into war at any time. — *Elke Fimmen*

The Ivanov-Lavrov proposal for Kosovo

Viktor Mizin is a counselor at the Russian UN Mission, and one of Russia's top diplomatic experts on the Balkans and Iraq. He served in several important posts, most recently as head of office for Yugoslavia and Iraq in the Directorate for International Organizations in the Russian Ministry of Foreign Affairs. Dr. Mizin, who pointed out that he gave the interview "upon instructions" of Russian Ambassador Sergei Lavrov, commented on the substance and the implication of the "Kosovo proposal" by Russia Foreign Minister Igor Ivanov, presented in a press conference by Ambassador Lavrov on March 21. The proposal is simple: A delegation including the 15 ambassadors of the UN Security Council, should immediately go to Kosovo and Belgrade, the capital of Serbia, and see "directly, on the ground," what has happened after one year of NATO and UN administration. On that basis, the Security Council could deliberate more responsibly, in a situation that is generally considered to be heading toward a new war.

The Security Council gave the mandate—in Resolution 1244, approved on June 10, 1999—to the NATO mission (KFOR) and the UN mission (UNMIK) that have since run Kosovo. KFOR and UNMIK, the latter under Bernard Kouchner, not only in the opinion of many UN but also NATO members, have not followed that mandate. Russia, China, and other nations stress that what is being willingly ignored, is that Resolution 1244 explicitly proclaims: "The commitment of all member states to the sovereignty and territorial integrity of the Federal Republic of Yugoslavia and the other states of the region, as set out in the Helsinki Final Act." If national sovereignty is not upheld in Kosovo, they argue, irreparable disorder in international relations would be set in motion, with destabilizing consequences, as Dr. Mizin underlines, "for the whole world."

Dr. Mizin spoke with Umberto Pascali on March 24 and 27.

EIR: Please describe for us the Ivanov-Lavrov proposal that, I understand, is now being discussed among UN ambassadors, both publicly and privately.

Mizin: Yes, the proposal is being discussed among the Security Council members. Nobody has rejected this proposal. We know some members are quite favorable to start the mission right away, in April, others would like to wait longer. Apparently, the proposal is by now supported also by Mr.

Kouchner, the head of UNMIK. The concept is very simple: We think it would be useful if the members of the Security Council would see for themselves the developments on the ground. Probably not all the Council members will be able to go, but several will. We also think it would be very useful if the Council did not confine itself to visiting Kosovo, but also go to Belgrade. It would be important to talk with the Belgrade authorities, because Kosovo is an integral part of Yugoslavia as stated in Resolution 1244.

The cornerstone of our attitude toward the entire Kosovo problem is that, as Security Council Resolution 1244 stipulates, the territorial integrity and the national sovereignty of the Federal Republic of Yugoslavia must be respected. It would be counterproductive to seek the resolution of the Kosovo conflict without the participation of Yugoslav authorities.

EIR: So, the basic point is to uphold the principle of national sovereignty? Is there, from the Russian side, also the consideration to defend Yugoslavia?

Mizin: Sometimes the position of Russia is presented as pro-Yugoslavia, because we are of the same religion, because of historical reasons. . . . But, we are not the advocate of Belgrade. For us, it is much more important, that this is a question of principle. The basis of our approach is respect for international law. What we are most concerned about, is to safeguard the sovereignty and prerogatives of the Security Council. We are very much concerned that that principle not be diluted.

Concerning national sovereignty, we think that it is really important, especially in Europe, where there are so many [ethnic] enclaves inside countries. We should not set the precedent that the UNMIK—a UN organism—would preside over the secession of the territory it is administering on the basis of a UN resolution.

EIR: On the other side, ethnic Albanians are calling for the independence of Kosovo.

Mizin: We are not naive, and we understand the developments. We think it imperative that UNMIK not refuse to talk with the Yugoslav authorities, that talks on the future status of Kosovo between the Yugoslav government and UNMIK should start without delay. It is not that we do not recognize the principle of self-determination, but I am thinking about humanitarian intervention that is now highly popular and fashionable. Of course, we are for strict respect of human rights, but we are also afraid when we see the tendency to put the concept of "human rights" above the territorial integrity and sovereignty of a country.

Speaking about Europe, I think that if we put too much stress on the principle of self-determination, or even humanitarian intervention, it could lead to blowing up the whole structure of Europe. Because in every European country, Russia included, there are so many different areas, so many

different ethnicities, that would blow up the entire structure. Thus, we think we should be extremely conscious about exercising this principle. Of course, we must assist people in trouble, when there is a mass violation of human rights, atrocities. But we should not be pushed into this kind of CNN-led politics. We still think that the use of force must be decided by the UN Security Council, otherwise we will be in trouble.

For example, the Kosovo intervention: That was decided unilaterally. We warned against what was called by the Russian President, “an aggression.” We see now the results. Although some people in Washington would like to say it was a success, more and more people understand that we are at an impasse, and no one really knows what the way out could be. Even if there is a vote, in Kosovo, and the majority of the people vote for the secession of the country, what will come next? You know the danger involved. . . .

EIR: The group that pushed for the NATO bombing last year is sometimes called the “Brzezinski gang.”

Mizin: Yes, exactly. It is an adequate definition. If I am not mistaken, Zbigniew Brzezinski and Madeleine Albright are related, or very close. It goes back to the World War II period, when the Czechoslovakian government in exile in London was presided over by Benes; I think Brzezinski married a niece of Benes, and the father of Albright was a member of that government. To follow those policies, to give away Yugoslav sovereignty, would be a terrible precedent for the entire world. If you just think about countries like France, Spain, Russia, Italy—If we accept his very dangerous precedent in Yugoslavia, then we are in trouble. And also, unlike all these countries, Kosovo is now administered by the United Nations. So, it would be a tremendous blow to the authority and the prestige of the UN, if the UNMIK mission ended up aiding the secession of a region of a country from its entirety. How then would countries from the Third World regard future UN operations? . . .

EIR: What is your opinion on how Kouchner has run the UN administration in Kosovo? What do you expect?

Mizin: Unfortunately, we think that the head of UNMIK, Mr. Kouchner, cannot be described as fulfilling Resolution 1244 fully, and we are afraid that, although the Resolution gives to Kouchner the power of civil administration, we still think that in administering Kosovo he should think more about consultation with Yugoslav authorities. Again, we are against any action to partition or to secede Kosovo from Yugoslavia. Unfortunately, we are witnessing all the signs of such a dangerous drift of the territory away from Yugoslavia. Now UNMIK basically administers such drift and all but prepares the condition for that—like issuing the travel documents; like adopting deutschmarks as national currency. Everything has been done—registration plates, everything—to go for the “independency.” That is why, frankly, we are

criticizing him. Because we think it is very dangerous. . . . He has a mandate from 1244 to administer the Kosovo province of Yugoslavia. And, of course, we don’t think that the Security Council should micro-manage this conflict, but one would think that at least he could consult, he could inform the Council, about the most important steps, issues, the documents he adopts. And it is not always the case. Sometimes the Security Council is informed only on a *post factum* basis.

EIR: Did you say that Kouchner supported the idea of a Security Council mission to Kosovo?

Mizin: Yes, he also supported the proposal. He is very interested in bringing the world community in, because UNMIK is in dire straits. Some countries don’t meet their obligations, there is a problem of financing, and probably Kouchner’s idea is that by bringing in the representatives of the most influential world body, it would stimulate more grants, more funding for the mission.

EIR: Recently, some members of the Parliament in Belgrade charged that Russia was not adequately defending Yugoslavia’s rights. There were insinuations of a “Chechnya for Kosovo” deal. On March 14 in New York, Ambassador Lavrov stressed, in answer to UN Balkan envoy Carl Bildt, that the UN and NATO must deal with Yugoslavia as agreed, despite any indictment of Milosevic as a war criminal. “Indictments are against individuals not governments and countries,” the Ambassador said.

Mizin: No. I can tell you—and I think that I know—there was not any kind of deal like that, Chechnya for Kosovo, because we still think that we have enough power—I am thinking about moral power—to protect the integrity and sovereignty of Russia without any kind of deal like that. Of course, we cannot gag the people in Yugoslavia. Usually it is said that we are too close to Yugoslavia. . . .

EIR: Some Balkan observers stress that Milosevic was not invented by the Russians, but by Kissinger and Eagleburger.

Mizin: Yes, when he was useful to them. . . .

EIR: A study issued by the UN University on March 20, “Kosovo and the Challenge of Humanitarian Intervention,” concluded that the NATO bombings last year, carried out without a UN decision or by elected institutions of the NATO countries, create a dangerous precedent in terms of making countries “forfeit sovereignty on humanitarian grounds.” On the other hand, it called for the promotion of “an international consensus” on the point at which “a state forfeits sovereignty.”

Mizin: We agree on the dangerous precedent established by the bombing; we do not agree that someone can find a “consensus” on imposing on any country of the world the “forfeit of sovereignty.”

Indonesia looks to Malaysia

by Michael O. Billington

Indonesia's newly elected President, Abdurrahman Wahid, has proven to be a most mercurial figure, implementing dramatic changes affecting the economy, the military, and the government, in a manner both unexpected and not always clear in intent. While many of these changes have been applauded by the international financial institutions, which have orchestrated Indonesia's collapse over the past three years, the President's recent public praise of the sovereign economic measures adopted by the government of Malaysian Prime Minister Dr. Mahathir bin Mohamad, has provoked consternation among those committed to the destruction of the Indonesian nation-state (see "Nation-States Disintegrate under Assault from London," *EIR*, Feb. 18).

Speaking at the UN Conference on Trade and Development (UNCTAD) in Bangkok in February, President Wahid commended Dr. Mahathir's imposition of selective currency controls, which had saved Malaysia from the looting by the currency speculators that has been suffered by Thailand, Indonesia, and South Korea over the past three years. President Wahid regretted that Indonesia had not been able to defend itself as well, and described the horrific conditions wrought by the economic collapse in his nation. UNCTAD Secretary General Rubens Ricupero, in his closing address, said that the speeches of Prime Minister Mahathir and President Wahid had provided "a more realistic evaluation of the limits of unrestricted capitalism," and were "certainly among the high points of the conference."

Dr. Mahathir in Indonesia

Following UNCTAD, Dr. Mahathir travelled to Indonesia with four Cabinet ministers and 150 Malaysian business leaders. After meeting with President Wahid in Jakarta, Dr. Mahathir told the press that the two leaders had agreed to hold regular talks between the two nations "to forge a common stance in facing future negotiations on world economy." Included in the discussions were proposals to bring together Malaysia, Indonesia, and Brunei (the tiny, oil-rich nation carved out of Malaysian Borneo at the time of independence, under the influence of British oil interests), in order to coordinate joint infrastructural development of the region—especially the large island of Borneo (Kalimantan) shared by the three countries.

President Wahid also called for the three nations to collaborate on a joint strategy for the development of the vast oil

and gas resources in the region. "Maybe we could work out a common strategy globally and internally among the three Islamic countries of Brunei, Malaysia, and Indonesia," said Wahid, during a one-day visit to Brunei on Feb. 28.

Besides the obvious economic benefits of such a strategy, especially in the face of the concerted drive by the Western powers to consolidate control over raw-materials resources as the global financial bubble bursts, the proposed united action of these three nations also revives the efforts of Indonesia's first President, Sukarno, to unite the nations of the Malay people. This plan, which originally included the Philippines, was to be called Maphilindo—Malaysia/Philippines/Indonesia. Maphilindo nearly reached fruition in the early 1960s, until it was sabotaged by the British. In fact, the Maphilindo project, in the context of the anti-Cold War alliance of the nations known as the Non-Aligned Movement, also championed by Sukarno, was a leading factor in the Anglo-American-supported overthrow of Sukarno in 1965-66.

Another sign of a return to the nationalist spirit of Sukarno was evident in a policy briefing on Jan. 28, by Indonesia's Foreign Minister Alwi Shihab, who denounced political and economic subversion by the Western powers under the guise of "globalization." He warned that "Indonesia should be aware of the endeavor of Western states who have an increasing tendency to impose their political agenda on developing countries by employing economic and political pressure and sanctions." The Foreign Minister proposed that a "political-strategic partnership should be forged with China and India, while at the same time intensifying East Asian regional cooperation." These are ideas identified with Malaysia's Dr. Mahathir over the past years. Foreign Minister Alwi added, however, that Indonesia is not looking for confrontation or antagonisms with the West, but "would remain rational and moderate by upholding the basic principles of cooperation, non-interference, and national sovereignty."

Yet another sign of Indonesia's re-emerging nationalist resistance to neo-colonial demands, came from the Indonesian House of Representatives, which has constituted an investigation into the \$23 billion central bank bailout of the banking system in 1997-98. Under International Monetary Fund (IMF) direction, 16 private banks were shut down, leading to a run on the banking system as a whole, while the government was instructed to guarantee all the bad debt. The head of the House investigation, Sukowaluyo Mintohardjo, reported on Feb. 25 that the House would summon IMF officials to answer questions regarding their responsibility for the disastrous results of the policies. "The role of the IMF in the restructuring of the banks in Indonesia is huge," said Mintohardjo, "particularly in relation to the liquidity support policy."

Wahid 'cleans house'

Building the new foreign alliances with Malaysia and others will play a crucial role in Indonesia's capacity to withstand

Dr. Mahathir: Let's not end like Ozymandias

In a speech before Bumiputra (native Malay) professionals, Malaysian Prime Minister Dr. Mahathir bin Mohamad reflected the ideas and the method of Lyndon LaRouche regarding the role of Classical culture in human development. Dr. Mahathir defended the role of the state in bringing the ethnic Malay race out of “ghettoization”—a condition due to both colonialism and self-imposed backwardness, reported Kuala Lumpur’s *New Straits Times* on Feb. 28. “Some progress has been attained—an achievement which began at the point when the community embraced a culture of change, sieving through their legacy to nurture the good and weed out the bad.”

But, he warned, there are “already signs that this fragile, young civilization is about to decline rather quickly,” as seen in the complacency and fractionalism displayed recently. “Such tendencies must be purged lest this modern

civilization will crumble and the efforts of the four decades since independence will come to naught. Our fate will be like Shelley’s ‘Ozymandias, King of Kings: [who said] Look on my works, ye Mighty, and despair. . . . Nothing besides remains . . . boundless and bare. . . .’

“Cultural change is desirable for a positive determination of greater progress. Intellectual scoundrels will cling to the tradition of moral geography, which linked environment and race to temperament, merit, and wisdom [the infamous racist theory espoused by Singapore’s Sir Lee Kwan Yue]. This theory of racial superiority is as wrong as the ones that proclaimed that the Earth is flat. All races have the same capabilities. The perception that culture plays a role lies in the dynamism of some values in bringing good or bad, and in spurring or blocking progress.”

After reprimanding the “get rich quick” mentality which has held back the development of scientific and entrepreneurial talents, Dr. Mahathir concluded: “The challenge for Bumiputra professionals is to liberate themselves from self-imposed limitations and lead the community in reaching its full potential.”—*Michael Billington*

the next round of global financial crises. Domestically, President Wahid has set about shifting the leadership of nearly all the national institutions, including the military, the state-sector industries, and the organs of government. While the intention and potential outcome of these changes are unclear, Wahid is taking more responsibility, putting his imprint on the structure of government and social institutions.

The most dramatic change was the shakeup of the military hierarchy, affecting 74 senior officers, shortly after the removal on Feb. 13 of former Armed Forces Commander General Wiranto from his position as Coordinating Minister for Political and Security Affairs. Wiranto, who played a significant role in the peaceful transition to democratic elections following the violence of 1998, which brought down the 32-year regime of President Suharto, had become the primary target of those who would undermine Indonesia’s national sovereignty. In February, the Indonesian commission investigating the violence in East Timor following the referendum vote last year, named Wiranto as one of those responsible for alleged military complicity in that violence. President Wahid vacillated between dismissing Wiranto, or supporting him in his role as a Cabinet minister, finally ordering his dismissal.

The subsequent shakeup of the top brass is seen in part to be an effort to sideline some of those generals closest to Wiranto, while the most outspoken military critic of Wiranto and the military’s role in the political affairs of the country, Maj. Gen. Agus Wirahadikusumah, was promoted over other, more senior officers to become commander of Indonesia’s Strategic Forces, Kostrad. Agus, who has also been promoted

by the Western press as the best hope to weaken the nation’s military, provoked a crisis in February, when he publicly called for his superior, General Wiranto, to step down. Although Army Chief of Staff Gen. Tyasno Sudarto considered censuring Agus for insubordination, President Wahid has appeared to give Agus qualified support in the latter’s appointment as Kostrad commander. Nonetheless, Wiranto and his allies retain an important role in the nation, and Wahid has not cut his connections with them.

The ultimate result of these changes, and others, is hard to foresee, especially since the President is balancing many different factions, and often changes his mind, even regarding important decisions. On Feb. 26, he discharged 34 advisers, eight special economic envoys, three councils, and three ambassadors-at-large. Earlier, he changed the CEOs at most of the major state sector industries.

While the IMF-allied interests are generally pleased with the dismissal of those associated with the old regime, or who have resisted submission to foreign dictates and takeovers, they are uncertain of the direction President Wahid is taking. The March 9 issue of *Far Eastern Economic Review* ran a lead story entitled “Courting Danger,” which praised the President for dismissing General Wiranto, but warns that he may be creating his own group of “cronies,” and “shows signs of hurting his government’s relationship with the IMF.” The Dow Jones-owned *Review* then reveals its greatest fear: “In fact, what has emerged is a throwback to the days of founding President Sukarno, whose fiercely loyal staff proved impervious to outside interference.”

International Intelligence

Blair under fire from 'Old Labour'

British Prime Minister Tony Blair's "New Labour" has come under the strongest attack from within the Labour Party yet, when a former member of his inner circle, Peter Kilfoyle, lambasted Blair's anti-labor, anti-poor policies during a Parliament speech on March 27. As he made his formal resignation from the Ministry of Defense, Kilfoyle accused the Blair government of "stridently moralizing," making the unemployed feel they were being "chastised" for being out of work. Said Kilfoyle: "There are many who fear that there is a mind-set within government, which Calvinistically associates poverty and deprivation with blaming the victim. . . . I don't recall the Good Samaritan extending his hand to the man that fell amongst thieves, and then remonstrating with him that he's the author of his own demise."

He attacked Downing Street for acting like the "colonial Raj" toward Britain's poorer regions, and said that the "welfare-to-work" program is training people for "non-existent jobs."

The *Daily Mail* on March 28 ran the Kilfoyle story under the banner, "What About the Workers?" and called Kilfoyle's speech "the ghost of Old Labour" returning to "haunt Tony Blair." The *Mail* continued: "It was the most wounding attack from one of his own supporters that Mr. Blair has endured since his 1997 election victory. Ministers fear it could spark a widespread insurrection from left-wingers disgusted by Mr. Blair's middle-class agenda."

Taiwan DPP chief details Chen's cross-strait plans

At a March 24 press conference with reporters from Macao and Hong Kong, the chairman of Taiwan's Democratic Progressive Party (DPP), Lin I-hsiung, outlined some of the new government's plans for diplomacy regarding mainland China. The DPP candidate, Chen Shui-bian won the March 18

elections for President, unseating the 50-year reign of the Kuomintang. Outgoing "President Lee [Teng-hui]'s cross-strait policy has hurt the feelings of the mainland authorities. Our policy will pay more respect to our neighbor," Lin said, adding, "Taiwan and China should have closer relations than those between two countries."

Asked about the fate of the National Unification Guidelines (NUG) and the National Unification Council (NUC), the highest organ for policy toward the mainland, which the Kuomintang created in 1990, Lin said that the NUG would be retained to regulate the development of cross-strait relations. Asked if the new government would amend the constitution to limit Taiwan's territory to only Taiwan, Kinmen, Penghu, and Matsu islands, as proposed by Chen's Constitutional White Paper, Lin answered that this is *not* on the DPP's consideration list.

Apart from discussion to change the DPP charter to not include independence, Chen also repeatedly stated the previous week, that when he is inaugurated, his foremost task then is to be a leader for all the people, not the DPP.

MILF wants independence vote from Philippines

Hashim Salamat, chief of the Philippines separatist group, Moro Islamic Liberation Front (MILF), called for a UN-sponsored independence vote for the Muslims in Mindanao, "like what was done in East Timor . . . [with] a real result . . . conducted by a third party, most likely, if possible, the United Nations." His statements were featured in the March 31 issue of *AsiaWeek*. Fighting in Mindanao between the MILF and the government has intensified over the weeks since the peace talks broke down.

The MILF became Mindanao's main separatist group after the 24-year-old Moro National Liberation Front (MNLF) reached a peace settlement with Manila in 1996. Muslims comprise around 7% of the 70 million people in the Philippines, and Salamat has called for a referendum in five Mindanao provinces where, he said, Muslims comprise

the majority: Maguindanao, Lanao del Sur, Basilan, Sulu, and Tawi-tawi. The population of these areas, including Christians, would be asked to choose between autonomy and independence.

Monkeys attack Kenyan villagers over water

At a Kenyan trading center 600 kilometers north of Nairobi, near the Somali desert, monkeys and starving villagers clashed over drinking water, leaving eight monkeys killed and ten people wounded in a two-hour fight, Kenya's *Daily Nation* reported on March 21. The incident occurred after three water tankers arrived at the drought-stricken area. The monkeys attacked the gathered villagers at the tankers and forced them to flee for help, as the animals took over the water, until the villagers later counterattacked with axes and machetes.

In the northern Wajir District, at least 85 people have starved to death in the last few weeks. Wajir District Commissioner Fred Mutsami said it was difficult to give exact figures: "I am aware that more than 57,000 people are in dire need of relief assistance, . . . the district is undergoing severe drought, and there is also a severe depletion of pasture that has forced the people to move to neighboring districts."

Brazilian Indians: No to 'indigenist' reserve

Representatives of three key Indian associations in the Brazilian state of Roraima travelled to the national capital of Brasilia in late March, to lobby against phony "indigenist" plans to take yet more area out of human activity, in a state in which 144% of the land is already locked up as Indian or ecology reserves. The Indians have been meeting with many congressmen and senators, and say they will camp out in front of the National Palace, until they get a meeting with the Justice Minister and President Fernando Henrique Cardoso. Among the materials they are handing out, is a pamphlet from the

BRITAIN has a contingency plan to evacuate 20,000 nationals from Zimbabwe if widescale violence erupts, according to the *Daily Telegraph* of March 25. In addition, tens of thousands of British-descended white farmers may apply for British passports. The scare follows the seizure of white farms by supporters of President Robert Mugabe, whom the British have targeted for destabilization.

DAVID TRIMBLE was re-elected as chairman of the Ulster Unionist Party on March 25, by a narrow margin over a hard-liner. This is being widely described as a setback for the Northern Ireland peace process.

MITTERRAND'S former Prime Minister, Laurent Fabius, was named as the new French Finance Minister on March 27. In 1985, as prime minister, he was part of the decision not to use a U.S. method for disinfecting blood products used by hemophiliacs, who were also not told that the products, derived from multiple donors, may have been HIV infected. Some 4,000 people contracted AIDS, most of whom have now died. Fabius was acquitted of manslaughter in July 1999.

THE EUROPEAN UNION is allocating \$11.3 million in aid to southern Sudan, in the wake of rebel John Garang's expulsion of private aid organizations that refused to recognize the "sovereignty" of his Sudanese People's Liberation Army. The EU statement specified that the aid would not go to Garang, who is becoming increasingly isolated.

CANADIAN newspaper mogul Conrad Black, owner of the London *Daily Telegraph*, wants to sue Britain's Ambassador to Berlin, Sir Paul Lever, who criticized him and the owner of the London *Times*, Rupert Murdoch, whose anti-German coverage is "dominated by a vocabulary from the war and permeated by a feeling that somehow, Britain is under threat." Such propaganda, said Lever, is not in Britain's interests.

LaRouche-allied Ibero-American Solidarity Movement, exposing the British-run plot to internationalize the Amazon, through ecology and indigenist frauds.

The Indian associations are circulating a letter to the Justice Minister, Jose Carlos Dias, warning against the plans of the Indian aid bureaucracy, FUNAI, and the Liberation Theology-run Indigenist Council of Roraima (CIR), to expand the Raposa and Serra do Sol reserves to include the area between them. The expansion would require the expulsion of the people who live there now. They charge that FUNAI and the CIR are perpetrating a fraud, in the name of the Indians. The CIR is an outright criminal organization, they say, which steals cattle, destroys telephone towers, burns bridges, etc., to achieve their objectives. If the proposed reserve expansion occurs, "a lot of Indian blood would flow . . . but at the hands of the CIR."

Fat Henry takes hits in Argentina, Thailand

Argentina's government was warned against the "red carpet" treatment it is meting out to the visiting Sir Henry Kissinger, by Carlos González Cabral, former political secretary to the late President Arturo Frondizi. In both *La Nación* of Argentina, and *La Nación* of the Dominican Republic, González writes that the government of President Fernando de la Rúa, which complains about the corruption left by Carlos Menem, "should reflect on this figure, so nefarious for [Argentina's] people and those of Ibero-America, since, together with George Bush, he jailed, because of his political convictions . . . Lyndon LaRouche, Jr., and several members of his movement."

González points to Kissinger's service to the British, for which he was knighted, as well as his authorship of the "clearly genocidal" National Security Study Memorandum 200 in 1974, which called Third World population growth a threat to U.S. security. Recall, González warns, that in 1976, then-U.S. Ambassador Robert Hill named Henry Kissinger as the U.S. official who had "au-

thorized" Argentina's military government to launch its campaign of repression.

In Thailand, Kissinger came under fire as the Indonesian government's *pro bono* adviser. A March 3 guest editorial in Bangkok's *The Nation* was entitled: "Fix It, Dear Henry, Dear Henry. . . ." "It is heartwarming to read that Henry is providing his services free of charge; how very kind and generous of the century's (or dare I say, the millennium's?) greatest statesman. Of course, Kissinger's appointment has nothing whatsoever to do with the fact that he is a board member of Freeport McMoran Cooper & Gold, Inc., of the U.S., which owns one of the world's largest mines in West Papua, Indonesia. . . . Henry's magnanimous gesture comes from deep within his heart. . . . Of course, [President Abdurrahman] Wahid should follow Henry's urging that Indonesia honor the contract with Freeport because, as Dr. K quite rightly and eloquently points out, 'The contract should be respected because it is in the interests of Indonesia that the contract is respected.' This is logic that nobody can argue against."

Karabakh president wounded in shooting

President Arkadi Ghukassian of the Nagorno-Karabakh Republic was shot and wounded in an attack near his home, just after midnight on March 21. Nagorno-Karabakh is an Armenian ethnic enclave inside Azerbaijan, over which the two countries fought a war in 1992. Manipulating the potential for conflict there has been a favorite pastime of British geostrategists. According to ArmenPress, "The President was seriously wounded . . . but doctors said his life is out of danger. The terrorists managed to escape after the bodyguards opened fire on them." Ghukassian's bodyguard and driver were also gravely wounded. The Karabakh government issued a statement, condemning the attack as "a criminal effort against Karabakh statehood."

Armenia is still reeling from the mass assassination of its Premier, Speaker of the Parliament, and other officials, last Oct. 27.

LaRouche tells voters: 'Stop being fools!'

by Debra Hanania Freeman

In a 30-minute television address that will be played on Public Broadcasting stations in Pennsylvania, Wisconsin, Minnesota, Virginia, and other states, Lyndon LaRouche tells the American people that they can no longer avoid reality; that it is not a question of whether the current financial system collapses, but only a question of when that collapse occurs. And, he tells them, the question we will face is not just a financial one, but of civilization itself.

LaRouche doesn't mince words. He tells people, "The only chance you've got is, this time, don't be one of the majority of Americans who are fooled most of the time, as most of you who intend to vote are fooled right now.

"To put it bluntly, most of you who intend to vote are a bunch of fools. And you're going to get the reward, which is usually paid to fools, if you continue to be fools. The question is, when are you going to stop being fools? The way to stop being fools, is forget the deals. Don't say, 'I've got to vote for a front-runner; I've got to choose between George Bush and Al Gore because they're front-runners.' . . .

"Don't choose between front-runners; vote your conscience, vote for the welfare and the future of this nation instead."

Indeed, as the reality of the onrushing financial collapse becomes harder and harder to ignore, LaRouche's drive for the Democratic Presidential nomination has increasingly become the focal point of a rapidly intensifying revolt by Democratic elected officials, activists, and ordinary voters, who are convinced that, should the party nomination go to Vice President Al Gore, both the Democratic Party and the United States are doomed.

Alabama Democrats rally to LaRouche

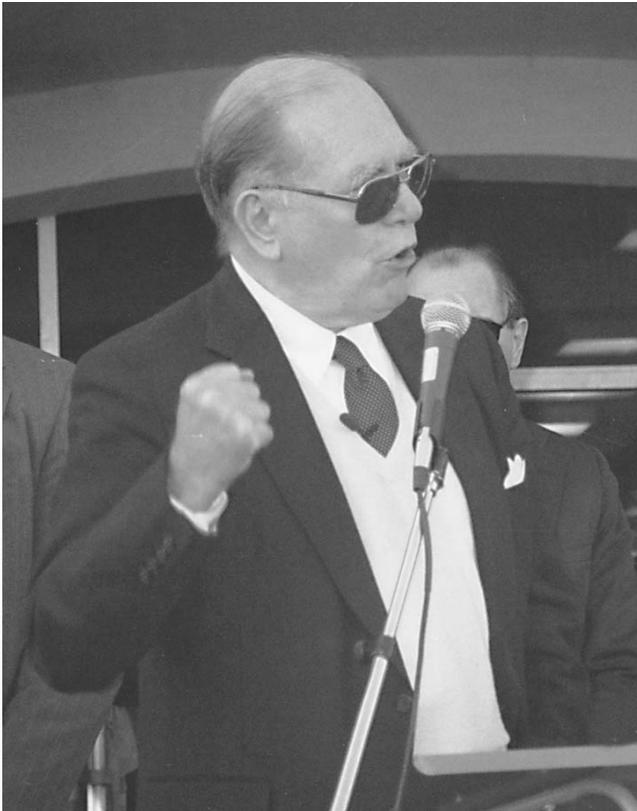
And, even though a majority of the U.S. Supreme Court, in a March 27 ruling, registered its support for the blatantly racist argument that the Democratic Party is a "private club,"

which had the right to evade the Voting Rights Act of 1965 when it acted to nullify election results during the 1996 Presidential primaries and caucuses by refusing to count votes that had been legally cast for LaRouche, that has done little to stop Democrats from Wyoming to Alabama, from continuing to register their vocal support for LaRouche's candidacy.

On March 23, Eric Thomas, LaRouche's campaign coordinator for the state of Alabama, held a press conference in front of the Alabama State House, to announce that 29 prominent Alabamans had filed to run as delegates to the Democratic National Convention, pledged to LaRouche. Thomas was joined by Democrats Rep. Thomas Jackson (Thomasville), Rep. Joe Mitchell (Mobile), and Amelia Boynton Robinson, well known as a veteran leader, for six decades, of Alabama's struggle for civil rights.

Mrs. Robinson had just returned to Alabama from Michigan where, with noted Selma civil rights attorney JL Chestnut, she was part of a high-powered team of international observers who had gone there hoping to protect the integrity of the Democratic caucuses. She gave a shocking account of what had occurred despite the team's presence, and said that she was "embarrassed to live in a country that was telling others how they should conduct their elections, when we are so very far from living according to our own Constitution." She said that she was very proud and honored to run as a LaRouche delegate, despite "brazen and shameless attempts at intimidation" by the Democratic National Committee (DNC). The distinguished lady, who is frequently hailed as a living monument to America's struggle for civil rights, concluded that she had "fought too hard and too long to secure the right to vote, to allow the DNC to declare that right null and void now, because of a vicious attempt to keep people from voting for Lyndon LaRouche."

Representative Mitchell, who is also a former state chair of the New South Coalition, said that he had decided to file



Lyndon LaRouche addresses a Martin Luther King Day rally in front of the Lauderdale County Courthouse in Florence, Alabama, in January 1997.

as a LaRouche delegate because LaRouche represents “the kind of substantive ideas that I have yet to hear from the other candidates.” Mitchell attacked the Democratic Party and the national press and electronic media for shirking their responsibility by denying his constituents access to crucial information, or knowingly distorting information regarding LaRouche’s candidacy, that he said they had “both a right and a need to know about.” Mitchell told the gathering, “So, I am taking that responsibility on myself, as I can. My support for this campaign is so that my community can make an informed and intelligent decision,” adding that LaRouche gives Democrats a much needed alternative to Vice President Gore.

Finally, Representative Jackson, who serves as the Chairman of the Alabama House Agriculture Committee, delivered high praise for LaRouche’s economic policies, saying that, above all else, those policies reflect the fact that “LaRouche is a man who believes in the principle that we are all God’s creatures, made in his image, and that we are, indeed, our brothers’ keeper.” Jackson said that LaRouche’s ideas and policies were crucial if the United States had any hope of restoring the principles on which the nation was founded.

LaRouche’s Alabama slate also includes Talladega City Councilman Eddie Tucker; Fairfield City Councilman Ron Kidd; Mayor Essie Madison of Aliceville; Cornelius Fancher, former President of the Bessemer City Council; Erskine

Davis, a former member of the Brighton City Council; Thurman Underwood, recording secretary of United Mine Workers of America Local 5986; James Barnett, President of the Northwest Alabama Coalition of Black Trade Unions; Bobby Fox, former regional coordinator for the Plumbers and Pipefitters Union; and, Dr. Eunice Moore, former Dean of Arts and Sciences at Alabama State University in Montgomery.

Support doesn’t go unnoticed

The fact that so many prominent Alabama Democrats, including well-known elected officials, trade union leaders, and civil rights leaders, have come out for LaRouche, in open defiance of continuing attempts by the Washington, D.C.-based Democratic National Committee to lock LaRouche and his supporters out of the Democratic Party, drew headlines across the state, and did not go unnoticed in Washington, D.C.

It was no surprise that, the next day, the *Mobile Press Register* ran an outrageous editorial entitled “Truly Weird (Political) Science,” the editorial reads:

“State Reps. Joseph Mitchell (D-Mobile), and Thomas Jackson (D-Thomasville), have demonstrated appalling lack of judgment by running as delegates pledged to the Democratic Presidential primary candidacy of avowed fringe candidate Lyndon LaRouche.

“Who is Mr. LaRouche. . . ? His official biography actually boasts—yes, *boasts*—that Mr. LaRouche is the ‘only Presidential candidate to have been convicted in a Federal criminal case.’ What he calls the ‘fraudulent character of that conviction,’ he says, qualifies him for the Presidency precisely because it proves the numerousness and savagery of his enemies. . . .

“Mr. LaRouche has written that ‘Al Gore personally is an ideologically perverted, wooden-headed fool . . . and crony and bloody-handed accomplice of the Ramsey MacDonald-style fascist ‘mad bomber’ Tony Blair. Politically, he is thoroughly owned by . . . intimate circles of the British royal family.’

“Mr. LaRouche writes that former President George Bush, meanwhile, is a drug trafficker who way back in 1981 took control of a ‘secret government’ possessing ‘evil, bootleg, unconstitutional power’ and is ‘one of the vilest, meanest, and most corrupt figures in any part of the world today.’

“If Reps. Mitchell and Jackson truly want him to President, *are they themselves worth of public trust?*”

Celebrating ‘Confederacy Month’

A prominent member of the Congressional Black Caucus in Washington, D.C. who is from the area, laughed disgustingly at the slanderous piece. His comment, “Well, what exactly did you expect from a newspaper that the day before used their editorial to heap praise on [Virginia Governor James] Gilmore’s move to declare April ‘Confederacy Month.’ They’re just celebrating a little bit early with a political lynching of two black legislators who stood up and spoke out.”

There is little doubt, that as more and more Democrats from around the nation rally around LaRouche's candidacy and mobilize themselves to derail the current DNC leadership's "New Democrat" racism, the fight will intensify.

Meanwhile, as the nation enters this next round of primaries, in which LaRouche is the sole opponent and alternative to Al Gore, LaRouche continues to focus his efforts on forcing the American people to face the reality of the strategic crises and financial collapse, and to prepare them to adopt the necessary shifts in policy for an emergency financial reorganization of the U.S. and the global economy. As LaRouche repeats at the end of his most recent TV broadcast, "The only question is when Americans will stop acting like fools." The fact is, it couldn't happen a moment too soon.

U.S. Supreme Court upholds DNC attack on Voting Rights Act

At the request of the Democratic National Committee, the U.S. Supreme Court on March 27 let stand a lower court ruling gutting the Voting Rights Act of 1965. In its one-sentence ruling, the court affirmed the decision of a three-judge U.S. District Court here in Washington, D.C., that lets the Democratic National Committee (DNC) evade the Voting Rights Act, by claiming it can act as a "private club."

This potentially mortal blow to civil rights, has been brought about solely by the actions of the DNC—which, in defiance of the hard-won struggle for the right to vote, has insisted on its right to return to the days of "Jim Crow" in order to nullify elections and exclude Presidential candidate Lyndon LaRouche. Democrats wishing to reverse this attack on civil rights, can begin by changing the composition of the Democratic National Committee.

In the March 27 ruling, the Supreme Court ignored an *amicus curiae* (friend of the court) brief filed by former Congressman James Mann on behalf of more than 60 prominent Democratic Party officials, who urged the court to back LaRouche's position.

The case was brought by Lyndon LaRouche and voters from Virginia, Louisiana, Texas, and Arizona, in 1996, after Donald Fowler, then DNC chairman, ordered the state Democratic parties to disregard votes cast for LaRouche in the Presidential primaries and caucuses in those states without first obtaining pre-clearance by the U.S. Department of Justice, as required by the Voting Rights Act of 1965.

To try to save the Voting Rights Act, the crowning achievement of the civil rights movement, from such a vile attack by the DNC, LaRouche and the voters sued in Federal court in Washington.

In August 1999, a three-judge court, led by U.S. Appeals Court Judge David Sentelle, heard the DNC's lawyer, John C. Keeney, Jr. argue that sooner than apply the Voting Rights Act to the DNC, it should be declared unconstitutional. Keeney based his argument on previous dissenting opinions by Supreme Court Justices Antonin Scalia, William Rehnquist, and Clarence Thomas, who have all urged nullification of the Voting Rights Act.

(Keeney is the son of Deputy Assistant Attorney General John C. Keeney, Sr., the notorious "Hooverite" in the DOJ and the architect of the racist "Operation Fruehmensch" program, under which Justice Department prosecutors targeted African-American elected officials for political frameups.)

Several months after the August 1999 arguments, Sentelle, an ally of North Carolina Sen. Jesse Helms (R), adopted Keeney's position, holding that the DNC was exempt from the Voting Rights Act, and could extend that exemption to state Democratic parties acting on DNC orders. Sentelle's ruling flew in the face of decades of civil rights cases that had routinely rejected arguments like Keeney's as nothing more than racist subterfuges.

Following this ruling, LaRouche et al. appealed to the Supreme Court.

'A private club'

It is not surprising that the DNC found on the Supreme Court a majority to agree with its position that the Democratic Party is a private club and as such, not subject to the provisions of the Voting Rights Act. After all, this was the argument raised in the past by the segregationist Democratic Party to justify the all-white "Jaybird" parties, and has been supported on the current Supreme Court by Rehnquist, Scalia, and Thomas.

Besides, this Supreme Court has signalled in many ways its intention to roll back laws which promote the General Welfare. For example: the High Court's Jan. 25 ruling saying, in effect, that the Justice Department must agree to pre-clear under the Voting Rights Act changes in voting procedures, even if the changed procedures have the intent to discriminate against minority voters, as long as the changes leave the present level of discrimination in place, rather than worsening it!

Another example: On the day that it ruled in the LaRouche case, the Supreme Court upheld one of the cruellest provisions of the Welfare Reform Act of 1996, ruling, against the city of Chicago, that there is no violation in throwing all *legal* immigrants off welfare after five years; that no constitutional obligation exists to provide any benefits to legal immigrants.

Meanwhile, the Democratic leadership is committing political suicide. The DNC's current chairman, Joe Andrew, insists on following in Fowler's racist footsteps. If the Democratic Party persists in this "New Democrat" racism, it is guaranteed to lose the White House, and is virtually assured that Democrats will become a dwindling minority in Congress as well.

World leaders back LaRouche for President

Middle East

Jordan—Laith Shubeilat endorsed Lyndon H. LaRouche, Jr. for President, in a letter from Amman, dated March 21. Mr. Shubeilat is a leading opposition figure in Jordan, and was an Islamist Member of Parliament from 1983 to 1994. An engineer by training, he was head of the prestigious Jordanian Engineers Association. His opposition to the International Monetary Fund (IMF), in particular, resulted more than once in his becoming a political prisoner. The second time he was pardoned by the late King Hussein:

It is with great honor that I endorse the nomination of one of the few leaders in the world worthy of being named “statesman” to the Presidency of the materially most powerful nation in the world. A nation that has been led away from moral and spiritual greatness to a degree that is threatening world peace today, instead of the opposite. As a humanist philosopher, economist, scientist, mathematician, and a great appreciator of art and music, he dwarfs the many little politicians of today who may be literate as far as reading and writing are concerned, but are culturally illiterate, leading the world to an apocalypse. I have not come across any other statesman so learned about the evils of the prevailing cultural paradigms affecting local and international politics, serving the usurers who re-occupied the Temple that Saiduna Isa (Jesus, may peace be upon Him) angrily kicked them out of; and at the same time no other statesman than Mr. LaRouche is more learned about the correct paradigm that should prevail over such policies today in order that the world may be saved.

One may disagree on certain aspects of detail with Mr. LaRouche, but no humanist can disagree with the nobility of his purpose. Although Mr. LaRouche’s movement can not be classified as religious, yet I see no movement of more service to the revival of a great Christian tradition than his. All his socio-economic policies are based on the true foundations of Christianity as well as Islam, namely, that Man is the center of the universe and not Nature; that he is not just another animal living in a social Darwinism, but rather the living image of the Lord (His viceroy); that all humans are the children of the One and Only Lord, and not a special race or creed or faith; that human beings and nations should conduct business on a parity basis, not on a master and slave basis; and that the United Nations (especially the Security Council) and other international organizations such as the IMF, the World Bank, the WTO [World Trade Organization], et al., are today the organs of imperialism imposed through globalization.

As a Muslim, I feel very close to this great Christian states-

man, and I relate with favor to the pillars of his policies. We are all for the globalization of humanity, kindness, and “love thy neighbor”; we are in solidarity against the ongoing so-called globalization, that of the usurers and their neo-slavery system. Some of his rivals say he is mad; I say, that he who does not listen to him and to his scholarly authority on macro- as well as micro-economics serving mankind today, is the one who is mad.

Lyn! I wish you all the best. It is a pleasure to live in a world that has people like you.

Europe

Italy—Benito Li Vigni endorsed LaRouche in a letter from Palermo, dated March 16. Mr. Li Vigni is an industrial executive, journalist, and contributor to newspapers and magazines. He is the author of numerous books on politics and history, among them, a book on the late Enrico Mattei, a champion of nation-building policies in postwar Italy, until his murder in 1962:

As an industrial executive and an historian, dealing especially with questions pertaining to petroleum, I am witnessing with sadness and disdain, the final dismantling of that state-owned industrial and technological group, which was largely responsible for the economic reconstruction of postwar Italy. Right now, the liberal oligarchy of our country, and that on the international level, is attempting to liberalize the production and distribution of natural gas, which had been the prerogative of ENI up to the present.

This is not being done for the benefit of consumers, nor to lower prices, as the propaganda would have us believe, but as a further step in the speculative dismantling of our industrial potential. In this time of speculative insanity, we are arriving at the final phase of a project to subvert the history and the industrial, scientific tradition of our country, therefore, our very sovereignty, as was discussed in secrecy on board the *Britannia* yacht in June 1992.

In my 1996 book (*La Grande Sfida: Mattei, il Petrolio e la Politica*) [*The Great Challenge: Mattei, Petroleum and Politics*, see review in *EIR*, May 9, 1997] on Enrico Mattei, the founder of ENI and a key historical figure in postwar Italy, I had traced a documented comparison between the efforts of Mattei at the beginning of the 1960s and those of Lyndon LaRouche, before and after the fall of the Berlin Wall. After the Gaullist solution of the Algerian problem, in 1962, Mattei viewed the integrated development of infrastructure in Europe, based on a network of pipelines, from Algeria to Sicily and the whole of Italy, from the Russian network to all of western Europe, as the premise for a new industrial and political era throughout Europe, “from the Atlantic to the Urals,” to use the old Gaullist expression. What united Italy, France, and Germany then, above all, was the firm commitment to respect national sovereignty and cooperation among sovereign fatherlands, as well as the profound conviction that Europe had the moral obligation to develop the Southern Hemisphere.

The analyses and proposals of the 1980s of the economist LaRouche, against the liberal ideology and against the policy of the International Monetary Fund, picked up and developed further this Matteian and Gaullist tradition. LaRouche was the first to identify the historic significance of the collapse of the communist regime in the Soviet Union, stating that the whole Yalta system was coming to an end. In response, he proposed a program for the Berlin-Paris-Vienna Productive Triangle, as the central nucleus of a more vast infrastructure program for all of Europe, from east to west, extending to the entirety of the Eurasian continent, with his idea of the “New Silk Road.”

I have just come to learn, with amazement and disdain, that the Wall Street oligarchy, with its control over the American media and over its bureaucrats in the Democratic Party, is using methods unworthy of a great democratic nation, to sabotage the electoral efforts of Lyndon LaRouche’s movement. The United States, like the rest of the world, needs to put an end to the *fin de siècle* follies, with savage speculation and fantasies of a “new economy,” and in this context, the program for a “New Bretton Woods” as proposed by LaRouche, is the only solution to face the current crisis, returning to the basic points of the historical experience of the immediate postwar period in the U.S., as in Italy, in Germany, and France, as in Japan, which proved to be a historical success in the long run.

My best regards to Mr. and Mrs. LaRouche.

Germany — Peter Rebsch:

I was the President of the Parliament of West Berlin from 1981 to 1989, a deputy in the Parliament for 16 years (1979-95), and served for some years as speaker of the Justice Committee of that Parliament.

Our experience over the years in West Berlin had shown, that our freedom as a city encircled by East Germany depended entirely on the commitment of the U.S. government and citizenship to stay at our side as the guarantor of freedom all the difficult years until 1989. Our fate was directly connected to the fate of the U.S.A.—and this is still the case. I was very moved by the speech of President Clinton during his visit here in Berlin in 1994, where he spoke out in favor of Germany’s role to rebuild post-communist Eastern Europe and Russia. Unfortunately, the policies of globalization and IMF shock therapy created poverty instead of wealth, and with it, new strategic tensions and threats in East-West relations.

For that reason, I strongly hope for a change in American foreign policy—in the direction of Franklin D. Roosevelt and John F. Kennedy. Both of them supported actively the right of all nations on this planet for economic development and political sovereignty. Such a policy we need today more urgently than ever before.

Looking toward the U.S. Presidential elections in the year 2000, I am really concerned, which way the U.S.A. will go under conditions of a global financial and strategic crisis. From the experience of the last half-century—especially from

the perspective of Berlin—there is no question that we need urgently American leadership in the world in the tradition of Roosevelt and Kennedy. The only person visible right now to fulfill this standard, is Lyndon LaRouche. I have been familiar with his ideas since 1984, and everything he forecasted in respect to the financial crises has been proven right. And as a Berliner, I must say, his October 1988 address in Berlin, where he was the first international statesman to forecast the reunification of Germany for the near future, impressed me a lot.

So, I support his candidacy and wish him success in his important and noble efforts to change the course of events in the U.S.A. and the world.

Spain — Kuan Chu *is the Chairman of the Chinese Christian Democratic Union. Years ago, the entire leadership of the Christian Democratic Union signed the call for the exoneration of Lyndon LaRouche.*

To the honorable Mr. Lyndon H. LaRouche:

As the chairman of the central committee of the Chinese Christian Democratic Union, permit me to support your candidacy for the office of the U.S. Presidency next fall.

Having followed your writings in various articles for many years, I have discovered that your new way of thinking is a unique and very exceptional occurrence in our present world. As a great statesman, you have put forward grandiose plans for all parts of the world: the plan for developing the infrastructure of Africa, the Oasis Plan for the Middle East, the 40-year plan for the development of India, the 50-year blueprint for the development of the Pacific and Asia, the reconstruction plan for Eastern Europe, the Paris-Berlin-Vienna “Great Triangle” of production plan, the establishment of a New Bretton Woods System, and the great cause of the “Eurasian Land-Bridge,” etc., all long overdue throughout this world.

In the present world, America is the one and only superpower . . . ; America either can use this mighty predominance within limits, or impede progress. . . . This is why each country today pays special attention to the U.S. Presidential elections next fall. Now, especially in this new 21st century, the United States shoulders the responsibility for world peace, the equality of all nations, equity in government, and leadership in politics and economy toward building a new order—all life-and-death concerns of the greatest importance for mankind throughout the world. Therefore, all those in the world who love peace, all enlightened people, wish the next inhabitant of the White House to be a wise statesman and a philosopher. Mr. Lyndon H. LaRouche is the best present choice for election next fall to America’s Presidency.

On behalf of the welfare and benefit of the Chinese and American people, and for the entirety of mankind, I will work strongly to support you—Mr. Lyndon H. LaRouche—to achieve the Presidency next fall. I believe that Mr. Lyndon LaRouche will become the giant of this era and, as the transformer of the current world system, will become the preeminent leader of all people of this world who love peace.

‘Littleton was our Pearl Harbor in America’s culture war’

On March 24, Jeffrey Steinberg and Dennis Speed interviewed attorney Jack Thompson. Mr. Thompson is the co-counsel in a \$130 million lawsuit against a number of Hollywood movie studios and video-game manufacturers, on behalf of the families of the victims of the Paducah, Kentucky school shootings by 14-year-old Michael Carneal. Mr. Thompson has emerged as a national figure, seeking to expose the role of violence and sex in the media, in producing a generation of “killer kids.”

Steinberg: I want to start out by thanking you for giving us the time today. Perhaps you could begin by telling us about the Paducah suit: how you got involved in it, where it stands right now, and what you hope to accomplish with it?

Thompson: Okay. Let me answer that by telling you a bit about who I am. I’m 48 years of age; I went to Vanderbilt Law School—unfortunately attended there at the same time Al Gore was there, by the way. And I like to tell some people in my speeches or interviews that I would love to sit next to him in class, because he was so inert, I could hang my umbrella on his ear.

I came out of law school pretty much a libertarian on things regarding communication and the idea that pornography, obscenity is a “victimless crime,” if it’s a crime at all, and that surely the First Amendment protects just about all speech—or literally all speech—and communication, and entertainment.

In 1985, roughly, I represented a woman who had been sexually abused, and who herself became an abuser. And the role of obscenity in that abuse convinced me that there can be not only victims of certain entertainment, but also, as I studied it, there are clearly Supreme Court and other legal authority for doing something about such harmful entertainment.

Therefore, taking that change of heart, I went after, in Miami, three shock radio stations in 1987, which resulted in the first Decency Fines ever levied by the FCC. I then went after Two Live Crew, a Miami-based rap group and their album, “As Nasty As They Want To Be,” and was court-appointed *amicus curiae* in their Federal obscenity trial, which by the way was presided over by a Carter-appointed liberal judge. And that resulted in the first verdict in history that a sound recording was obscene, which was later reversed on appeal. And the reversal was affirmed by the Supreme

Court—not that the album wasn’t obscene, but that this idiot sheriff by the name of Nick Navarro in Broward County, did not put on a single bit of evidence as to any of the three prongs of the Obscenity Test under *Miller v. California*. And therefore, that legal precedent was unfortunately overturned by virtue of the fact, not that it wasn’t obscene, but that it wasn’t proven obscene.

Because of that effort, Oliver North asked me in 1992—and this is germane to why I’m talking to you about Paducah—asked me to represent his Freedom Alliance at the 1992 Time-Warner shareholders’ meeting in Beverly Hills. And the issue of the day was whether or not Time-Warner should pull the song “Cop Killer” off store shelves worldwide, under what was then an ongoing police boycott, and boycott by others of Time-Warner products. Charlton Heston spoke right before I did, and was masterful.

And I said to Time-Warner shareholders, “Eventually parents will sue you and other people in the entertainment industry for harm done to their children, incited by and encouraged by and enabled by your products.” And the hall was filled with laughter. But I must say, they ain’t laughing now. And the reason they aren’t, is that, in March of last year, the United States Supreme Court gave the green light to the “Natural Born Killers” case in Louisiana, in which a quadriplegic—rendered quadriplegic—brought a lawsuit against Time-Warner and the makers of “Natural Born Killers,” alleging that the perpetrators who shot her, were incited to do so by that movie. Particularly encouraging in that causation argument, was the fact that Oliver Stone, at the first public screening of the movie, came out and said: “This movie is great. It makes you want to go out and kill someone.”

We were preparing our lawsuit in Paducah before that opinion came down. And the reason I got involved in the Paducah case is that, I saw an AP story sometime after the Jonesboro shootings, in which a Debby Pelly, a teacher at that high school—or middle school in Jonesboro, testified to Congress that there was a rap music component of the motivation of the two shooters in Jonesboro.

That being my history on identifying sociopathic behaviors encouraged by certain musical entertainment, I contacted the people around the Jonesboro situation, and spoke with a wonderful lady by the name of Judy Furr who had in effect become an *ad hoc* spokesperson for the bereaved families

in Jonesboro.

And she told me: “You know, you have quite an interest in this. You need to talk to a man by the name of Lt. Col. David Grossman,” who was living, as you know, in Jonesboro at the time.

He and I talked, found ourselves to be kindred spirits on the idea that something should be done about this type of crap. And, he told me about Paducah; and that he felt it was a stunning fact-pattern to prove causation. And I have to admit, when he told me about what Carneal did, I didn’t believe it. I said, “No one has that type of shooting acumen, and no one can get that type of shooting acumen, if it does exist, from a video game.”

So, I contacted Mike Breen, who I found out to be the attorney for the families up there, with only one thought in mind. And that was, to be a fact witness in the case, as to what I had warned Time-Warner about, since one of their products, “The Basketball Diaries,” is part of the motivation here.

So, one thing led to another, and Mike Breen asked me to be co-counsel, which I am. And my emphasis in this, has been to try to raise money for our prosecution of this plaintiff’s case, and also to be, in effect, an interface with people like you, and others, about the role of entertainment in these socio-pathic behaviors.

That I think is a pretty good sketch of why I’m in the case.

Steinberg: Could you give us a status of where that case stands now and what your perspective is on where it’s going to go?

Thompson: Sure. By Christmas of last year, the motions to dismiss had been filed, briefed, and we had responded thereto, and they had replied to our response.

The judge has not yet ruled.

I would wager, given the judge’s mind-set, that he shared with us, that the case will be dismissed. That’s, in a sense, fine, because we knew there would be an appeal in this case. And if we are the ones who have to take the appeal—and I’d bet you dollars to donuts that we will be dismissed—we will appeal it. And I would predict we’ll prevail, because we have the case law, as well as the facts, as well as the hard science—not junk science—to prove that we have a case sufficient to make discovery; and when we make discovery, we will be able to prove what, of all people the President of the United States, has identified, and has ordered an investigation of by the FTC [Federal Trade Commission] and the DOJ [Department of Justice], and that is: The marketing of adult entertainment products, which glorify violence, which are marketed to and designed for children—and that is our Constitutional legal hook, that I want to make very clear in this interview. And it’s this. (And we’ve got case law to support this, and we’ve brought on board David Strauss of the University of Chicago School of Law, who is a colleague to Cass Sunstein, who’s known to be a—both of them—to be Constitutional scholars of the highest order, Cass Sunstein being a bit more

visible and widely published.) But the two of them agree with this: If you make a product that by its nature is for adults, and which you label as appropriate only for adults, then if you can be shown to have made it for children, that you have marketed it to minors, then you have wiped away, by that fraudulent design and marketing practice, any First Amendment protection you would have, that would otherwise attach to the making of and marketing of your product to adults.

It is akin to the subterfuges engaged in by big tobacco in marketing through Joe Camel, allegedly, and other mechanisms, adult tobacco products to children. And that’s what the FTC investigation is going to find, which will probably be timed to hit right when Al Gore needs a bump in the polls, and that is, in my opinion, what this study is about, as to its motivation.

Because, may I parenthetically say, if the President really wanted to do something about point-and-shoot video games, all he has to do is pick up the phone and direct the Product Safety Commission to ban them, because they are dangerous. They are a dangerous product—more dangerous than the Pokémon balls, that were handed out at Burger King. These are murder simulators that are training, demonstrably, teenage boys to kill classmates and teachers, and God knows who else.

So that if the President wanted to do something—and he knows that these are marketed to kids and sold to kids, clearly, and they’re labelled as “M”—“Doom” and “Quake” and other point-and-shoot games—as inappropriate for minors. He could do that. But he wants to have a study, which Al Gore can hold up in the midst of a Presidential campaign, and show, that these folks supposedly are concerned about this problem. And, because the video-game industry doesn’t give money to anybody, let alone the Democratic Party, they can do that without inconveniencing—the Democrats can—their huge donor base in Hollywood.

And in fact, in our case, the other defendants have isolated the video-game industry defendants from themselves, because they think that’s smart, and also because the products are qualitatively different. You don’t get a skill watching “The Basketball Diaries.” It’s over the line. It’s not First Amendment speech when it’s been targetted to minors, which it has been. But clearly, video games, everybody I think understands, or should, are a qualitatively different product, in part because you hold part of it in your hands.

I don’t want to be—One of the problems with the way my mind works is: I, maybe, instead of going down one bunny trail, notice others as I’m telling you about this. I hope it’s comprehensible, but there are so many tentacles to this thing, it’s hard not to try and touch on lot of things.

Steinberg: Now, both you and Lieutenant Colonel Grossman have described these point-and-shoot video games, as killing simulators. And, I gather this idea of isolating the video-game industry from the other defendants in the case is a reflection of that pro-active aspect. Could you explain this

killing simulator question?

I realize you're an attorney, not necessarily a neurologist. But maybe you could go through what you've come across as the evidence on this for the case?

Thompson: Sure. And by the way, I have a background of about 18 years, doing medical malpractice defense work. So I do have a background, at least as a layman, in medical matters. And I think, thankfully, I have that as a useful tool in this case, which is largely, in some ways, a medical case.

For example, and to answer your question, there's a study out of Harvard, not exactly a right-wing beehive: Their pediatric facility, which maybe leads the nation in pediatric research, is McLean Hospital, which is also affiliated with Massachusetts General. In June of 1998, a study was done by a Dr. Yurgelun Todd. . . . This study exposed a group of adolescents and a group of adults to violent images and emotion-laden images. They hooked them up to MRIs—magnetic resonance imaging devices—and were able to ascertain by the blood flow, where these images were processed in the respective groups' brains.

The adults processed the images in the fore-brain, or the thinking part of the brain, the reasoning part of the brain. The adolescents processed these images in the amygdala, or the seat of emotions of the brain.

The conclusion—and you see where I'm going on this—

the conclusion of the study is, that that is why adolescents act out what they consume that has an emotional component to it, in entertainment.

I'll make an application by extrapolation stronger, but I think fairly, and it's this: If you develop a skill that is wedded to an emotional response to something, if you trigger that emotion, you'd also trigger the skill. When kids are playing these video games, they are feeling fear, they are feeling anger, they are feeling excitement, they're feeling revenge. And, they are developing, when they feel these emotions, which are also neurochemical—they have that component—you trigger those emotions, you trigger what they're doing when they're feeling those emotions. And therefore, I don't think it's a stretch to say—and in time, there will be hard science proving this direct nexus—you are giving teenagers literally an "itchy trigger-finger," so that when they feel a certain emotion, they have a desire to act it out by pulling the trigger of a gun.

And I've maybe skipped one or two steps in the syllogism, but I think you know what I'm saying. And therefore, you're predisposing teenage boys to respond to certain emotional situations, with certain physical responses, triggered, in a sense, by neurobiological hard-wiring, by endorphins or whatever, and this gets into areas I don't feel comfortable, or qualified to talk about. But the reality is, put in more lay terms,

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This is not just greed. This is evil. There are people who are involved in making products like this, in marketing sex, sexual violence and violence generally to children, that know, that what they are doing is evil. . . . And the problem in this country, is we don't think generally that there is such a thing as evil, other than maybe the Dow dropping 200 points.

you're teaching teenagers to deal with their problems by taking a gun to school and using it. And, at the very least, they have skills that are way beyond what even marksmen in police departments have, and what we have, is a bunch of little potential assassins walking around in America now, that are more clearly programmed to kill, than was the "Manchurian Candidate" in that fictional movie.

Steinberg: You mentioned, earlier, another specialist from the University of Illinois, who has also developed other things that go to this question of the addiction that many young people have for these video games: perhaps spending two, three, four hours a day, probably more time on the weekends, just simply going over, and over, and over again, "Doom" and "Quake."

Thompson: Right. I would not use the word "addiction." I understand why you're using it there, and that may be reasonable. But what I would say is this: There is a man by the name of William T. Greenough, University of Illinois Champaign-Urbana, who is regularly a nominee for a Nobel Prize in neurobiology. I've had the pleasure of appearing with him in a segment on ABC World News Tonight, and on the Disney-owned Discovery Channel, about his expertise as applied to the Paducah case.

And it's this. That if a human being practices and does something repetitively, a physical act, even as minute as pulling a trigger—moving your trigger-finger on a gun—by those countless repetitions, an individual will re-wire his brain, and grow what are called dendrites, or neuropathways, that literally create wires, metabolic or neurobiological wires, that enable this person to perform this particular physical skill flawlessly, more quickly—and, when it comes to firing a gun—more deadly.

Another analogy would be this, which Dr. Greenough uses, and that is a concert pianist, upon repetition in practicing an intricate concert piece for the piano, is able to, in a high-stress situation, walk out onto a stage, after such practice, and play that music flawlessly, without thinking of a single note: The reason being that, by these dendrites being in place, he can play that music, which, if he were to have to think about it, would get in the way of performing as well as he otherwise could, by virtue of the practice. . . .

So, that is another example of the ways in which such

practice are able to give you skills that are off the scale. That's what we saw in the hallway of Heath High School in Paducah: A child who had never fired a handgun before, who showed shooting acumen that's beyond what we would typically see in any police officers; and that's why, typically now, all the highest graduates from the Naval and Air Force flight schools all played video games. And they developed this hand-eye coordination and made themselves so adroit at flying a plane and firing weapons in a plane, because their brains are re-wired.

Speed: You began to describe Michael Carneal. You also described that when you first heard what Dave Grossman said, you didn't believe it at all.

Thompson: Well, I was very, very skeptical, and of course, that's good, because I'm trained to be skeptical as a lawyer. You know, show me the proof. And the proof was in the police report.

I thought: "Well, here's a guy who is in this world—Lieutenant Colonel Grossman—he has gone through one of these traumas in a school setting. I didn't know Colonel Grossman from Adam. And maybe it was my old libertarian streak coming forward, thinking: you know, this stuff doesn't really affect anybody. And that's the problem we have in America. There are things that are impacting our daily existence, in fact, our very ability to stay alive, that are counterintuitive.

Plus, we don't *want* to believe that we've got a bunch of Manchurian Candidates walking around that are in middle school; because it's frightening. As James Burnham said, I think it was in *The Suicide of the West*, or *The Protracted Conflict*: He said, one reason why we don't deal with the nuclear threat posed to us, in a realistic way, is because it's so horrible to think that it is realistic, that we don't want to think about it.

So it's my job, it's Colonel Grossman's job. And in doing this interview, it's become your job, or it's your role now, to in effect, in a latter-day setting, fulfill what I would call almost a prophetic office, in a Biblical sense. The prophets were not believed, because the horrors that they were predicting—and I say this as a Christian, that's what I am—were so horrible for Israel to think about, that it was easier to kill the prophets—and before that, ignore them—than to deal with the reality

that Israel was going to be dealt with in a horrific way.

And therefore, similarly, I'm surprised when people believe me about this stuff, in a way; because it's horrible to think about.

And yet, what do you do with Littleton?

Speed: Yes, exactly. You used the "counterintuitive," by the way, also in relationship to Michael Carneal's accuracy. Can you describe it, so that our readers will know what you mean by that?

Thompson: Sure. Carneal fired eight rounds with a .22 semi-automatic, which has a nine-round clip. There was one round left in the clip. He fired eight shots. All eight shots were hits: Five were head shots, three were upper torso. All eight were potential kill shots, taken at, I believe, roughly a distance of 25 feet, at moving targets: a near-combat situation, in which kids were scrambling around. And, whereas the marksmanship is itself astounding, what's even more remarkable, in my opinion, is that he fired only one round per person, or target—which is counterintuitive, all of our firearms experts tell us: Because, the tendency, certainly of a novice shooter, is to fire your weapon into one target, until that target falls to the ground. Because you would want to deal with one target, and then make sure that that enemy was on the ground and disabled, and then move on to the next one, so that you aren't simply wounding someone, who can still do harm to you.

So, for whatever reason, our instinct is to deal with one opponent at a time. So, Carneal: Where did he learn this? He learned it in video games, which teach you to shoot one round per fast-moving target, and move on to the next instantly. And, indeed, eyewitnesses to the shooting, said that Carneal stood there, his feet unmoving, his expression totally void. He had a totally flat affect—and as Grossman has explained it, as other witnesses have explained—it was as if he were playing a video game, and just shooting at whatever popped up on his screen. It was not a frenzied, emotional, "take that and die" type of response, it was as if it were a fear-free setting in an arcade.

And, when someone did something, that does not happen in a video game, someone came up alongside him and said, "Michael, drop the gun," he did so instantly, because there was a stimulus foreign to the video-game mentality that interrupted the process; which he responded to by doing what he was commanded to do.

Speed: Let me clarify this: You're saying that as soon as someone said, or addressed him in that way, he simply desisted immediately?

Thompson: That's my understanding. Let me say something, and this is very important. And I want to say this as an aside, because it's important your readers see this.

Rush Limbaugh—two days ago, three days ago—in seeing a wire story about Sabrina Steger's testimony before the United States Senate Commerce Committee; Sabrina

Steger is one of the six parents, her daughter Casey was killed in Paducah. She testified to Senator Brownback's committee about, not only the magnitude of the loss of her and the other two daughters—but also, what she knows to be the causal nexus between these video games and the loss of her daughter. And Limbaugh said: "Oh boy! Here we go with blaming entertainment. Here we go with the victimization game. No one's responsible for what they do, and I'm sick and tired of it."

Well, I sent off a letter to Limbaugh, and said to him what I'll say to your readers now: Sabrina Steger and the other parents worked very hard to get Michael Carneal put away for 25 years. Why? Because he is criminally, morally, in every sense, responsible for what he did, because he, as a free moral agent, entered into this world of evil and consumed it, and was consumed by it, which does not get him off the hook for the responsibility of what he did, and what he *knew* he did.

And indeed, he was examined in the criminal proceeding by Dr. Diane Schetky, a forensic pediatric psychiatrist, world-renowned as such, trained at Yale, with an expertise in teen homicide. She concluded Carneal was sane at the time of trial, that he was sane at the time of the commission of the crime, that he knew he was doing what he was doing.

And in fact, she was hired by the parents to determine that he was mentally ill at some point. She said, "Sorry, he knew what he was doing."

But she concluded he was influenced by three categories of entertainment products, from which he received motivation and which he received hero-modelling, which he copycatted.

So, what I would say, and did say to Rush Limbaugh, and I would say to your readers: This is not some ploy by the parents of the victims to say that somehow the perpetrator is not responsible for what he did. What we are saying, is: Let's be consistent about the application of responsibility, and therefore accountability, when members of society act irresponsibly and violate their duties to one another. For example: If a corporation makes a product that they can foresee will engender this type of behavior, and they say it's for adults, and label it as such, and yet market it to, and design it for children, that they have breached their duty to third parties, who may be harmed by those children—just as I warned Time-Warner, eventually, this would happen—and therefore, that is taking responsibility, and applying it across the board. There is, within the conservative movement, this libertarian strain of thought that thinks that the marketplace should be the determiner and arbiter of all things. And that's, in my thinking, one of the fights going on within the Republican Party; and it is whether or not we allow people in entertainment and other industries, be it drug-making, or whatever, to do whatever they want, and let the marketplace sort it out.

Or, we use what are the levers of government, legitimately so, to identify people that are public enemies, and at least ostracize them in the public mind-set, just as the Greeks removed public enemies to the east of Athens or to the *Ostra*.

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MASSACRE AT Columbine High

On Tuesday, April 20, 18-year-old Eric Harris and 17-year-old Dylan Klebold launched a military-like attack inside Columbine High School of Littleton, Colo., killing 13 and injuring more than 20 before taking their own lives. It was the worst incident of student violence in U.S. history and a news story that has riveted world attention. This page is an index to APBNews.com's ongoing comprehensive coverage of the massacre and its aftermath.

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With the massacre at Columbine High School in Littleton, Colorado, "a line was crossed," says Thompson. "Littleton ended the debate about whether or not we're in a culture war."

In some ways, that's what our lawsuit is about. It is, at least, to identify people that are abusing the free-market system to work mayhem. And may I say, everyone has understood, except the wise-guys who are neo-conservatives, like Rush Limbaugh, that one of the adjuncts to the free-market system, is that there's always accountability for, and should be, for the making of products that are inherently unsafe. If you make a car that flips over at 50 miles an hour, like a Corvair, and *know* that it does, and don't do anything about it, then you should, of course, be held accountable for that negligent behavior.

Steinberg: Parenthetically, we have, as I understand it, cases in the city of Chicago and in the state of Texas, where government agencies actually gave tax breaks and other subsidies, to encourage these video-game manufacturers to keep their doors open and stay as local industries.

Thompson: I have said, on the Fox News Channel, that someone needs to ask George Bush the following question: If you are a conservative, and if you're concerned about school violence, then why is it that Id Software has operated out of Dallas, Texas, unimpeded by you, during your term as governor? And why did you (and I don't have the bill number

in front of me) sign a tax break to high-tech software and other companies in Texas, without exempting from that tax break people like Id Software, who are engaged in these deceptive marketing practices, and who are creating school shooting situations?

There's an ideological reason, I guess, why George Bush hasn't done that, and that is, he has said and made fun of Robert Bork, and said, "We are not slouching towards Gomorrah," and that there is no culture war in America, and that we don't have a problem.

And there's another reason, and that is, that George Bush will apparently take money from anybody. And he is so closely wedded to corporate interests, whether they be donors or just corporate America, that he can't bring himself to see that people are abusing the free-enterprise process in a way that's resulting in mayhem.

Speed: I have a background question. You have been obviously in touch with, or have had to observe and investigate a bit, the entertainment industry. We're talking Time-Warner, we're talking about the various video games, and so forth. And obviously, we know that, not

only are they making hundreds of billions now, but you've got all these spin-offs. For example, the famous case of Death Row Records, in the case of the "gangsta rap" business.

One of the things that goes on, and people often complain about it, particularly if you talk to people in the African-American community, is, they feel themselves to be under a kind of culture assault. Then what happens is, when they go after it, they are told not only that it is freedom of speech, but the problem involved is: "Well, you know, people are buying these things, and if people didn't want them, they wouldn't buy them."

And the further you investigate, you find that the amounts of money and the way in which the money often is being directed through these products—sometimes it's laundered, sometimes you have other kinds of illegal activity that surrounds everything from the concerts that go on, and so forth. This is more in the area of music.

But, number one: What's been your experience, or how would you assess the character of this industry?

Two: Have you picked up strands of what we would refer to as either organized-crime, or a sort of criminal activity or behavior around these industries?

And three: Has anybody else been able to do anything to

This guy stood up, and he said, “You know, if you lose a child, it really doesn’t matter what the crime statistics are.” Everybody understands that their child, in any level of school, regardless of age, is at greater risk now, than they were 20 years ago from this type of entertainment.

roll this back? Of course, you talked already about your suit.

Thompson: Well, you’ve got groups like the American Family Association and other people of good will, in my opinion, who first of all recognize there is a culture war. You’ve got people like Pat Buchanan, who talked about it, and supposedly hurt George Bush’s Presidential bids by addressing it. And, of course, when he gave that speech about the culture war, Buchanan got a huge bump upwards in the polls.

You’ve got some people around the country who understand what I would describe as the following: There is not just a problem in Hollywood and the entertainment industry generally with greed. This is not just greed. This is evil. There are people who are involved in making products like this, in marketing sex, sexual violence, and violence generally to children, that know, that what they are doing is evil. And they set out to commit evil. And, as Edmund Burke said, all that’s necessary for evil to triumph, is for good men to do nothing.

And the problem in this country, is, that number one, we don’t think generally that there is such a thing as evil, other than maybe the Dow dropping 200 points. And that therefore, if you don’t recognize that there is—and again, forgive me, but I am a Christian. I bring this type of analysis, but you don’t have to be a Christian to make this analysis: If you are not willing to recognize that there is such a thing as evil, then you would have no reason to fight against it. But, these people: There is an ideological and—some would say, and I would say—spiritual component to this controversy. And until Americans recognize that these people are up to no good, and in fact, are up to harm and evil, then the nature of the struggle will not be known to them, and they won’t know how to fight it.

This is not just about money. It’s about a certain worldview. It’s about a view of human nature. It’s about a view of what the role of man in society and in the world ought to be, that motivates me, and that in my opinion, motivates the other side. And, this is a war.

And the reason why I have, I guess, been somewhat successful, and also been targeted for harm by the other side, is that I don’t see this as a war of words.

You know, you’ve got people like Bill Bennett, who calls a press conference, and says, “You know, these people are doing such-and-such,” and “tut, tut, tut,” and in a way, Al Franken is correct in calling him “the nation’s scold,” because he just wants to talk about it, and say this is bad what

they’re doing.

My methodology has been to try to hurt these people, and stop them, in what they’re doing, because, sometimes, talking just doesn’t get at it. That’s how I’ve always felt about it.

And may I quote Stephen Vincent Benet. I addressed the [American Bar Association] ABA’s tort and insurance practice section in San Francisco about two months ago, and I quoted Stephen Vincent Benet, who said: “Some men wish evil and accomplish it, but most often, when they work in that machine, just let it happen, somewhere in the wheels. The fault is no decisive, villainous knife, but the dull saw that is the routine mind.”

America’s entertainment industry is full of routine minds, who peddle violence and loveless sex for money, and consider themselves above the law, not responsible for the harm done to anyone.

So, there are those who know they’re about evil, and the vast majority are simply there as unwitting accomplices to it.

And to me, that frames the issue.

Steinberg: What action do you propose to deal with the video-game industry targeting of children, as the primary market for their “killing simulators”?

Thompson: What I favor, is litigation, for a number of reasons. In the speech to the ABA, I was addressing civil litigation defense lawyers, who would not be predisposed to the idea that a cause of action about *anything* should arise. And yet, more than one of them said to me, a dozen said to me, “We have never heard a speech like that in our lives.” One said, “Whatever position we were in when you started, we were in that same position physically, when you ended.” One woman had to run out of the room, because she was so distraught—again, the James Burnham denial response—she was so distraught upon hearing how dangerous life now is for any child in school, that she couldn’t handle it. She felt physically ill. One ran out, and called Sen. Arlen Specter, who is a friend of hers, and said, “What the hell are you all doing about this!”

And these people were won over, not by my rhetoric, which is minimal, as far as skill, but by the logic of the fact that we have a problem here. And so, these guys believe—these are defense lawyers, paid to analyze why lawsuits shouldn’t be brought—they felt that our lawsuit in Paducah was valid and should be *won*.

And so, the beauty of suing these entertainment people is it doesn't require government to do anything, except make it clear that a Federal or state (more likely to come in the state venues)—that a citizen who is harmed by such products has a cause of action, if it can be proven that there's a direct causal nexus between the product and the copycat crime, and that there is no First Amendment bar, by virtue of, in effect, the marketing of this material to an inappropriate class.

Now when it comes to things like the Palladin books and so forth, nobody believes that that incitement to mayhem is First Amendment speech. So there's really not a First Amendment problem.

Secondly, and most importantly maybe, as far as getting people to sign on to bring these cases, you've got the plaintiffs' bar out there, which will sue anybody for anything! They don't have any problem.

And, you know, God bless 'em, that we need a few hotshot plaintiffs' attorneys, to take a look at these cases, particularly if enabled by state enabling laws to bring such an action, and have them unleashed upon Hollywood. These people are scared poopless, in Hollywood, that one of these lawsuits will survive and get to trial, because they know the game is over, if that happens. And indeed, the insurance industry, *Risk Magazine* (I don't know what issue it is), is reporting that the insurance industry has already created products to insure against cases like ours in Paducah.

Steinberg: I was going to ask you about that: It seems like the logical next step, in terms of the interrelationship between the entertainment industry and the insurance industry.

Thompson: Yeah. See, that's the whole essence of our case. Our case is to create a financial market pressure, within these companies, to stop making these products and targeting them to children, if they're publicly owned, or if they're even privately owned; and therefore create pressure by shareholders to get them to be responsible for financial reasons.

Speed: Besides the Paducah parents, you've also talked to a lot of other parents, and "regular people," as they say. Give me a sense of what their view is, of not just the video games and the killing; but, what's their view of this overall situation? I mean, any community has to be torn apart by the fact that this occurs, and they must talk to people throughout the area.

Thompson: [Former Ronald Reagan speechwriter] Peggy Noonan, I think captured it better than I ever could: Within a week of Littleton, she wrote a guest editorial in the *Wall Street Journal*, and she said, with Littleton, a line was crossed. And at that point, Americans everywhere "got it," and that is, that the sewage our children are swimming in is affecting their health and their safety.

And I wrote in the *Denver Post* something that I believe: And that is, that, just as in 1941, a cold-blooded attack ended a debate about whether or not to enter a war, so, too, Littleton ended the debate about whether or not we're in a culture war.

And so, Littleton was our Pearl Harbor of our culture war. And whereas that war has been going on from the other side, what I hear in people, and I've been on maybe 20 college campuses, where students, as well as people in the community come; and it's the best gauge I have, as to where public sentiment is on this issue: They want a war. They're ready. Because Littleton was too much. Littleton grabbed ahold of America by the collar, and said, "We've got a problem." And, as to whether or not teenage crime is up or down, somebody in Upper Michigan said this perfectly at my debate there last week, or this week with Nadine Strassen, who sounds like Rush Limbaugh, on how we can't, we shouldn't do anything. He said, because Nadine Strassen is saying juvenile crime is down, and so forth, and therefore, we don't have a problem. And this guy stood up, and he said, "You know, if you lose a child, it really doesn't matter what the crime statistics are." Everybody understands that their child, in any level of school, regardless of age, is at greater risk now, than they were 20 years ago from this type of entertainment.

And, therefore, we've got to do something, because the peace of mind that is gone, is *itself* worth something. And so they're ready. They're ready to start busting things up, legally and properly, to take these people on, because they realize they've been targets, and they want to fight back.

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Oil price bill called ineffective

On March 22, the House passed by a vote of 382-38 a bill intended to cut off assistance to oil-producing countries that engage in "price fixing." The bill was sponsored by International Relations Committee Chairman Ben Gilman (R-N.Y.), and is a response to the recent run-up in crude oil prices. The wide margin of passage does not, however, reflect a broad consensus in the House that the bill would provide effective measures to deal with the latest oil shock.

The bill doesn't require that sanctions be imposed against a country that is determined to be involved in "price fixing," although such measures are implied. The bill directs the President to "undertake a concerted diplomatic campaign to convince any country . . . engaged in oil price fixing . . . that the current oil price levels are unsustainable and will negatively affect growth rates in oil-consuming and developing countries." Gilman said, "We need to send a strong message to the OPEC [Organization of Petroleum Exporting Countries] price cartel that continued price-fixing efforts to prop up the price of oil will be an important consideration in our nation's foreign policy."

A number of amendments Democrats had planned to offer were not allowed by the rule. Gilman explained that the bill has a narrow focus and "cannot be a vehicle for the overdue reform of our entire policy in energy." The amendments the Democrats wanted to offer included one to stop the export of Alaskan North Slope oil, to call on the President to draw down the Strategic Petroleum Reserve, to encourage energy conservation, and to repeal the 1993 tax increases on motor fuels, including the 4.3¢ a gallon tax increase on gasoline. The last one was considered by the GOP leadership earlier in the week, but they abandoned it

on the grounds that it would have little impact on pump prices of gasoline.

Partisan sniping dominates budget debate

On March 23, the House narrowly passed the GOP budget resolution by a vote of 211-207, with six Republicans crossing party lines to vote against it and two Democrats voting for it. The tone was set during debate on the rule, when Louise Slaughter (D-N.Y.) complained that the resolution that was coming to the floor was not the one approved by the Budget Committee, but rather was crafted in secret by the GOP members of the Rules Committee at 3 a.m.

Democrats also complained that the budget plan is not much different from those of the last two years, when the appropriations process ended in large omnibus spending bills well into the fiscal year. "The definition of folly," Slaughter said, "is to repeat what has failed and expect it to succeed, and that is just what this resolution does."

The Democrats were allowed to offer a substitute resolution which differed from the GOP's in certain significant respects. John Spratt (D-S.C.), the ranking member on the Budget Committee, said that, while the Republicans claim otherwise, "We recognize our liability to Social Security and Medicare. They do not." Spratt explained that the Democratic plan puts debt savings that accumulate as a result of budget surpluses into the Social Security Trust Fund for the next ten years so that the life of the fund is extended another 15 years. "We are extending the life of both programs," Spratt said, "and that is the main difference between us and them." The Democratic alternative was defeated, as were four others, by a vote of 233-184.

Senate to repeal Social Security earnings limit

On March 22, after three days of debate, the Senate voted 100-0 to repeal the Social Security earnings limit, following up on similar House action three weeks earlier. The day before, Judd Gregg (R-N.H.) argued that "repealing the earnings limitation is a very important step to assist people who have reached eligibility age for retirement to have a better lifestyle. It allows them to work harder, work longer, work at their option versus at the government's option, and keep the proceeds of what they earn versus losing it because of this artificial reduction in benefits." President Clinton has said he will sign the bill.

Several Senators put the debate in the context of comprehensive Social Security reform, however, which the bill did not address. Gregg referred to the demographic crisis that's going to hit Social Security when the Baby Boomers start retiring in 2008. He warned that this demographic problem is going to cost the next generation of earners \$7 trillion to cover the shortfall. While repealing the earnings limit is necessary, he said, "We should be addressing the fundamental problems that are facing us . . . the most fundamental of which is an unfunded liability."

In a related development, the Senate GOP leadership announced on March 28 their version of a bill to repeal the so-called marriage penalty, which is much more generous than the bill passed by the House in February. The House bill was projected to cost \$182 billion; the Senate version will cost \$240 billion over ten years. The bill widens the lowest 15% income tax bracket, and allows more couples who itemize to take advantage of it. It also provides a standard deduction for married couples that is twice that of single taxpayers.

National News

Blood sport banned in New Jersey (for kids)

Under tremendous pressure from constituents, New Jersey Gov. Christine Todd Whitman and the State Assembly were forced to take action banning minors under 16 from "extreme wrestling," a sport where "contenders use chairs, kitchen implements, and other sharp items to draw blood from one another," the *New York Times* reported on March 25.

Whitman, a darling of the Conservative Revolution, whose name has been floated as a possible running mate for George W. Bush, defended the sport for adults. "We don't seek to outlaw it completely," she said, "but we do want to prohibit children from seeing it. It is one thing for consenting adults to attend these events . . . as participants set out to maim and attack each other with objects such as razors and chairs."

Three years ago, Whitman and state authorities deregulated wrestling and removed it from supervision by the State Athletic Commission, because wrestling groups insisted that they are entertainers, not athletes. Then, Bayonne, New Jersey promoter Jeff Schapiro started "extreme wrestling," which is also choreographed. "We do it because the fans want to see blood," Schapiro told the *Times*. "It's the fans' appetite for bloodier matches that drives this." He said that the "fan base" begins at about ten years old, and business will be hurt by the new law.

Michigan welfare reform linked to shooting death

The shooting death of a six-year-old girl in a Flint, Michigan elementary school, was linked to Republican Gov. John Engler's "welfare reform," in statements issued by the mother of the boy who did the shooting, the *Houston Chronicle* reported on March 21. The boy's mother, Tamarina Owens, sent her two sons to live with her brother after she was evicted from her home. It was from

her brother that the boy got the gun which was used in the killing.

Owens had been on welfare since her husband, the father of the two boys, was sent to prison. In January 1999, due to the welfare reform bill, Owens went to work, taking two part-time jobs at a mall 35 miles from her home near Flint. Despite working the two jobs, she was evicted eight days before the shooting, when she fell behind on the rent. To enable her boys to continue at the same school, she sent them to live with her brother. She said she feels partly to blame for the incident, because she was not home enough with the boys, but added that she had been told by the state that she had to take the jobs.

Thus, the tragedy was precipitated by the welfare reform, under which single mothers are forced to work, often far from home with little ability to make a living wage.

Sir Bush lies to keep General Noriega in jail

Former U.S. President Sir George Bush personally intervened to stop Panama's Gen. Manuel Noriega from obtaining parole from prison, where he has been for ten years. In a highly unusual move, Bush had Assistant U.S. Attorney Pat Sullivan tell a March 21 parole hearing in Miami, that "he [Bush] feared for his life," if Noriega were released.

A source close to the Panamanian leader told *EIR*: "This is the most stupid statement that one could imagine, coming from a former U.S. President, who staged a bloody invasion of Panama. It is absolutely ridiculous for Bush to say that he fears for his life from General Noriega," who has been accorded prisoner-of-war status and is now serving a 30-year prison sentence. "What Bush really fears, are the souls of those thousands of Panamanians killed during the invasion, who are still haunting the common graves where their bodies were dumped, because they have yet to find a final resting place," added the source, referring to the December 1989 invasion that Bush ordered, and during which, according to most credible estimates, 5,000 to 7,000 Panamanian

civilians were killed.

Lyndon H. LaRouche, Jr., the U.S. Democratic Party Presidential pre-candidate, who himself was made a political prisoner by Bush and the oligarchical forces behind him, commented: "What Bush is really afraid of is what Noriega can say" about the former U.S. President's activities. Bush's numerous dirty dealings include the illegal arms-for-drugs operation that became known as Iran-Contra, which flooded U.S. cities with crack cocaine.

This is not the first time Bush has injected himself into the Noriega legal proceedings. Prosecutor Sullivan said at the parole hearing, according to a source, that he and Bush held several "working meetings" to discuss the prosecution's strategy during Noriega's trial in 1992. That trial was headed for a deadlocked jury and a mistrial, when Bush made a televised—and illegal—appeal to the jury, which moved at least one juror to convince the rest to vote for a conviction. The juror told the press: "I said, 'The whole world is waiting for this verdict. President Bush is waiting for this verdict. How can you say you want to go home?'"

As part of his campaign to crush all who have stood up against his "New World Order," Bush also intervened to prevent the release late last year of jailed Argentine nationalist former Col. Mohamed Ali Seineldín, currently serving a life sentence. According to well-informed sources, Argentine President Carlos Menem sent word to Seineldín that he was planning to pardon him just before he finished his Presidential term, last December. But then Bush met with Menem and other regional leaders to discuss, among other things, the merits of drug legalization. After this episode, there was no further mention of a Presidential pardon for Seineldín.

Kissinger, Viguerie back Giuliani in N.Y.

Sir Henry Kissinger invited 25 billionaires, including David Rockefeller, Henry Grunwald, and Bill Simon, to a fundraising

reception for New York City Mayor Rudolf Giuliani at the end of March, in an effort to mobilize national support for Giuliani in his election race against First Lady Hillary Clinton for Senate.

Kissinger called Giuliani "the best mayor we ever had," and stated that Mrs. Clinton should not be running for the Senate, especially not from New York.

Mrs. Clinton, in a fundraising appeal, noted that Giuliani is trying to nationalize the campaign by hiring Richard Viguerie, who has done direct-mail fundraising for Oliver North, Sen. Jesse Helms (R-N.C.), and Rev. Sung Myung Moon's Unification Church, and who even said of KKK leader David Duke, "He has a very good, sound message."

While Giuliani tries to maintain a semblance of moderation within New York State, he has Viguerie seeking to demonize the First Lady in letters going out nationwide, which describe her as a "champion of every left-wing cause you can imagine."

Pentagon wants more work on laser weapons

A report by the Pentagon that calls for major investment in lasers and other "directed energy" weapons will be released in the near future, according to Dr. Delores Etter, the director of the Pentagon's Defense Research and Engineering Program, who testified before a Senate Armed Services Subcommittee on Emerging Threats and Capabilities on March 22.

The report on these technologies was commissioned by Congress over a year ago, and Etter said it "makes a very strong case . . . that the time is very ripe for directed energy systems." She also said that the Defense Department has "made some breakthroughs," and that "this is one of those potentially revolutionary capabilities" that could "fundamentally change weapons technology."

Undersecretary of Defense Jacques Gansler also testified about ensuring that the various branches of the military work on these projects jointly, to eliminate "duplica-

tion and waste." The new report will call for coordination, and, according to Gansler, "development of a master plan for laser weapons." The testimony given by these two was also heavily laced with assurances of budget conservatism, and doing the projects "on the cheap."

Lyndon LaRouche, in his policy for strategic antiballistic-missile defense, elaborated at a Washington conference in February 1982, emphasized the importance of directed-energy technologies—weapons based on "new physical principles." This approach, initially accepted by President Ronald Reagan, was sabotaged by the "High Frontier" crowd around Lt. Gen. Daniel Graham. (See LaRouche, "Congress Revisits the ABM Treaty," *EIR*, Aug. 20, 1999.)

Baltimore judge speaks out on media violence

Martin P. Welch, a Baltimore Circuit Court Judge in charge of the Family Division, which handles juvenile cases, penned a commentary in the Corpus Christi, Texas *Caller-Times* on March 25, calling on the President to "use his office as a bully pulpit to lead us to a solution to this growing cancer" of youth violence. "Certain segments of the entertainment industry have a stranglehold on the minds and lives of our children," he wrote. "That death grip equates with astronomical corporate profits. Today's popular culture, including commercial and cable TV films, professional wrestling, violent video games, 'gangsta' rap, and heavy metal music, desensitize our children toward violence, sex and drug use."

"Even in the presence of normal parental controls," he wrote, "our children carelessly drink from an intoxicating daily dose of violence and sex presented by the entertainment industry. The corporate conglomerates that profit from the production and distribution of this trash should bear responsibility for the carnage it produces.

"If we really believe that children are our future, then youth violence should be taken no less seriously than some of the other problems that have threatened our nation."

CONNECTICUT State Senator Toni Harp (D) is proposing a bill that would prevent anyone under 18 from playing a violent video game in a public place, the *Hartford Courant* reported. "The bill specifically targets games equipped with life-like guns, such as Silent Scope, in which players use a sniper rifle mounted on the control panel to snuff out terrorists who have kidnapped innocent hostages."

THE CENTERS for Disease Control released a report ranking the U.S. states on 20 health topics, from obesity, to binge drinking. George W. Bush's Texas led the nation in the percentage of uninsured residents, with 25%. Fully 44.9% of the state's Hispanic residents have no insurance.

THE AFL-CIO, joining hands with some of labor's worst enemies in its China-bashing crusade, on March 24 announced a major offensive in April against the legislation, backed by President Clinton, which would grant China permanent normal trade relations with the United States. A rally of at least 10,000 unionists, including an estimated 5,000 Teamsters, is planned for April 12.

DOCTORS who participate in Michigan's Wellness Plan HMO have voted to unionize, joining the American Medical Association's Physicians for Responsible Negotiation—the first doctors to do so.

THE UNITED STATES is cited as a human rights violator, in a report prepared by the International Helsinki Federation and presented to the UN Human Rights Commission in Geneva. The report cites the police killing of African immigrant Amadou Diallo in New York City as an illustration of the pattern, as well as the 1999 U.S. record in executing 98 prisoners. "The U.S. remains one of six countries that are known to have executed juvenile offenders," the report points out. Ten juvenile offenders were killed in America between 1990 and 1999.

Editorial

How such tragedy occurs!

The two so-called front-runners in the U.S. Presidential election, are viewed internationally as corrupt, ignorant, and arrogant—possibly the worst choice ever offered American voters. How could this happen?

George W. Bush and Al Gore, Jr. were selected in a corrupt, rigged primary process, in which only a tiny fraction of eligible voters participated. Those cynics who don't vote, are as much to blame as those Democrats who support Gore "to stop Bush," and those Republicans who support Bush "to stop Gore."

The culpability lies, not only with the elites who rig the elections, but with the *vox populi*.

Democratic Presidential pre-candidate Lyndon LaRouche quotes President James Monroe on the causes for the prospective nominations for President of Bush and Gore:

Had the people of the United States been educated in different principles, had they been less intelligent, less independent, or less virtuous, can it be believed that we should have maintained the same steady and consistent career or been blessed with the same success? . . . It is only when the people become ignorant and corrupt, when they degenerate into a populace, that they are incapable of exercising the sovereignty. Usurpation is then an easy attainment, and an usurper soon found. The people themselves become the willing instruments of their own debasement and ruin. Let us, then, look to the great cause, and endeavor to preserve it in full force. Let us by all wise and constitutional measures promote intelligence among the people as the best means of preserving our liberties. . . .

—James Monroe, First Inaugural Address,
March 4, 1817

The very same issue was confronted in the sixth century B.C. by Solon of Athens, LaRouche points out. In his poem "The Constitutional Order," Solon warned Athenians not to fall back into their old, wicked ways:

Never will our city be destroyed by Zeus' decree,
Nor by the will of the bless'd immortal gods,

For, born of a potent father, great-hearted guardian
Pallas Athena spreads her hands o'er our city—
But, by money seduced, the Athenians themselves
Seek mindlessly to corrupt the great city,
Joined by the iniquitous schemes of their leaders,
Who from arrogance great woes shall suffer:
For they understand not how to restrain gluttony,
Nor best to order their feasting in quiet. . . .

Sparing neither sacred ground nor public goods,
Greedily they steal from the one place or the other.
They fail to protect the rev'rend temples of Justice,
She who notes silently the "what is and what has
been,"

Who in time shall come exacting retribution.
Behold, an inex'orable harm visits all Athens:
To vile slavery is she swiftly progressed,
Which rouses up from slumber civil strife and war—
War that wipes out for many their cherished youth;
Now our much-loved city is soon worn down by
faction,

While the wicked stir them to confrontations.
These evils ensnare the whole people; but the poor,
Many of them, depart to a foreign land,
Plundered, and bound up in shameful fetters.

[For the slave's yoke bears all other wickedness.]
Thus does the public evil come home to each of us:
Straining, the courtyard gates no longer hold fast,
The evil leaps o'er the high walls; it finds everyone,
Even him fleeing to the inmost chamber.

This my soul commands me teach the Athenians:
A bad constitution brings civic turmoil,
But a good one shows well-ordering and coherence,
As it puts shackles 'round about wrong-doing—
It smoothes out the rough; it checks greed, tempers
hubris,

And withers fruits of reckless impulse.
It takes crooked judgments and makes them straight,
Softens arrogant deeds, halts seditious acts,
And ends the bile of grievous strife. And so, under it,
Everything for mankind become the whole and
wise.

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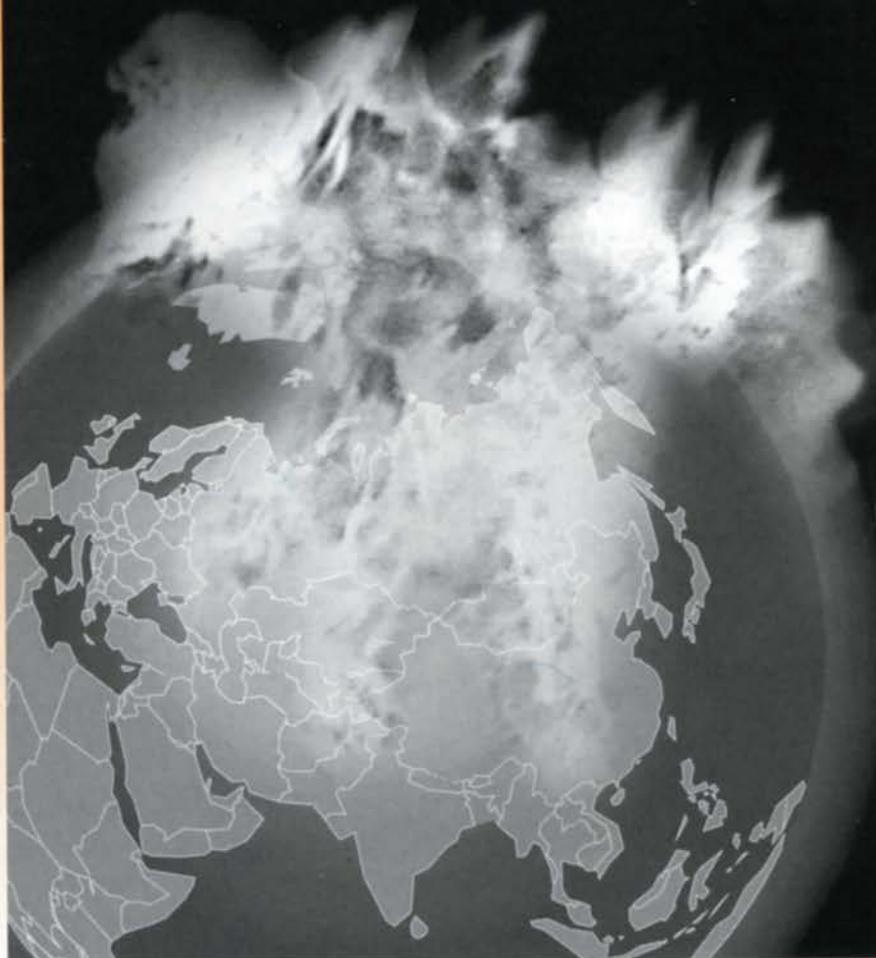
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