

# EIR

Executive Intelligence Review

September 15, 2000 Vol. 27 No. 36

\$10.00

LaRouche: Storm Over Asia, Take Two  
Germans Expose U.S. GDP Fraud  
Fujimori: United, We Can Achieve Progress

## Hyperinflation Hits Housing: Boom Approaches Bust

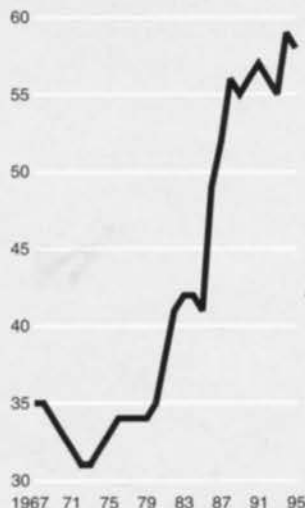


# EIR Doesn't Print What's Popular, But Prints The Truth

## The Truth About The Real Economy

### Number of weekly paychecks required to buy new car

Includes finance costs



## The Truth About Their Policies

## The Truth About The Bubble

Stock Market Margin Debt, 1992-2000  
(billions \$)



## LaRouche: Call Them 'The Baby Doomers'



**You Can't Fool All the People All the Time. . . Subscribe to:**

## Executive Intelligence Review

U.S., Canada and Mexico only

1 year . . . . .	\$396
6 months . . . . .	\$225
3 months . . . . .	\$125

### Foreign Rates

1 year . . . . .	\$490
6 months . . . . .	\$265
3 months . . . . .	\$145

I would like to subscribe to *Executive Intelligence Review* for

1 year     6 months     3 months

I enclose \$\_\_\_\_\_ check or money order

Please charge my  MasterCard  Visa

Card No. \_\_\_\_\_ Exp. date \_\_\_\_\_

Signature \_\_\_\_\_

Name \_\_\_\_\_

Company \_\_\_\_\_

Phone (        ) \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Make checks payable to **EIR News Service Inc.**  
P.O. Box 17390, Washington, D.C. 20041-0390.

Founder and Contributing Editor:

*Lyndon H. LaRouche, Jr.*

Editorial Board: *Lyndon H. LaRouche, Jr., Muriel Mirak-Weissbach, Antony Papert, Gerald Rose, Dennis Small, Edward Spannaus, Nancy Spannaus, Jeffrey Steinberg, William Wertz*  
Associate Editors: *Ronald Kokinda, Susan Welsh*  
Managing Editor: *John Stigerson*  
Science Editor: *Marjorie Mazel Hecht*  
Special Projects: *Mark Burdman*  
Book Editor: *Katherine Notley*  
Photo Editor: *Stuart Lewis*  
Circulation Manager: *Stanley Ezrol*

INTELLIGENCE DIRECTORS:

Asia and Africa: *Linda de Hoyos*  
Counterintelligence: *Jeffrey Steinberg, Paul Goldstein*  
Economics: *Marcia Merry Baker, William Engdahl*  
History: *Anton Chaitkin*  
Ibero-America: *Robyn Quijano, Dennis Small*  
Law: *Edward Spannaus*  
Russia and Eastern Europe: *Rachel Douglas, Konstantin George*  
United States: *Debra Freeman, Suzanne Rose*

INTERNATIONAL BUREAUS:

Bogotá: *José Restrepo*  
Bonn: *George Gregory, Rainer Apel*  
Buenos Aires: *Gerardo Terán*  
Caracas: *David Ramonet*  
Copenhagen: *Poul Rasmussen*  
Houston: *Harley Schlanger*  
Lima: *Sara Madueño*  
Melbourne: *Robert Barwick*  
Mexico City: *Hugo López Ochoa*  
Milan: *Leonardo Servadio*  
New Delhi: *Susan Maitra*  
Paris: *Christine Bierre*  
Rio de Janeiro: *Silvia Palacios*  
Stockholm: *Michael Ericson*  
United Nations, N.Y.C.: *Leni Rubinstein*  
Washington, D.C.: *William Jones*  
Wiesbaden: *Göran Haglund*

*EIR (ISSN 0273-6314) is published weekly (51 issues) except for the second week of July and the last week of December, by EIR News Service Inc., 317 Pennsylvania Ave., S.E., 3rd Floor, Washington, DC 20003. (202) 544-7010. For subscriptions: (703) 777-9451, or toll-free, 888-EIR-3258.*

*World Wide Web site: <http://www.larouchepub.com>  
e-mail: [eirns@larouchepub.com](mailto:eirns@larouchepub.com)*

**European Headquarters:** Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, D-65013 Wiesbaden, Bahnstrasse 9-A, D-65205, Wiesbaden, Federal Republic of Germany  
Tel: 49-611-73650. Homepage: <http://www.eirna.com>  
E-mail: [eirna@eirna.com](mailto:eirna@eirna.com) Executive Directors: Anno Hellenbroich, Michael Liebig

**In Denmark:** EIR, Post Box 2613, 2100 Copenhagen ØE, Tel. 35-43 60 40

**In Mexico:** EIR, Río Tiber No. 87, 5o piso, Colonia Cuauhtémoc, México, DF, CP 06500. Tel: 208-3016 y 533-26-43.

**Japan subscription sales:** O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160. Tel: (03) 3208-7821.

Copyright © 2000 EIR News Service. All rights reserved. Reproduction in whole or in part without permission strictly prohibited. Periodicals postage paid at Washington D.C., and at an additional mailing offices.  
Domestic subscriptions: 3 months—\$125, 6 months—\$225, 1 year—\$396, Single issue—\$10

**Postmaster:** Send all address changes to *EIR*, P.O. Box 17390, Washington, D.C. 20041-0390.

## From the Associate Editor

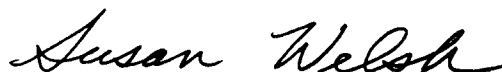
‘**T**he fundamental issue is, can the United States redeem its soul, break from the British monarchy, and lead the nations toward the kind of world intended by the founders, by Abraham Lincoln, by FDR?’ With that challenge, Lyndon H. LaRouche, Jr. keynoted the Labor Day conference of the International Caucus of Labor Committees and the Schiller Institute. About 650 political activists attended the conference, which was organized around the theme “No Place To Run: LaRouche’s New Bretton Woods or a New Dark Age.”

In this issue, we publish LaRouche’s speech: a sweeping overview of world history, showing how we arrived at the current point of strategic crisis, and how we might summon the moral and intellectual resources to overcome it. He presented extensive graphic documentation of the economic collapse that is under way—contrary to all the lying propaganda about an “economic boom.”

Richard Freeman’s *Feature* provides a statistical analysis of the hyperinflation hitting U.S. housing—a case study of what LaRouche was talking about. (Indeed, this issue of *EIR* contains more “Figures” than *Playboy!*)

This is the reality that the Anglo-American financier oligarchy perceives, and they are reacting with hysteria to the certainty that their system is hopelessly doomed. They are striking out with one vicious policy after another, trying to retain political hegemony when the crash comes. The latest scribblings of Zbigniew Brzezinski (see *International*) must be seen in this context.

Much of the rest of our issue deals with the backlash against the policies of the oligarchy, throughout the rest of the world. In France and Germany, unrest is exploding against soaring oil prices. French Foreign Minister Védrine denounces Brzezinski, geopolitics, and globalization. In Russia, a debate is simmering on the need to abandon the disastrous free-market economic policy. In South America, the heads of state met for the first-ever summit without U.S. participation, and heard Peruvian President Alberto Fujimori attack the moribund system of globalization, and call for the formation of a “United States of South America,” which would “audaciously propose” and achieve real economic development. And, North and South Korea forge ahead in their effort to ensure that never again will there be a war on the Korean peninsula.



# EIRContents

## Interviews

### 78 Curt Johnson

Mr. Johnson, the Commissioner of School and Public Lands in South Dakota, discusses, in the context of the widespread fires raging in U.S. Western states, how forests should be properly managed.

## Departments

### 80 Editorial

Many Strategic Threats, One Cause.

#### Photo and graphics credits:

Cover, EIRNS/Jim Duree. Pages 5, 15-17, 19-24, 28, 37, 38, 40-49, 52-54, 61, 62, EIRNS. Pages 14, 27, 34 (North), 74, EIRNS/Stuart Lewis. Pages 29, 31, Library of Congress Prints and Photographs Division. Page 32, EIRNS/Susan Welsh. Page 36, U.S. Navy. Pages 57, 58, Brazilian Ministry of Foreign Relations. Page 66, Photographic service of Minister Hubert Védrine. Page 68, EIRNS/Carl Osgood. Page 76, NTSB photo, [barry.razon.com](http://barry.razon.com).

## Strategic Overview

### 26 Storm Over Asia, Take Two: I Told You So, and Now It Is Happening

Lyndon H. LaRouche, Jr.'s keynote speech to the annual Labor Day weekend conference of the ICLC/Schiller Institute.

In October 1999, in a videotape entitled "Storm over Asia," LaRouche warned that the collapse of the British-led oligarchy's global financial system was propelling the world toward war. That assessment of the danger has been shown to be correct. Will the United States redeem its soul, and break from the British monarchy's insane policy?

## Economics

### 4 Germans Expose U.S. GDP Fraud, Imply Threat to Dollar

Monetary authorities in Germany have begun to expose as fraudulent, the United States' statistics on GDP and inflation. Their criticism implies a warning that the dollar is greatly overvalued and set to fall.

### 6 Investment, Eurasian Infrastructure Are Burning Questions for Russia

**Documentation:** A memorandum on an economic program for the nation prepared by Yuri D. Maslyukov, Chairman of the Russian State Duma's Committee on Industry, Construction, and Science-Intensive Technologies.

### 10 French Protest Oil and Gas Price Hikes

### 11 Germany: The Autumn of Our Discontent Has Arrived

### 12 Business Briefs

## Special Report



Homeless people living under the street in Los Angeles.

### 14 **Hyperinflationary Price Explosion in Housing Is Sweeping the U.S.**

A hyperinflationary spiral is sending U.S. home prices skyward; the prices bear no relation to what most Americans can afford. This reflects the debt-usury policy of the British-American-Commonwealth financier oligarchy, and the crossing over of this process, through a critical boundary condition, into Weimar Germany-style hyperinflation.

## International

### 56 **Fujimori Urges S. American Summit: Take Path of Unity**

A report from Brasilia on the historic summit of 12 South American heads of state.

### 60 **Fujimori: 'Let Us Build the United States of South America'**

### 61 **'The Rivers Which Unite Us'**

A review of plans for the economic integration of South America through construction of great infrastructure projects.

### 63 **Brzezinski Again Lights the Geopolitical Fuse for War**

### 66 **France's Védrine Slams Anglo-American Policy**

### 67 **Water Is Necessary for Durable Mideast Peace**

Former two-time Israeli Ambassador to the United States and a member of the Israeli Likud Party, Zalman Shoval, endorsed plans to create new water sources for the Mideast.

### 69 **Korean 'Miracle' Moves Ahead As IMF Financiers Lash Out**

With excerpts from a speech by South Korean President Kim Dae-jung at the UN; and a statement by North Korean Vice Foreign Affairs Minister Choe Su-bon, on a nasty provocation at the Frankfurt Airport.

## National

### 72 **Clinton Won't Authorize Bogus Missile Defense System**

Recent breakthroughs in technologies based on new physical principles, suggest that the time is ripe to scrap the bogus NMD schemes of the past decade, and to go back to the original LaRouche-Reagan SDI approach.

### 74 **LaRouche Rallies Democrats for Victory**

A movement of Democrats dedicated to the General Welfare concept of the U.S. Constitution, and to the policies of a New Bretton Woods alliance of sovereign nation-states, has emerged to rally the 80% of Americans, the "Forgotten man," as President Franklin D. Roosevelt called them, to assert political control.

### 75 **Report on TWA 800 Crash Leaves Many Questions**

Eyewitnesses say that a missile hit the plane, amid charges that the government is conducting a cover-up.

### 77 **Threat of Indictment Hanging Over Clinton**

### 78 **The Science of Forest Fire Prevention**

An interview with Curt Johnson.

## Germans Expose U.S. GDP Fraud, Imply Threat to Dollar

by Paul Gallagher

Monetary authorities in Germany have begun to expose and criticize as fraudulent, the United States' statistics on Gross Domestic Product and inflation. Their criticism is more than true, as regular readers of *EIR* know; and, it implies a European warning that the dollar is greatly overvalued and set to fall. The same warning, in fact, is also coming from columns of the *Financial Times* of London.

Any serious dollar fall would be combined with a sharp drop in the huge volumes of capital flowing into the U.S. economy from abroad, and could crash the equally huge bubble in U.S. markets.

The central focus of these severe criticisms of U.S. economic-statistical cheating, is the information technology sector—computer hardware and software—which occupies a bigger and bigger chunk of the globalized free-trade economies of the West. One very prominent German bank economist has written a letter to newspapers, asserting that one-third of the claimed growth of U.S. gross domestic product (GDP) since 1997, is purely the result of accounting fakery. The nasty character of the fakery, is that it presents the appearance of GDP growth, without there being any growth of *incomes* underlying it.

### Menace of Hedonistic Accountants

Since an August report issued on this subject by the Bundesbank (Germany's central bank), the fraud known as "hedonic price indexing" in the computer sector of the U.S. economy, has been widely exposed in the German media. No, "hedonic indexing," despite the sound of it, does not refer to lists of prostitutes, casinos, and massage parlors; rather, it's a series of accounting tricks which make computer hardware dramatically and magically cheaper, computer software far more valuable, and the productivity of computer employees much higher.

No other Western power uses these "hedonic" forms of creative accounting, and none has as thoroughly a computer-

ized a post-industrial economy as the United States. It is, according to the German exposés and their echoes in the British financial press, making U.S. inflation look artificially low, and U.S. productivity and GDP appear artificially high.

The Bundesbank pointed to the strange fact that according to U.S. statistics, the average prices for computers and computer equipment fell by 80% during 1991-99, while German data show the prices of the very same equipment falling by only 20% during that period. If Germany used the U.S. government and business accounting tricks on computer hardware, "German information technology investment [would amount] to an estimated DM 64 billion [roughly \$29 billion] in 1998, more than twice as much as the amount of real investment cited in official [German] statistics," the Bundesbank's report concluded. The German economy would show a much faster-growing GDP, as the U.S. economy claims to do, if the same accounting fraud were used.

### U.S. Inflation Covered Up

On Sept. 4, this charge circulating in German government and business circles was reflected in an editorial in London's *Financial Times*, "America's Hedonism Leaves Germany Cold." It repeated that the United States, when it announces "official inflation rates," is *not using the actual prices of computers and computer equipment, but rather using only a fraction of those real prices*, justifying this by the fact that computer power is increasing.

*EIR* has, for years, exposed this to be a general pattern and practice of phony inflation statistics, in product categories across the board, from autos to new homes. U.S. agencies use "quality adjustment factors" which keep assigning higher and higher values (hence, lower relative prices) to new products, on the grounds that they are somehow "better" than last year's.

But as computer technology occupies such a large and increasing part of the U.S. economy, the published rates of U.S. inflation are being jacked down by this "hedonic index-

ing,” helping to cover up the reality of accelerating inflation.

On Sept. 5, *Financial Times* columnist David Hale followed with the warning, “Dollar in Danger.” The apparent strength of the U.S. dollar, with capital flooding into the U.S. economy from all over the world, has been allowing America to run gargantuan trade deficits and current account deficits, living on looting the world’s produce, cheap. Claims of high worker productivity growth and low inflation, especially in the “New Economy,” have been used to keep the dollar artificially high.

On Sept. 6, the *Financial Times* published the sharpest attack, by the highest-ranking German banker, on the American information-technology accounting fraud, an attack which labelled current U.S. statistics “propaganda.”

The author of the letter was Kurt Richebächer, former chief economist of the largest German bank, Deutsche Bank. Richebächer added a second broad category of statistical fraud, the treatment of computer *software* purchases by American firms as capital investments instead of business expenses, as Europe and Japan account them. The specifics of both frauds were exposed last year by *EIR* (see Richard Freeman, “It’s Time To Scrap GDP,” Dec. 10, 1999). But the exposure of the “propaganda” now, by high-ranking European government and private financial circles, is connected to the immediate potential for a hyperinflationary blowout of the dollar.

## Pointing to Greenspan

Richebächer wrote, “In his speech given in Jackson Hole, Wyoming, Alan Greenspan claimed that Europe fails to reap the big productivity gains that the new economy has brought to the U.S., because labor market inflexibility in Europe destroys the incentive to invest in cost-saving technology. Considering that European businesses have sacked millions, it is a strange argument. At issue, however, is his assertion . . . that high-tech capital spending is far lower in Europe than in the U.S., and that this largely explains the tremendous difference in economic and productivity growth. In reality, the great digital and productivity divide between Europe and the U.S. is least of all in the economies. It is overwhelmingly in the statistics and the propaganda.”

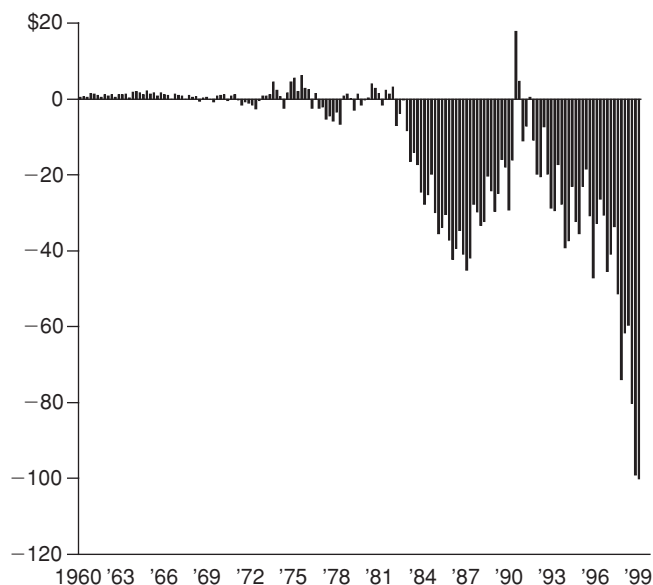
The first fraud, deflating of computer hardware prices across the entire economy, balloons the apparent U.S. productivity and GDP growth, and hides inflation, Richebächer explained. The second fraud, counting computer software as capital investment, further “adds heavily to U.S. GDP growth.”

“To give an idea of these effects,” he continued: “Between end-1998 and mid-2000, business spending on computers rose, in current dollars, by \$23 billion. . . . But the hedonistic deflator puffed this modest amount up to a massive increase [of] \$120 billion. As to software spending, . . . it added another \$95 billion to GDP growth in dollars. Together, the two components swelled real GDP growth by \$215 billion, as against an actual [growth of] \$23.8 billion.” In plain terms, U.S. GDP growth in the information technology sector of the

FIGURE 1

## U.S. Current Account Balance, 1960-99

(Billions \$)



Source: U.S. Department of Commerce.

economy is made to look ten times as large as it is, by the propaganda of the accountants of the government and the private sector.

## Growth Without Income

“Finally,” concluded Richebächer, “this raises the question of whether the American measuring method makes economic sense. The answer is: no, not at all. The reason is, that it creates more and more fictitious ‘real’ GDP growth, and, in line with it, more and more fictitious productivity growth—but this is growth that occurs without any correlated income growth. But is it not income growth that matters? Since the third quarter of last year, [American] growth in real disposable income has been rapidly falling behind GDP growth. In June, it was zero, and in July 0.1%, and that in a booming ‘New Economy.’”

These European fingers, exposing the emperor’s “new clothes” and implicitly proposing a dollar devaluation, are being pointed only six weeks after *EIR* led the way with the publication (first in Germany) of its Special Report, “The New Economy Is Doomed: The Fraud of the Information Society.” The report explodes, from the inside out, the universally accepted myths of super-high productivity, high incomes, and rapid growth in GDP, supposed to be flowing out of the “New Economy,” especially in the United States. That devastating exposure is now finding its reflections in semi-official warnings from Europe, of this heel of the Achilles of the American economic bubble.

# Investment, Eurasian Infrastructure Are Burning Questions for Russia

by Rachel Douglas

“Only economic development will allow us to avoid such calamities in the future,” said Russian President Vladimir Putin after the Ostankino television broadcast tower burned in August. The sinking of the nuclear submarine *Kursk*, in a moment of high tension that it took Russian-American Presidential consultations to defuse, was fresh in people’s minds. Still undecided, is just what will be done to shift economic processes in Russia.

As the State Duma, the Russian Parliament, reconvened at the beginning of September, there was economic policy action in two directions. One of them operates under the old rules of the international financial game. The other, could take Russia into a Eurasian “Survivors’ Club,” as the biggest Anglo-American financial bubble of all time blows out.

Under the old rules, Russia must adopt a budget for 2001, in which the biggest expenditure line item is servicing the foreign debt. Defense spending is set at 2.66% of the Gross Domestic Product indicator, but after the sinking of the *Kursk*, a political fight over this level has shaped up. Former Prime Minister Yevgeni Primakov’s Fatherland-All Russia group in the Duma has called for a defense budget at 3% of GDP, while Deputy Chairman of the Duma’s Committee on Economic Policy Anatoli Aksakov says the budget can accommodate a defense line of 3.5% of GDP.

Politicians from all quarters note that the budget calculates Russian oil export revenues at a price of \$19 per barrel, whereas it currently fetches nearly \$30 per barrel, and they demand that the budget revenues be recalculated upwards. State Duma Speaker Gennadi Seleznyov anticipates attempts to increase not only defense spending, but also monies for “basic science, medicine, and culture,” which are all drastically underfunded. Prime Minister Mikhail Kasyanov rejoins, that Russia must have an eye toward a change in “the conjuncture” — that is, a possible dramatic crash of the oil price — and not change the basic rates of calculation.

## Eurasian Corridors

Russian defense spending and Moscow’s awareness of the conjunctural crisis potential are by no means insignificant, but there is not yet a fundamental policy shift, embedded in

the budget debate as such. Far more profound, are the implications of a new level of engagement of Russia, under Putin’s leadership, with other Eurasian countries that are in the forefront of a global shift against the financial and strategic power of the Anglo-American establishment.

In St. Petersburg in mid-September, will be held the Second International Euro-Asian Conference on Transport, attended by representatives of over 50 countries, including China and India. According to Kseniya Gokoyeva, writing in *Nezavisimaya Gazeta* of Sept. 7, “The Russian delegation plans to sign agreements with India and Iran on the development of the North-South transportation corridor,” ensuring that Russia will not be left out of the new “Silk Road” developments on the Eurasian continent.

On Sept. 7, the Russian cabinet discussed the “Europe to East Asia” transport corridor, as well as north-south routes. On the agenda, according to Deputy Prime Minister Viktor Khristenko, were “priorities in international transport corridors . . . , so that the geographical advantages that Russia has and that were used in the times of the Soviet Union should be restored, considering . . . the shift of the centers from which goods are shipped and accordingly the centers of production from developed countries, to, shall we say, the south.” The extension of a Eurasian corridor down the Korean peninsula, said Khristenko, was discussed at the meeting, and by President Putin during his visit to Japan. In October, Putin will visit India.

Engagement in the great Eurasian transport projects can pull Russian economic policy into the critical, neglected area of physical infrastructure. “One of Russia’s top economic priorities—rebuilding infrastructure,” Prof. Stanislav Menshikov called it, in an Aug. 31 commentary in the *Moscow Tribune*. He wrote that investment in infrastructure construction would be a route to the pressing task of “reviving capital investment” in general.

Because these are burning questions in Russia, the documentation of Russian economic policy deliberation, presented in the next three pages, is excerpted not from the government’s current briefs, but from a memorandum by a leading advocate of *change* in economic policy, Yuri D. Maslyukov.



## A Strategy for National Industrial Development

*The memorandum, excerpted here in translation, was prepared by Yuri D. Maslyukov, Chairman of the Russian State Duma's Committee on Industry, Construction, and Science-Intensive Technologies, after hearings he held on an economic program for the nation. It was published on Aug. 31. An expert on the Soviet defense industries, Maslyukov was the last Chairman of the state planning agency, Gosplan. He served as First Deputy Prime Minister of Russia in the Yevgeni Primakov government (1998-99). His memo is subtitled, "The Place of Industry in Providing for Sustained Economic Growth."*

In the framework of the ongoing discussion of the paths for Russian economic development, one often hears mention of the need to achieve average annual GDP growth of 5-10% throughout the next decade.

It should be understood, that there are only two essential models for the increase of GDP: through the furious development of the financial sector (leading to the inflation of a financial bubble, as is familiar from world experience, as well as Russia's), or through the development of the real sector, industry above all.

The structure of the Russian economy at present is such, that GDP growth is essentially determined by the growth of industrial production, which has been completely sluggish this year. An acceptable increase of GDP, therefore, cannot be ensured without an industrial upswing. . . . Even if there is balanced growth of the financial and real sectors, the very structure of the production of GDP requires that the growth rate of industry consistently exceed growth rates in the economy as a whole.

Therefore, when the necessity of sustained growth at an average rate of 5-10% per annum is discussed, we should understand that this means either a new "financial bubble," or annual growth of industrial production at the rate of at least 10% annually (including growth in the electric power sector of at least 7-8%), which is unlikely under conditions of today's "investment famine."

It cannot be argued, that there are no grounds for such optimistic prognoses. Indeed, thanks to the strengthening of state support for domestic producers and the restriction of the growth of fees for the services of the natural monopolies, certain consequences of the fourfold devaluation [of the ruble] and the increase of world oil prices in 1999 gave a sig-

nificant positive impulse to the Russian economy. It was preserved into the first quarter of 2000, when there was 11.9% growth in industry, an increase in investments of 5.9%, growth of agricultural production, 1.2%; real incomes of the population, 7.6%; exports, 47.1%; and imports, 2.9% (the data for exports and imports are for January-February). True, the pre-crisis level of the first quarter of 1998 was exceeded only by industrial production (by 10.1%) and exports (by 20%). The decline of investments was also not compensated, and continued at a rate of 7.7% for those two years, while agricultural production fell 4.1% in that period, real incomes of the population fell 21.3%, and imports fell by exactly one-half.

But, despite this, the first quarter of 2000 was the most successful period since the very beginning of reforms [in 1992]. This gave rise to problems, as well as successes.

The main problem, is that the market has pre-divided the economy into two parts: sectors, capable of successful independent development, and sectors in need of active support from the state.

In 1999 and the beginning of 2000, Russia experienced an unprecedented investment boom. It was concentrated, however, primarily in sectors with relatively stable effective demand and, most important, rapid recoupment of investments, which qualitatively reduces political risks. Thus, investments in non-ferrous metallurgy rose by one-third, in machine-building and transport by 28%, and in the chemicals and petrochemicals industries, as well as food-processing, by 17.7%. . . .

The most important sectors for national development, however, are the spheres of life-support and infrastructure, which are capital-intensive sectors with a slow rate of recoupment. They constitute a second, "non-liberalized" sector of the economy. For these sectors, the standard liberal recipes are absolutely inadequate. There has to be some serious activation of state regulation. It is guaranteed, that private capital will not enter this sphere on the minimum scale, required for its survival, simply because the high capital intensity and slow recoupment of investments make the political risks prohibitively high.

Thus, investment in the electric power industry declined by over 10% in 1999.

To ignore this, creates a threat of physical destruction of the life-support systems, due to chronic underinvestment. In this connection, Russia is threatened already today with the emergence of a shortage of material resources, and a qualitatively new phase of degradation, in which national development will be blocked for the first time not by financial, but by resource limitations.

In particular, the countryside today is already suffocating, without equipment. This, and not only bad weather, was the main reason for the harvest failure in 1999. The cause of anticipated difficulties with the 2000 harvest is the same: You could pay the producers tomorrow, if you wished, but there

is already no time for the production and repair of the equipment.

During the next three to five years, the electric power, oil, and natural gas industries will begin to reap the fruits of chronic underinvestment. A little bit longer, and no amount of financing for advanced technologies and geological prospecting will save them—and with them, the economy as a whole—from the consequences of the decade-long “investment pause.”

Today, it is increasingly a shortage of material resources, not just money, that begins to hold the country back. Russia is finishing up its consumption of “the U.S.S.R. inheritance,” especially with respect to investment. It will require a different organization of the economy and the state, to replenish what Russia has grown accustomed to drawing from its seemingly inexhaustible reserves.

According to specialists at the Russian Academy’s Institute for National Economic Forecasting, the inertia, which has been taking shape, despite the cheerful current indicators, will lead to a decline of production, investment, and consumption by as much as 8-12% during the first decade of the 21st Century.

In order to ensure an acceptable future, there must be a transition to a qualitatively new model of economic development, which relies on the interconnected growth of consumption and investments, achieving balance among the financial, production, and resource spheres.

Such a transition can be brought about only by an active state. . . . The top priority task is to compensate for the expected gradual deterioration of the conjunctural situation (including as a result of the increase of fees for the products of the natural monopolies, the intensification of domestic fiscal pressures, and the possible decline of world oil prices), with an energetic and well-conceived state policy. In order to implement such a policy, the state must unite all of society’s forces and concentrate them on achieving key goals.

### **An Effective Reproductive Model**

. . . It is necessary to create a social-psychological “atmosphere of recovery and upswing,” characterized by accord within society on the goals of development and the means to achieve them. . . . A condition of society should be sought, where the key institutions link their vital prospects and strategic interests with expanded reproduction and modernization, with the increase of national wealth and productive capital, rather than with their redistribution, as was the case in recent years.

There need to be powerful motors for an economic upswing—groups of interconnected types of manufactures and economic institutions, which form a coherent system and possess not only a powerful potential for growth, but also sufficient “critical mass” for the qualitative transformation of the economy. The model of economic growth must rest on inno-

vation and improvements in efficiency. . . .

### **The Key Problems of the Economy Today**

In the framework of the indicated preconditions, there are concrete economic problems to be solved, which may destabilize Russia’s economy by 2005, if they are left unattended.

*The first of these, is the investment crisis.* Due to the lack of a consistent state investment policy, investments fell by a factor of five in 1991-99. In 1994, the share of equipment that was “younger” than ten years was 44.5%; by 1997, it had fallen to 29.4%. At current rates of reproduction, fixed capital will have shrunk so much by 2005, that it will become the main factor limiting development. By 2010, fixed capital will have shrunk by 25% since 1998, with only 55-60% of the pre-reform capacity remaining.

The quality and competitiveness of productive capacities must be raised. Their modernization requires an annual increase of investments of 10-12%, or 8% as a minimum. . . . Within this, resources must be reoriented toward the agro-industrial complex (AIC) and capital machine-building. The “investment leap” must occur only on the basis of Russian machine-building, because to import the equipment needed for this growth—more than doubling by the year 2010—is beyond our means (costing \$15-18 billion). . . .

*The second, is the social crisis.* A gap between production and consumption has emerged in Russia. In 1991-98, production fell by more than half, while consumption declined only 21%. Consumption was maintained by building up imports of consumer goods, in exchange for raw materials exports, by reducing investment and defense spending, and—since 1995—by domestic and foreign borrowing. As of 1998, the potential of these factors was exhausted.

The financial crisis of 1998 partially overcame the gap between production and consumption, through a decline of consumption. The number of citizens, whose income is below the subsistence minimum, increased by 20 million people, to 37% of the population. In 1999, the population’s consumption fell by 5%. If this tendency were to continue, by 2005 consumption would have fallen 5-10% since 1999, which would bring our social problems into a medical-demographic and political dimension.

Without restoring the standard of living, it is impossible to restore the population’s confidence in the state, and to create constructive motivation for business or labor.

The price scissors at the start of the reforms led to the subsidization of industry and middlemen at the expense of the rural areas, which has produced a food crisis. . . . The purchasing power of the rural sector fell by more than a factor of three, in 1992-99, while investment in that sector fell by a factor of 25. The decline of agricultural production has outstripped the collapse of industry since 1995. In 1991-99, it was 44%. . . .

Enough combines and tractors are produced to replace only 10-15% of those taken out of service. The shrinkage of the number of units of agricultural machinery (at the rate of 5-8% per annum) causes a reduction of land under crops (by 25-30% in ten years), and will slash the grain harvest (from 65 million tons in 2000 to 50 million tons in 2005, and 40-45 million tons in 2010). Meat and dairy production will decline by a factor of 1.5 in 2000-10. If events develop according to this scenario in 2005-10, the AIC will supply only 75-85% of the population's biological needs. . . .

To prevent this will require tripling investments in agriculture in 2000-05, and another increase by a factor of 2.4 by the year 2010.

The minimal requirements for subsidies, state institutions, and capital spending by the state currently comprise 33% of GDP. . . . According to Russian Academy of Sciences specialists, no more than 70% of budget obligations are covered by allocated budget spending, which can be called a situation of budget tension, if not a crisis.

Restructuring of foreign debt payments and new borrowing could reduce the rate of printing money to cover this gap, to 1-3% of GDP in the medium term. Exceeding that level means hyperinflation.

The fuel sector is a major creditor of the economy, in which around 40% of the net indebtedness of industrial consumers is concentrated. After 2000, the possibilities for that sector to develop without capital intensity will have been exhausted. By 2005, the volume of investments in the fuel sector should grow 150% above the 1999 level, and they should double by 2010. Otherwise, the country may encounter a shortage of fuel resources by 2005. . . .

The devaluation of the ruble and growth of a trade surplus have created an illusion of prosperity. The necessity of stimulating exports, under conditions of exorbitant costs and poor management, however, requires a lower exchange rate for the dollar. This, in turn, will stimulate inflation. . . .

## Scenarios for the Russian Economy

The most important practical question for determining Russia's prospects is the recovery of the state. Without addressing the question of state construction, it makes no sense to prepare programs, and Russia will be condemned to the least favorable, inertial path of development. On that path, the limitations and inadequacy of demand virtually preclude the possibility of smooth, evolutionary development. The devaluation took the economy into a new phase, which may continue until 2002. The growth of import-substitution, exports, the money supply, and the mitigation of imbalances through the decline of the standard of living, may sustain an increase of industrial production of up to 15%, until that time.

In 2003-06, however, the mass decommissioning of production capacities and the reduction of agricultural output will aggravate the systemic crisis. It may unfold in the follow-

ing way:

1. A low level of investments will reduce the potential of several sectors, including the AIC. . . . Food shortages will force increased imports, straining the country's balance of payments.

2. The trade surplus will be insufficient to increase imports. The tax burden and low investment will allow the increase exports solely by means of reducing the exchange rate of the ruble, which will accelerate inflation.

3. A falling ruble exchange rate will make it more expensive to service the foreign debt. . . .

4. The fall in the exchange rate and increased printing of money will intensify inflation, reducing consumption by the population, leading to a new spiral of collapsing production and retirement of capacities.

5. This will aggravate a negative tendency — regional segmentation of the economy. . . .

Under this inertial scenario, the sole sphere of growth will remain raw materials exports, which will increase by more than 15%. The economy will be further deindustrialized, with production capacities slashed by one-third, in comparison with 2000.

As a result, by 2010 Russia will finally have a model of economy, on the periphery of world development. It will feature a low standard of living, with great social and regional differentiation. . . .

All society is united today, by the rejection of such prospects and the search for an alternative. There are two variants being most actively considered: an attempt to move to sustained growth through the stimulation of exports, or by means of increasing consumer demand.

The "export-oriented" path of development fits the liberal ideology, but calculations show that it is inadequate for today's Russian realities and requirements. . . .

The "consumption-oriented" path of development, through building up consumer demand and promoting import-substitution, will lead to support for consumption and the social sphere, by means of reallocating budget spending from raw materials exports and of economizing on investments (by utilizing idle capacities). This will ensure more rapid growth, but it is also inadequate for the revival of our country's economy.

The only way out of the situation is for the state to stimulate simultaneously exports and consumer demand, which requires active incentives for investments, as the basis for such a policy. The "investment" path of development will not only provide for maximum growth rates, but will make it stable, relying not only on the quantitative increase of output, but on the qualitative modernization of the technologies in use.

*The remainder of Yuri Maslyukov's memorandum spells out specific measures for the achievement of an investment mobilization.*

# French Protest Oil and Gas Price Hikes

by Christine Bierre

At the moment of writing, the three main truckers unions in France are still blocking the main oil depots throughout the country in an effort to get the government to vastly reduce taxes on oil products. The truckers launched their action the second week in September on the heels of strikes by the fishermen's unions, which had actively blocked many of the Atlantic and Mediterranean ports at the end of August, demanding government action to deal with the huge and accelerating price increases of gasoline and other petroleum products. The speculative price hikes are global in nature, and the protests are spreading now into Spain, Germany, and Britain.

By negotiating rapidly with the fishermen and the truckers, the government hoped to stop any other economic sector concerned over the oil price rises from joining the strike. But this calculation has failed: Farmers, taxi and ambulance drivers, commercial boat owners, and even the large construction unions have now joined the protest movement and are demanding similar aid and action from the state. The French Construction Federation (FFB) declared that since the beginning of the year, oil price rises have caused price increases of 5% for paint and of 25-30% for plastic products. The National Federation of Public Works (FNTP) reports that prices for oil used by on-site machinery have increased by 50%, and oil-derived asphalt prices by 100%.

The strikers are putting the government's back against the wall of the present "globalized" world. The government's maneuvering room is very small indeed, unless it decides to go after the heart of the disease: wild speculation, in particular the mergers and acquisitions among the huge oil multinationals.

## Government vs. Multinationals

In recent months, Paris has tried to take on the oil companies. Finance Minister Laurent Fabius launched two investigations aimed at determining whether there was collusion among the oil companies in hiking the oil prices. The government also considered raising taxes on oil companies, but did not do so. Only the French oil companies, Total and Elf, could be taxed in this way, a measure which, it was claimed, would hurt their competitiveness vis-à-vis the Anglo-American "Seven Sisters" (which are now only five, because of mergers).

The only maneuvering room the government has, is reducing taxes on oil products, which are high in France compared to other countries. Of the 8.5 francs paid today by the consumer for a liter of high-octane gasoline (roughly equivalent to \$2.50 per gallon), only one-third corresponds to the price of gas, and nearly two-thirds goes to pay taxes. It is in this area that all the strikers are demanding assistance from the government. The conflict with the fishermen, whose taxes on gasoline consumption were already lifted, was resolved on Sept. 1, when the government proposed significant reductions in social security withholdings paid to the state.

While everybody expected the conflict with the truckers to be resolved on Sept. 6, as soon as the government proposed to reduce one of the various taxes on diesel consumption by 35¢ retroactively for this year, and by 25¢ for next year, the impasse took a new turn when the membership of two of the striking unions voted the deal down. The truckers are demanding that the government reduce the tax by 53¢ immediately. The government's maneuvering room, however, has reached its limit, and Prime Minister Lionel Jospin declared to the press late on Sept. 6, that there are no more concessions to come.

The Green Party, a member of the government's parliamentary majority, has rejected any further reduction on diesel taxes and is reminding Socialist Jospin, that these taxes are in the contract to which both parties subscribed, in order to form a coalition government. After the Aug. 29 resignation of Interior Minister Jean Pierre Chevènement from the government, the loss of the Green Party ally would deal another blow to Jospin's majority.

The situation would be even more critical for the government, were it not for the fact that the small upswing brought about by measures adopted over the last couple of years, to create a few hundred thousand jobs, brought in a large increase of fiscal revenue last year (30 billion francs) and this year (80 billion francs). So, thinking in the very short term, Paris believes it can afford to cut taxes in this or that area. Fabius even announced a FF 120 billion tax reduction over three years, for all social categories in France.

Taxi drivers and river transport workers have most recently joined the protests, with slow-speed motorcades and a blockade of the Seine River, which flows through the capital. And elsewhere in Europe, protests and boycott actions are beginning in Spain, Belgium, Britain, and Poland.

The strikers are not yet ready to demand effective controls on speculation, which is the cause of the oil price rise. If they did, a powerful government could then use their demands to regain control of the national financial system. Unfortunately, the French authorities, while willing to offer some resistance to the present financial order, are not yet ready to go against the rules of the Anglo-American financial game. Such methods might improve the situation momentarily, but not when the time comes for a general financial breakdown.

# The Autumn of Our Discontent Has Arrived

by Rainer Apel

The sudden eruption of nationwide protests in France, against the rapid rise of fuel prices, during early September, has sent a message across Europe, about what is in store as the Summer draws to a close. Anyone who drives an automobile is boiling with rage over the 10% increase of fuel prices within less than a week, in late August-early September.

What the French government is doing — namely, trying to buy off protests by cancelling recent tax increases, while not interfering with the speculative markets, the main source of evil (see article in this section) — is an approach that the German government of Chancellor Gerhard Schröder is intensely committed to as well. This indicates that the German government will try to deal with the coming crises in the same way that it has dealt with crises in the past. But, the cancerous speculative financial bubble is eroding the ability of governments to settle conflicts with their usual tricks.

## Tax Cuts for Banks and Insurance Firms

During the weeks before the Summer recess, the markets generated pressure on the German government (and other European governments, as well) to give big tax cuts to banks and insurance companies, to help them transform their industrial stocks into financial liquidity that could be pumped into the markets to keep the speculative bubble aloft. The expectation of several hundred billion deutschemarks, which thereby would be raised by selling “obsolete” industrial stocks, would meet some of market’s urgent demand for liquidity.

This script was adopted by the government, which to the surprise of many, moved up the introduction and debate on the tax-reform package, in order to get it passed before the Summer recess. The potential veto by some of the German states that are governed by the opposition Christian Democrats, was bought off with concessions in the range of DM 7 billion, including subsidies to regional infrastructure projects, and unemployment and job training programs. Berlin has taken an adventurist approach here, because it thinks that it will easily compensate for the concessions by making extra money on the financial markets, from trading with the extra funds from the sales of stock that are going to be invested back into the markets. The Finance Ministry is trading with derivatives, and it expects to draw on the net profit that the central bank will make, with similar operations on the global financial markets. The bill for that will come due in the not-

too-distant future, when the predictable investment crunch from that giant transformation of banks’ shares in the industry, will be felt in the form of production cuts and layoffs. But, still in late July, the government was confident that it had “solved” one big problem in this way.

But the next problem is already here. It resembles the situation of Autumn 1999, although on a smaller scale, when illegal operations by Deutsche Bank and other banks, extracting funds from the Philipp Holzmann construction company, created a hole of approximately DM 2.4 billion that could not be filled. The banks decided to let Holzmann, Germany’s second-largest in that sector, simply go bankrupt. This decision sparked a wave of labor protests, and also a public debate on the need for banking re-regulation. The Chancellor himself flew to Frankfurt to negotiate an emergency deal with the banks so that they wouldn’t let Holzmann go bankrupt, giving them some DM 250 million out of government funds — and to calm an enraged public, as well as to dampen the debate about re-regulation.

All of that happened during the end of November 1999. Only ten months later, the Chancellor had to intervene a second time, because another deficit of DM 150 million — just for the month of September 2000 — had been discovered at Holzmann, which supposedly had been “saved.”

In early September, the Chancellor was forced to intervene along several other fronts at the same time. For one, labor raised objections against the government’s plans to use all DM 99 billion raised in the recent state auction of new-generation mobile phone licenses, for servicing old debt. At the same time, the labor unions told Berlin that its plans for pension reform, to shift from exclusively state-run pensions to (speculative) private pension funds, were unacceptable. And, labor is also calling for a halt in public health budget cuts, and for the dismissal of Health Minister Andrea Fischer, a member of the Green party.

Banks and investment funds expect the pension reform to release another several hundred billion marks, unfrozen from state pension funds that are not permitted to speculate, to then be used for speculative tradings. As the pension reform is vital for the markets, it is, consequently, vital also for the pro-market government. But, the government needs the votes of the Social Democratic Party members of parliament, two-thirds of whom are controlled by the labor unions. In order to achieve that, Chancellor Schröder has offered to cancel the same indexation system for pensions, which he had introduced only a year ago.

The government’s plugging one hole after another will not work for much longer: The drastic rise in fuel prices has already provoked calls from among labor unions, that either Berlin should offer additional tax rebates to workers who commute by automobile, or face strikes for bigger wage increases, to compensate for the fuel price increases. Wage hikes will put pressure on the government to pay pensioners more as well, so that a new budget hole will soon emerge.

# Business Briefs

## *Biological Holocaust*

### **HIV Can Be Transmitted by Kissing, Says Expert**

French researcher Prof. Luc Montaigner, the scientist who discovered that Acquired Immune Deficiency Syndrome (AIDS) is caused by the Human Immunodeficiency Virus (HIV), revealed that HIV can be transmitted through kissing. He was speaking at an AIDS workshop in Kampala, Uganda, on Aug. 29, the Ugandan daily *The Monitor* reported.

Montaigner, who is president of the World Foundation for AIDS Research and Prevention, explained that salivary glands contain viral components and can transmit these components to a partner. He said that there is need for a study to explain why HIV infection has led to an epidemic, and also for research into the increasing cases of heterosexual transmission in tropical areas and the relevance of transmission-prevention policies.

Montaigner said that some of the problems facing researchers into an AIDS vaccine in tropical countries, include inadequate animal models and virus variability. He said that he intends to start testing an AIDS vaccine in two years' time, which will work both as a therapy and a vaccine. He said this research requires close to \$20 million.

Montaigner called for the creation of an AIDS foundation, a prevention network and centers, and research, which the French Embassy in Uganda is willing to sponsor.

Lyndon LaRouche and associates were among the first, if not the first, to make the point that the saliva of AIDS victims contained far higher concentrations of HIV virus than semen.

## *Indonesia*

### **IMF Bailout Leads to Foreign Takeover**

One of Indonesia's leading family conglomerates, Bakrie and Brothers, provides a useful object lesson about how the international oligarchy's tools, such as the International

Monetary Fund (IMF), set up national assets for takeover.

Aburizal Bakrie is chairman of the Indonesian Chamber of Commerce and current majority shareholder of Bakrie and Brothers and its affiliated five firms, including agricultural firm Bakrie Sumatra Plantation, telecom operator Bakrie Elektrindo Co., mining firm Arutmin Indonesia, chemical firm Bakrie Kasei Corp., and satellite-based firm Iridium. At an extraordinary general meeting of Bakrie and Brothers on Aug. 28, Aburizal reported that the group's debt-restructuring program will lead to foreign creditors taking over 95% of the family's equity in the conglomerate in exchange for its accumulated debts of \$1.05 billion. Aburizal's current 55% stake will collapse to 2.5%. Company President Irwan Syarkawi said that, once finalized, the debt-restructuring plan would also translate into foreign creditors taking 95% control of all five of the subsidiary firms.

There's just one catch. Under Indonesian law, foreigners are not allowed majority ownership in some sectors, including mining and plantations. In mining, for example, there is a 49% cap on foreign holdings, above which firms are subject to mandatory divestiture. The debt restructuring is being held up, in part, until the government guarantees that it will respect the foreign shareholder's claim.

## *Infrastructure*

### **Iran Promotes Transport Corridor to Russia, India**

"A new corridor stretching from the north to the south, which will link Russia, Iran, and India, is being considered for international transport and transit," Iranian Deputy Roads and Transportation Minister Masoud Khanasari said in Tehran on Aug. 30. "Organizations and bodies involved in the transport of goods believe the new transit highway would facilitate and speed up the process of transportation," he told the Iranian News Agency. He touched on the readiness of Europe to invest massively in new corridors linking Iran and Russia, saying, "We did our best to introduce Iran's potentialities, and ca-

pacities that could help connect Asia and Europe."

Khanasari, who is also the head of the State Terminals Organization (STO), said that Iranian transport fleets face no serious problems travelling through Europe. He criticized the restricted amount of foreign exchange allotted by banks, as having delayed the renovation of the state's international transportation system, but he expressed hope that the issue would be settled within three to four years.

"Under the Third Five-Year Economic Development Plan [March 2000-March 2005], the STO would deposit a part of its budget with the banks, so that these, in turn, can provide the STO with fivefold the amount, to finance necessary business," he said. Khanasari did not elaborate the shape this transit corridor will take, nor other technical details.

On Aug. 26, Iranian Minister of Road and Transportation Mahmoud Hojati described the Kerman-Zahedan rail line as "an arterial route" between Europe and Asia. The rail line, now under construction, extends from Kerman in central Iran to Zahedan on the border with Pakistan, and is the only unfinished part of the southern route of the Eurasian Land-Bridge. Hojati stated that "the railroad enjoys international importance."

The fact that Iran is becoming a stabilizing factor, economically and strategically, as the fourth component of the Russian-China-India "Survivors' Club," is a source of great frustration for Anglo-American geopoliticians who want to pit Islam against Russia, India, and China.

## *Middle East*

### **Jordan Wants To Start Work on Red-Dead Canal**

An official in the Jordanian Water Ministry said that the Ministry will soon resume new and detailed studies on a project to build a canal between the Red Sea and the Dead Sea, and will also review the previous studies that had been made on this project, according to the Aug. 28 issue of the Arabic daily *Al-Quds Al-Arabi*.

**FACTORY ORDERS** in the United States posted the biggest one-month decline ever in August, collapsing 7.5%, or \$30.5 billion, the Sept. 1 *Wall Street Journal* reported. The retail sales index for August was the lowest in three years, and the National Association of Purchasing Managers reported a decline in manufacturing contracts to the point that the sector is shrinking.

**SUDAN'S** state-owned National Petroleum Co. plans to lay pipelines to supply Eritrea and Ethiopia with petroleum derivatives from the Khartoum refinery, the state news agency SUNA reported on Aug. 28. The firm plans to study the feasibility of a pipeline to export crude oil from the Adaryel fields in Upper Nile, south Sudan, to Ethiopia.

**JOSEPH STIGLITZ**, a former World Bank chief economist, conceded that full market liberalization for a developing country was a mistake, and said that "Malaysia did far better than most countries when it intervened . . . at an appropriate time" with capital controls and other measures to protect its economy. He was speaking at a conference on "Central Banking and Sustainable Growth in the 21st Century," in August.

**THE UN FOOD** and Agriculture Organization reported on Aug. 30 that one-fifth of the population in the Asia-Pacific region, or some 525 million people, are chronically malnourished.

**IRANIAN** gas pipelines will start delivering gas to Turkey by July 30, 2001, Turkish Energy Minister Cumhuri Ersuemer announced on Aug. 25. The deal was signed in Summer 1996, but Turkey had failed to implement the project on its side of the border for financial reasons.

**ETHIOPIA** is considering building rail connections to Kenya and Sudan, to get access to their ports, Vice Minister of Transport and Communication Ayenew Bitewilign said recently.

*Al-Quds* reports that the project, which costs about \$3.2 billion, is expected to produce about 700 million cubic meters of fresh water (through desalination and reverse osmosis), most of which (500 million cubic meters) would be used by Jordan. Water Ministry sources said that "this project would secure a renewable water source for Jordan to meet its deficit of fresh water beyond 2010," and stressed that "it will help maintain the water levels in the Dead Sea, as well as contributing to the national economic development plans."

## Economic Policy

### Malaysia's Mahathir Tells Africans: Beware of IMF

Malaysian Prime Minister Dr. Mahathir bin Mohamad advised African leaders concerning International Monetary Fund (IMF) and World Bank policies, in an interview with the *Zimbabwe Mirror* during the Aug. 21 Southern Africa International Dialogue summit (SAID 2000), hosted in Mozambique, and in which the leaders of southern Africa participated. The interview was published on Sept. 1.

When asked what lessons African can learn from Malaysia, Mahathir replied, "We have to understand that the world economic environment is a very hostile one. Weak nations are targets of economic attacks by the rich nations because they want to enrich themselves at the expense of the poor. And the international agencies cannot be relied upon to help, because they are instruments of the rich countries. So we have to depend upon ourselves and not on others. That is the lesson to be learned." Mahathir advised African countries to learn from Malaysia's experience in order to avoid a "very traumatic experience themselves."

Asked if a dialogue with the West is possible, Mahathir said that the Group of Eight is "a very exclusive club and they are not prepared to listen. Maybe one or two of them, Japan and France, may want to listen, but the others are not interested." The Japanese, he said, have "indicated that they would like to work with Malaysia in Africa. . . . We have already had two meetings with Japan in order to discuss the problems of Africa and what

Japan can do to help. For our part we have asked the Japanese to finance the cost of training African candidates in many fields in Malaysia, and they have actually undertaken to do that."

On privatization, Mahathir said, "It may be necessary for African countries to strengthen the capacity of the indigenous people before undertaking privatization. Of course, the international community is urging for immediate privatization because they know that if you cannot sell to your own people, they will come in and take over. But if you allow them to take over, it will be disastrous."

## Thailand

### Bangkok Elevated Rail System Project Revived

Thailand and Germany's Credit Bank for Reconstruction (KfW) are reviving the collapsed Bangkok elevated rail plan, the daily *The Nation* reported on Aug. 15. The State Railway of Thailand is conducting a study with the KfW to complete the \$2 billion project left undone by Hong Kong's Hopewell Holdings in the mid-1990s (before the financial crash in Summer 1997). The subway and skyway plans were drastically downgraded in favor of road building, due primarily to the lack of "profitability" of the rail systems. However, it is now recognized that the gridlock in Bangkok will never be solved with more roads and more cars. Only 1% of Bangkok transport is rail, compared to 50% in most advanced sector cities.

Meanwhile, the newly elected governor of Bangkok, veteran politico Samak Sundaravej, has withstood heavy criticism and stands behind his "14 projects" to develop Bangkok and the region. Pointing to the KfW's agreement to work with Siam Commercial Bank to finance the various expansion plans of the Bangkok Transit System, Samak has called for extending plans for the skyway rail system to three surrounding provinces. Other projects include three huge incinerators around the city, low-cost housing, and 300 low-cost-meal centers, as well as some road projects and office and convention complexes.

# Hyperinflationary Price Explosion in Housing Is Sweeping the U.S.

by Richard Freeman

A hyperinflationary spiral is sending U.S. home prices skyward; the prices bear no relation to what most Americans can afford. Rather, this reflects the debt- usury policy of the British-American-Commonwealth financier oligarchy, and the crossing over of this process, through a critical boundary condition, into a Weimar Germany-style hyperinflationary spiral. This has turned the U.S. housing market into one of the biggest speculative markets in the world.

This makes a mockery of U.S. government lies, that “core inflation” in the United States is only 2.5%. Look at California, which has 34 million people, 12% of America’s population. In nine California counties, between second quarter 1999 and second quarter 2000, the median price of an existing home increased a whopping 15 to 39%. In one of them, Santa Clara County—where most of Silicon Valley is located—between June 1999 and June 2000, the median price of an existing home shot up from \$402,000 to \$559,000. Just the amount of that increase of \$157,000, is more than the median price that homes used to cost in the United States two years ago.

As a result of this process, the market price of all housing in the United States escalated from \$7.6 trillion in 1995, to almost \$11 trillion in 2000—which is more than the



An expensive Virginia home, partly constructed, sold, foreclosed and abandoned in short order, confirms Freeman’s forecast.

There could be . . . a second disaster: The valuation of the housing market will burst; trillions of dollars of fake appreciation will be wiped out. The foreclosure rate will soar, and millions will join the homeless.



capitalization of the stock markets of Britain, France, Germany, and Italy combined. This is part of a total U.S. real estate valuation of \$16.8 trillion.

The usurious bankers and real estate speculators are sucking the population dry. Housing at inflated prices exists primarily for the wealthy upper 20 to 30 percentile of the population, by income. But for the lower 70% of the population, there is an intensifying housing crisis, which has given them only two choices. First, they must spend more than they can afford to get housing. The U.S. government, as well as the National Association of Homebuilders, estimate that a household should spend about 28% of its gross (pre-tax) income for housing—either for a mortgage or rent (either an apartment or house). But in order to have a place to live, with affordable housing becoming non-existent, households spend a prohibitive 35 to 40% of their income on housing, leaving them less for other expenses, and to live on.

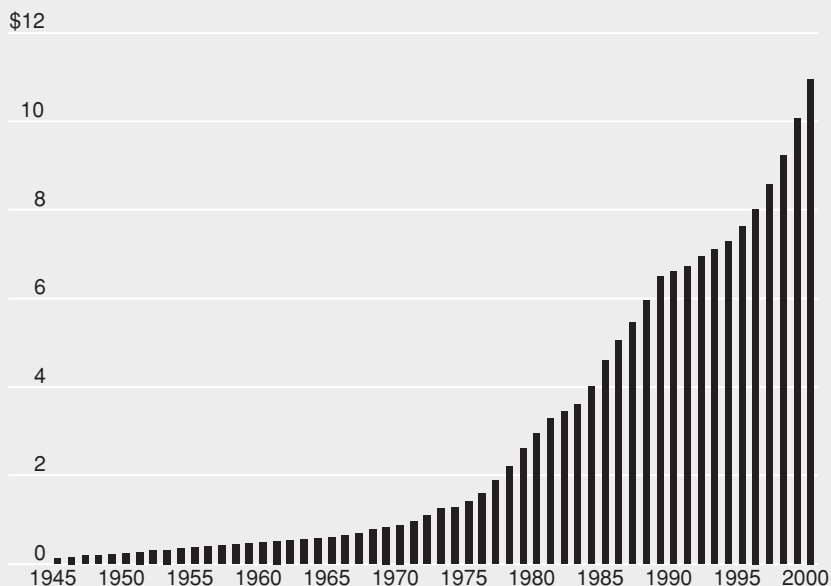
Moreover, for the lowest 40% percentile of the population, by income, the housing crisis has become acute. They spend 40% to 60% or more of their income on housing. They live in housing that is often squalid and unfit for human beings. Some families live doubled up in quarters intended only for one family. In New York City, in some cases, people live 10 to 12 people in a room. Then, there are at least 7 million people who spend part or all of the year homeless, sleeping in shelters, cars, or out on the street.

But this situation has recently become worse, to the point that 60 million Americans live only one or two missed paychecks away from foreclosure and homelessness. The final phase of the onrushing financial disintegration will have the effect of throwing millions of people out of their homes, and leaving empty hundreds of thousands of the overpriced houses currently being built.

### The Real Estate Bubble's History

This is not a natural crisis. Following the assassination of President John F. Kennedy in 1963, the City of London and Wall Street financier oligarchy imposed on the United States a “post-industrial society” policy, which withered production in manufacturing, agriculture, and infrastructure, but fostered the growth of wild speculation. As part of this process, in 1971, President Richard Nixon took the U.S. dollar off the gold reserve standard, severing links between financial flows and real processes of production. In October 1979, Federal

FIGURE 1  
**Hyperinflation in Home Market Valuation, 1945-2000**  
(Trillions \$)



Source: U.S. Federal Reserve Board of Governors, “Flow of Funds Accounts.”

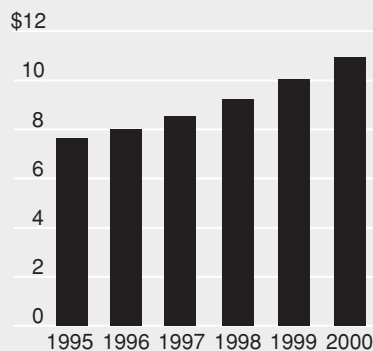
Reserve Board Chairman Paul Volcker instituted a policy of “controlled disintegration of the economy,” as a variant of the post-industrial society. This policy had been devised at the New York Council on Foreign Relations, as part of its “Project 1980s.” Volcker raised interest rates so that by December 1980, the prime lending rate charged by banks had been forced to 21.5%. Industry and agriculture buckled; in this hot-house atmosphere, speculation took off. Entire sections of America’s machine tool, farm implement, and steel production shut down, never to open up again.

Continuing this process, in 1981, the Reagan-Bush administration signed into law the Kemp-Roth Tax Act, which gave tax breaks to speculation in real estate and the stock market; and in 1982, it signed into law the Garn-St Germain Act, which deregulated America’s banking system, increasing non-productive financial flows.

These and other policies, each more ruinous than the preceding one, deliberately caused the physical economy, upon which human existence depends, to contract at the rate of 1 to 2% per annum, for the last three decades, and at the same time, built up gigantic financial bubbles.

Figure 1 shows the total value of all homes in America, called the total market

FIGURE 2  
**Home Market Valuation Rises Sharply, 1995-2000**  
(Trillions \$)



Sources: U.S. Federal Reserve Board of Governors, “Flow of Funds Accounts.”

valuation. Were the current trend to continue, it would reach \$10.95 trillion this year.<sup>1</sup> Figure 2 shows the increase in valua-

1. The figures used in this report for the year 2000, unless specified for a particular month or

tion—representing asset inflation—during just the last five years. This speculative process has produced an asset inflation and increase of debt in other sections of the economy (see box).

This cumulative value of the mass of combined property titles, while sucking the economy dry, also works to the effect of one bubble building the other. The stock market is responsible, in part, for the run-up in home prices. The stock market, under its fake appreciation, is now generating more than one-half trillion dollars in capital gains per year. As much as one-third of

quarter of the year, are projections, usually based on the first six months' economic performance.

that—nearly \$200 billion per year—is pumped into the housing market, creating a huge speculative financial flow for home purchases, which bid up home prices. (In addition, the “High Tech”/Information Age sector also pumps as much as \$150 billion per year into the housing market.)

Federal Reserve Board Chairman Alan Greenspan and Treasury Secretary Larry Summers attempted to hold up this speculative mass of fictitious property titles. In the period of August-October 1998, they responded with desperation to the financial crisis unfolding, and instituted a wildly disastrous policy. They turned on the printing presses full steam. On Aug. 17, 1998, the Russian government declared a 90-day moratorium on short-term Treasury debt,

called GKO's, and other categories of debt. On Sept. 23, 1998, the Long Term Capital Management (LTCM) hedge fund, effectively failed on \$1.25 trillion of derivatives contracts. The world financial system was on the verge of melting down. During the next two months, Greenspan cut the Federal funds rate three times, and pumped large volumes of monetary aggregates into the economy, to prevent collapse. Each time over the next two years that part of the financial system threatened to go, such as the February 1999 so-called Brazil crisis, Greenspan, assisted by Summers, responded by throwing up a wall of money.

This had a dramatic effect, which to understand, one must begin from the standpoint of Lyndon LaRouche's Triple Curve,

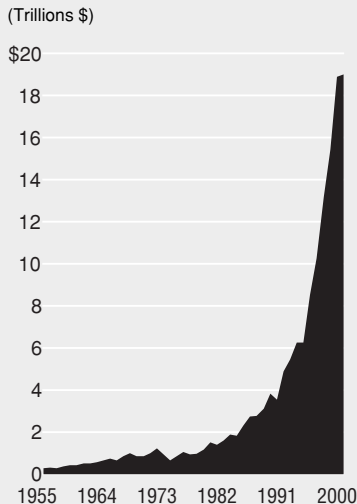
## Financial Aggregates Soar

The growth of the speculative process has generated hyperbolically growing cancerous bubbles. **Figure 3** shows the effect of the speculation-driven stock market mania, where the American stock market valuation has vaulted to \$19.0 trillion. **Figure 4** shows the actual debt

level of the United States—including Federal, state, and local government debt; business debt; and household debt—which rose from \$14.9 trillion in 1990, to \$29.9 trillion in 2000. **Figure 5** shows the outstanding level of derivatives in the United States, which now totals about \$57.5 trillion.

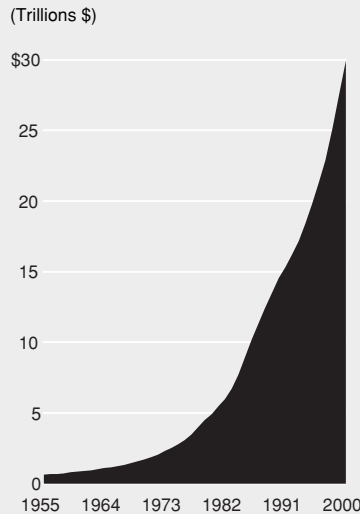
These three are prime parts of what is called the financial aggregates in the United States, and together total \$106.4 trillion. The rates of return on this financial aggregate—which are claims against the economy—total approximately \$3.5 to \$4 trillion per year.

**FIGURE 3**  
**U.S. Stock Market Capitalization, 1955-2000**



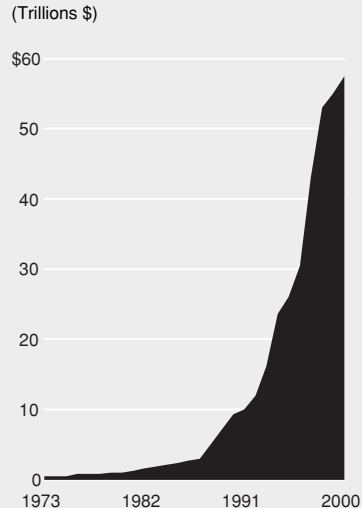
Source: U.S. Federal Reserve Board of Governors, "Flow of Funds Accounts."

**FIGURE 4**  
**Total U.S. Debt Obligations, 1955-2000**



Sources: U.S. Federal Reserve Board of Governors, "Flow of Funds Accounts"; Office of Management and Budget, "Budget of the United States"; *EIR*.

**FIGURE 5**  
**U.S. Derivatives Outstanding Valuation, 1973-2000**



Sources: U.S. Federal Deposit Insurance Corp.; U.S. Comptroller of the Currency; Bank for International Settlements; *EIR*.

FIGURE 6

**A Typical Collapse Function**

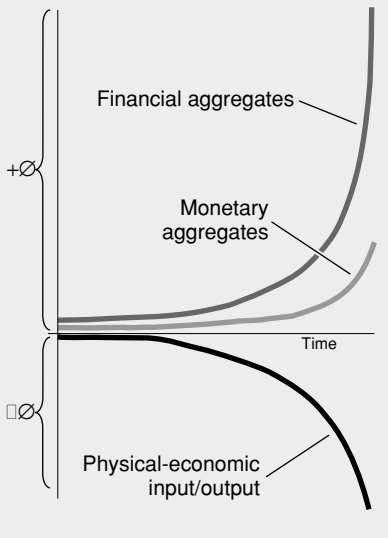
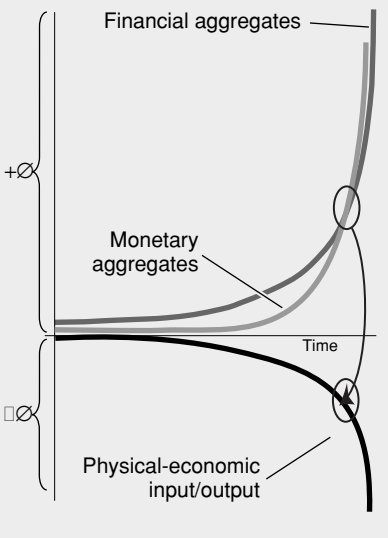


FIGURE 7

**The Collapse Reaches a Critical Point of Instability**



1999 and the second quarter of 2000, represents the leading edge of the hyperinflationary explosion of home prices in California, which, in turn, is driving the hyperinflationary explosion for the nation as a whole. In nine counties in California, the increase in home prices has been between 15 and 39%, over the past year.

**Table 2** shows the median sales price for an existing, detached single-family home for the nine counties: It shows the median home price in the second quarter of 1999, and in the second quarter of 2000, and the increment in the home price over that period. (The median home price is the point above which half the homes are more expensive, and below which half the homes are less expensive.) These nine counties are very important: They have more than a third of California’s population of 34 million, and more than a third of its roughly 8.5 million owner-occupied housing units. California has 12% of the population and owner-occupied housing units in the entire country. **Figure 8** shows the explosive increase in the price of homes in these nine counties.

The table shows that in the counties of Monterey, San Francisco Bay, and Santa Clara, the median price of an existing, detached single-family home zoomed up to \$398,830; \$465,410; and \$558,920, respectively. To put the absurdity of this into perspective, on a \$558,920 home, the annual mortgage cost (of interest and principal repayment) is \$45,000. This exceeds the projected median annual income of a U.S. household of \$42,000. That is, the annual mortgage charge on such a home is greater than the annual income of half the households in America, and even if such a household spent nothing on food, clothing, transportation, gas, and electricity, and other necessities, it still would not have enough income to afford such a home.

As a result of the upsweep in home prices in these nine counties, the median price for an existing home in the state of California as a whole, has shot up to \$240,760, an increase of 9.2% over last year. How many households in California, outside the very wealthy, can afford to fork over a quarter of a million dollars to buy an existing home? For a *new* home, the price would be higher still, by about 15%.

But California is the leading edge, though not alone in the price explosion, which is breaking out in hundreds of regions from coast to coast. For example, in Westchester County, New York, in June 2000, the median price of an existing home

or Typical Collapse Function. In this function, there is one process expressed by three curves (**Figure 6**). The upper curve represents the financial aggregates, the mass of speculative paper financial instruments and property titles, which have grown at an hyperbolic rate. The middle curve represents the monetary aggregates, principally the money supply, which have been increased to prevent the financial aggregates from collapsing. The lower curve represents the real physical economy, which the financial claims of the upper two curves have looted, causing its contraction.

In September-October 1998, Greenspan pumped up the money supply so that it headed toward a boundary condition, where “the rate of monetary expansion rises more rapidly than the rate of financial expansion,” as LaRouche presented this in his paper “Regional Organization Under a New Bretton Woods” (*EIR*, June 9, 2000) (see **Figure 7**). This is what happened in Weimar Germany, producing the hyperinflation of 1922-23 which ripped Germany apart. This process is governed by a Riemann shock front, as LaRouche has described it (see LaRouche’s speech in this issue).

This generated a phase shift, so that an asset inflation was changed into a hyperinflation of commodity prices and other instruments.

This is reflected in the price of a home in Santa Clara County, California. There is a housing shortage in parts of California,

but a shortage would increase home prices by \$1,000, or \$2,000, or \$5,000—not by \$157,000 in one year. The \$157,000 jump is a stark indication of the broader hyperinflation.

This hyperinflationary spiral is beginning to break out in other areas, as indicated by **Table 1**.

This can become a hyperinflationary process that will, at some phase, require wheelbarrows full of currency to buy a loaf of bread, pulverizing the economic fabric of society.

There could be, at the same time, a second disaster: The valuation of the housing market will burst; trillions of dollars of fake appreciation will be wiped out. The foreclosure rate will soar, and millions will join the homeless.

We document the process of hyperinflation of home prices, including the immense debt bubble the bankers have built up in the home market to loot the population. We then look at the true, destroyed state of housing in America.

**I. The Bloated Housing Market Bubble**

The leap in the median price of a home in Santa Clara County, California, from \$402,340 in the second quarter of 1999, to \$558,920, between the second quarter of

TABLE 1

**The Commodity-Price Inflation Spiral**

Product or Raw Material	Period Covered	Unit Price	Initial Price	End Price	Percentage Increase
<b>Metals*</b>					
Hot-rolled steel sheet	May '99-May '00	\$/ton	270	325	20%
Aluminum (primary ingot)	May '99-May '00	cents/lb	65	76	17
Copper (wirebar)	May '99-May '00	cents/lb	70	89	27
Nickel (melting cathode)	May '99-May '00	cents/lb	275	373	37
<b>Pulp, Paper*</b>					
Pulp (bleached softwood)	May '99-May '00	\$/metric ton	425	660	67
Boxboard	May '99-May '00	\$/metric ton	470	590	25
<b>Chemicals*</b>					
Benzene (spot)	May '99-May '00	cents/lb	73	132	81
Chlorine	May '99-May '00	\$/ton	161	249	55
Sulphuric Acid	May '99-May '00	\$/ton	38	52	37
<b>Plastics*</b>					
Polypropylene	May '99-May '00	cents/lb	30	49	63
Poly vinyl chloride	May '99-May '00	cents/lb	22	48	118
LDPE (liner grade)	May '99-May '00	cents/lb	29	58	100
Ethylene (spot)	May '99-May '00	cents/lb	19	35	84
<b>Electronic components*</b>					
Capacitors	May '99-May '00	cents/each	2.5	7.5	200
Memory (4M Flash)	May '99-May '00	\$/each	4.75	6.50	37
<b>Housing</b>					
Home in Santa Clara County, California	2nd Q '99-2nd Q '00	thousands \$	402	558	39
Condominium in New York City	July '99-July '00	thousands \$	601	855	42
<b>Agricultural inputs</b>					
Ammonia	May '00-June '00	\$/ton	110	190	73
<b>Energy</b>					
West Texas Crude Petroleum	Jan. 1, '99-Aug. 31, '00	\$/barrel	12.33	33.33	170
California Utility Cost of Purchasing Electricity	July '99-July, '00	\$/megawatt	30	175	480
San Diego Customer Monthly Electric Bill	July '99-July '00	dollars	55	110	100
Iowa home heating propane	July '99-July '00	cents/gallon	44	84	91

\* Prices that U.S. industrial managers pay for goods used in production.

skyrocketed to \$611,000, an increase of 14.5% over the previous year.

The same process is taking over the market for apartments, whether for rental or purchase. **Figure 9** shows that in 2,257 condominium and cooperative apartments that were surveyed in Manhattan and parts of Brooklyn, two boroughs of New York City, the average price escalated from \$601,904 to \$854,000, between June 1999 and June 2000, an increase of 42%. Prices of less grandiose apartments are following this upward trend.

What must be recognized is that during the last decade, there has been a rigging of

the housing market, so that the only homes that are brought to market are the most expensive ones, upon which the speculators can make huge amounts of money, while the housing that is decently priced and desperately needed by the lower-income groups, has been taken off the market. This deliberate policy of making affordable housing scarce has been exacerbated by the hyperinflationary spiral of the past two years. The next three figures illustrate this point. **Figure 10** shows that between June 1990 and June 2000, the percent of all existing homes sold in the United States that are \$250,000 or above in median price, has

soared from 8% to 20%. **Figure 11** shows that, during this period, the percent of all existing homes sold in the United States that are \$1 million or above in median price, has soared from 1% to 5%. However, **Figure 12** shows that, during this period, the percent of all existing homes sold in the United States that are \$100,000 or below in median price, has fallen from 54% to 26%.

If a household wants housing, it is going to pay through the nose. For the speculators, it's like the medieval road and bridge-tolls: "Give us this money because you have it, and if you don't, you're out on the street."

TABLE 2

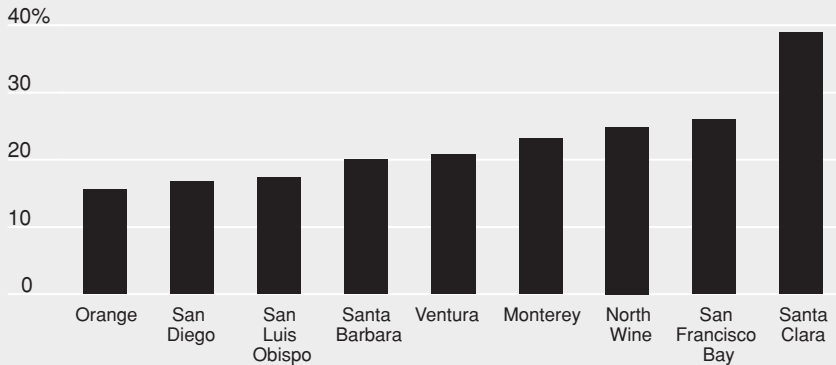
**Median Home Prices Skyrocket in 9 California Counties**

County	Second Quarter, 1999 (dollars)	Second Quarter, 2000 (dollars)	Amount of Increase 2ndQ,'99 to 2nd Q,'00 (dollars)
Orange	\$278,610	\$321,720	\$43,110
San Diego	231,150	269,890	38,740
San Luis Obispo	207,310	243,100	35,790
Santa Barbara	253,150	303,850	50,700
Ventura	250,610	302,780	52,170
Monterey	323,700	398,830	75,130
North Wine	244,150	304,900	60,750
San Francisco Bay	369,500	465,410	95,910
Santa Clara	402,340	558,920	156,580

FIGURE 8

**Hyperinflation of Median Price of Existing Homes, 2nd Quarter 1999-2nd Quarter 2000**

(Percent)



Source: California Association of Realtors.

FIGURE 9

**Average Price of Condos and Cooperatives in Manhattan and Parts of Brooklyn**

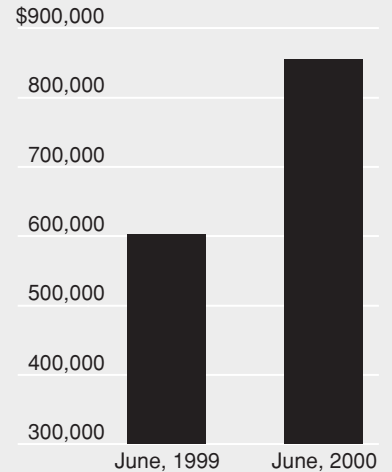
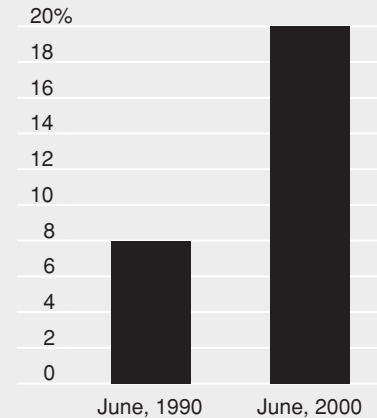


FIGURE 10

**Percent of All U.S. Homes Sold That Have Median Price of \$250,000 or Above**

(Percent)



Source: National Association of Realtors.

**Fictitious Value in the Housing Market**

This escalation in home prices has collectively led to the increase in the valuation of the housing market.

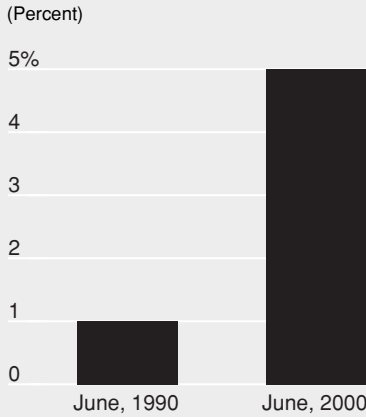
Figure 1 shows the total valuation of the housing market. Figure 13 shows this same process in a special way, by comparing the growth of the number of owner-occupied housing units versus the growth of the total valuation of housing. This provides a basis to determine the fictitious, i.e., completely artificial, level of valuation in the home market. Between 1945 and 2000, the number of owner-occupied housing

units rose from 19.4 million to 70.5 million, an increase of 3.7 times. In the same period, the total valuation of homes rose from \$130 billion to \$10.95 trillion, a staggering increase of 84 times. During this time, the rise of the prevailing rate of inflation, as measured by the Consumer Price Index, for the U.S. economy as a whole, was 9 times. With the number of owner-occupied housing units rising by a factor of 3.7, and the prevailing inflation rate rising by a factor of 9, then between 1945 and 2000, the valuation of homes should have risen 33 times (3.7 times 9). But, instead, it rose 84 times.

Compare the ratio of the number of times the home valuation should have risen,

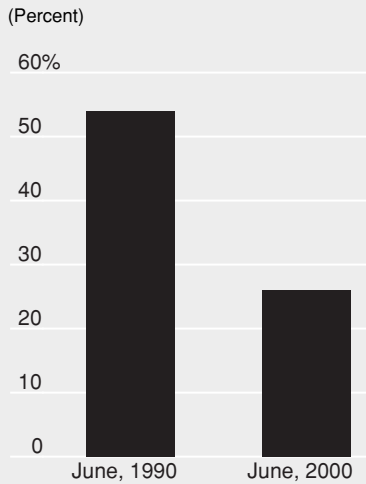
at 33, to the number of times it did rise during the housing bubble, at 84; the ratio equals 39%. An acceptable level of rise was 39% of what actually did happen. Thus, in turn, 61% of the rise that did happen was fictitious. This means that 61%, of the official valuation of the home market of \$10.95

**FIGURE 11**  
**Percent of All U.S. Homes Sold That Have Median Sale Price of \$1 Million or Above**



Source: National Association of Realtors.

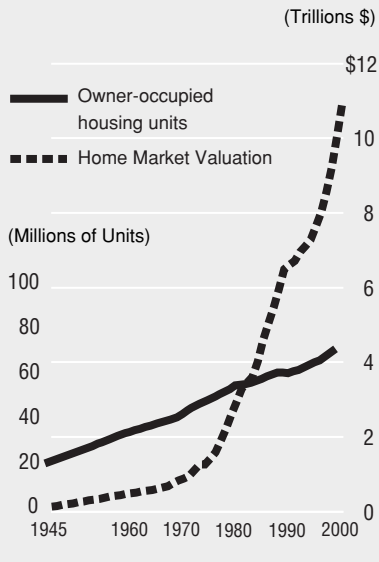
**FIGURE 12**  
**Percent of All U.S. Homes Sold That Have Median Price of \$100,000 or Below**



Source: National Association of Realtors.

trillion in the year 2000, or \$6.68 trillion, is fictitious. This represents pure hot air, manufactured out of the hyperinflationary process that has overtaken the housing market. All this fictitious value in the housing bubble, built up over several decades, but especially during the last five years, will

**FIGURE 13**  
**Home Market Valuation Versus Number of Owner-Occupied Housing Units**



be wiped out during the onrushing financial disintegration.

The bubble extends to the entire U.S. real estate market. **Figure 14** shows the valuation of the three major elements that make up that market: the home market (discussed above); the real estate holdings of nonprofit organizations (which includes foundations such as the Ford Foundation and the Rockefeller Foundation, as well as churches and private partnerships); and the real estate holdings of nonfinancial corporations, mostly in the form of commercial real estate holdings. **Figure 14** shows the sharp rise in total U.S. real estate holdings' valuation, especially over the last five years, so that by the year 2000, it reached \$16.76 trillion. It is now approximately as big as the entire U.S. stock market bubble. (*EIR* will have, in a future issue, an article on the crisis in the commercial real estate market, which totals \$4.64 trillion.)

### The Grinding Mortgage Debt

The bubble of housing valuations is immense. With home prices at such exorbitant levels, and rising so rapidly, most households cannot afford a home.

The financiers have built a mortgage debt bubble, by extending record levels of mortgage debt for purchase of homes, in

order to finance and circulate the fictitious value that has been built into home prices. From the standpoint of the home purchaser, the mortgage allows the household to acquire a home, though the household may be paying 35% to 60% of its annual income to cover the mortgage cost.

The mortgage debt, while temporarily lubricating the housing mortgage market, and keeping it from collapsing in on itself, nevertheless demands usurious interest charges that sow the seeds of its own demise: It multiplies the amount of interest payments that are looted from the standard of living of the population.

The bankers are committed to keep in operation this immensely profitable housing bubble, to the point that they are making loans which two decades ago they would have condemned. Twenty years ago, banks demanded that prospective buyers make down payments equal to 20% of the purchase price of a home, before the bank would extend the buyer a home mortgage loan. Today, bankers are making mortgage loans requiring only a 5% down payment. Prudence is abandoned; buying a home becomes almost like buying clothing at the department store.

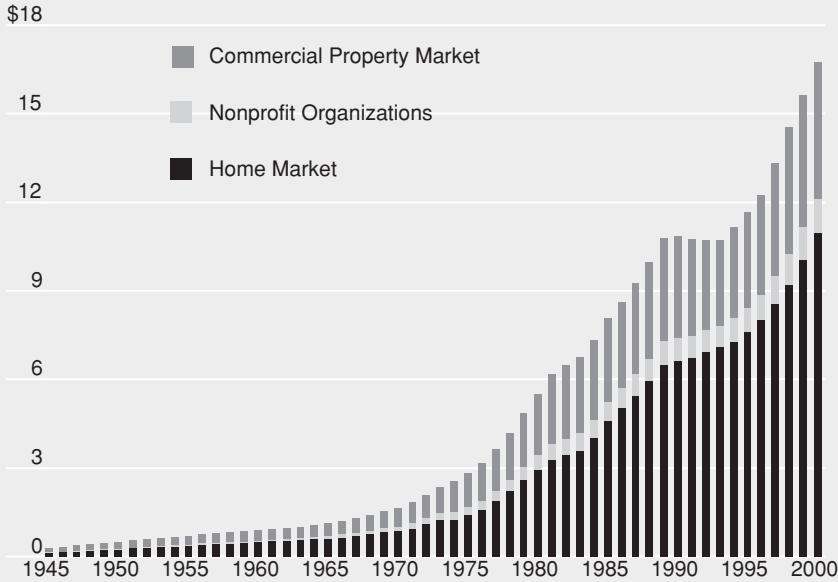
But some mortgage-loan-issuing financial institutions are so irrational that they have taken the last step: They have eliminated the down payment. Morgan Stanley investment bank, a pioneer in this area, is making home loans against a pledge of stocks. This ties the home market directly to the stock market. Morgan Stanley structures a loan so that the borrower pledges stocks, as collateral, worth 33% to 40% of the value of the purchase price of a home. If this is done, Morgan Stanley will require no down payment.

Under the impress of the need to circulate the fictitious value, exploding at a hyperinflationary rate, of the housing market, conjoined with the new imprudent lending policies, the level of home mortgage debt has grown hyperbolically.

**Figure 15** documents that America is crushed under a burden of home mortgage debt. The level of home mortgage debt did not exceed \$1 trillion until 1981. By 1995, it totalled \$3.510 trillion. Then, over the next five years, it exploded to a projected \$5.232 trillion in 2000, an increment of \$1.722 trillion over the five-year period.

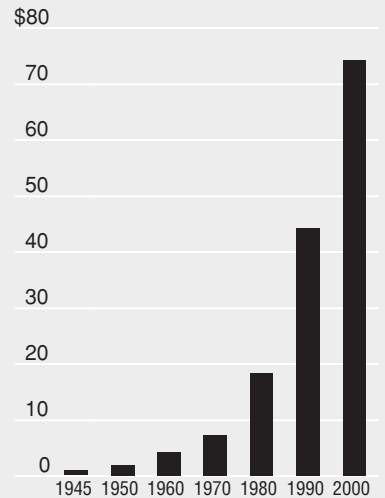
The level of debt per household zoomed as well. **Figure 16** shows the mortgage debt per household of households that have a home mortgage, which shot up to \$74,212 per such household in the year 2000.

**FIGURE 14**  
**Valuation of Total U.S. Real Estate Market, 1945-2000**  
 (Trillions \$)



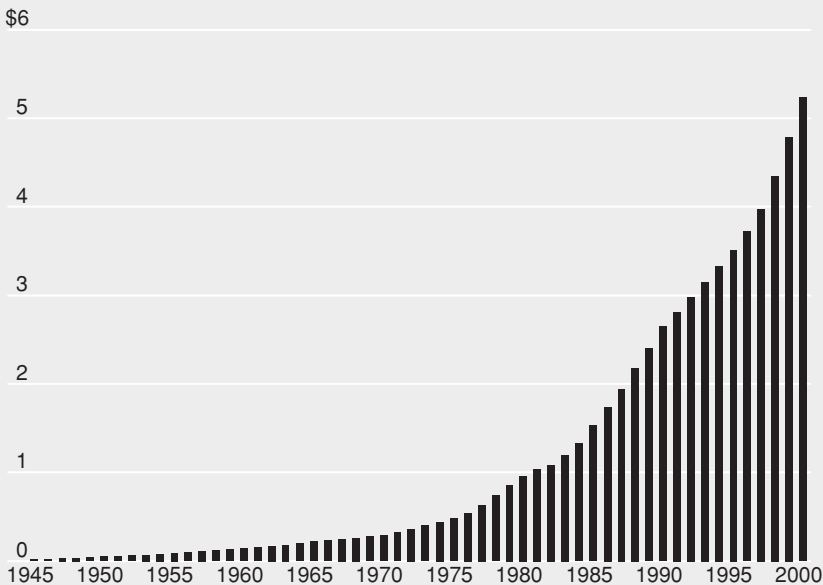
Source: U.S. Federal Reserve Board of Governors, "Flow of Funds Accounts."

**FIGURE 16**  
**Mortgage Debt per Household, for Households That Own Homes**  
 (Thousands \$)



Sources: U.S. Federal Reserve Board of Governors, "Flow of Funds Accounts"; U.S. Department of Commerce.

**FIGURE 15**  
**Hyperbolic Growth of Home Mortgage Debt, 1945-2000**  
 (Trillions \$)



Source: U.S. Federal Reserve Board, "Flow of Funds Accounts."

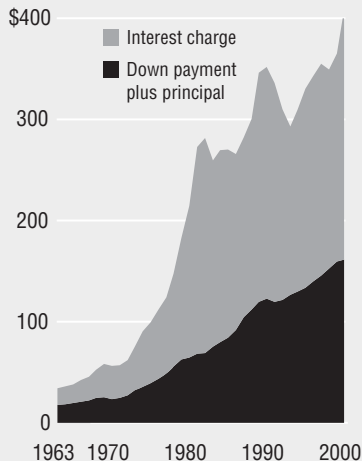
**The Interest Charge Means More Paychecks Needed**

The debt now burdens the household buying a home with two charges: first, the initial purchase cost of the home, and second, the interest on the mortgage. Since the home price is escalating in a hyperinflationary spiral, there is more of the home purchase cost to finance. The greater the amount of principal to finance, the greater the total interest cost. That is, if one home costs \$150,000, and a second home costs \$300,000, and loans are taken out against each home, and the interest rate on both loans is the same, the \$300,000 loan will have double the interest charge, because there is double the amount of original principal that must be financed. Today, though interest rates are lower than during the 1980s, the amount to be paid in interest charge on a mortgage loan, because of the speculative build-up in home prices, is much greater.

**Figure 17** shows the total cost of purchasing a new home, on a 30-year mortgage. When someone buys a home, he or she puts down, say 20% of the purchase cost of the home, and finances the rest of the purchase with a mortgage. The amount

**FIGURE 17**  
**Total Cost of New Home, Driven by Bankers' Interest Charges on Financing, Has Soared**

(Thousands \$)

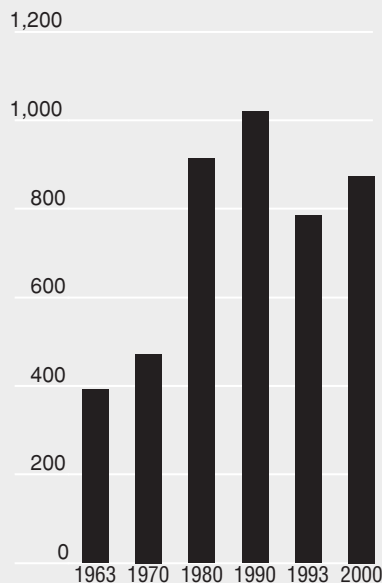


Sources: Federal Housing Finance Board; National Association of Home Builders; U.S. Federal Reserve Board of Governors, "Flow of Funds Accounts"; *EIR*.

of the mortgage loan is simply the median purchase price of the new home, minus the amount that the home buyer paid as down payment. In 1963, the total cumulative cost to buy a new home on a 30-year mortgage, was \$34,616; over the 30-year life of the loan, \$18,000 was paid in down payment and principal, and \$16,616 was paid in interest. In 2000, the total cumulative cost to buy a new home on a 30-year mortgage leapt to \$408,724; over the 30-year life of the loan, \$161,400 was to be paid in down payment and principal, and \$247,324 was to be paid in interest. So, as a result of the interest paid, today the cumulative interest cost is 1.5 times the original \$161,400 purchase price of the house. Thus, the bankers rake in a huge sum for lending for the financing of home prices at such high, and rising levels. The housing market bubble is a blessing for the banks. *EIR* calculates that the banks will take in approximately \$315 billion in 2000 in interest costs on home mortgages in the United States. They will fight to keep this bubble going.

Thus, the total mortgage debt bubble translates directly into devouring a household's paycheck: Either the household cannot buy a new home, or if it does, the

**FIGURE 18**  
**Number of Weekly Paychecks Needed To Buy a New Home**



Sources: U.S. Department of Labor, Bureau of Labor Statistics; National Association of Home Builders; *EIR*.

monthly finance charges are so large that it affects the household's ability to survive. To appreciate the significance this, we will compare, for selected years, the value of an average worker's paycheck, and the cost of a new home, including financing costs. Although both the paycheck and the home's costs are expressed in dollars, we haven't the slightest interest in dollar values; rather, we are concerned with the ratio between the paycheck and what it buys. The paycheck is the average weekly paycheck of a "non-supervisory worker employed in private non-agricultural industry," as reported by the Bureau of Labor Statistics of the Department of Labor. Most workers in the economy are of this type.

As **Figure 18** shows, in 1963, it required 373 weeks of an average worker's weekly paycheck to purchase a home, inclusive of financing costs. In 2000, it requires 793 paychecks. Relative to a worker's real purchasing power, the price of a home has more than doubled since 1963. That is, today, a worker must work 420 weeks, or 112.6% longer, to acquire the home than in 1963. Therefore, in physical terms, it

costs the worker 112.6% more to buy the same new home. This proves why many homes are priced out of the affordability of tens of millions of households.

But the flip side of this is equally powerful: A worker's standard of living has fallen 53.0% today, compared to 1963, with respect to his ability to purchase a new home. This is critical, because to purchase a new home at the national median price of \$161,400, a household earning the annual median income would have to pay 36% of its income in home mortgage payments, taxes, and insurance. This is 8% above the 28% of annual income that is considered normal. In a financial collapse, households will not be able to keep paying such a high level of their income for their home.

## II. The True Ruined State of Housing

There is an expanding part of the population, that under these conditions, cannot afford the price of housing. This is the underside of the housing market bubble. For tens of millions of households, adequate housing stock does not exist. These households usually live either in broken-down housing (which nonetheless is expensive, relative to their income), or are squeezed into crowded and frequently squalid rental units, or they are homeless.

Many here spend 40% up to 60% of their income for dwelling units that have poor ventilation, inadequate fire-safety features, often no sink or stove, and are rodent-infested. Their alternative is to be out on the street.

This underside of the bubble needs to be brought out into the open.

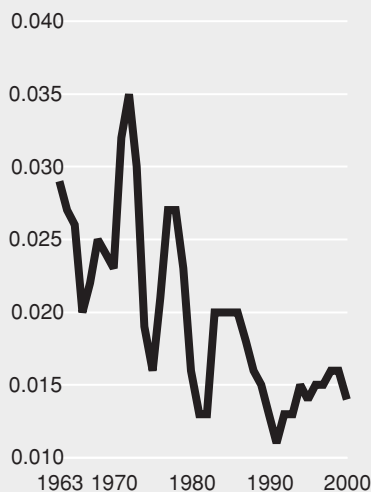
First, let us take an overview of the nation's housing stock. **Figure 19** shows the number of housing starts, per household. In 1963, the United States produced 0.029 housing starts per existing household; today, it is producing 0.014. This is slightly less than half the 1963 level.

Housing is a critical element of the consumer market basket of commodities. Housing is sometimes thought of merely as a shelter; it does shelter a family against the elements, but it does much more: It is a place for family life, family discussions, where a child is materially and culturally developed, along with the school, both to develop the child's cognitive powers, and to enable the child to become part of the productive labor force. There is an objec-



FIGURE 19

**U.S. Housing Starts per Household, 1963-2000**



Sources: National Association of Home Builders; U.S. Department of Commerce, Bureau of the Census.

tively necessary standard for the quality of the home. It cannot just be what the “free market” will yield. For example, if a family has five children, it will likely need three bedrooms for the children, and one for the adults, for a total of four. The developing child needs a place to concentrate, to think, and cannot do that, if there are three other children in his bedroom “bouncing off the walls.” The house must meet other similar requirements.

The homes of today have several glaring problems. The new homes that sell for \$300,000 to \$750,000 are frequently made with the shoddiest material. They are built with doors made of cardboard cores instead of wood; no cross-braces under the joists of floors to support them and prevent shaking, and the proverbial 2 by 4 piece of wood shaved down to 1.5 by 3.5. Whereas 50% of the siding in a house in the 1970s was made of brick (in the 1950s, entire homes used to be made out of brick), today less than 30% of house siding is made of brick, replaced often by a cheap plastic compound. Moreover, the material placed between the house frame and the siding, called the sheathing, is usually made from either aluminum foil or foam. Both are good insulating materials—one of the functions of sheathing—but they have no racking strength, that is, the ability to stand up

TABLE 3

**States in which One-Quarter or More of Housing Stock Was Built before 1939**

	Housing Units (Thousands)	Percentage Built before 1939
Massachusetts	2,472	38.9
District of Columbia	279	37.7
Vermont	271	36.5
New York	7,227	35.7
Pennsylvania	4,938	35.1
Iowa	1,144	35.0
Maine	587	34.9
Rhode Island	415	34.0
Nebraska	661	30.5
South Dakota	292	30.4
Wisconsin	2,056	28.5
Illinois	4,506	27.1
Ohio	4,372	25.8
Connecticut	1,321	25.5
North Dakota	276	24.7
New Jersey	3,075	24.6
Minnesota	1,848	24.5
Kansas	1,044	24.5
Indiana	2,246	24.2
West Virginia	781	23.7
<b>U.S. total</b>	<b>102,264</b>	<b>18.4</b>

Source: U.S. Department of Commerce, Bureau of the Census, “Decennial Census of the U.S., 1990;” *EIR*.

to high winds. As one contractor put it, “The aluminum-foil-covered sheathing has about as much racking strength as hanging down a few strips of tin foil.” This is one of the reasons that so many homes disintegrate in hurricanes, floods, or even very strong winds. Yet, the home is equipped with a gold-plated faucet in the bathroom.

Further, there is the age of the structures. **Table 3** documents that in 20 states (including the District of Columbia) one-quarter or more of the housing stock, including single- and multi-family dwelling units, was built before 1939, or more than 60 years ago. In Massachusetts and the District, nearly two-fifths of the housing stock was built before 1939. The national average of housing stock built before 1939 is 18.4%. Some of the pre-1939 housing stock is well-constructed, but there is a significant amount that needs replacement or overhaul. (This information comes from the 1990 Decennial Census of the Bureau of the Census of the U.S. Commerce Department. The

census is done once every ten years, and the 2000 Decennial Census results will not be released until 2001, or perhaps 2002. The 1990 Decennial Census is the best that is available. It is expected, nonetheless, that there will not be a very great difference between what the 1990 Decennial Census and the 2000 Decennial Census report as the stock of housing built before 1939.)

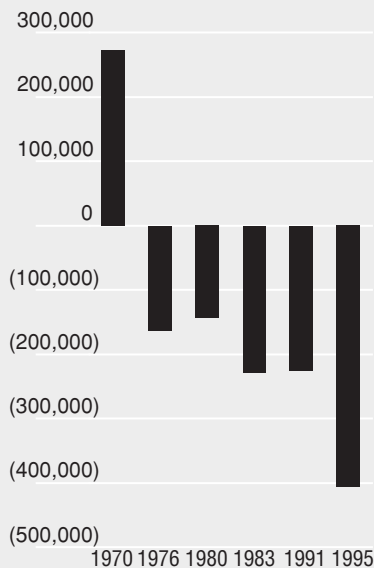
**No Housing**

With the poor quality and aged condition of housing as backdrop, there are tens of millions of families that cannot get decent housing.

Consider the New York City situation, where the crisis is acute. **Figure 20** shows that in 1995, the number of extremely low-income renter households exceeded the number of available low-cost apartments by 405,000, according to a study by the New York Coalition for the Homeless. By the late 1990s, this deficit of low-cost apartments widened to half a million. As Figure

**FIGURE 20**  
**New York City's**  
**Widening Affordable**  
**Housing Gap, 1970-95**

(Number of Low-Cost Rental Housing Units,  
 Minus Number of Extremely Low-Income  
 Renter Households)



Source: New York Coalition for the Homeless.

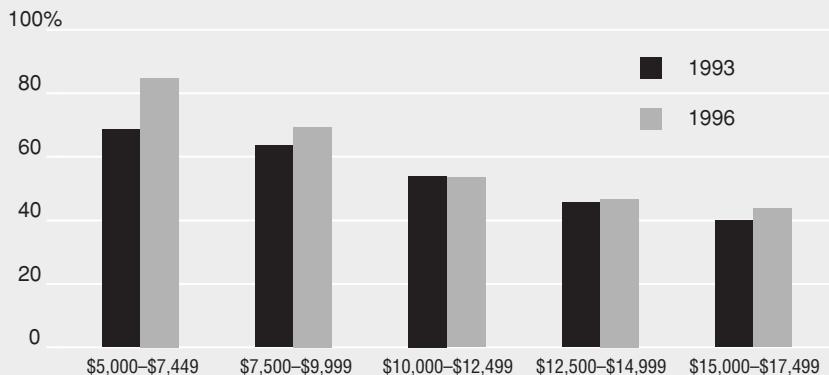
19 shows, this is in sharp contrast to the situation in 1970, when New York City had a surplus of 270,000 low-cost apartments relative to the number of extremely low-income renter households.

There are a few major reasons for this deficit, among them that New York City's 1 million rent-stabilized apartments, where rents had been kept low, have had, as a result of changes in the law, growing rent increases, and many of these apartments are no longer affordable by New York's extremely low-income renter households. Another reason is that the housing supply shrank: From 1993 to 1999, when the population of New York City grew by 100,000, the city lost more than 30,000 rental apartments (the level of demolition and abandonment of apartments exceeded the limited number of new apartments that were built by 30,000).

These households had to move into apartments where they paid rents that were considerably above the normal standard, according to which a household should pay no more than 28% of its gross income for either rent or, in the case of owning a home,

**FIGURE 21**  
**Median Rent Burdens in New York City by Household**  
**Income, 1993-96**

(Percent)



Source: New York Coalition for the Homeless.

for mortgage principal and interest, plus insurance and taxes. In 1999, more than 500,000 renter households in New York City paid more than half of their income for housing: This represented 27% of all New York City renters paying more than half of their income for housing. Households cannot survive on that basis.

Figure 21 shows for New York City, the percentage of annual income paid for rent by level of annual income. So, for example, in 1993, New York City households that earned an annual income of \$5,000 to \$7,499 per year, paid 58.6% of their annual income for gross rent (the cost of rent and utilities). In 1996, these New York City households that earned an annual income of \$5,000 to \$7,499 per year, paid 84.7% of their annual income for gross rent. This reflects skyrocketing rents. In some cases, these households received some Federal or local housing assistance, but even counting that assistance many still paid 40-60% of their annual income for rent. Several in this income group got no assistance, and had to pay 84.7% of their annual income for gross rent. Among households that earned \$7,500 to \$9,999 per year, in 1996, they paid 69.4% of their income for gross rent, and so forth.

At the same time, according to a survey conducted by Miller Samuel, Inc. that covered 2,257 apartments, this year the average price of condominium and cooperative apartments in Manhattan and choice spots in Brooklyn, rose to \$854,704, a 42% in-

crease in one year. Thus, the hyperinflationary housing spiral is sweeping up the prices of condominiums, cooperatives, and select apartments. But more critically, it pulls up all rents across the city.

For the 500,000 households in New York City that pay 50% or more of their annual income for gross rent, let us see how they live, using case studies provided by a *New York Times* survey of a few years ago:

- Maria Pagan, an 83-year-old retired cafeteria worker, who lived in a collapsed room in the Bushwick section of Brooklyn. "Because the bathroom sink did not work, Miss Pagan had to scoop water from her toilet to wash her hands and brush her teeth." Pagan's landlord was New York City; the city took over and poorly runs tens of thousands of housing units abandoned by delinquent landlords (the city has since moved Miss Pagan out of the building).

- "Mr. Zheng, 35, [who emigrated from the Chinese coastal province of Fujian], is still working off a \$30,000 debt to the smugglers who secured him passage on a series of ships. He can devote very little of his meager busboy's salary to rent, so he has 11 roommates. They share a studio bracketed by triple-tiered bunk beds, with a narrow passage like a gangplank between them." The inhabitants keep their belongings in plastic bags above their mattress. This exists for immigrants all over the city. For example, Mr. Zheng's den is one of two dozen "bachelor complexes" squeezed into three low-rise buildings on Allen

Street, in Lower Manhattan.

• Miss Ana Nunez and her three children, Kenny (18 years old), Wanda, and four-year-old Katarin, are stuffed into an illegal apartment in lower Manhattan. This is a \$350-a-month rectangle, which has no sink and no toilet. They must go down the hall to share a tiny bathroom with five strangers. The two older children share a bunk bed, while Miss Nunez squeezes into a bed with Katarin. One winter, Kenny got tuberculosis, and he spread it to his mother, who then spread it to Kenny's two sisters—a picture right out of the 1910s.

Cases like these three, are occurring all over the country.

In Philadelphia, citizens are losing homes in mortgage foreclosures, at the rate of 7.25 homes per day. In 1997, 1,411 homes of Philadelphia citizens were sold in mortgage foreclosures, as the citizens could not meet the mortgage payments; the Aug. 4 *Philadelphia Inquirer*, basing itself on Philadelphia Sheriff's Office figures for the first six months of this year, projects that home foreclosures in the city will reach 2,664 in the year 2000, a doubling in three years. Homeowners in poor neighborhoods are the victims of a large number of the foreclosures.

In Philadelphia, the banks decided to extend the housing market to the poor, in order to accelerate the sale of houses. This may sound altruistic, but in reality the banks were interested in gaining a rich harvest in interest. The banks made loans to people who had impaired credit ratings, having defaulted on some loans in the past. This is called the "sub-prime" lending market. In the sub-prime market, the lenders charge higher interest rates—typically, 2% to 4% above what "prime" borrowers with good credit would pay. But, in addition, the financial institution charges fees of hundreds or even thousands of dollars for making the loans—which fees the lenders take up front. The extra-high interest rates overwhelm the borrowers, many of whom are elderly or poor, and a good percentage of whom are minorities. Hundreds of billions of dollars in loans have been extended in the housing sub-prime market. Now, this could start to unravel.

Finally, for the tens of millions of households that cannot afford decent, moderately priced housing, there is the last step in this process: homelessness, living in shelters, or being out on the street. While homelessness has proliferated, the U.S. government reports fraudulently that U.S.

homelessness is "only 600,000-700,000." In 1993, a study by Dr. Bruce Link of Columbia University, released by the U.S. Inter-Agency Council on Homelessness, showed that during the latter part of the 1980s, on average, 7 million Americans experienced homelessness per year, ten times the official government figure. Though no broad-term study has been released on the 1990s, the level of homelessness today is at least equal to 7 million.

For tens of millions of households, the housing market is like playing Russian roulette: They cannot afford a home whose median price is \$300,000-750,000; in many cases, a home in the \$150,000 range is beyond their means. They squeeze into rental units, charging 40-70% of their income for gross rent, or they borrow on the sub-prime market for a home mortgage that charges 2-4% above prime interest rate, or they do something similar. Ever present in the back of their minds, is that they face homelessness. One or two missed paychecks, or even the inability of their current, inadequate paycheck to cover clothing, food, and medical expenses, with enough left over to meet rent or home mortgage charges, means that they will be out on the street.

Thus, the hyperinflationary housing spiral is directly driving the lack of supply of decent, affordable, and structurally sound housing.

### **How Will the Housing Bubble End?**

The explosion of prices in the housing market is a component of the hyperinflationary spiral that has gripped the world as a whole. We are on the identical path as the hyperinflationary process that ravaged Weimar Germany, especially during March through November 1923. During this period, people's pensions and savings evaporated, and the economy was ripped to shreds.

Under this process, prices will first climb heavenward, and then the unsustainable housing bubble will crumble.

The key to the hyperinflation is Fed Chairman Greenspan's late-1998 decision to pump up the money supply, in order to prevent the impending chain-reaction deflationary collapse of the financial aggregates (see Figure 7). The rate of expansion of the monetary aggregates would rise more rapidly than the rate of expansion of the financial aggregates. This groundbreaking singularity, generates a shock front, which operates according to non-linear laws, com-

parable, in the domain of mathematical physics, to the shock wave front as described by Bernhard Riemann. It functions like the transonic front when a plane exceeds the sound barrier. The Riemann shock front determines all economic activity, including that of prices. Prices are not determined by "individual factors" acting pairwise upon one another, which is how price inflation is wrongly explained.

The Riemannian shock front operates in such manner as to tear apart both the economy and the standard academic explanation of inflation. Take the hobby-horse of the so-called law of supply and demand. Under this false idea, if something is in short supply, its price goes up, and if it is too abundant, its price falls. Consider the case of the increase in the median price of a home in Santa Clara County, California, which includes most of Silicon Valley. It is said that homes are in short supply there, and this forced up prices. It is true that there is a housing shortage in Santa Clara County, but can this explain the rise in the median price of an existing home in Santa Clara from \$402,340 in the second quarter of 1999, to \$558,920 in the second quarter of 2000, an increase of \$156,580 in one year? Under normal circumstances, were housing in short supply, under "supply and demand," the home price would rise by a few thousand dollars in one year; if there were an acute shortage, by \$5,000. But the median home price in Santa Clara County rose by more than 30 times the rise of \$5,000 that could be expected in an acute shortage, according to the "law" of supply and demand.

The home price is governed by the interaction of the "high-tech" sector bubble (which operates in Santa Clara County); the stock market bubble; and the housing market bubble—all feeding one another, and all governed by the hyperinflationary spiral launched by Greenspan in the fall of 1998. The conditions in Santa Clara and other counties do not determine the price of housing, except in a tertiary way.

The shock front's advance sets prices from the top down; prices are not set from the bottom up.

This Riemannian shock front has sharply accelerated the bloated valuation of the U.S. housing market, fuelling its advance from \$7.63 trillion in 1995 to \$10.95 trillion in 2000. This over-valued market will come down, dispossessing millions and creating one of the greatest existential crises in the history of the United States.

## Storm Over Asia, Take Two: I Told You So, and Now It Is Happening

by Lyndon H. LaRouche, Jr.

*Lyndon LaRouche presented the following keynote address on Sept. 2, to the annual Labor Day weekend conference of the ICLC/Schiller Institute. It has been edited, and subheads have been added.*

On the 12th of August—a Saturday, a Russian, major vessel, a submarine, the *Kursk*, was sunk in the Barents Sea. Some hours later, the location of the sunken submarine was located, and, in the following hours, the President of Russia, President Vladimir Putin, telephoned the President of the United States, Bill Clinton. They met, by phone; there were discussions with their respective military groups, advisers on both sides. The two Presidents discussed. And, thermonuclear World War III was avoided.

That's the fact of the matter, the essential fact.

Now, this situation, which still continues—it continued, an escalating threat of thermonuclear and other war, now spreading about the planet—is a condition which I addressed a little more than 11 months ago, in a film, which was produced in this country in October of last year—and, just to see the beginning of it, up to this point.

*The opening segment of "Storm Over Asia" is shown, including war scenes from Chechnya; India-Pakistan; the North Caucasus. Then LaRouche enters:*

"What you're seeing is a war in the North Caucasus region of southern Russia. What you're also seeing, is a war which has broken out simultaneously in the border between Pakistan and India."

*A second video-clip of India-Pakistan border fighting*

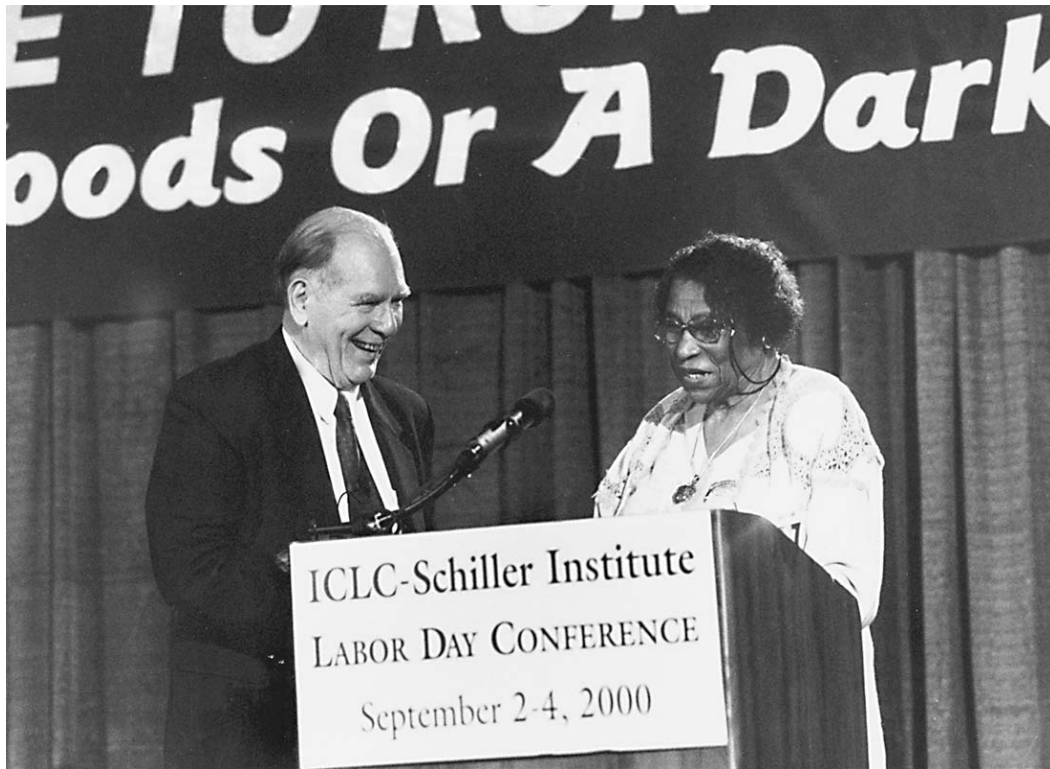
"The forces behind these attacks on Russia and on India are the same. They are a mercenary force which was first set into motion by policies adopted at a Trilateral Commission meeting in Kyoto in 1975: policies originally of Brzezinski and his number-two man there, Samuel P. Huntington; the policies which were continued by then-Trilateral Commission member, that is, back in 1975: George Bush, before he became Vice President.

"These were policies which were continued by George Bush as Vice President. Under Bush, this became known as the Iran-Contra drug-finance-linked operations of mercenaries deployed with private funding all over the world: recruited from Islamic and other countries, and targetting Russia's flank."

\* \* \*

That's it—just the beginning. But, in that film, I did not, of course, indicate the sinking of the *Kursk*, though I did indicate the crisis associated with the sinking of the *Kursk*, which, if Bush had been President, or George W. Bush had been President, would probably have led immediately to World War III. So, obviously, you don't want George Bush for President at this time, under those conditions.

What I forecast was a condition which already existed: a condition, which, in the later part of the film, I indicated would continue, has continued, would worsen, had worsened, and we are still headed toward some kind of catastrophe, which



*Lyndon LaRouche with civil rights heroine and Schiller Institute Vice President Amelia Boynton Robinson, at the conference on Sept. 2.*

could be thermonuclear World War III, or something equally bad. And there are things which are equally bad.

The point is, that what has happened now, was the inevitable consequence of policies to which I referred then, policies which have a deep root in U.S. foreign policy from the 1970s. These were the policies of the Carter Administration. These were the Bush policies of the Reagan Administration, as far as Bush was running part of the show then. These were the policies of the Bush Administration.

These have been the policies of the United States government, under the Clinton and Gore Administration—continued. Clinton may have objected to this. Clinton may have acted, recently, to prevent this from becoming an aggravated crisis, in conjunction with President Vladimir Putin. But, *Clinton has done nothing to lessen the danger of this global warfare.*

If Gore were to become President, or Bush, war or similar kinds of global catastrophe would be inevitable.

That's the problem we face. Because the policy-structure, which is in place in the United States and generally in the world today, *ensures* a drive of civilization toward a collapse, worse on a global scale than the New Dark Age which struck Europe during the middle of the 14th Century.

### **How the British Start Wars**

Now, contrary to some people, you don't bet on wars. You don't go to your bookie, and say, "I want to make a bet on whether war breaks out or not."

War is not an event. A condition like the sinking of the *Kursk*, is not an isolated event. This was not an *incident*. There was not a "Kursk incident," that provoked a crisis. *There was a crisis in which the sinking of the Kursk occurred.* A strategic crisis. There was a response to the crisis. There was a response by two Presidents—that of Russia and the United States—to the accentuation of the crisis associated with the sinking of the *Kursk*. But, do not speak of a "Kursk incident." History doesn't work that way.

World War I, for example. World War I began in 1863-1865: It began after the Battle of Gettysburg, in which it became apparent to people in Europe, including England, that the Confederacy was going to be defeated by the continued determination on the part of the President of the United States, to crush and destroy the Confederacy. At that point, the British monarchy—which was then, and is now, still, the mortal enemy of the United States (for reasons I shall explain): The British monarchy had a Queen, Queen Victoria. Queen Victoria had a son, who was later known as King Edward VII. Not long after the end of the Civil War, the husband of the Queen died. Queen Victoria, who was not particularly a mental giant, or an emotional or moral giant, went into a state of crisis. She went up to Scotland, had an affair with a man up there, and spent a good deal of the time amusing herself on drugs. The records of the local pharmacy, next to the castle up there, indicated there were some very strange goings-on at the castle, when the Queen was in attendance.

Increasingly, when the Queen was in this depraved condi-



*LaRouche's October 1999 "Storm over Asia" video, from which this map is taken, forecast the spread of conflagration throughout the continent, which we are seeing today.*

tion (that's why she was called Queen Victoria: She conquered depravity and made herself the Empress of it); but, her son, the Prince of Wales, actually acted as the monarch of the British Empire.

And, the British Empire wished to destroy the United States. But, first realizing that they could not conquer the United States by means of war, or by civil war, they resorted to other means. And the first means, was to isolate and attempt to destroy the United States, and its influence globally. Because the success of the United States, not only in defeating the British puppet, the Confederacy—and these were nothing but British puppets. And, by launching a great industrial revolution worldwide, which began in the United States in 1861, and reached a high point in 1876, the United States was recognized worldwide as a leading world power, as the most powerful of individual nation-states on this planet economically, the most advanced technologically, in terms of production of any nation on this planet. And nations began to imitate the United States.

From about 1875-1876, Germany, which already had close relations with the United States, began to adopt, under Bismarck, some of the policies of the United States. And Germany began its great industrial revolution in 1877, modelled upon the United States. In the same period of time, a Russian, Mendelejev—the great Dmitri Mendelejev, the great scientist—also brought back to Russia, in association with his Tsar, Alexander II, the attempt to implement the economic policies of the United States in Russia.

Similar developments occurred in France—related, different. Japan, in the same period, adopted the United States

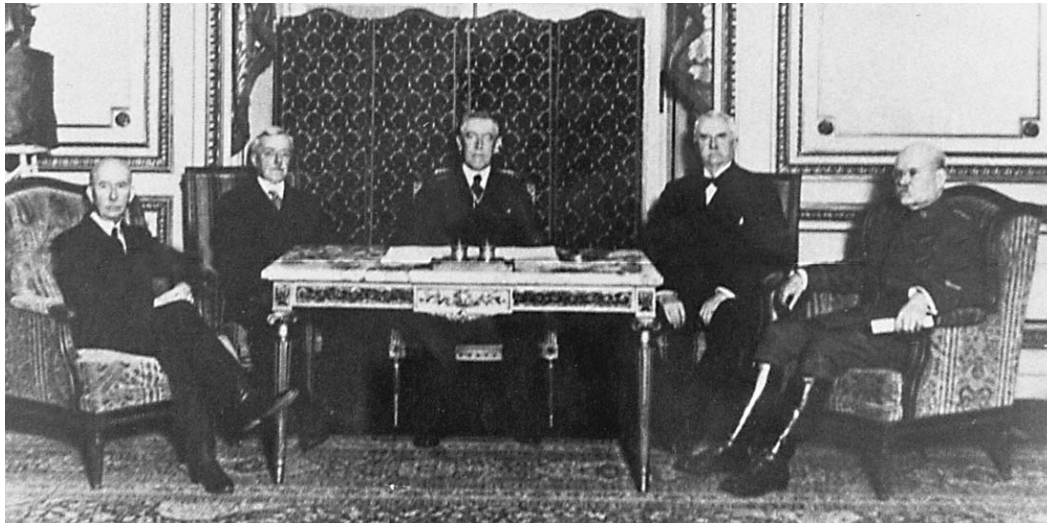
as a model for the development of the economy of Japan. A friend of Carey's, the economist who had advised Lincoln, and who had helped to create Lincoln as a political figure—Henry C. Carey—sent his representative, E. Peshine Smith, to Japan, to educate the Japanese imperial circles, on how to create an economy. The development of the economy of Japan, from that time to the present time, as an agro-industrial power, is entirely the result of the influence of the United States and the Lincoln legacy upon the economic development of Japan.

Other countries joined, as well.

There was, as a result of this, a revival, and a direct influence, of the North American model, the Lincoln model, throughout South and Central America. It was during the latter part of the 19th Century, that most all of the progressive forces, economically progressive forces and politically progressive forces, in Mexico, south to Argentina, adopted the United States model, the so-called Hamilton-Carey-List model, as the policy for national economic development of their country.

And that generally continued, until 1901: Until the assassination of McKinley by the friends of Teddy Roosevelt—then Vice President (sort of the George Bush of that period), who changed U.S. policies.

Now, President Teddy Roosevelt was an asset of the King of England. Because, by that time, Victoria had finally gotten around and found her way to dying, and thus, finally, her son, the Prince of Wales, had become the monarch. So, Teddy Roosevelt was a puppet of the British monarch, Prince Edward VII. Prince Edward VII was out to destroy the power



*Ku Klux Klan supporter President Woodrow Wilson (center) at Versailles, Dec. 18, 1918. If the British had not had the Americans on their side in World War I, Britain would have lost the war.*

and influence of the United States, globally, by turning the nations of Eurasia, which had been attuned to the United States and its policy, against each other.

This became known as World War I.

Japan, for example, which had been a friend of the United States, in the 1890s, was taken over by the British monarchy. And, under British instructions and British direction, Japan launched the first Sino-Japanese War in 1894-1895. Under British direction, as an anti-American move, the Japanese, later, launched a second war against the interests of China—a second Sino-Japanese War. In the meantime, the Japan war against Russia, which was organized also from London, directly with a British agent on the scene to help the process along, was used as a stunt to get Russia into the hands of those who were against the United States, who were willing to join the British and French in a war against Germany. And, Japan, of course, took the side of the British in World War I.

And that's how we got World War I.

This was made possible, because the President of the United States in 1901, Teddy Roosevelt, the man who rose to position, accession, by assassination, was a tool of the British. And, because Roosevelt's designated successor, Ku Klux Klan enthusiast Woodrow Wilson, the man who launched the second birth of the Ku Klux Klan, from the White House, officially and openly—a great Democrat of the type we know—was on the side of the British. And, if the British had not had the Americans on their side for World War I, Britain would have lost World War I.

So, at that time, we had the emergence of Woodrow Wilson, the Teddy Roosevelt-Woodrow Wilson tradition, which took over control of the United States, effectively, until Franklin Roosevelt. Once they got rid of Franklin Roosevelt, by death, then the British were able to triumph, and get the United States back again, as a puppet of London, which the United States has been, essentially, to the present time.

### **America's Challenge to the British Oligarchy**

The importance of this, in terms of the strategic situation is: The issue, then and now, in the time of the American Revolution, remains the same. The British Empire, the British monarchy, was created by a rentier-financier interest which consolidated its power over the English monarchy with the accession of George I, as the first King of the United Kingdom of Great Britain. From that time on, the establishment of an independent republic in North America, became the central interest and cause of all of the patriotic, republican-minded people in Europe. As a result of this, European forces—in France, especially France, in Germany, Italy, England, and so forth—united to help make the United States' independence a success. The United States *became* an independent republic, *only because of European direction and support for this cause*. The intent of the Europeans, up until the French Revolution, and even at the beginning of the French Revolution, was that France would become the second nation-state, modelled as a state upon the policies of the United States, as expressed by the Declaration of Independence and Federal Constitution.

The Jacobin Terror of 1789—that is, from the 14th of July, 1789, until the beheading of Robespierre and Saint-Just five years later—demoralized Europe, and isolated the United States, which no longer had friends in Europe, or significant nation-state friends. And, thus, the United States was isolated.

The United States recovered from this isolation, with the victory of the United States, under the leadership of Abraham Lincoln, over a British puppet, the Confederacy, an institution which, like the French Jacobin Terror, had been orchestrated from London.

Specifically, in the case of the Jacobin Terror: The Jacobin Terror was organized in France, under the direction of the first head of the British Foreign Office's Secret Intelligence Service, the Secret Committee, by Jeremy Bentham. And, all

of the leaders of the five years of the French Terror, the Jacobin Terror in France, were all operating under *the personal direction of the head of the British Foreign Office intelligence service: Jeremy Bentham*. The purpose was to *destroy* the chief ally of the United States—France, at that time—to prevent it from coming back as what it had been before. And, so forth.

After the War of 1812, the chief effort from Britain, was to *destroy the United States*—from within. To this purpose, traitors in the United States, centered in Wall Street, and similar locations, organized what became known as the Confederate conspiracy. You had President Andy Jackson, who was a *traitor*. So was President Polk—a *traitor*. Both great Democratic—these are the founders of the Democratic Party. Martin Van Buren was the puppet-master in charge of the traitor, Andy Jackson. Polk was a British agent. President Pierce, another “good Democrat,” was a British agent. President Buchanan was a British agent. These are the people who, with Polk’s initiative, organized and prepared the military conspiracy, which became known as the Confederacy.

The United States’ war against the Confederacy, was a war to *defend*, not only the United States, not only the Constitution, not only to eliminate the slavery institution: It was a war, to defend upon this planet, the *right of a republic to exist, free of the domination of the British Empire and the British monarchy*.

That was the great world cause, the cause of all humanity, for which the greatest war ever fought by the United States, the Civil War, was fought. Led by Lincoln. The defeat of the Confederacy, was a defeat of the British Empire, a change in the strategic situation, and the bringing back to European civilization of the hope, of a form of society, free of control by the kind of oligarchy, which, *then and now*, has been represented, worldwide, chiefly by the British monarchy, and by the bankers, the financiers of the City of London, and by the British Empire.

*The British Empire always was, and remains to this day, the chief enemy of all civilization, and of the United States, in particular.*

So therefore, the power of the United States, achieved through the victory of Lincoln over the Confederacy, and over the British, became the chief thing which the British were determined to *eliminate*, going first at the admirers of the United States by organizing what became World War I. The United States became a patsy in that, a tool, an instrument, of the British Empire in World War I.

## **Why the British Hated Roosevelt**

Roosevelt, Franklin Roosevelt, changed that. Franklin Roosevelt was a patriot, of a patriotic family tradition, who moved to restore the United States, step by step, toward what it had become. Roosevelt became the indispensable ally of the British for their survival, against Hitler (the Hitler the British put into power in the first place).

But, Roosevelt was the greatest *threat* to the British Empire, once the war had been won. Unfortunately, at that point, he was dead. And Truman was a stooge. Because, what was Roosevelt’s policy? Why did the British wish to be rid of Roosevelt? Why did the British spend the past period, since the death of Roosevelt, trying, among other things, to destroy the United States, the way we are half-destroyed today?

Why? What’s the issue? What underlies this whole history leading up to this so-called “*Kursk incident*” near-brush with thermonuclear war, which occurred on the period of Aug. 12, through 13 and 14?

What’s the problem?

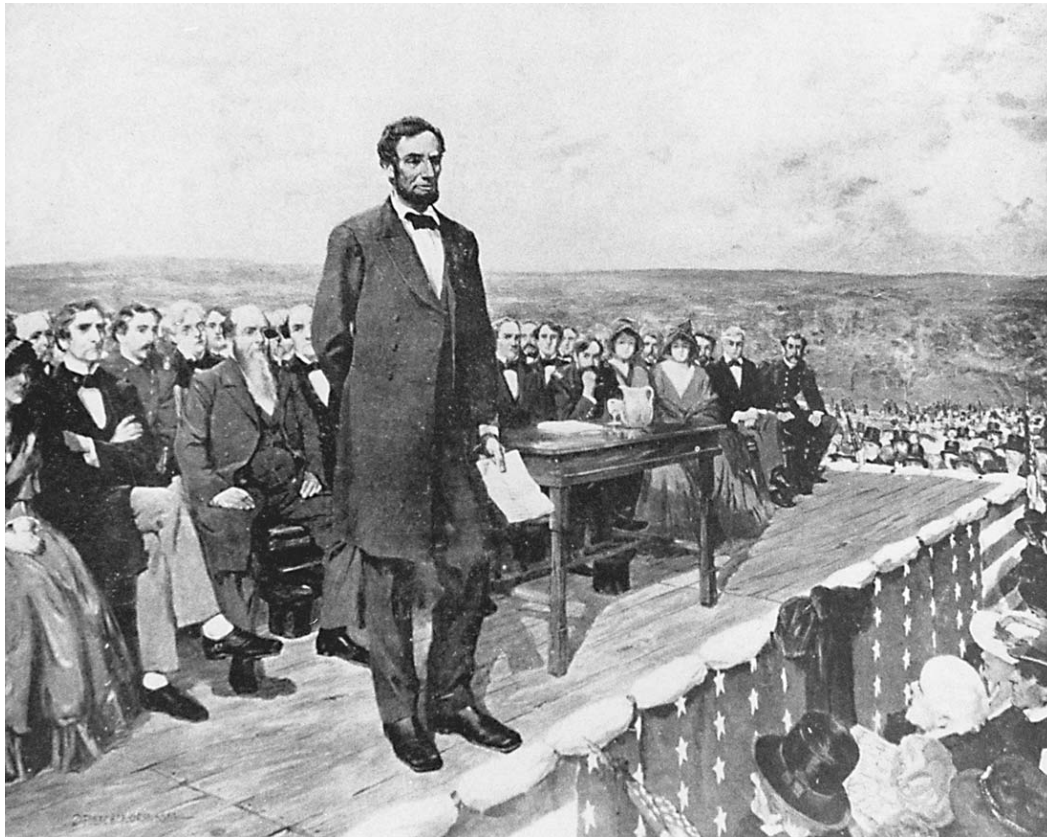
The point is, Roosevelt’s policy, was that, once the war had ended—World War II—once the Nazis had been defeated, that the policy of the United States was, that the power of the United States would be to *break up* all relics of the Portuguese, Dutch, British, and French empires. And, to cause to come forth in the place of the former victims of colonialism, of British imperialism—because all of these empires were run by the British, at that time: The Portuguese were stooges for the British; the Dutch were stooges for the British; the French were stooges for the British. Roosevelt was going to crush it all, and to use the power of the United States, at the end of the war, to bring this about. And where former colonies had existed, there were to be independent republics established. And, the United States, as Roosevelt laid this out to Churchill at Casablanca, for the case of Africa: The United States would use its technology and power, not only to bring about the freedom, of the victims of British imperialism, but also to give these countries—the newly freed countries—the means to stand on their own feet economically, with U.S. cooperation in infrastructure and technology.

In other words, what Roosevelt *intended*, was that the former victims, or the victims of British imperialism, would have the same benefits, which the United States brought to western continental Europe, to western Europe, with programs, such as the original IMF, the original Bretton Woods agreement, and with the Marshall Plan, later.

Therefore, that would have meant the *end* of the British Empire, would have meant the *end* of the power of the London fakirs, and of the Wall Street gang, as well, who are simply part of the allies of the British financier oligarchy. It would have meant the *end of the British monarchy*, and everything it stood for. And, a world *consistent with the intentions* of the Founders of the United States as a republic; a world consistent with the *intentions* for which Abraham Lincoln had led the nation in defeat of the Confederacy.

Thus, the first thing to understand, if you’re going to make sense of the modern world, of the past three centuries of history, and longer: You have to understand that the fundamental issue, since the Declaration of Independence in 1776, the fundamental, strategic issue on this planet, has been two policies: The policy of the British Empire against the policy embedded in the Declaration of Independence and in the Federal





President Abraham Lincoln at Gettysburg, 1863. "The success of Lincoln," says LaRouche, "in leading a war against the British puppets, called the Confederacy, again put America, the American model, this struggle for progress, in the foreground. A struggle, which was crushed, by the events following the assassination of McKinley."

Constitution, especially the Preamble.

That's the issue.

Any other interpretation of history, or major events, is nonsense. And that's what people are going to have to learn.

So, when you understand what's going on in Russia, the *Kursk* incident, and things of that sort, the danger of a thermonuclear war, which occurred this past month, to understand that you *have to go to the fundamental conflict between the British monarchy, and the fundamental interests of the Constitution and people of the United States*. Any other attempt to understand history, or to understand politics in this country, or to understand why the British and their stooges in the United States *hate* me so much, is that issue.

And, that's what I'll address here, today.

### **The Principle of Action, or What It Means To Be Human**

The purpose for all of us, should be—and the Russian crisis is only part of it, a subsidiary part—the fundamental issue, remains, still: Can the United States redeem its own soul, and break from the British monarchy? And, can the United States lead the world to the kind of world which the Founders *intended* to foster, the kind of world which Lincoln intended to foster; the kind of anti-colonialist, anti-imperial policy, which Franklin Roosevelt *would have* carried out, had he not died prematurely, and been replaced by a small-minded

idiot, Harry Truman. Or, the Carter-type, shall we say?

From that standpoint, how shall we understand history? I've said many times before, and I'll deal with that today: The key thing, and the key thematic subject I'm addressing here, today, is *the principle of action*. The principle of action is defined very simply, in the following way: What is the difference between a human being and an animal? Why don't we eat people for lunch? (Or, I hope we don't. You never know, with what they're serving in the supermarkets these days.)

Because, man is *not* an animal. An animal is a form of life. But, there are many forms of life. There's yeast. There are bacteria. They're forms of life. But, what's the difference between *man* and *other forms* of life? That, only man is capable of willfully increasing his power, in and over the material universe. Other species have a potential for adapting, but their *potential* to adapt, is fixed. They, as a species, *can not change their power to adapt*. Only the human species, only the human individual, can change the power of the human species, or any species, to adapt to the universe.

This power lies solely in the ability of the human individual *mind*, to do what Kant said could not occur: That is, to recognize a fallacy, a contradiction in what we already believe; that is, a contradiction between what we *believe* to be true, and what the universe tells us is actually true, in terms of results. Mankind can resolve these contradictions, which are sometimes called "ontological contradictions," through



*The process of discovering a universal principle: "We must share that discovery with others. Because, if we do not share that discovery, then they can not replicate it, and they can not cooperate with us in undertaking its implementation." Here, Schiller Institute instructor Laurence Hecht teaches a class on electromagnetism, July 2000.*

the individual mind, by making a discovery of a universal principle, such as a principle of nature. And, then, prove that that discovery is valid, by means of an experiment, of a very special type, which demonstrates the efficiency, the validity, of that discovery of principle.

The third step must be, that we must *share* that discovery with others. Because, if we do not share that discovery, then they can not replicate it, and they can not cooperate with us *in undertaking its implementation*.

The only way in which you can come to know a discovery of a principle, is through an act called "cognition," which Kant said could not exist. As a matter of fact, in his mind, it could not exist. You read his long, tedious writings, you know: There was never a creative act performed there. Nor a procreative act, either. He was a bachelor, to the end of his life. A man followed by a man carrying an umbrella, a servant carrying an umbrella. That's about as far as he could go.

This principle of knowledge is not something you can learn. If you go to a school, where you say, "Learn to repeat the teacher's opinion," *you don't know anything*. You only know what you are able to discover, in the same manner, an original discoverer of a universal principle discovered it.

For example: What's a bad musician? A bad musician is one who's learned everything, but can perform nothing. He can repeat after me, indefinitely. He's learned all the school-books; he's learned all the routines. But, put a piece of music in front of him, he doesn't play the music: He plays the notes. Because he can't put the notes together, as music. He doesn't understand an *idea*, in the music. The song doesn't work; it's

sung. But it's sung, as if by a machine. By some machine made, say, by the Valley out there in California: Silicon Valley. But, not a thinking, sentient human being. There's no idea there.

So, to communicate a discovery, to share it: You must cause somebody else to *re-experience the same act of discovery* as an original discoverer. If you want to study astronomy, you must first replicate the acts of discovery made by Johannes Kepler. You can't *learn* them. Newton *learned* something from plagiarizing a book by Kepler. Newton never discovered gravitation. It was discovered by Kepler. And, the first elaboration of the discovery is in Kepler's *New Astronomy*, which was translated into English, for the first time (and into Latin, as well), but published in England, in the middle of the 17th Century. Associates of Newton copied from Kepler's *New Astronomy*, and came up with what became known as the "Three Laws of Gravitation."

But, there aren't three laws of gravitation. That was a mistake, made by a stupid student, trying to copy from a book he didn't understand. And, then, when people tried to apply Newton's laws to the universe: They don't work. Because, they *learned to copy what was in Kepler, but they didn't know what they had copied*. Therefore, they didn't know how to use it.

It's like giving an idiot a machine, which is a very well-designed machine; giving him an operating manual, for how to operate the machine, and he always makes a mess of everything. Because, he has no *insight*, no knowledge of what the principles are, by which this machine functions.

So, in order to have mankind increase its power in, and over the universe, the individual must be able to *share the experiencing of a discovery; understand the paradox, the contradiction, which the discovery solves; relive the experiment*, of the type, which proves that this is true; and then go out, and *share* everything, with somebody else.

So, therefore, you can not *see* another person think cognitively. You can not bore a hole in their head, and look inside, and see them thinking; and steal the secrets in their thinking. It doesn't work! You must re-experience, in your own mind, what only a human mind can generate: an act of discovery. *You must relive it!*

So, therefore, only a human society, in which the basis for common action, by human beings, is the improvement in man's ability to survive, in man's power in and over the universe, through the cognitive act of replicating and generating original, valid discoveries of principle; in such a way, that society is able to *share* these discoveries, and thus *act* in accordance with the knowledge thus gained and shared.

Only a human being can do that.

Now, we, as human beings can live in only one way. We are mortal. Most of us know that we were born—or, at least, they heard a rumor to that effect. And, we all know we're going to die eventually: The machinery wears down. What happens to us?

And, what about all those pleasures that we have, the sensory pleasures, that you have in between birth and death? I mean, some people do, eventually, take the nipple out of their mouth, and go on to other things. But, what happens to this whole plenum of pleasure-seeking, pleasure and pain, which some people think is important? "Well, that pains me. I don't do it. That pleases me, therefore, I do it constantly, until it bores me; and then, I do something else."

Where does the essence of human life lie? Where does the self-interest of the human individual lie? If all that's in between birth and death were pleasure and pain? When it quits, what is there, then?

Only if you can do something *human*—not bestial—human, in between birth and death. And, if you can *transmit* the benefit of what you transmit to *others*, in the same way, *then*, no matter how many generations of humanity in the future, you are a permanent, efficient part of that future. You live in the future. As long as society continues to take the benefit of what you transmit. You, in turn, live on the basis of what you have received, from thousands of generations before you. Ideas of principle, notions; the very existence of a literate form of language, is a product of a long process, of development of language. The ability to have a language in which you can communicate ideas of a certain sophistication, requires a long process of creative contributions, by many generations of people; thousands of generations. And, when you live and breathe, and *live* these things, *live* these experiences, *you are reliving, in yourself, a part of the continued, immortal existence of that person—each of those persons—from whom this*

*has been transmitted to you.*

And, when you go on, you say, "What's important to me? Who am I?" Well, what is important about you? What's important about you, is what you contribute in the way of generating, accumulating, and transmitting these means, these principles, by means of which mankind is able to cooperate; and to cooperate in ways which increase the human species *power to exist*. The power in, and over nature. That's you.

Therefore, what is your fundamental self-interest? Your fundamental self-interest, is to make sure, that what comes *after* you, gives meaning to your having lived.

It is for that reason, that people who are over 55 years of age, are willing to die for their nation. Not that they wish to die. They wish to survive. They wish to conquer. But, they put their lives in jeopardy—and people did it in many ways, not just in battle. They put their lives in jeopardy, because *living as that kind of person, who would be an instrument for bequeathing something of immense value to coming generations, was the most important thing in their mortal existence.*

Therefore, they put their lives on the line, for the *sake* of their lives, and their personal identity, in humanity at large.

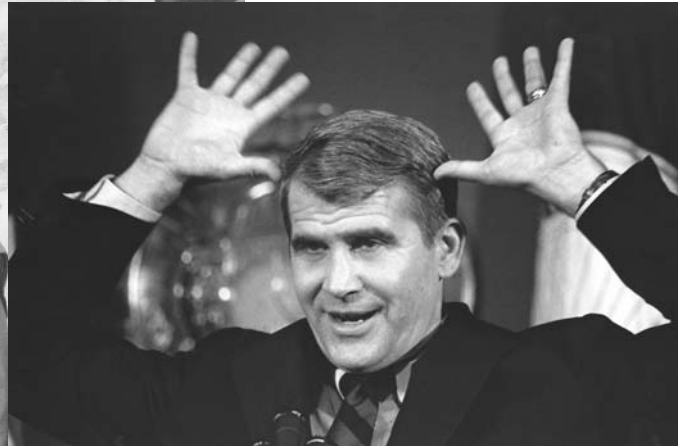
## It's Time To Grow Up

Now, the fact of the matter is—the difficulty with this sort of thing, which is, I think, more or less obvious, from what I've said to most of you: The difficulty is an emotional one. Most human beings today, especially in the United States, are, range in moral quality, from childish to infantile. See, if you're an adult, as opposed to an adolescent, emotionally—remember, that adolescents are naturally crazy people. They're born that way. There are a few exceptions, but they're naturally born that way. If you have a person, who's reached the age of 25, and they're behaving like an adolescent, you send them to a psychiatrist, obviously, right? They're crazy.

But, the first thing you say is, "How old are you?" If they say, "I'm 13"; "Okay, that's all right. You're normal. You're insane: That's what we expect of you."

And then, you have childishness, which precedes adolescence, and then infantilism, which lasts longer or shorter, depending from case to case. Mozart got through this fairly quickly; some people take a lot of time; some haven't made it yet. Like Al Gore. I think he started from infantilism and worked his way backward from there.

The problem is, that, when people are infantile, or childish, their obsessions tend to run—especially if they were raised in a bad family, or if they're neglected, like wolf-children—to obsession with *immediate, sensual gratification*. And, as an approximation of that, they run to a short-term thinking: "Well, what will be good for me next week." Or, if they may think ahead one year: "What I'm gonna get next year. What kind of a career I'm gonna have." Eh? "I gotta get a new wife. I mean, the ol' wife had two years, that's already time for a trade-in," or something like that.



*“Most human beings today, especially in the United States, range in moral quality, from childish to infantile.” Left: Al Gore and his wife, Tipper, at a Halloween Party. Right: Oliver North, partner in crime of Vice President George Bush in the Iran-Contra operation.*

This is typical of the childish-to-infantile American. They do not locate themselves, as an identity, in their relationship to humanity as a whole, in a timeless sense. That is, in the sense of time without borders, in the future of humanity. Typical of the Baby Boomers under 55. And I know, because it was my generation that made the Baby Boomers immoral, as a collection. They were raised by cowardly parents, who told their children, and taught their children to seek advantage; do what’s wise for you; do what’s good: Stay out of trouble; don’t get involved with this; there’s no truth, there’s only opinion. All this sort of nonsense.

So, the Baby Boomers, you know, as I said today, when we were talking earlier, is that — Clinton’s problem is, not that he doesn’t know what a principle is supposed to be, but he doesn’t believe in them. He’s like a plea-bargaining lawyer. He goes into a session, for a principled discussion, and he plea-bargains everything away, before he even starts the fight; which is what he’s done, again, and again, and again.

It’s a *generational* problem. Of *his* generation. Don’t blame him for anything wrong he did. Oh, he has responsibility for it, but don’t blame him. It’s not his nature, it’s the way he was raised. It’s his generation—the Baby Boomer generation.

So, *we* created, in the Baby Boomer generation—those who now occupy the top positions of power, in governments and other positions around the world—*we created in them, a*

*monster*, which the President of the United States represents. He’s typical of his generation, of his generation of that stratum.

Then, *his* generation, in turn, created a worse set of generations, which you saw exhibiting its talents at Columbine High School. You have a new generation on the way, which is pre-adolescent, which is preparing to kill its grandparents, if not eat them, which are the addicts of Pokémon, in the younger generation.

So, we have, not a process of successive generations, but really, I look down at this skein of history, and I say, “successive *degenerations*.” We become worse and worse, because we become more and more *remote from a moral sense of what it means to be a mature, adult human being*, aware that he or she is mortal, whose notion of self-interest is located in what we can do, with our lives, to acknowledge and perpetuate the good given to us by previous generations, and to pass it on, hopefully with some improvements, to generations yet to come.

And, that’s where the joy and maturity of life come, from that kind of commitment. We have produced a generation, a post-war generation, including many of my generation, who went that way, under the circumstances of the post-Roosevelt period, who degenerated. And, it was their degeneration which infected, I think, about 95% of the people I knew of my generation. Became immoral. And they raised their chil-

dren that way. And, those who moved into suburbia to avoid blue-collar jobs, really did a better job of turning them into degenerates, than those who worked in the factories.

And, then, they raised their children in the same way.

So, we have become, historically, more and more remote from a moral sense, from a sense of truthfulness.

So, what is action? What is relevant action? What kind of actions can we take, which the universe acknowledges to be a command?

## The Universe Obeys Lawful Commands

Well, typical of those kinds of acts that we make—which we can prove, the universe will *obey*, otherwise the universe won't obey them—are actions which conform to the discovery of a universal physical principle. If you can discover a validated, universal physical principle, and you can give that, as an order to the universe, the universe will obey. Man is the only creature that can do that! That can formulate an order, called a universal physical principle, validate that discovery, and issue that discovery as *an order, a command*, to the universe, and the universe is compelled to obey.

That is the means, the accumulation of these principles, which are part of our technological culture, is the means by which mankind has been able to increase the life-expectancy, to improve the demographic characteristics of populations, and, in general, to increase man's power, *measurable power, in and over the universe, per capita and per square kilometer*. That's the great, scientific experiment.

We are able to *do* this, not only through physical experiments, through physical discovery: We're able to do this, by discovering higher levels of methods of social cooperation, through which, we're able to cooperate in fostering these kinds of discoveries, and applying them.

So, those things. Those are the kinds of actions, which the universe acknowledges to be *man's willful actions of significance*. Everything else that man does, is on the level that any lower form of animal life can accomplish.

So, therefore, the kinds of action which distinguish a human being from lower forms of animal life, is that, and only that.

Now, look at this question of strategy, which I've introduced here, from that standpoint: Strategy should mean, once we've understood these lessons—which, presumably, we had learned from study of European history, since the time of Solon and Plato. Say, what's important? What is strategy?

The purpose of strategy, is to defend the human species; to improve its condition, to improve its well-being; to improve its power in and over the universe at large. That's the purpose of strategy.

In order to do that, we must promote scientific discovery, and utilize it. We must promote those discoveries of principle, such as artistic principles, which enable us to cooperate, in more advanced ways, to utilize these physical discoveries, for man's benefit. What we, therefore, require, is forms of

society, in which we perpetuate the rearing of our children, and our institutions, in such a way, that this mission of mankind, implicit in our nature, is fulfilled.

Thus, we fight to defend this idea of progress. We fight to defend and improve forms of society, which promote progress. We fight to undermine, and nullify, those forms of culture, and political and social systems, which are the enemies of progress. The significance of the United States, is that it was produced as a product of a certain phase in European civilization, coinciding with the 15th-Century Renaissance, centered in Italy. It struggled to create a form of society, in which the only legitimate authority awarded to government, was the responsibility and power, to promote the general welfare *of each and all persons*. That is, to promote progress, in that sense.

In this process, during that century, the policy was adopted, of having self-governing, modern, sovereign nation-states, whose authority to rule, was located in the commitment to progress so defined. *Against that*, we had an opponent. The opponent was forces of bestiality: Those, who see a few people, as the power to *use as human cattle, the majority of other people, other nations, and subject populations, generally*. This is called, oligarchy.

So, the forces of progress, and the nation-state, are pitted against the forces of oligarchy. In the same way, that the idea of free trade, of globalization, today: *These are the enemy*.

Because, without the nation-state, without protection of the form which only the nation-state can provide for an economy, to *ensure* progress, can we have progress. Those who propose to *liquidate* the nation-state, that is, to globalize it (or globularize it); those who propose free trade, rather than fair prices to protect the process of production of food, and other things upon which life depends: *These are the enemies* of civilization.

Since its establishment in 1714, the British Empire has emerged as the chief proponent of a system of oligarchism on this planet. The United States was created, in order to provide a fulcrum of opposition to those forces of globalization—that is, Roman Empire-style—represented by the British monarchy.

And, it is that fight, which defines it.

Now, our method, of fighting the British Empire and what it typifies as oligarchy, is the force of *progress*. We fight, how? By demanding education for all of our children, and conditions of life for all of our children, which enable the child to make the progress from infantilism to childhood and adolescence, into a moral adulthood, and productive adulthood.

The first level of progress.

We fight for those conditions of shared culture, on which we can share the knowledge represented by universal physical principles, and of principles, like artistic principles of cooperation, through which we're able to work together for good. We fight to defend these kinds of institutions of progress,



*The destroyer USS Shaw explodes during the Japanese attack on Pearl Harbor, Dec. 7, 1941. The attack was no surprise to the U.S. military, since they knew that the British had been nurturing a plan for such an attack since the 1920s, when Britain allied itself with Japan against the United States.*

against their adversaries. We try to win the adversaries over, since they're human, to our cause, and say, "Come, join the human race. You don't have to be British all your life. You can be human. We'll give you a green card, to enter humanity." We don't have to kill them; we're not like beasts. But we will, and must defend our essential institutions: the institutions of progress.

Thus, what I've described, therefore, becomes a principle of universal action for people. And, the constant issue, which we have to face up to today, is to understand that the essential conflict on this planet is between British monarchy, and the United States. What the United States represented, as progress, at its making: What it represented under Lincoln's leadership. What it tried to represent, again, under the leadership of Franklin Roosevelt.

*That's the issue, and no other issue is of anything but secondary, or auxiliary importance.*

It's in that circumstance, that we have to understand the implications of, not only the sinking of the *Kursk*, but also, the larger issue, which I addressed in the film on the "Storm Over Asia."

### **An Example: The Bombing of Pearl Harbor**

Just to give an example of this, in one particular case: Let's take the case of the bombing of Pearl Harbor. Now, the bombing of Pearl Harbor has a long history. It goes back to the

wars against Britain, from the beginning, from the founding of the United States, in 1776. And, even before—some developments under the Colonies.

Over the course of time, the patriotic military and other professionals of the United States, recognized that the British were the essential enemy of the United States. And, during the course of time, until the middle of the 1930s, the United States developed various kinds of war plans, chiefly pivoted on the understanding that the British monarchy was the natural, and continuing, chief enemy of the United States. And, that if we had to fight a war to defend ourselves as a nation, we had to prepare for a war against Britain, and the forces deployed by Britain, for our interest.

Thus, in the beginning of the century—this past century, the 20th Century—the United States developed a number of specific war plans, based on this experience, in general, and based on specific conditions, which had been called into being by the assassination of McKinley, by a group of people, who were friendly to Teddy Roosevelt, in New York City.

Among these, were two war plans: War Plan Red and War Plan Orange. Red and Orange signified Britain and Japan. And this occurred—of course, these war plans were in this form, as a result of the British alliance against the United States with Japan, which came to a head, over the period from 1894 through 1905. So, from that experience of Japan as a *puppet* of the British monarchy, the United States understood

that Japan had been converted into a British puppet against the United States.

In the early period, the period of the Harding Administration, there was a continuing process, in which the British, together with the Japanese, tried to reduce the American naval power, to the point that the United States Navy would be defeated in any war against Britain and its naval allies. This was the famous naval disarmament agreement.

In that period, the War Plans Red and Orange underwent a special refinement, to which Gen. Billy Mitchell referred at his court martial. What had happened was, in the meantime, the United States understood, at the beginning of the 1920s: The British plan, was to have the British Navy and the Japanese Navy develop, to prepare to attack, among other places, *Pearl Harbor*. Early 1920s. This is part of the British alliance with Japan, against the United States. They planned to fight only a naval war against the United States, to *destroy* the United States' maritime power, around the world. What they intended to do, was to have the British protect Canada, on the Atlantic side, and have the Japanese stage an attack on Pearl Harbor, to wipe out the U.S. military naval base at Pearl Harbor.

Now, the U.S. military top ranks were fully aware of this plan. One U.S. general officer, Billy Mitchell, thus concentrated on a new way of defeating warships of Japan, in the case of an attack, by the Japanese on Pearl Harbor. He, therefore, developed the idea of using, what we call today, aircraft carriers, which would carry bombers; the bombers launched from an aircraft carrier, would then be used to attack the Japanese fleet, deployed against Pearl Harbor.

For this, Billy Mitchell came under heavy attack, within the U.S. military, at the time that the military was controlled by the Coolidge—pro-British Coolidge crowd. For this, on behalf of Britain. And, this led to public arguments. And, for making the public arguments, Billy Mitchell was court-martialled, and stripped of his rank, and humiliated. Because, he was out to defend the United States against the British.

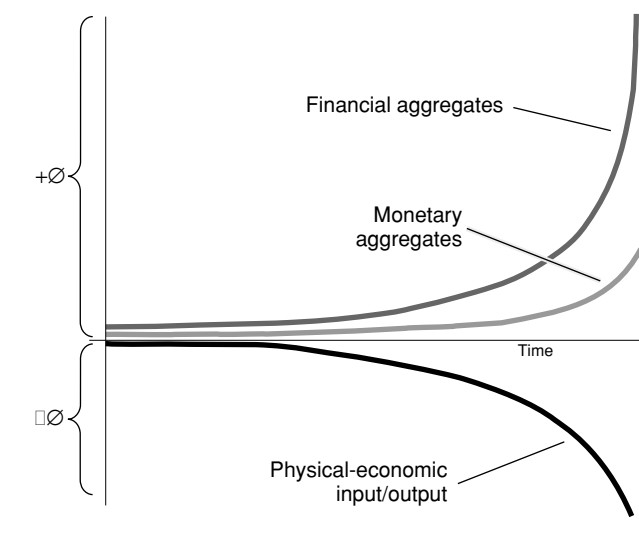
So, therefore, ask yourself something: How much of a surprise was it to the U.S. military, when Japan attacked Pearl Harbor on Dec. 7, 1941? It was no surprise. The only surprise was, that the Japanese put more aircraft on their aircraft carriers, than in the original plan, and therefore, that was an element of surprise: *The amount* of air power deployed against the Hawaiian Islands by the Japanese fleet, was the element of surprise. Nothing else was a surprise.

The United States and the British had deliberately *provoked* Japan, to make an attack, in order to get the United States into war. Because the American people were not prepared to fight a war, at that time; therefore, the Pearl Harbor attack, was *necessary* to *accept* and to *provoke*, in order to have the kind of incident, that would alarm the U.S. population, into *willingness* to go to a general war.

That's the way things happen. And, that's typical of the way the post-war period is run. People who think the British

FIGURE 1

## A Typical Collapse Function



are our dearest and closest ally, simply are not patriots of the United States. Or, we might say, they're either sub-adolescents, or even infantile: Like Cap Weinberger, and so forth, and Sir Henry Kissinger, and so forth.

So, the key thing here, is the principle of action. Action, in politics and strategy, means the action by means of which, in general, mankind's power in and over the universe is maintained; which means actions which promote the existence of the sovereign form of the modern nation-state, the protectionist model; it means actions which promote the development of our population in ways to raise them to higher levels of culture, through education and so forth, and better conditions of life; it means cooperation among nations which agree with those principles, and which ought to be in partnership with each other; and it means opposing, even to the point of going to justified warfare—of defending those institutions of progress against the adversary, of which the chief one, continuing to this day, is the British monarchy.

This means also, in progress, the promotion of scientific discovery, and of Classical artistic culture, in our schools and in our practice elsewhere, as a way of developing our minds, the minds of our people, to cooperate and to be able to address these kinds of problems, and to promote progress.

## A Hyperinflationary Explosion

Now, that said, let us get on with it—with that introduction, admittedly long, but you will see why it is relevant. Let's turn to this first figure I did for the first time in November of 1995: the collapse function, this first figure (**Figure 1**). I did this for the first time when Helga and I were invited guests at a Vatican conference. In the context of the conference, I was invited by the sponsors to submit a report to the Vatican on

FIGURE 2  
**Industrial Energy Consumption per Household**

(Millions of BTUs)



Sources: U.S. Department of Energy, *Monthly Energy Review*; U.S. Department of Commerce, Bureau of the Census, *Population Surveys*, various years.

this general subject. And in order to try to explain to priests and others, what they are probably not technically qualified to deal with, I used this way of illustrating the basic, characteristic feature of the destruction of European civilization, including that of the United States; this three-curve figure, which many of you are familiar with.

What has happened, especially since 1971, with the actions by Nixon in 1971, in collapsing the previous Bretton Woods system, and setting up the floating-exchange-rate system, is the following process. This curve here represents—let’s say this is 1966-1971 approximately, the zero point—that since that time, especially since 1971, the characteristic has been that the per-capita real component of U.S. production and consumption has been in a phase of accelerating decline. During the same period, we’ve had a growth of the total financial aggregates. For example, today, that means that, compared with about \$41 trillion-equivalent, in terms of official reports, of world gross domestic product, of all nations combined—\$41 trillion—that in short-term alone, the total amount of financial aggregate today, in short-term obligations, is over \$400 trillion—in other words, at least 10 times the amount of the total annual product of the world as a whole. And that does not include all debt.

This is what’s happened. We, as a nation, and the world system at large, is, presently, hopelessly bankrupt. So don’t say, “When is the crash coming?” The crash is already here; we have already crashed. We have not yet hit the ground, but

FIGURE 3  
**Number of Paychecks To Purchase New Car**

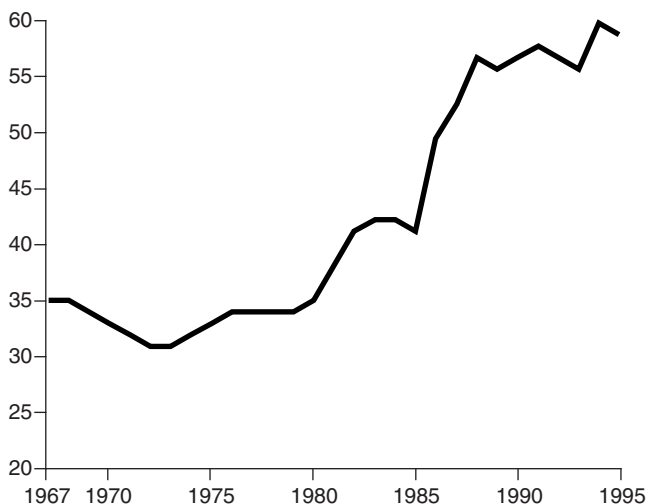
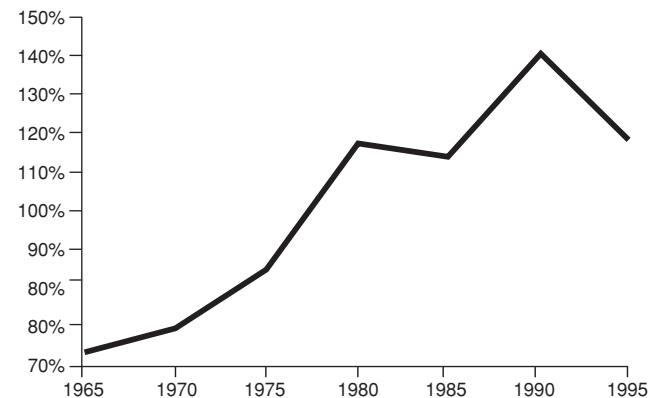


FIGURE 4  
**Combined Home, Car, Food, and Health Insurance Premium Payments**

(Percent of Average Paycheck)



the wings have torn off, and we are going down.

Now, in the meantime, in order to pump up this financial growth, what has happened, is that we have kept pumping into the system more printed money, both Federal Reserve dollars and other kinds of monetary forms, in order to feed this leveraged growth of financial aggregates, sometimes called financial-asset values. In order to do that, we have been looting the physical economy. Look at what’s happened to power production. We no longer produce enough power to meet the same standard of production we did 35, or 30 years ago (**Figure 2**). So, we just let our plants go to hell, or shut them





*“Bernhard Riemann is one of my heroes,” says LaRouche. “He was a famous student of the great Carl Gauss, probably the greatest mathematician in modern history, who made a fundamental discovery, to which I turned in the beginning of the 1950s.”*

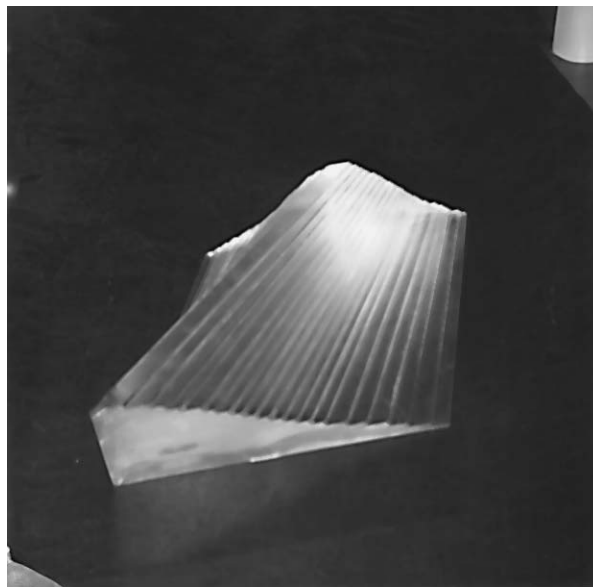
down. Our power production is down. Basic economic infrastructure is down. Through Al Gore’s reinvention of government, we now have forest fires. We might say that Al Gore has been a flaming failure as Vice-President.

So, these kinds of things—the standard of living: For example, what part of your income, of a single income of a normal head of a household—what percent of your income do you pay for rent? How many years’ salary do you have to have, from that single head-of-household income, to buy a mortgage on a house? (Figures 3-4.) Recently, what’s happened is, that you’ve seen, as a result of this financial aggregation and collapsing of real output, we’re now into—as I’ll come to later on—double-digit rates of inflation in progress. We’re now headed toward \$50-a-barrel oil, or higher. We’ve had 10-30% increases in metals prices in the past 12 months. We’ve had similar rises in the price of food. The price of rents and housing acquisition has skyrocketed, again, 30-40% in the past year, depending on what part of the country you’re living in. Our industries are collapsing, and everything.

So this process of inflation-collapse, taken together, and the number of incomes you have to have in a household in order to support the household (or not quite support it) has

FIGURE 5

## A Riemannian Shock Wave Modelled



increased. That’s what this is about.

So this rate of growth, in itself, described by this curve, is hyperinflationary. But at first, the value has been expressed in terms of hyperinflation in so-called financial asset prices—that is, stock-market prices, real estate mortgage prices, share prices generally, the so-called Nasdaq index: highly speculative, highly leveraged, nominal increases in prices of assets, by people who are borrowing 20-30% more than they’re making, going more deeply into debt, at high rates of interest, in order to buy into what they hope will bail them out, in terms of share-price value appreciation. The economy is being destroyed.

### A Riemannian Shock-Wave

Now, look at this picture (see portrait), a gentleman you have to be acquainted with, Mr. Bernhard Riemann. Bernhard Riemann is one of my heroes. He was a famous student of the great Carl Gauss, probably the greatest mathematician in modern history, who made a fundamental discovery, to which I turned in the beginning of the 1950s. I made a certain fundamental discovery in respect to the science of physical economy, and in order to try to put what I had discovered in mathematical form, in 1953, I turned to some of the work of Riemann, and Riemann’s work was what I have incorporated into my own discoveries ever since that time.

This is a diagram of another aspect of Riemann’s work, which I also have relied upon (Figure 5). This is called a Riemann shock-wave. This was something that was developed by Riemann in 1858, when the first discovery of transonic, supersonic, velocities—the existence of them in nature,

was proven by Riemann in a famous paper. And this particular diagram, which is cut in plastic, and was done for me some years ago, is a diagram in three dimensions, of the way in which a transsonic shock-wave is developed as a projectile is approaching the speed of sound.

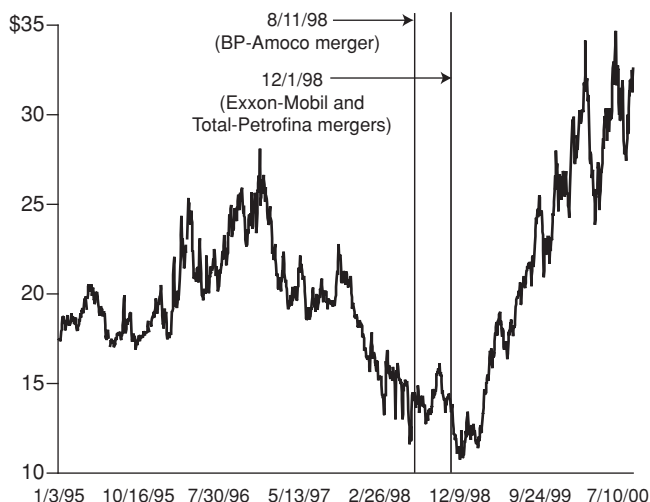
Now, this same kind of phenomenon, or a similar kind of phenomenon, comes up in economics, as you approach certain boundary conditions; and that's what we are at now. The point is that today, we are on a shock-wave front, and I would summarize this this way (I'll come back to this again): During the period between March and the present time—maybe earlier, but certainly by March—the U.S. economy, and a large part of the world economy, entered into a hyperinflationary explosion, like that which gripped Weimar Germany between March and November 1923. What you're experiencing today, in terms of the zooming of petroleum prices, of real estate prices, of prices of primary metals, things of that sort, is actually a hyperinflationary commodity-price inflation, based on the same principles which led to the disintegration of the German Reichsmark in 1923, over the period March through November. We are, approximately, somewhere in the July-August 1923 period, in terms of the present rates of commodity-price inflation worldwide, hitting the United States and elsewhere today. This phenomenon, of this hyperinflationary form, is an example of this kind of problem.

So, what we're at today, is, because of certain policies which have been adopted since 1971 by the United States government—the policies of moving away from the sovereign nation-state, into free trade, and other kinds of changes you've seen, especially since the inauguration of Jimmy Carter, in the United States—we've seen a systemic destruction of the U.S. and world economy, which accelerated greatly after 1989-1990; and this process has led to this inflationary situation. When the danger of the blowout, a deflationary blowout, of the world financial system, struck between the Summer of 1996 and the Fall of 1998; then, in October of 1998 the United States government, and others, decided to pump a wall of monetary inflation—into the present hyperinflation. Therefore, we have seen, since October 1998, an explosive, accelerating rate of increase of asset-price inflations in the share values and similar kinds of things.

As of this year, in the course of the present year, that asset-price inflation has spilled over into commodity-price hyperinflation. For example, the reason for the increase in the price of a barrel of petroleum, over the course of the Summer, is not a supply-demand phenomenon. When President Clinton says that we've got to force oil-producing and -exporting countries to produce more oil, it's a lie. The world is already glutted with petroleum, and the supply and demand for petroleum has nothing to do with the price of petroleum per barrel. The price of petroleum per barrel, the gasoline price, the heating oil price, and so forth, is entirely the result of speculation—hyperinflationary financial speculations—in mergers and acquisitions within the conduits from the oil, petroleum

FIGURE 6  
**Oil Price Skyrocketed in Wake of Big Mergers**

Oil price, West Texas crude  
(\$ per Barrel)



Source: Wall Street Journal.

product, through the refineries, and through those institutions which have bought into the handling and speculation upon refined product, and downstream delivery futures out of refineries (Figure 6). The reason this has occurred, is that those who invested in mergers and acquisitions in the petroleum downstream side, spent so much in acquisitions and mergers, that to cover the cost of the acquisitions and mergers, what you are paying for is not the price of petroleum; you are paying for the price of *paying off* the speculators who bought into a large amount of debt in order to *make* the mergers and acquisitions.

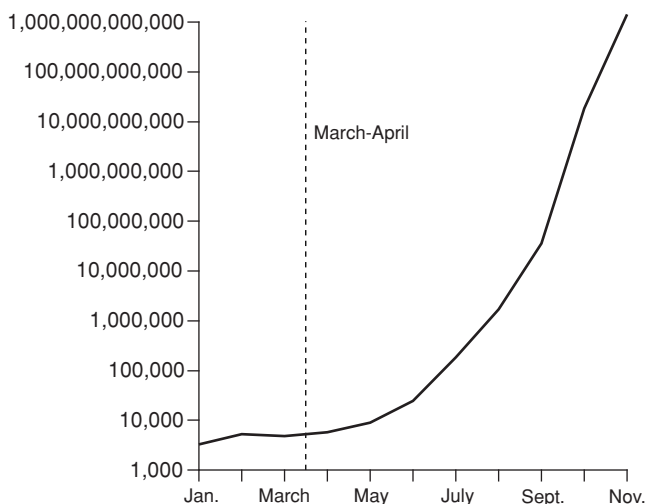
The same thing has happened in the metals field. The same thing has happened in real estate. Real estate speculation does not come from a housing shortage as such. What has happened is that the Federal Reserve system and others, who have control over the mortgage-industry business, have been floating mortgages at a great rate and at high risk, into the building of these glorified tarpaper shacks you see mushrooming here and in California. So, what they've been doing, is by control of the mortgage market, they've rigged the mortgage market with speculation, in order to do some profit-taking on the real estate side, using these cheap, glorified tarpaper shacks going for \$300,000 to \$600,000 and \$700,000 apiece. These are being merchandised on the landscape, and are not intended to survive very long, because they're all going to come down very soon, when the market blows up.

The same thing has happened with foodstuffs. You look at how much of the world's food supply has been taken over

FIGURE 7

## Weimar Hyperinflation, Wholesale Price Index (1913 = 1), March-November 1923

Logarithmic scale



by speculators. Look at what's happened with the case of power, electrical power. We have a vast shortage of electrical power. But it is not the shortage of electrical power which has caused the zooming of prices for electricity in California and elsewhere. It is the fact that the people who have bought up, and bought into, things like Enron [Corp.] and these guys, have driven the market up. They've created an artificial shortage, a shrinking supply; they market this stuff at high prices on these special markets, and they've taken over the market—through deregulation.

Therefore, if you take the effect of high prices of energy, prices of food, prices of real estate, and so forth; if you take the effect of that on the whole economy, then you see how we, like Germany in 1923—Weimar Germany—are headed into the kind of hyperinflation commodity-price spiral which hit Germany with full force in October-November of 1923 (Figure 7). And we're on the way there.

So, those who tell you, "Yes, there might be a crisis, but it won't happen for a year or two"—they're lying. They're either stupid, or they're lying. When you're getting into rates of hyperinflation in asset value, and as a spillover of that, the beginning of a commodity-price inflation—I mean, those who tell you that the rate of inflation in the United States today is less than 1%, they're lying. Any government agency that tells you that, is lying. The most fairly estimated rate of inflation in the United States at this moment, is 10% per annum. And it's up to 30% or higher in categories such as real estate and other things, over the past year.

So now, we are on an escalating spiral of hyperinflation which is going to *blow this economy out*, and everything in it.

## The Threat of Global Infectious Diseases

All right. So let's look at another effect of this, just to get some idea: disease (Figure 8). In 1973, I wrote a memorandum to some of my associates, on how we were doing our science work, in connection with what became, in that period, *EIR*. What I did, was to take the case of a very famous Russian scientist, Vladimir Vernadsky, who did a lot of work on what's called biogeochemistry, and related things. He was a student of Pasteur, of some significance. And I correlated the effects of the 1971 decision by Nixon which sank the Bretton Woods system; and what the effects that policy would have upon the spread of disease and other demographic effects in places such as Africa. In the following year, we produced a report on the subject of the global threat of disease, targeting, in particular, Africa as a model case. And these studies, of these spreads of disease, were a by-product of that program.

We maintained that study, of course, over the years. In the middle of the 1980s it became rather celebrated, when the question of the knowledge of HIV, or AIDS, broke out, and we did further studies showing what the impact would have to be, of the spread of the disease and co-factors and correlatives of HIV, worldwide. This study we did—if you look at the recent CIA report on the threat of AIDS, or HIV, you'll find the figures that we wrote in 1987, on what had to be done about HIV, are highly accurate; that our figures from that time are the accurate figures.

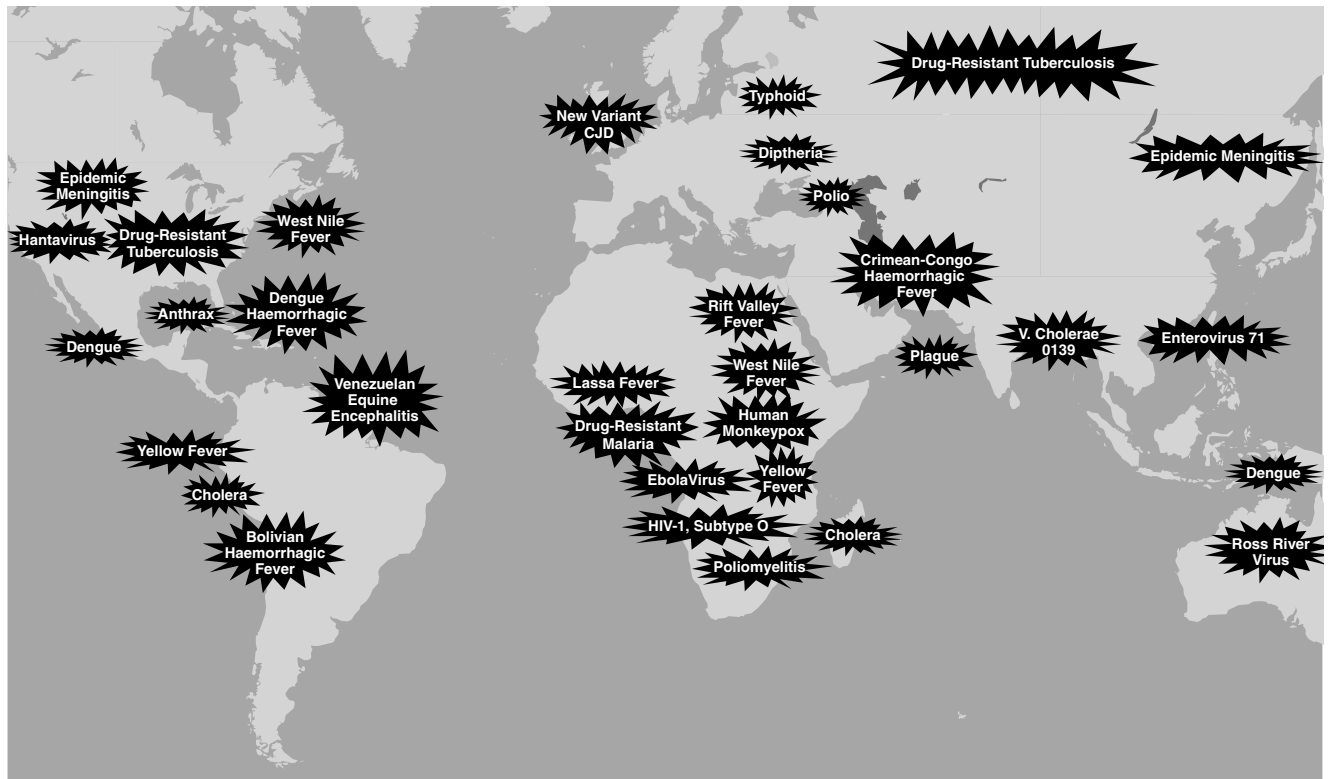
So this is part of the same process. We see now, a destruction of the economy, a monetary and financial system which is about to collapse, the fact that we are in a spiral which is leading toward a total blowout of the system, like Germany in 1923; and on top of that, under these conditions, the lawful rate of spread of disease of old and new types, and their interaction with one another, and the demographic effects, are becoming clear.

Just take the next graphic, on the question of the 1956-1975 period. All right. This is the basic pattern (Figure 9). 1977—that's the year that Carter was inaugurated as President. The top figure is the lower 80% of the labor force, family households—what percent of the total national income do they represent, in terms of family income, as against what percent of the total national income is controlled by those in the upper 20% of family income-brackets? And you see there's been a qualitative transformation in the quality of income, in the quality of employment, circumstances of family life, in the U.S. society, as a result of both the 1971 decision by Nixon, and the policies of Carter and his followers from 1977 on. And that's what we're getting today. That's where we are today, approximately—this is a more recent figure. And that's the big social crisis.

I made a number of warnings on this subject, just to indicate how we got here. One of the first—after what I warned about with Carter, what Carter's policies would lead to in 1977, and they did lead to exactly what I warned—I warned in October-November of 1979 that the Volcker measures

FIGURE 8

Examples of Emerging and Re-Emerging Diseases, 1990-2000



Sources: WHO; Centers for Disease Control and Prevention.

adopted, would sink the economy, that the United States would be driven into a recession by February of that year; that happened. That that would persist for at least two years; it happened.

Then we went on. We went on, after Volcker. Look at the prime rate, for example, of Volcker (**Figure 10**). See the period of 1980? This is what Volcker did to wreck the U.S. economy. This is what sank, among other things, the savings and loans institutions; some of you may remember them, when they once existed. They were wiped out, by this. And that's in that period. And you see what's happened since then.

Go on to the next one—the rise in debt (**Figures 11-12**). You see, again, from the 1980s, the 1990s, what has happened since the 1970s in terms of the rise in debt.

Go on to the next one. This is the forecast we made in 1980, a comparison of forecasts (**Figure 13**). The big thick red line on the lower side, is what *EIR* forecast over that period into 1982. The actual is the black line, which goes higher, and then follows down toward where we went. The others went sort of sliding up, industrial production index, and they were all wrong. So, again, over this period, the forecasts that we've made have been consistently, as this typifies, correct.

Then, in 1987, of course, in May 1987, I forecast a probable stock market collapse in October 1987, which happened on schedule, as I had forecast, which resulted in a qualitative change in the character of the U.S. financial system. That crash coincided with the shift of power, in the Federal Reserve System, from Paul Volcker, who had sunk the economy under Carter, to Alan Greenspan, who's been sinking the economy ever since that time.

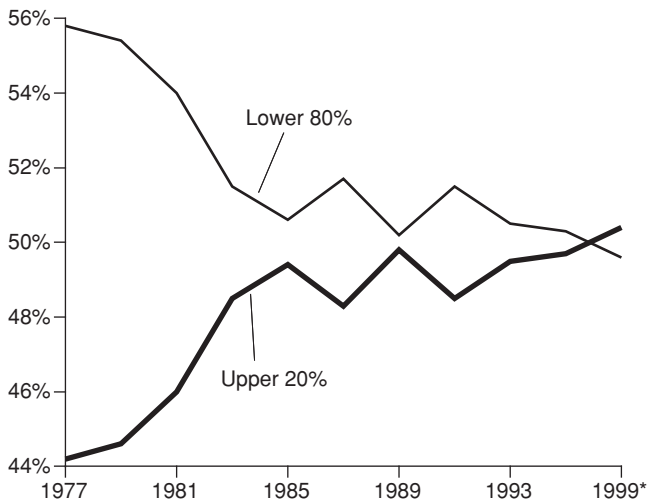
Then, this led, of course, in 1988, where, in Berlin, on Oct. 12, 1988—we're getting close to an anniversary now, a 12th anniversary—I forecast in Berlin that what I had been forecasting would happen, over previous years, that the economy of the Soviet system would begin disintegrating, and that in the following short period, following the end of 1988, we should expect a disintegration of the Soviet system, beginning in Eastern Europe, and spreading into the Soviet Union itself—which is, of course, exactly what happened. That was generally denied, but it happened.

I also set forth some policies which the United States and others should follow, to deal with that crisis, and at that point, when it actually happened, Thatcher and Bush and others took a policy *directly opposite* to what I had proposed. As a result

FIGURE 9

**America's Richest 20% Now Make More than the Other 80%**

(Percent)

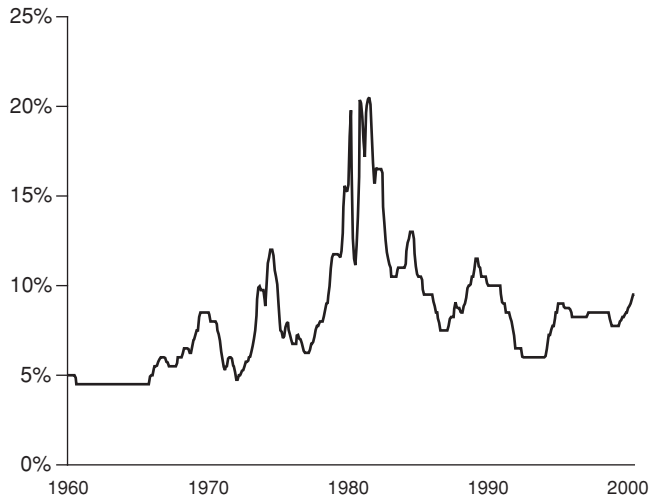


\*Projected  
Sources: Congressional Budget Office; EIR.

FIGURE 10

**Prime Interest Rate, Monthly Averages**

(Percent)

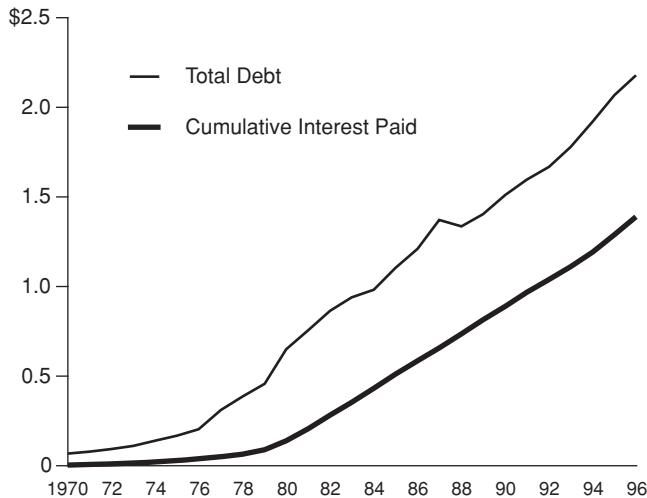


Source: Federal Reserve.

FIGURE 11

**Developing Sector Debt Outstanding, and Cumulative**

(Trillions \$)

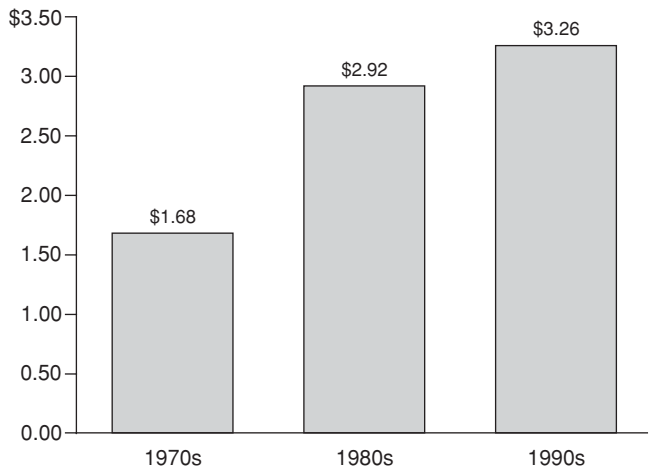


Source: World Bank.

of their policy, we have the crisis which I referred to in "Storm Over Asia," and we had such incidents coming out of that, as the crisis over the *Kursk*, this past month.

FIGURE 12

**Rise in Debt for Each \$1 Growth in GDP**



Sources: U.S. Federal Reserve, EIR.

Then in 1992, I again said, all right, now, we're going into a Great Mudslide, which George Bush's policies have set into place, and that's continued.

**A Critical Point of Instability**

Now, let's look at the second collapse function, the one with the critical point of instability (Figure 14).

FIGURE 13  
**Forecasts Made in September 1980 for 1981 and 1982**

Industrial Production Index

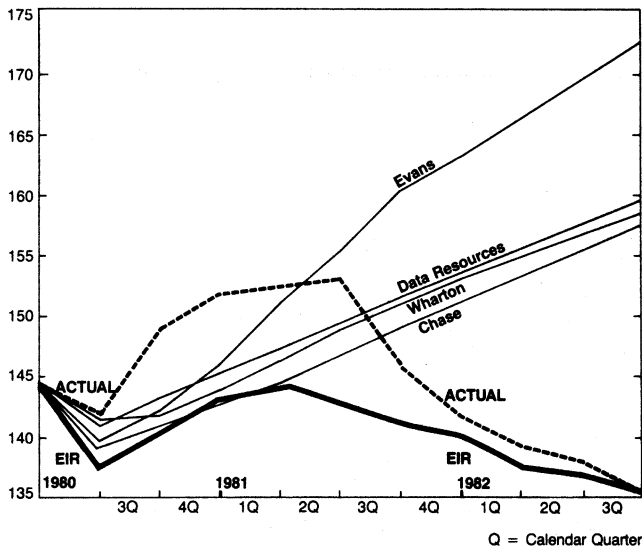


FIGURE 14  
**The Collapse Reaches a Critical Point of Instability**

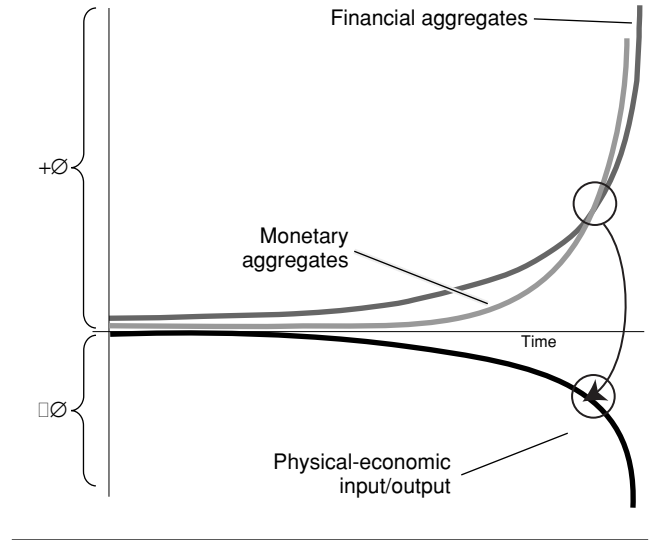


FIGURE 15  
**Chemicals Inflation Surges, May 1999 to May 2000**

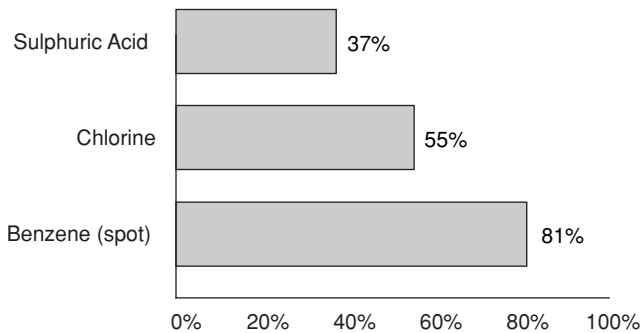
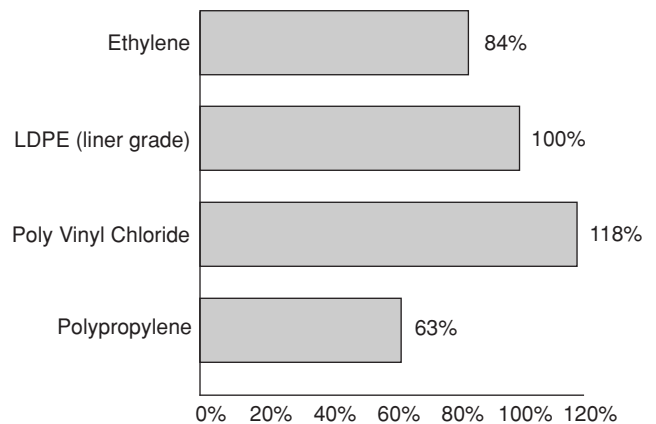


FIGURE 16  
**Plastics Inflation Surges, May 1999 to May 2000**



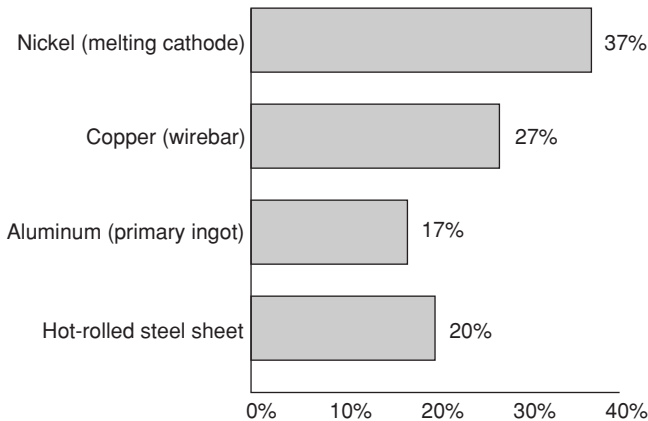
Now, you see, this is quite similar to the earlier function I showed you in connection with the Riemann explanation, similar to what I first presented in 1995. In this case, note this area here [points to circled areas]. This is the point at which the hyperinflation in commodity prices began to break into place (Figures 15-18). This is somewhere between March and July of this year, something like that; maybe slightly earlier and so forth. But at least the figures indicate it occurred about here.

What happened is, you see, in the earlier part of the process, the financial curve is growing higher than the monetary

growth: That is, the amount of money pumped into the system to sustain the financial speculation is less than the amount of financial aggregate generated. However, as occurred in the case of Germany, in the course of 1922-1923, Germany was paying for its war reparations debt on schedule. In order to pay the debt, the German government was issuing printed Reichsmarks, which were put into circulation to create a sufficient money supply for Germany to pay its debt, its war reparations debt, to France and Britain, which, in turn, were paying their war debt to the United States.

FIGURE 17

**Metals Inflation Surges, May 1999 to May 2000**



This is the secret of Hitler.

So, at a certain point, the amount of the monetary aggregate, which was being pumped in by the German government, in trying to chase this spiral of inflation, *exceeded* the total amount of the debt. When that occurred, the result was, a hyperinflation. First of all, in 1922, in terms of some of the background scenes. But in 1923, especially from about July on, the general hyperinflation in Weimar exploded in a commodity-price inflation. The big explosion appeared in places like foodstuffs, manufactured products, and so forth, power, and real estate. And this explosion at that point, between July and November of 1923, *sank* the German Reichsmark.

*We are now in a similar situation*, in which the total amount of monetary aggregate which must be poured into the United States, to bail out Wall Street, to keep it from collapsing, is of the same nature. *Thus*, any attempt to maintain the present policies of the United States, even for the next two months, the period of the election campaign, would be sufficient to destroy the U.S. economy *flat*. Not a depression. Not a deflationary collapse in the ordinary sense. Not like 1929. But a disintegration of the U.S. dollar. And we're on the edge of that right now. That's what they're playing with; that's the time bomb they're bouncing around; that's the bottle of nitroglycerine they're passing from hand to hand—hot little hand to hot little hand.

So, that's the present situation. In the meantime, the effect of this is, you have an accelerated rate of collapse of physical product, produced by the United States and by the world economy—especially in the United States. We are headed for a disaster *beyond anything seen in three centuries*. That's where we're headed right now.

Well, look at some other figures that are quite relevant here. Get to the rate of money for speculation—just to get

FIGURE 18

**Pulp, Paper Inflation Surges, May 1999 to May 2000**

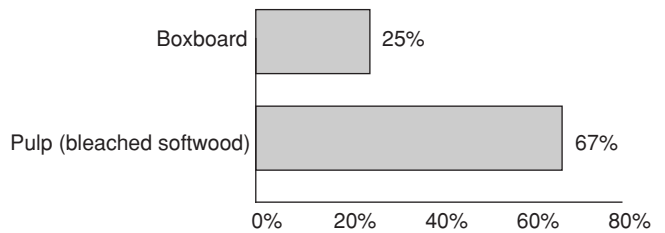
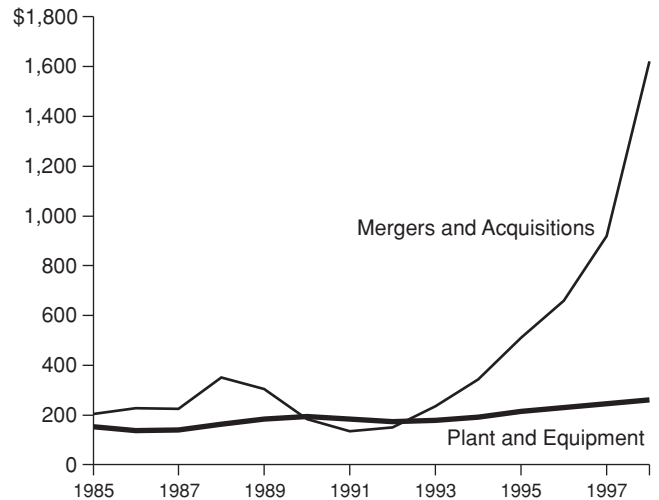


FIGURE 19

**Mergers and Acquisitions vs. Manufacturing Expenditures for New Plant and Equipment**

(Billions \$)



Source: Securities Data Co., Economic Report of the President, *EIR*.

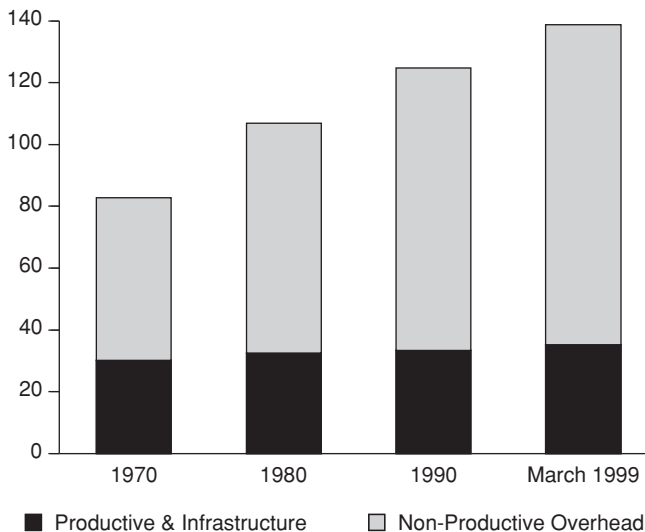
some idea of how this goes (**Figure 19**). Look at the expenditure here—look at your years first; that's your time frame. Here is your almost flat rate of expenditures of plant and equipment, and this does not fully take into account the effect of inflation. Now, what is the total amount of investment? What are they investing in? They're not investing in production. They're investing in financial instruments.

Now look at the composition of employment, from 1947 to 1999 (**Figure 20**). You see that the U.S. labor force, in terms of numbers, or percentiles, as actually here—the U.S. labor force, productive labor force, that is, farmers, factory operatives, and so forth—has remained approximately constant, while the population has been growing. But, the number of employees has been skyrocketing. Essentially, except for

FIGURE 20

### U.S. Labor Force, 1970-99; Non-Productive Overhead Grows

(Millions of Workers)



Sources: Bureau of Labor Statistics, Department of Labor; U.S. Department of Education; American Medical Association.

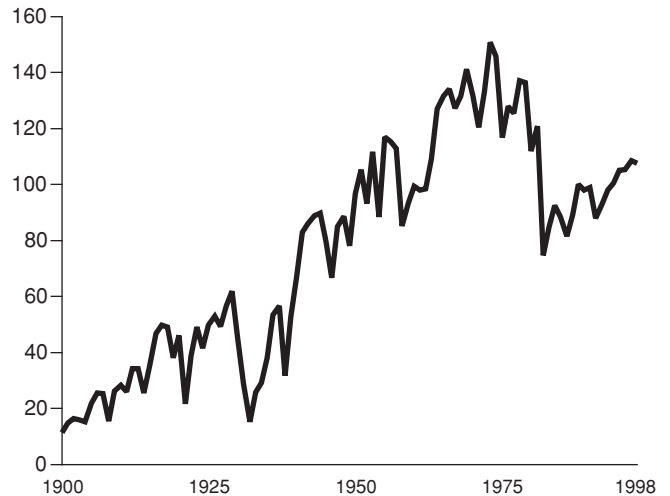
productivity, which has been collapsing—productivity growth has been collapsing since 1970—which means that the actual net physical product per capita, of the U.S. labor force, has not been increasing significantly. Watch things like the shutting down of steel plants outside of Pittsburgh. We have been *tearing down* our infrastructure, our productive potential (Figures 21-24). So, essentially there's been stagnation in the actual amount of product produced, while the population has grown, and while the total number of employees has grown, while, actually, hidden unemployment has also been growing. So, you see, here we have another case of the change of the composition of employment, of the U.S. labor force as whole, which is a warning sign: We're headed for disaster.

Now, look what's happened here. This is a warning of coming bankruptcy, of general banking bankruptcy (Figure 25). What has happened in this period—this is '87. This is the time that Greenspan made the big reorganization in the national banking system, at the time of the '87 crisis, or that general period. Now you see what's happening. The concentration of banks, through mergers and acquisitions and other things, has been involved with something else. Banks are no longer really banks. You have the bailout of Citibank by the Bush Administration, which was essentially bankrupt some years ago. And the U.S. government bailed it out, because it was considered "too big to fail." So, the U.S. government bailed it out.

FIGURE 21

### U.S. Steel Production

(Millions of Tons)

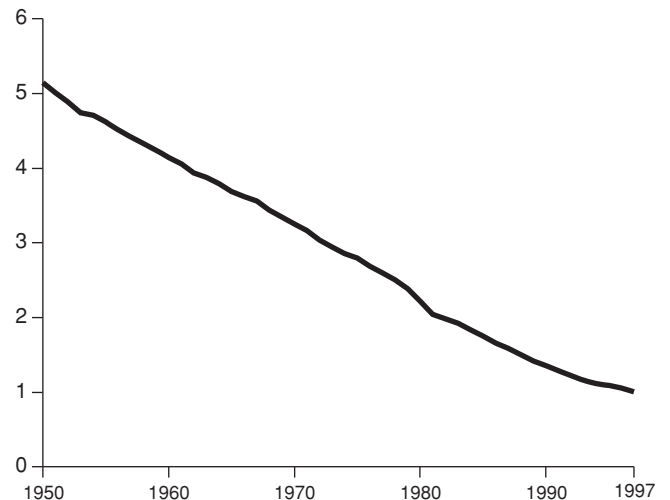


Source: American Iron and Steel Institute.

FIGURE 22

### Railroad Mileage

(Miles per 1,000 Households)



Sources: Association of American Railroads; U.S. Department of Commerce, Bureau of the Census, *Population Surveys*, various years.

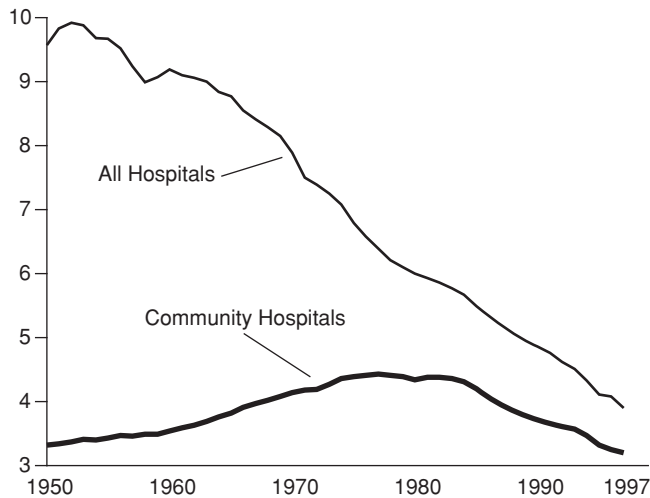
Globally, the banks have been used to conduct a vast swindle, of which the real estate speculation is part. What you see out there with these tarpaper shacks, or grass shacks, or whatever they've got out at \$400,000 and up apiece. What has happened is that Fannie Mae, Ginnie Mae, and so forth,



FIGURE 23

### Hospital Beds per 1,000 Population Overall, and in Community Hospitals

(Beds per 1,000 People)



these mortgage facilities, were used to pump lending power into the speculative real estate bubble, creating a liability, which is only superficially covered by the banks through which this conduiting was done.

Now, the bank would take a mortgage, and they'd spit it out into this other area of the Ginnie Mae, etc., Fannie Mae. As a result of that, we have the banks loaded with assets, which are actually not assets at all. Because the instant that this financial bubble in real estate pops, as it's getting overripe to do, then every bank, major bank, in the United States, will go technically into bankruptcy. That's part of the process.

Then, you know this one (Figures 26, 27), don't you? You're all familiar with this one. People are living on debt. Credit card debt, residue of your mortgage balance debt, all this kind of stuff.

And the number of U.S. bankruptcies (Figure 28). Let's go through this fast. 1996, '98, '99—look at these.

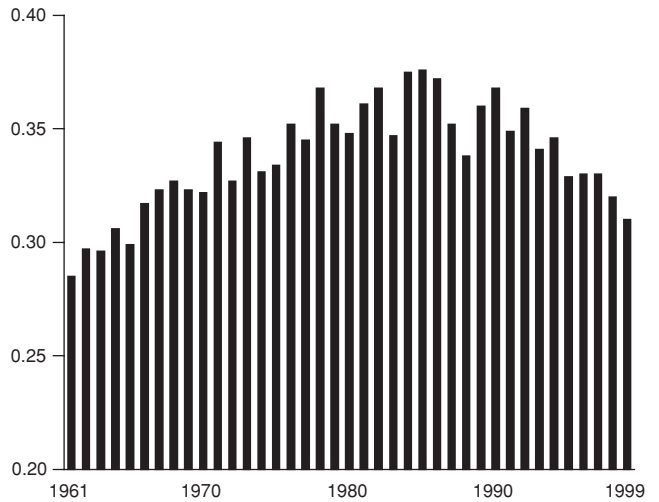
Now, this is just straight derivatives, as reported (Figure 29). And this is only a small amount. The greatest amount of financial derivatives is unreported, so this is only the tip of the iceberg.

Now, the United States current account deficit is a combination of the net trade deficit, plus other deficits on financial account on trade (Figure 30). Given the structure of the United States today, the structure of its exports, imports, its production, this debt could never be repaid. That is, this deficit represents an accumulation of debt by the United States, to the world, which the United States has no hope of ever being able to repay. The problem with the amount—the annual rate of the current account deficit of the United States today, is

FIGURE 24

### World Cereals Production

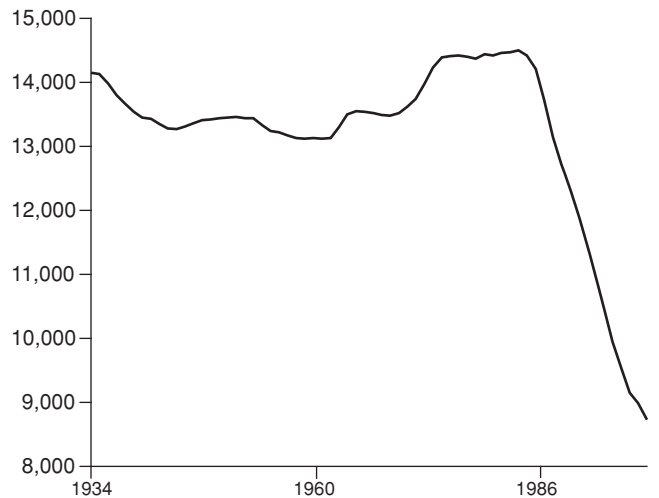
(Tons per Capita)



Sources: UN FAO, EIR.

FIGURE 25

### Number of U.S. Banks



Source: FDIC.

probably about one-half trillion dollars a year. And that is not the full extent of it. Because the United States, *in addition* to living on what it's taking in from other countries that it's not going to be able to repay, the United States is living on an undetermined number of trillions of dollars of financial inflows, into the New York market chiefly, and the New York market is being pumped up, aided by leverage, by that other

FIGURE 26

### Household Debt per Household Soars

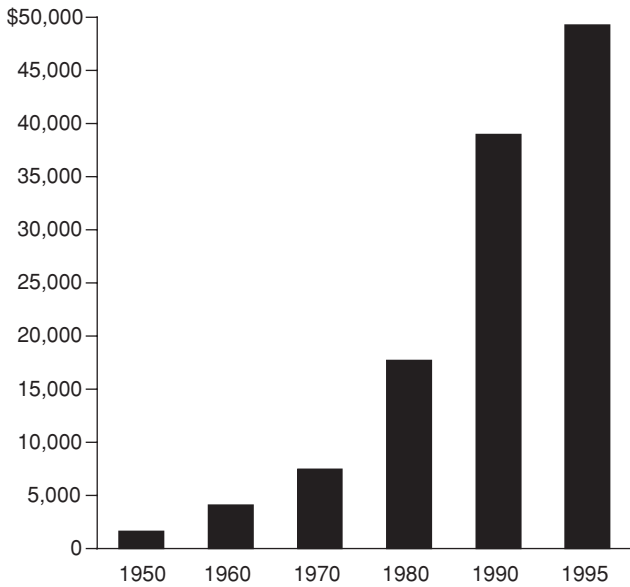
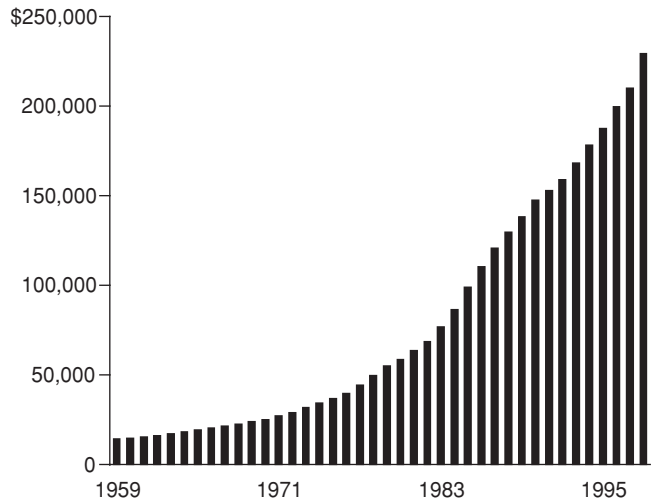


FIGURE 27

### U.S. Debt per Household

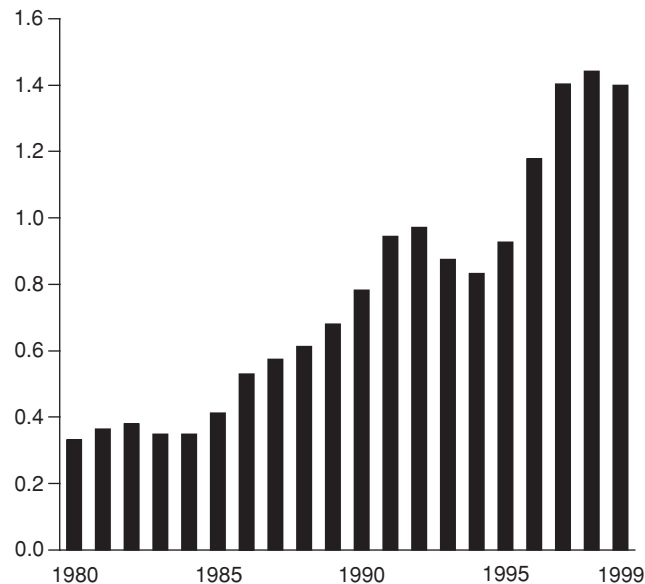


Source: Federal Reserve, *EIR*.

FIGURE 28

### U.S. Bankruptcy Filings

(Millions)

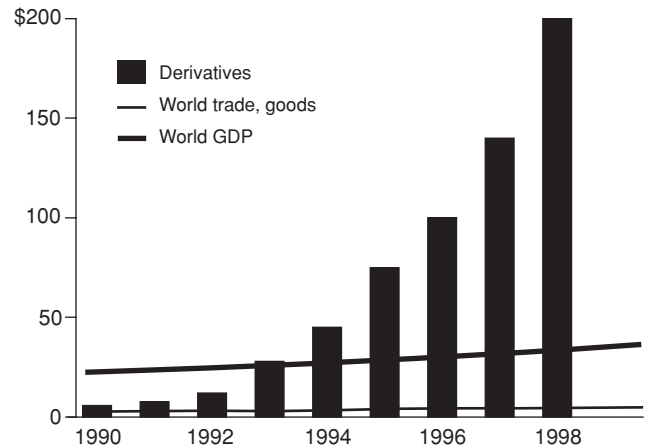


Source: Administrative Office of the U.S. Courts.

FIGURE 29

### Growth of the Bubble: Derivatives Versus GDP and Trade, Worldwide

(Trillions \$)



Sources: World Bank, *EIR*.

money being milked out of the yen carry trade, and out of the euro carry trade, chiefly.

This just simply shows the other side, the deficit in goods.

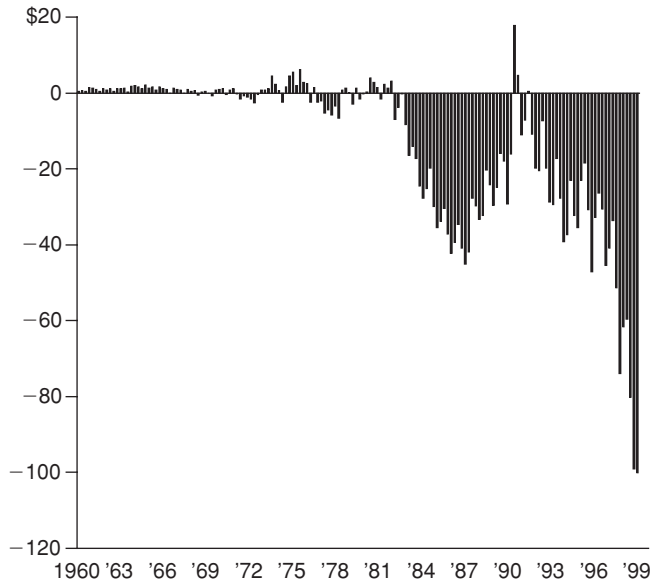
Our deficit is such that, the AFL-CIO is right, Pat Buchanan is right on this one, if wrong on some other things, but he's right on this, that we are putting ourselves into the poorhouse with free trade, and globalization, and WTO. We're not producing enough to meet our own requirements for survival.

You see what's happening (**Figure 31**). This is where the bankruptcy is occurring. This is where the financial hyperinflation is occurring, the one that's spilling over and reflected in the commodity price inflation now ongoing.

FIGURE 30

**U.S. Current Account Balance, 1960-99**

(Billions \$)



Source: U.S. Department of Commerce.

This is a simple relationship here. Rate of mergers, and the price of oil (Figure 6). The reason for the rise in the per-barrel price of petroleum, now soaring toward \$50 a barrel, and who knows where after *that*—which will have a maximum impact on the economy if you think about things like, what does it cost to heat your home in the year? What does it cost to transport by automobile at these kinds of price increases, and so forth? This is strictly a result of nothing as much as the financial mergers and acquisitions which are part of the whole swindle (Figure 32).

**The Promise of the Strategic Defense Initiative**

Next one. Now, what we've proposed—just hold this for a moment, but we'll come back to it. This is back to the principle of action.

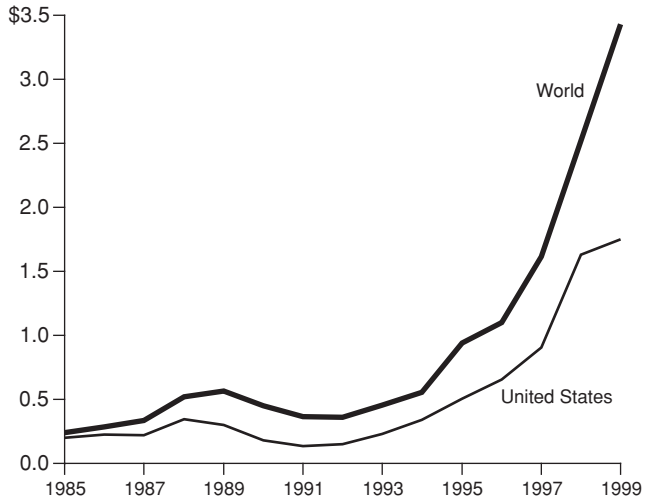
In February 1982, I held a conference, a very large, well-attended conference, in Washington, D.C. It was 4-500 celebrities of various nations, largely military and others, U.S. government, East bloc governments, European, Western European governments. And I presented at that time, what I presented as the *alternative* to Kissinger's policy. This is the policy which became known as Strategic Defense Initiative.

Now, the important thing is to understand what the original SDI was. Contrary to the idiocy which you hear in the press today about missile defense—what you hear in the press is idiocy, by people who are worse than idiots; they don't know anything about missile defense. What I proposed was not a simple missile defense system. What I proposed was a

FIGURE 31

**Growth in Mergers and Acquisitions**

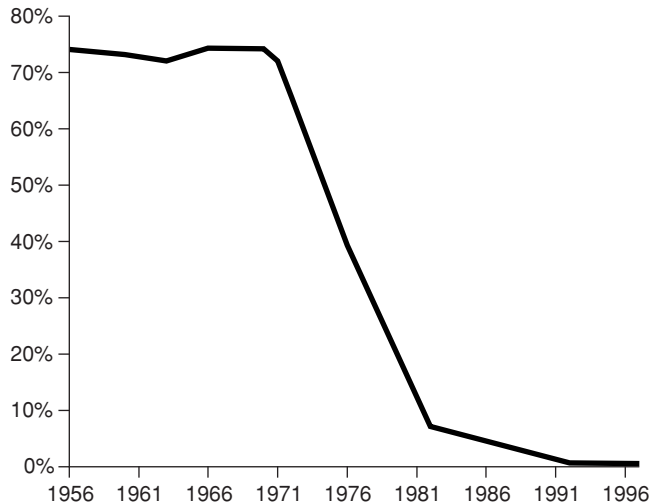
(Trillions \$)



Source: Thomson Financial Securities Data.

FIGURE 32

**U.S. Import-Export Trade as Percentile of Foreign Exchange Turnover**



way of destroying Kissinger's policy. And I said so at the time, in a paper that was later published, in March of that year.

The point was, I said, here we are, we're headed for a thermonuclear confrontation with the Soviet Union, which people think they've got managed. But, from a physical, technological standpoint, what they're proposing is incompetent, and therefore, where they think that Kissinger's SALT I treaty, and his ABM treaty, are a way to *stabilize* the U.S.-

Soviet conflict, they're actually ways to *destabilize* it, by the nature of the system itself.

I said, what we have to do is something completely different. We do have the ability to devise systems, new kinds of physical systems, which could deal effectively with thermonuclear missiles—that is, render them effectively, technologically obsolete, down the line. But that was not the extent of my proposal. The proposal was that, instead of having the Soviet Union and the United States engage in this crazy chicken game, called SALT I and ABM, why don't we find a way out of the conflict itself?

How? Because the Soviet economy, like the U.S. economy, is collapsing. The present policies of the U.S. economy, the present policies of the Soviet economy, ensure a *collapse* of those economies, physical collapse. So, why don't we change the policy? Why don't we go back to the space program of Kennedy, and let's do what we proved with Kennedy? Remember, according to the estimates that were made in the middle of the 1970s, the United States got more than a dime of additional GNP out of every penny the United States invested in the space program, the Kennedy space program. The point is, that since increases in productivity come directly, only, from improvements in technology derived from fundamental scientific discoveries, the higher the rate you convert fundamental physical discoveries into practice, the greater the rate of increase of productivity per capita of population, and per square kilometer of area.

The problem of both the Soviet system and our own, although in different degrees, I said at the time, was that the United States was not generating a rate of net growth in physical productivity, sufficient to maintain the economy. Therefore, we needed a program for forced draft, science-driven technological progress, with some mission, like the Moon mission, but as a byproduct of that mission, such as the Moon mission, we would generate spillovers in terms of technological progress, by such a crash, to put the United States economy back on the plus side, in terms of net growth.

The Soviet economy does not work for similar reasons, different, but similar reasons. Therefore, if the Soviet Union, with its vast military-scientific technological capability, were to put that capability, in cooperation with us, in global technological progress, and if we focussed upon developing countries—South America, Africa, Asia—to do what Roosevelt proposed be done for these countries, had he not died, then the benefit of such a program would put—two things: would put the two economies back on the plus side, together with Europe; and it would also be a way of creating a global agenda which would solve the conflict problem.

Now, that was the SDI, in original form, which was what Reagan proposed on March 23, 1983, in his television broadcast: nothing else. Later, due to the Heritage Foundation and other clowns, that definition of SDI was sabotaged, and destroyed. As a result, in the field, even though there are a few competent people rattling around in the cages there, there is

no competence in the U.S. military on this question of missile defense. It was destroyed in the Summer of 1983, through the Heritage Foundation's influence on Reagan Administration policy.

Now, I cite that now, not merely because those are typical of the measures which I have proposed—and this had tremendous support: In 1982 and '83, even in '84, I had meetings with some of the highest-level military and other authorities in Western Europe, and elsewhere, as well as in the U.S., on this question. I was an integral part of the planning, and campaign for this. I carried this message into Europe before anybody outside the National Security Council, except me, knew about it. And only a few people at the National Security Council knew about it, and some of them tried to sabotage it the minute they found out about it. But this shows there was an approach, which could have solved the problem. Andropov turned it down cold. Other people in the Soviet Union looked at it much more seriously, but Andropov—who had a commitment to something else at the time, namely, the British—turned it down flat, without discussion. And that was the way it got killed. But, nonetheless, it worked.

### **Let's Go To Mars!**

Now, we did the same thing later, coming out of '85. We had a friend of ours, who died, Krafft Ehrlicke, who was a leading space scientist, first for Germany, then for the United States. And he had become a friend of ours. When he died of cancer, Helga, my wife, organized a conference, sponsored by others, for him. So, as part of this thing, we put our heads together: What would we do at a conference? We were getting his friends from all over the world, and so forth, and other interested people involved—we had this conference in Virginia, in Reston. What would we do?

Well, I said, let's take what he wanted to do, and go a step further. Now, Krafft Ehrlicke's favorite project was the automatic industrialization of the Moon, and he was the man who had been working on the project in the 1950s and later, for the industrial development of the Moon, with the idea that the Moon would be developed, as Krafft Ehrlicke and others had proposed also, as a *base*, an industrial base, on which we would build much of the weight of the spacecraft we'd use to explore the Solar System more extensively.

So, I said, why not go the next step? This is Krafft's project, he laid out a project that was very well defined; it's one thing to honor it. Let's do something more: Let's go to Mars! So, what I did was to take the base work that Krafft had done, and others had done, and simply took this, and said, here's the obvious. Here's why we have to go to colonize Mars—not to build housing developments on Mars, not that sort of thing, but to create a Los Alamos-type science city under the surface of Mars, which would be a base for general, beyond-Mars space exploration, into the universe generally—to get away from the Sun, because the Sun is a very noisy place, and you can't see things, and hear things clearly,

with all that noise of this big Sun rumbling around out there. So if you can get a bit further out, at a place where there's a much thinner atmosphere, you build a science-base out there, and you use that as a base from which to deploy other pieces of equipment into Mars nearby-space, then you can conduct observations of the universe, which we can't do from Earth. We can get into frequencies and so forth we otherwise can't get into.

But, I said, the reason for doing this, would be fairly estimated—it would take us 40 years to get a landing on Mars under these kinds of conditions. So, let's do it. Why? Because of the spinoff benefits of the science-driver project needed to make it in 40 years. It may take you 40 years to get to Mars, but you're going to get a lot of benefits on Earth from the technological spillover in the short run.

Typical of what we did.

### The Role of the Eurasian Land-Bridge

Then, again, 1989. What I had forecast the previous year, happened. The Soviet economy disintegrated in Eastern Europe, and beyond. So, Helga and others proceeded with a program which I discussed with them, known as the European Productive Triangle. It was to do the obvious thing: You take Berlin, Vienna, and Paris, which are the traditional centers of the economy of the core of Europe—western Europe. Build a triangle of the concentration of technology, in *this* triangle. Connect this triangle, throughout Eurasia, especially the European part of Eurasia, at the time, into the Balkans, by means of technology—a technology-driver, a recovery program.

Then, in 1992-93, Helga took it further, and, with others, began contacting China, Beijing, on the question of building a Eurasian Land-Bridge (**Figure 33**). These are typical routes. These are basic routes, as laid out in charts and maps, and so forth, that we did. We have a much more extensive report. But, that's the essential thing. The idea is the same thing. But, this is even bigger. And, it's more fun, and it's more current.

One of the greatest parts of this planet, land-areas of this planet, is located in a thinly populated region, which includes western China, Siberia, Central Asia. Now, if we simply build—and we can build it in a number of ways: You've got the northern part of this system; if you go across the northern part, there's a tundra area. *If we build something like a magnetic levitation-type of rail system, which is the best for freight—not merely because of speed, but for other reasons—we can actually move freight faster and more cheaply from Europe to the Pacific than we can by ship.*

Furthermore, you have similar effects on Central Asia, an area which has great concentrations of potential water-development sources; one of the great concentrations of mineral wealth of the planet, *there*. Very thinly populated: And, because of its thin population, and so forth, it's not economically developable. Once you put a land-bridge process, say, from Rotterdam and so forth, all the way to Beijing and Tokyo, and whatnot; once you put that in—and including

Southeast Asia, including India, down into Southeast Asia—you now have a system, under which you can economically develop one of the most thinly populated regions of the planet, in an area which is adjoined to the most densely populated regions of the planet. Europe, western Europe; China, especially the seacoast area of China; Japan; Southeast Asia; and India, which have the most densely populated regions of the planet.

So, you have a vast, *underpopulated* region, with vast resources, which is undeveloped, because of a lack of just this. If you take the European Productive Triangle, as proposed earlier, connect it across Asia, including across the Arctic tundra region of Siberia and Russia, into Japan, across China; use magnetic levitation, which is better for freight, for other reasons I won't discuss now, you suddenly have created the circumstances, under which you've *changed the character of economy on a global scale, simply by this kind of construction.*

These are things we've proposed. These are things which should be done.

Now, just look, finally, at these few things, and then I'm going to go to my concluding point: You've got the derivatives growing in respect to GDP (**Figure 34**). You see, again, the ratio of derivatives, financial derivatives, to Gross National Product. Again, here's your hyperinflation expressed in this most naked and dangerous form. And, that's not an even adequate estimate of the amount of derivatives.

Now, look at that point, that I've indicated, there, in terms of this effect of the ratio of derivatives to GDP, Gross National Product or Gross Domestic Product. *That's* your critical point. That's where we're past now. That's where *we're in the "doom area."*

### The Golden Renaissance Spurred Progress

This now brings us to the crucial issue of action. Look here: This is approximately, here, the year 1500 (**Figure 35**). You had a great period of development of Europe, in terms of gross population, in terms of population-densities (about the same correlative), and life-expectancy. This occurred over the period, from the aftermath of the reign of Charlemagne, with some ups and downs, and then, in the great period corresponding to the cathedral-building, as in the case exemplified by Chartres, in France, in that period.

This led, then, to a period of decline, in 100 years, from about 1240-1340: wars, and so forth, to attempt to extinguish the possibility of the nation-state. You had a great collapse of European civilization here: This is called the New Dark Age, in which the population of Europe as a whole, collapsed by *one-half*. This is the period, also, of the Black Death. Half the parishes, the towns of Europe, *vanished* in this period: We're now approaching a similar period, globally, right now.

But, from that point on, from the beginning of the 15th Century, there was a Renaissance, which led to the rise of the nation-state. And, then, from about here, about the latter part—after the Thirty Years War, there has been a continuous

FIGURE 33

## Eurasia: Main Routes and Selected Secondary Routes of the Eurasian Land-Bridge



trend of growth of population, of population-density, and of life-expectancy, in European civilization. Up until about 30 years ago. Now, we're in the decline phase.

What caused this? What caused this, was progress. The idea of progress, as I described it you, became policy, leading policy, in Europe, in the course of the Golden Renaissance of the 15th Century. Two writings, by Cardinal Nicholas of Cusa, were typical. One was his *Concordantia Catholica*, which was the design for the principle of the modern nation-state. The second one, was his writing on science, which founded modern, experimental physical science: *De Docta Ignorantia*.

The influence of Cusa and his friends, resulted in an explosion in development, in scientific development. It was Cusa's circles, directly, for example, who *organized* the discovery of America. Columbus, in 1480, had a correspondence with a friend of Cusa's, who had constructed the map of the world, based on ancient sources, and based on astrophysics. This map was then used, by Columbus, to discover the Americas. And, he knew where he was going; he didn't know what the territory was named, but he knew where he was going; about how far it was, and how to get there. And he got there, at about the time he expected.

This discovery of America was not an accident: It was an intent, to establish *global progress*, to colonize, to create colonies, to contact other peoples, develop new nations. And, to ally with those new nations, to create an alliance, which could bring order to the planet as a whole, as well as security to Europe. The same policy was carried out by others. It was carried out by the English, the friends of Shakespeare, for example. When England became impossible, for a while, under the influence of Paolo Sarpi, you had a group in England, around Winthrop—and later the Winthrops and Mathers—who developed the Massachusetts Bay Colony, which is the *root* from which the United States later emerged, and the policies of that period of the 17th Century.

But, then you had more wars—attempts to destroy the nation-state. The situation became almost impossible, with the rise of the British monarchy.

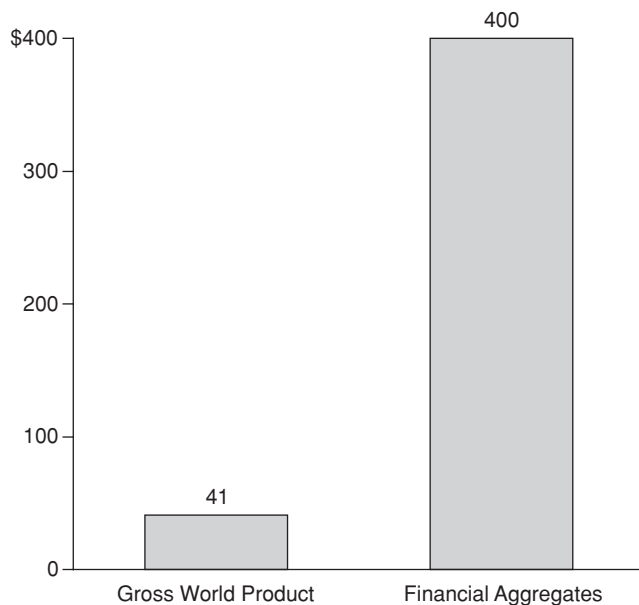
Then all hope was hinged on the United States, on the emergence of a new nation in North America, to become a model republic, to inspire the spread of the republican principle of progress throughout Europe as a whole.

And, for a while, that succeeded, until the French Revolution demoralized Europe. Until Napoleon demoralized Europe.

FIGURE 34

## Financial Aggregates Are Ten Times the Gross World Product

(Trillions \$)



Source: EIR Estimates.

And then, the success of Lincoln, in leading a war against the British puppets, called the Confederacy, again put America, the American model, this struggle for progress, in the foreground. A struggle, which was *crushed*, by the events following the assassination of McKinley. A process which was revived by Roosevelt. A process which was crushed by the assassination of Kennedy and the ousting of Johnson, to the present time.

*This is the issue.*

What's happened? We have gone into, since 1971—in particular, '66-71, since the rise of Kissinger—we've gone into a period of a great, global decline, especially in European civilization. If you look at the charts of Europe, European civilization, in western Europe. Look at the United States, since 1966. Look at what's happened in Russia, especially since 1990-1992. Look at what's happened to the Balkans. Look at what's happened in eastern Europe. The conditions in eastern Europe today, are worse than they were under the Soviet Warsaw Pact, by far. The conditions in eastern Germany, today, the economic conditions, are worse than they were under the D.D.R., under the Soviet regime there. The situation in Indonesia: unspeakable.

Africa has been a victim of genocide, ever since the middle of the 1960s, especially Sub-Saharan Africa, and the genocide is willfully spreading. Since 1966, it's been the policy of the United States *to promote genocide*—the policy of the

State Department, the official policy; the U.S. lending policy. U.S. foreign policy in general, especially since Kissinger, *has been to regulate the foreign policy of the United States, to ensure the reduction of population in Africa.*

And, in South America: to conserve the natural resources of these regions, for the future use of Europeans, *at the expense of the present inhabitants.* To make sure that Africans and the people in South America—Mexico, and so forth—*don't use up the natural resources, which Kissinger's sponsors covet, for the latter part of this century.*

It's been the policy.

We have entered a period, a Dark Age, like the period from the launching of the Guelph League wars, about 1240 A.D., into the New Dark Age of the middle of the 14th Century: a period of moral, economic decline, and cultural decline, which the very existence of civilized life on this planet, while maybe not threatened with extinction, is threatened with near-obliteration, for periods as long as several generations.

That's where we stand. And that's what the *issue* is: *That's the strategic issue.*

## How Can We Save the Nation-State?

Now, the question, today, is, how can we save the nation-state? Because, the idea of the nation-state, as the Declaration of Independence and the Preamble of the Constitution in particular, define it, is the *only* thing that can save this planet from a Dark Age. The U.S. public, today, is fairly described as a Ship of Fools. Most people in the United States are a bunch of fools; they're a pack of fools. Their opinions are the opinions of fools. It's not really, entirely, their fault; they should know better. But that's the condition they've found themselves in. It was a condition, which the Baby Boomers enjoy, as a result of most of my generation's corruption. But, the Baby Boomers studied well, and became more corrupt than my generation succeeded in becoming. They became very influential, and, quite naturally, produced a generation, which is more corrupt than they were. We, now, have produced the younger generation of Pokémon addicts, who are prepared to kill their grandparents, and eliminate any record of the cycle.

The issue, here, is, how to revive this nation.

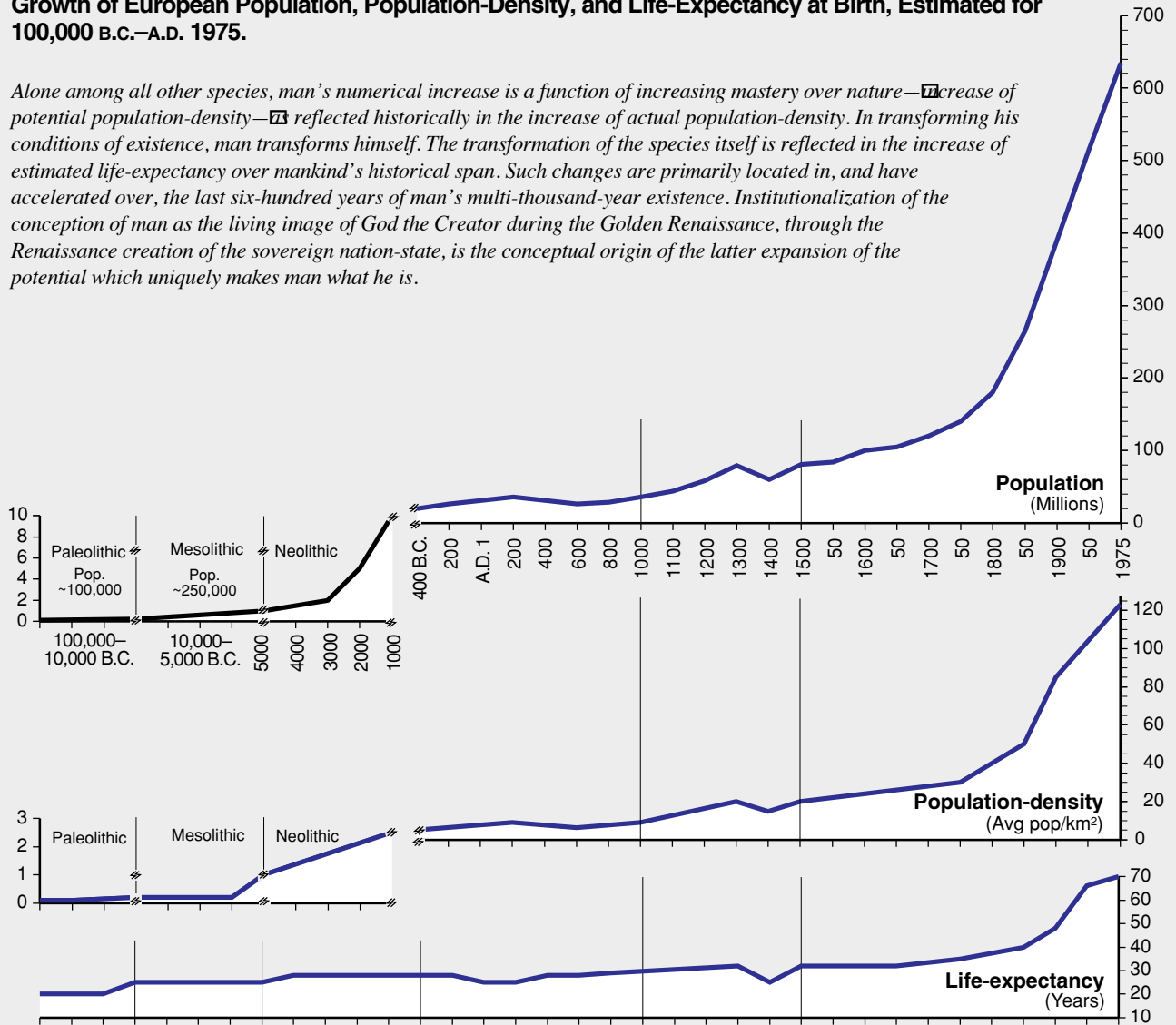
The theme, which I chose for this event, today, was chosen because of the implication of the way in which Russian President Putin, and others, reacted to the sinking of the *Kursk*. Obviously, from what I've said, and if you look at what I wrote and spoke in October of 1999, in "Storm Over Asia," nothing that happened surprises me. I didn't predict the sinking of the *Kursk* in particular. But, I forecast exactly that kind of development, and that kind of confrontation, is coming to a head. It's *come* to a head.

But, the important thing about this development, was the fact that Putin reacted, in a sense, somewhat the way Franklin Roosevelt reacted to the bombing of Pearl Harbor. The Rus-

FIGURE 35

**Growth of European Population, Population-Density, and Life-Expectancy at Birth, Estimated for 100,000 B.C.—A.D. 1975.**

Alone among all other species, man's numerical increase is a function of increasing mastery over nature— $\square$  increase of potential population-density— $\square$  reflected historically in the increase of actual population-density. In transforming his conditions of existence, man transforms himself. The transformation of the species itself is reflected in the increase of estimated life-expectancy over mankind's historical span. Such changes are primarily located in, and have accelerated over, the last six-hundred years of man's multi-thousand-year existence. Institutionalization of the conception of man as the living image of God the Creator during the Golden Renaissance, through the Renaissance creation of the sovereign nation-state, is the conceptual origin of the latter expansion of the potential which uniquely makes man what he is.



All charts are based on standard estimates compiled by existing schools of demography. None claim any more precision than the indicative; however, the scaling flattens out what might otherwise be locally, or even temporally, significant variation, reducing all thereby to the set of changes which is significant, independent of the quality of estimates and scaling of the graphs. Sources: For population and population-density, Colin McEvedy and Richard Jones, *Atlas of World Population History*; for life-expectancy, various studies in historical demography.

Note breaks and changes in scales.

sian people had put up with a process of degradation and corruption, which had almost destroyed Russia as a nation, and its people as a population. Over the period, particularly, 1992 to the present, with a big help in that direction earlier, from what was called *glasnost*, by Gorbachov. Which was actually invented by Andropov.

So, finally, a Russian President has acted in a way, which portends a possible turning of the corner in Russia. That is a mixed blessing, because, actually, the nuclear threat contin-

ues. And, as long as idiots, like Brzezinski, are running loose, and threatening to make war on Russia, and other places, the possibility of a nuclear reaction against Brzezinski, and Gore, and George W. Bush, is there.

So, it's a very mixed blessing.

But, Russia has shown, in its present leadership, a determination to survive and recover. The possibilities for that recovery are significant. In this circumstance, the present circumstance, now that Japan, and China, and Southeast Asia,



and others, are moving toward breaking from the United States and Britain, on the question of global policy, Russia can play a very significant role. Not as a world power trying to get an empire, but as a nation-state, with a very significant position, geographical, and economic, and otherwise, as sitting on part of the greatest single concentration of undeveloped natural resources, in that thinly populated part of the world, in Central and Northern Asia. This includes Western China: That, in order to develop this part of the world, to meet the problems which China faces, and other nations—and Europe as well: Europe requires large-scale markets for the revival of western Europe's high-tech machine-tool export capability. Without Germany's exporting of 40% of its product, in machine-tool-grade export, the German economy can not live. It'll die. Without the revival of the German economy, the economies of all western Europe, will collapse and disintegrate.

Therefore Germany—and all Europe together, continental Europe, in particular—looks for markets to the East. The vehicle for those markets, is via Russia, into this development in Central Asia, in cooperation with Japan, and so forth.

The importance of Russia in this, is the importance of establishing, to have a viable recovery, what is called a “full-set economy.” By full-set economy, what is generally meant, is an economy which has enough of all of the requisite elements of technological skill needed to maintain a modern economy. Without a revival of the economy of Russia, its participation with western Europe, in conjunction with Japan, Korea, China, India, Southeast Asia, Iran, and so forth, in joint development, it is not possible to reverse, in time, the great danger to civilization, which is the fruit of the last 30 to 35 years of decadence of our civilization.

And thus, the fact that Russia is pulling its act together, is, admittedly, a mixed bag. It may be the harbinger of an actual thermonuclear war, if idiots in the United States and Britain continue to push for that. But, on the other hand, if we are able to get the United States to take a proper role, to recognize its own legacy, and to play a *partnership* role, with Europe, with Russia, with India, with countries in South and Central America, with Africa, in bringing this planet back into shape, the development of Russia, its recovery, can be a great blessing for us all.

Now, as in the case when I proposed the SDI, back in 1982-1983, again, on the table, is an option, a strategic option, which can get us out—at least our posterity—out of the mess bequeathed to us by the follies of the last 30 to 35 years.

The question is: Will what I propose be accepted?

If not, the penalty is beyond the comprehension of virtually anybody in this room. It must be done.

Therefore, what counts? What action is important? What act can you take that *means anything*? If you ignore this issue, and the issues related to it, then what do you get? All your dreams, and all your labors, and all your aspirations, and your progeny go into the sewer, for your negligence. If you can

*concentrate*, as in a flanking operation, on *this option, this alternative to chaos, then everything else good you might do, will work*. If you do not, they won't.

An example: I was referring earlier, again, to the same thing. One of the great events in all history, was the destruction of the Persian Empire by Alexander the Great, under the counsel of Plato's successors, in the leadership of the Academy of Athens. In the final analysis, Alexander went onto the Plains of Gargamela, with a couple hundred thousand forces—Macedonians and Greeks, chiefly—against a vast horde of the Persian Empire. And, on that day, on that field of battle, the Persian Empire and its host, were destroyed. And, the Persian Empire *obliterated* for all millennia to come.

Again, later, that was imitated, in a certain way, by Hannibal at Cannae, where a superior Roman host, to its own folly, was defeated by an inferior host with a superior brain. And that has been repeated in military history a number of times: That, in such situations, it is not the simple-minded action, by simple-minded people, even well-armed and powerful, which determines the outcome of battle. In a true strategic flanking operation, it is the superior mind, which finds and selects the action, which brings victory.

The question is: Do we have the ability to focus upon preference and priority, for the single kind of flanking action, upon which, alone, victory depends?

Thank you.

For previews and  
information on  
LaRouche publications:

## Visit EIR's Internet Website!

- Highlights of current issues of EIR
- Pieces by Lyndon LaRouche
- Every week: transcript and audio of the latest **EIR Talks** radio interview.

<http://www.larouchepub.com>

e-mail: [larouche@larouchepub.com](mailto:larouche@larouchepub.com)

## Fujimori Urges S. American Summit: Take Path of Unity

by Silvia Palacios and Lorenzo Carrasco

In his speech before the historic summit of twelve South American heads of state, held Aug. 31-Sept. 1 in the capital of Brazil, Peruvian President Alberto Fujimori challenged the architects of the moribund system of globalization, and issued a call for the formation of a “United States of South America,” to thereby have the power necessary to “audaciously propose” and achieve the economic development and justice for which its 450 million citizens clamor.

Fujimori was right on the mark in pointing to the region’s foreign debt as the problem: There exists “a substantial foreign debt that lies heavily on the shoulders of our people, and whose principal, according to the most conservative statistics, has been paid several times over in the course of the past 25 years.” The Peruvian President declared, “Something has gone wrong; we are not on the right path,”

With the international financial system in an advanced state of decomposition, the London and Wall Street financial oligarchy is visibly concerned with the mere fact that a South American summit was held for the first time in history. The agenda set by the host government of Brazilian President Fernando Henrique Cardoso, centered around “integration and physical infrastructure,” has made them even more nervous. But the speech of Peru’s President Fujimori—whom the U.S. State Department had tried to overthrow, or at minimum, to exclude from the summit—is creating wholesale panic among the architects of globalization.

Not only did he issue a call for continent-wide rebellion against the dying financial order, but he identified the decisive role of Brazil in achieving this.

“There is immense potential which is reflected in our territorial dimensions, in the quantity of resources we possess, and in the longing for progress of our people who, justifiably, are awaiting that development and well-being which already

exists in other parts of the world,” said Fujimori. He added, “As a region, we are politically weak. However, Brazil is one of the largest countries in the world, and one of the greatest economic powers on the planet.” (See complete text of Fujimori’s speech, below.)

### **LaRouche: ‘I Like the Summit Developments’**

In the United States, at the Labor Day conference of the International Caucus of Labor Committees and Schiller Institute, which he co-founded, Lyndon LaRouche was asked how he viewed the South American summit, and its potential importance for humanity. The former Democratic Presidential pre-candidate responded that the South American meeting is extremely significant, and exemplary of the insurrection which is developing around the world, such as in Asia, against the thuggery of the Anglo-American empire. That empire’s financial system is disintegrating, and these countries recognize there is a smell of a dying empire around globalization today, he said.

President Clinton threw the United States’ standing in the world down the sewer, when he supported Al Gore, LaRouche explained. The United States is no longer in a position to exert moral pressure on any part of the world; only fear of it remains. No country has to consult the United States, or its institutions, before taking any action. I am the only moral authority left in the United States, LaRouche said. And, as for the South American developments: “I like them.”

From the standpoint of Brazil, it took the diplomatic initiative in convoking the summit, as a response to its perception that the volatility of the international financial market will lead to a collapse of the world financial system, and that therefore any illusions about globalization—upon which all the domestic and foreign policies of “economic opening” and



*The summit meeting of the Presidents of South America in Brasilia. Left to right: Jorge Batlle (Uruguay), Andrés Pastrana (Colombia), Alberto Fujimori (Peru), Hugo Bánzer Suárez (Bolivia), Bharrat Jagdeo (Guayana), Hugo Chávez (Venezuela), Fernando Henrique Cardoso (Brazil), Luis González Macchi (Paraguay), Fernando de la Rúa (Argentina), Rinaldo Ronald Ventiaan (Suriman), Ricardo Lagos (Chile), Gustavo Noboa (Ecuador).*

dismantling of the state since 1990 are based— are false. This Brazilian diplomatic turn is a serious attempt to create a kind of collective South American lifeline against the approaching debacle which threatens to overwhelm the entire region with the same kind of political, economic and social disintegration which Colombia is facing today—that is, the disintegration of the sovereign nation-state itself.

There are indications that the specific trigger for this Brazilian shift was the failure of the Seattle meeting of the World Trade Organization in November 1999. The Cardoso government made the decision to hold a South American summit following that, in January 2000. And in May, his government played a decisive role in defending Peruvian sovereignty, against Washington's offensive to overthrow Fujimori. As a result, a sort of Brazil-Peru axis has been coming together, much to the dismay of the international financial oligarchy.

These circles have not hidden their distress. For example, the Sept. 2 issue of London's *Financial Times* expressed its concern for what it called the emergence "of a geopolitical entity that is paying attention to physical integration." On Aug. 31, the Brazilian daily *Valor* quoted a U.S. State Department spokesman, as saying that "trade integration does not satisfy the needs of the majority of the continent's economies. The only way to resolve problems is the integration of the countries of the Free Trade Agreement of the Americas (FTAA)." In other words, Washington's proposal to extend the disastrous North American Free Trade Agreement

(NAFTA) among the U.S., Mexico and Canada, to the South American continent.

### **The Brasilia Communiqué**

Despite the fact that the final communiqué is careful not to state that it is establishing a South American bloc against the Free Trade Agreement of the Americas (FTAA), it is nonetheless clear that this action is directly counterposed to the current which is pushing for the dollarization of the entire continent, as a precondition for the FTAA. This current has already swept over Ecuador, and is now moving against Argentina and Mexico. The Presidents' agreement mandates the execution of a plan for the integration of the continent's physical infrastructure by the year 2002; that is, before 2005, which is the date when the FTAA is supposed to commence.

The final document of the summit of the 12-nation regional bloc, "held in the context of commemorating the 500 years of the discovery of Brazil," recognizes the need to act collectively, given the conviction that "geographic proximity and shared values demand a common agenda of specific opportunities and challenges."

"South American cohesion," the communiqué continues, "is also essential to ensure that integration into the world economy will be beneficial. The common challenges of globalization—its unequal effects on different groups of countries and on the populations of individual countries—may be met more efficiently if the region carries its integration further and continues to act ever more effectively on the great issues of

the international economic and social agenda in a manner that reflects coordination and solidarity.”

The summit identifies as issues of major concern for the future of nations, the financial crisis and the problems of the foreign debt, the latter which have been placed at the center of international and continental debate by the Vatican’s diplomatic offensive, which seeks debt forgiveness for the poorest countries, and a just solution for the remainder, as part of the Jubilee 2000 celebration.

Thus, the Brasilia Communiqué states: “The imbalances in international financial markets remain a source of concern. The international community should persevere and ascribe higher priority to identifying and implementing measures to correct these imbalances, which could have extremely negative effects. Moreover, for some of the highly indebted South American countries, the debt service not only constitutes a heavy burden but also places the countries’ stability at risk and seriously compromises their economic and social development. The Presidents thus urged the international financial community to work together to find a rapid solution to this problem and appealed to the creditors to adopt measures conducive to this end.”

### Agenda of ‘Physical Integration’

Although the communiqué mentions other issues, such as democracy and drug trafficking, and especially the situation in Colombia—addressed in a separate document issued by the summit—the central theme of the meeting was what they called the “infrastructure of physical integration,” concentrated on great works such as highways, railroads, waterways, communications systems, and so forth, along several corridors of integrated development.

“The Heads of State noted that the driving force for cross-border integration is strong because it arises from, among other factors, geographic proximity, cultural identity, and the consolidation of shared values. Borders within South America should no longer serve as an element of isolation and separation; they should rather be a connecting link for the circulation of goods and individuals and thus circumscribe a privileged area for cooperation.”

“Integration and the development of physical infrastructure are two complementary approaches. The establishment of an expanded South American economic area . . . will depend on the broadening and complementation of initiatives under way and on the identification of new integration infrastructure initiatives. . . . Advances in the area of infrastructure will, in turn, release new driving forces toward integration, thereby setting in motion dynamics that should be encouraged. This scenario would also benefit from the adoption of an investment policy based on a regional rather than a merely national perspective.”

The communiqué is specific in noting that: “In the area of transport, the South American countries have set as a priority the establishment of intermodal networks to ensure a better



*President Alberto Fujimori at the meeting of the Presidents of South America.*

utilization of land, river, sea, and air ways. . . . In the energy sector, the integration and complementation of the South American continent’s energy resources in the areas of liquid and gas carbon fuels, integration and exchange of fuels, such as natural gas, and of electrical energy interconnection and electrical energy ventures, provide an axis for approximation among the countries of the region.”

Although the communiqué makes no specific mention of the amount needed to finance the various development corridors, the Inter-American Development Bank estimates that all the projects necessary for continental integration would require investments on the order of \$150 billion for a minimum of five years. Clearly, under current ruinous conditions of the world financial system, there is no possibility for financing through the International Monetary Fund (IMF) or World Bank, or through the commercial banks.

This issue of financing is decisive, since it places on the table the issue of the bankruptcy of the current international system, and how to replace it. In a seminar on “The Organization of South American Space,” sponsored by the Brazilian Foreign Ministry, Itamaraty, from July 31-Aug. 2 in Brasilia, the director of Brazil’s National Bank for Economic and Social Development (BNDES), Paulo Sergio Moreira da Fonseca, presented a plan for taking advantage of already-existing infrastructure in the country, such as ports, railroads and waterways, “interlinking them to the most daring projects. . . . And speaking of daring,” he went on, “I would like to dare a little further, and propose the creation of a South American development bank that would be responsible for financing those infrastructure projects. It would be a sort of BNDES for South America.” The BNDES was created as a national bank for industrial credit, responsible in large part for Brazil’s industrial development, although its original purpose has been distorted over the years.

This “daring” would take the form of a Latin American Development Corporation (CLAF), which would emerge, ac-

ording to its creators, from a merger of the BNDES with the Andean Development Corporation (CAF) and the Rio de la Plata Fund (Fonplata). The General Secretary of the Andean Community (CAN), Sebastián Alegrètt, who participated in the summit, proposed to that seminar that the CAF, strengthened with the reserves of the South American countries, could function as a South American Monetary Fund, with a minimum capital of \$40 billion. While that figure is utterly inadequate to the development challenge posed, and to the threat of speculative runs against the continent's currencies, the proposal at least opens the door to necessary discussion.

Roberto Gianetti da Fonseca, Executive Secretary of Brazil's Foreign Chamber of Commerce, spoke in the same vein during a meeting of the Latin American Businessmen's Council, which met in Brasilia on the eve of the heads of state summit. According to the Brazilian press, Gianetti received an ovation when he undertook "an exercise in futurology," and predicted "the formation of a South American bloc, with a common currency for trade—the Peso-Real—and a regional development bank, the Latin American Development Corporation."

Evident throughout the preparations for the summit and in the nature of the proposals made, is the influence of the ideas of Lyndon H. LaRouche who, since 1982, in his "Operation Juárez" document, proposed the creation of an Ibero-American Common Market, a customs union based on the construction of great projects of physical infrastructure, financed by a Hamiltonian-style credit institution modelled on the experience of U.S. economic nationalism. In this context, we should stress the importance of the Schiller Institute's book *Ibero-American Integration*, published in 1985, and the 1995 Portuguese translation of Alexander Hamilton's 1791 "Report on Manufactures," with a preface by the late, illustrious Brazilian journalist Alexandre José Barbosa Lima Sobrinho, and by LaRouche himself, which clearly had an impact on the nationalist economic thinking of certain Brazilian elites.

### **Itamaraty's Tortuous Path**

It is important to emphasize how Brazilian diplomacy arrived at the decision to form a South American regional bloc. First, the eruption of the final phase of world financial collapse occurred in October of 1998, and culminated with the devaluation of the currency, the *real*, in February 1999. The definitive turn occurred after the failure of the November 1999 WTO meeting in Seattle, when Brazil shrugged off its illusion that it would win trade concessions.

Moreover, it is the perception of the Brazilian military command, that there are those who seek to deploy Brazil as a sort of "gendarme" for U.S. State Department interventionism in South America, as was seen in recent crises in Paraguay and Ecuador. Here, the point of inflection was the aggravation of the Colombian crisis, when it became clear that the State Department is promoting the balkanization of Colombia,

which could lead quickly to a military conflict in the Amazon region.

Regarding the first point, Brazilian Foreign Minister Luiz Felipe Lampreia wrote, in an article in *O Estado de São Paulo* of Dec. 20, 1999: "It is necessary to say things as they are: the outcome of the Third Ministerial Conference of the World Trade Organization was not good news for Brazil. Not for us, nor for the majority of developing nations. Brazil, as with the immense majority of the world's nations, possesses neither the instruments nor the will to play the brutal game of the law of the jungle. . . . We wanted to collect on what we were promised from the earlier round of negotiations. Five years earlier, we were placed at a disadvantage by the agreement among the developed nations, who put together among themselves a modest agreement on agricultural trade."

As of that point, Brazil began a discreet diplomatic offensive toward Eurasia, especially toward China, Russia and Malaysia, where the resistance to globalization has been most consistent. It fell to Brazilian Vice President Marcos Maciel to head up this initiative. In late December 1999, Maciel conducted an official visit to China, where he said, "Mercosur is a golden opportunity for China, in the same way that continental China has strategic importance in the Asian market for us."

During a meeting with Chinese Vice President Hu Jintao, in Beijing, Maciel was told that China and Brazil "will work together to promote a strategic alliance between the two countries." Maciel responded that "Brazil and China will play a prominent role in the 21st Century. Multi-polarization will help bring about democratization of international relations, and the right of all countries to participate equally in international matters."

In early July, answering a surprising invitation from Brazilian Finance Minister Pedro Malán, Malaysian Finance Minister Tun Daim Zainuddin arrived in Brazil on an official visit, sending an indirect message that Brazil could adopt a path different from that defined by the IMF. The Malaysian Minister strongly defended the independent action taken by his country under the leadership of Prime Minister Dr. Mahathir bin Mohamad. "We Are Defending Our Independence with Our Lives," was the headline put on a prominent interview with Daim in the July 3 issue of *Jornal do Brasil*, in which the Malaysian Finance Minister exhaustively detailed the reasons for his country's decision to "reject all orientations of the International Monetary Fund."

**To reach us on the Web:**  
**[www.larouchepub.com](http://www.larouchepub.com)**

# Fujimori: 'Let Us Build the United States of South America'

*In the working session of the South American Presidents Summit in Brazil, different Presidents were responsible for directing the discussions on the five general topics on the agenda; each would speak for five minutes, and then a short discussion among the Presidents, of some 20 minutes, and not to be reported, would follow the presentations. Peruvian President Alberto Fujimori and Paraguayan President Luis González Macchi were responsible for the topic of organized crime and drug trafficking. In his brief speech, Fujimori situated the battle against the drug trade as but a predicate of the broader battle required to secure the progress for which South America's people long, and which is their right. His speech follows. A subhead has been added:*

Peru salutes President Fernando Henrique Cardoso's decision to take up this historic initiative, which constitutes the first great step which the states of the South American subcontinent take toward regional integration, the highest expression of the conscience and objective recognition of our interests.

Forgive me for only adding a few brief words on a subject such as this, that of drug trafficking, which has been aired and discussed on hundreds of occasions. In the 11 years I have served as President, there has been no meeting in which this subject has not been discussed. And the problem exists; what doubt can there be that it exists and that the matter demands, of course, an efficient strategy to combat it? But it also reveals that we are the continent of paradoxes.

Seen from a satellite, the South American subcontinent is enormous, more than 20 million square kilometers which contain resources which make us, united, the number-one mining, fishing, oil, and forestry power in the world.

However, there below, in that so generously endowed portion of the planet, we also see great areas of coca or poppy cultivation, immense belts of urban misery, unemployment, endemic diseases, precarious education, terrorist violence, etc., etc.

And, as if this were not enough—and this is not detected by satellite—we have to add to this already somber panorama a sizable and heavy foreign debt weighing upon the shoulders of our peoples, and whose principal, according to conservative data, has been paid several times, over the course of these last 25 years.

We are 450 million South Americans, but 200 million of

our people live in poverty, in precarious living conditions, reminiscent of centuries past. This is something which does not occur in other regions of the world, less endowed by nature. Something has gone wrong; we are not on the right path, and perhaps it is necessary to rectify this.

## A 'Shared Perspective'

Is this not, I ask myself, an extraordinary occasion to begin to realistically move toward a development strategy from a shared perspective, without prejudices, suspicions, or fears?

Up until today, we have faced problems with third parties in an isolated manner, bilaterally. One of those problems is, precisely, the drug trade. What has been the result? A weak, fragile position, where the large consuming countries impose their conditions. Common sense, a true recognition of our regional identity, and an authentic vision of the future, leads us to a different logic for resolving our problems, not as isolated and weak interlocutors, but with the strength which unity should give us.

Today we have heard about the necessity of negotiating with the great developed blocs on demands regarding the environment, trade, foreign debt, and other subjects. Now, we meet as 12 separate states, which, if history had been different, a more logical history, we certainly would be a totally different reality. However, we should not resign ourselves to it, but face it creatively.

This can give rise—I am going to use a phrase which might seem utopian, ethereal, and lyrical—to the United States of South America, but I believe that in this first meeting we should audaciously pose a goal which corresponds to the great challenges which are being posed by the 450 million human beings who live in South America, a land which still continues to be one of promise and hope.

There is an immense potential which is reflected in our territorial dimensions, the quantity of resources which we possess, and our people's longing for progress, who, with justified right, are awaiting that development and well-being which already exists in other parts of the world. As a region, we are politically weak. However, Brazil is one of the largest countries in the world, and one of the greatest economic powers on the planet.

We cannot continue confirming that we are the continent of paradoxes. Twenty million square kilometers, 450 million inhabitants, and with problems of drugs, of foreign debt, and without the ability to exploit our resources.

We South Americans are no less capable than other peoples of the world, who are achieving progress. Therefore, our goals must be audacious and our actions sufficiently efficient to turn our dreams into reality.

It is for that reason that, perhaps ingenuously, or as a dreamer, I would like to think that this first meeting, convoked by President Cardoso, would become the birth certificate of the United States of South America.

Thank you.

# 'The Rivers Which Unite Us'

by Nilder Costa

The most important outcome of the summit in Brasilia, is the official commitment by all the South American Presidents, to give priority attention to developing the regional transportation, energy, and communications infrastructure projects which would, finally, effect the physical integration of the South American continent.

Although few specifics were spelled out, the "Plan of Action for Regional Infrastructure Integration in South America," annexed to the final declaration of the Presidents, mandates the creation of technical coordination groups to assist the governments in developing continental "axes of integration" over the next ten years. A Technical Coordination Committee, formed by representatives of the Inter-American Development Bank, the Andean Development Corp. (CAF), and the Fund for the Development of the La Plata River Basin, is to prepare more detailed proposals by Dec. 31, 2000, identifying priority areas for short-term attention, and elaborating mechanisms for regional follow-up.

From what has been announced thus far, these axes of integration are envisioned as extensions of infrastructure already existing or planned in Brazil (railroads, waterways, highways, ports, transmission lines, and pipelines), connected to more daring, regional projects. The latter include the Northern Arc Highway, which is to link cities in the Brazilian states of Roraima and Amapá, by a highway which passes through Guyana, French Guinea, and Surinam. Also under

discussion is the completion of the Manaus-Caracas highway, which would link up with the waterways of the Amazon Basin (Manaus is on the Amazon River), and a Madeira-Mamoré railroad, which would connect the Madeira River, an Amazon tributary, with the Mamoré, which leads into the Paraná-La Plata River system. Another proposed project is a Trans-Pacific highway, which would provide Brazil access to the Pacific Ocean, through a southern port in Peru.

According to officials of Brazil's Foreign Relations Ministry, the CAF has been asked to organize a regional seminar to follow up on the commitments made at the Brasilia summit. The leading role given to the CAF in planning and coordinating the infrastructure drive, is promising. The CAF

FIGURE 1  
**South America: Great Projects of Railroad Construction**



has been working, with little fanfare, on the physical integration of the South American continent for years. Its work reflects, in part, the influence of the ideas defended for decades by American statesman and economist Lyndon LaRouche and his associates, particularly, the influence of *Ibero-American Integration*, a book published originally in Spanish by LaRouche's associates in the Schiller Institute in 1985, and in Portuguese in 1988. The book circulated widely throughout South America, and became a key reference for various influential experts. Such is the case, for example, with Brazilian Professor Emeritus Vasco Azevedo Neto, author of major studies on continental integration, such as his 1996 work *Transportation in South America: Continental Development and Integration*, who credits

LaRouche's development of physical economy as inspiring his approach to these problems.

### 'The Great Waterway'

The CAF's 1998 report, "The Rivers Which Unite Us," exemplifies the concept of physical economy which guides its work. The report outlines a unified project to integrate the South American river systems, centered around a "North-South Axis" formed by linking the Orinoco, Amazon, and La Plata river basins—an idea first proposed in 1800 by Alexander von Humboldt. Notably, the CAF study makes reference to the above-cited work of Professor Vasco Neto, and adopts the name which he gave to this axis of "the Great Waterway." This great 10,000 kilometer-long project would

connect all the countries of South America (except Chile), and thus would have a strategic significance for the continent similar to the Rhine-Main-Danube's importance for Europe.

The CAF report details various axes which would then complement the Orinoco-Amazonas-La Plata waterway. One, would be to link the La Plata basin to three tributaries of the Amazon, Brazil's Tapajós, Xingu, and Araguaia rivers. Various inter-modal connections looking to the Pacific are also proposed, the most important of which is called the Manaus-Pacific route, which would connect Manaus, via the Amazon and its tributaries, to the Peruvian cities of Iquitos and Saremiriza, and then cross the Andes by highway, to reach the port of Paita, on Peru's northern coast.

Last July, the CAF, together with the Mato Grosso government and the Mato Grosso Federation of Industries (FIEMT), co-sponsored the "Sixth Conference of Cargo Operators and Transporters of the Atlantic-Pacific Axis of Integration," held in the city of Cuiabá, Mato Grosso, Brazil. Delegations representing private rail and airline companies, transport cooperatives, port operators, and waterway development promoters from Peru, Chile, Argentina, Paraguay, and

FIGURE 2  
South America: Great Water Projects





Brazil participated. Speakers included Bolivia's Minister of Transportation and Communication, the Governor of Mato Grosso, and people from the CAF, Brazil's National Economic Development Bank (BNDES), and the Latin American Association for Integration.

According to Serafim Carvalho, the man who conceptualized the conference, the approach adopted by businessmen and associations of South America's midwest, is to focus on the completion and improvement of already existing inter-regional axes, because these require less investment and are more easily accomplished. The resulting expansion of trade would then drive forward undertakings of greater scope in the future, involving the entire continental area lying between the Atlantic and Pacific Oceans.

With this idea, the FIEMT developed a project on the logistics of regional transport for the area encompassing the six Brazilian states of Mato Grosso, Mato Grosso do Sul, Goiás, Tocantins, Acre, and Rondonia, Brazil's Federal District, all of Bolivia, the south of Peru, the north of Chile, all of Paraguay, and the north and northeast of Argentina. The study was presented to the Governor of Mato Grosso, Dante de Oliveira, at the closing of the conference.

This author spoke at the Sixth Conference on "Transport Infrastructure and Environmentalism," and demonstrated that the campaigns against the waterway and highway projects of South America run by Prince Philip's World Wildlife Fund and its satellite NGOs (non-governmental organizations), follow a geopolitical agenda designed in London with the aim, precisely, of impeding the physical integration of the South American countries. Such environmental campaigns are nothing more than a modern version of the old British geopolitics toward the La Plata River region, which led to the Triple Alliance War against Paraguay (1865-70) and the War of the Pacific against Peru and Bolivia (1879-81). Thus, it is no surprise that, still today, our countries each fend for themselves along their coasts.

Enrique García, CAF executive president, identified the damage inflicted by these NGOs against the infrastructure projects, in his speech to the Presidents gathered at the South American summit. García pointed out that "the growing influence of the NGOs on decision-making on infrastructure . . . in practice, means a slower process in obtaining" international financing, compounding the already great difficulties resulting from the global financial crisis.

**To reach us on the Web:  
[www.larouche.com](http://www.larouche.com)**

## Brzezinski Again Lights the Geopolitical Fuse for War

by Scott Thompson

On Aug. 29, during the annual assembly in Paris of French Ambassadors from around the world, French Foreign Affairs Minister Hubert Védrine made his harshest attack yet on the policies of the Anglo-American oligarchy. In particular, as the accompanying article highlights, he singled out the "neo-unilateralism" epitomized by former Carter National Security Adviser Zbigniew Brzezinski's article "Living With a New Europe," in the Summer 2000 issue of a neo-conservative journal named *The National Interest* (TNI).

This was the second in a recent series of articles in *TNI* by the influential and dangerous geopolitician Brzezinski, covering the major regions of Eurasia. The other two were "Living with China" (Spring 2000) and "Living with Russia" (Fall 2000).

Taken together, these are both an update and plan of implementation of Brzezinski's 1997 book, *The Grand Chessboard: American Primacy And Its Geostrategic Imperatives*. As *EIR* has reported, the gist of that book was that, in Brzezinski's words, with "the defeat and collapse of the Soviet Union" at the conclusion of what was in reality the British-orchestrated Cold War, "the United States [has emerged] as the sole and, indeed, the first truly global power."

Within this diatribe, Brzezinski claimed that "the chief prize" for the winner of the Cold War, the United States, is Eurasia. He boasted that the United States has now formed an empire that is on a scale greater than either *Pax Romana* or *Pax Britannica*. In addition, Brzezinski displayed his lust for a Cecil Rhodes-style grab for the oil, natural gas, and other riches of Transcaucasia and Central Asia after they split off from the former Soviet Union.

In his book, he praised the British geopolitician Halford Mackinder and his German counterpart Karl Haushofer, despite the fact that these two individuals helped to provide the figleaf for the Anglo-American oligarchy's manipulations that launched both World War I and World War II. Both in *The Grand Chessboard* and in his three recent articles, Brzezinski appears to be following in the footsteps of these Anglo-American oligarchical lackeys, to advocate policies that would light the fuse for World War III. He states that he "who controls Eurasia controls the world," so the United States must make it the hallmark of its national security policy to

“prevent the emergence of a dominant and antagonistic Eurasian power.”

Especially in his three *TNI* pieces, Brzezinski spells out the policies to keep Europe, Russia, and China—or, any combination thereof—from challenging U.S. hegemony over Eurasia, which he believes will last “for at least a generation.” Brzezinski, who is today probably more widely read by the Eurasian elite than by the American population, puts forward policies that will only deepen the hatred and disgust expressed toward the United States by the nations of Eurasia. His writings thereby foster the climate that statesman Lyndon H. LaRouche, Jr. described in his October 1999 videotape “Storm Over Asia,” where he forecast that unless the United States comes to its senses (and quickly), the world will stumble into World War III through miscalculation.

### ‘Europe: A U.S. Protectorate’

In the Summer 2000 issue of *TNI*, Brzezinski speaks of the “New Europe” as if it were nearly a colony of the United States: “The transatlantic alliance is America’s most important global relationship. It is the springboard for U.S. global involvement, enabling America to play the decisive role of arbiter in Eurasia—the world’s central arena of power.” Bad as this characterization may seem, Brzezinski continues: “Currently, Europe—despite its economic strength, significant economic and financial integration, and the enduring authenticity of the transatlantic friendship—is a *de facto* military protectorate of the United States.”

He continues: “It is not only the fact that the alliance between America and Europe is unequal, but it is also true that the existing asymmetry in power between the two is likely to widen even further in America’s favor. . . . As a result, the United States is likely to remain the only truly global power for at least another generation. And that in turn means that America in all likelihood will also remain the dominant partner in the transatlantic alliance for the first quarter of the twenty-first century.”

Speaking further of this lunatic claim, Brzezinski describes Europe as a virtual marcher-lord satrap, when he notes in the same article: “U.S. policymakers should keep in mind a simple injunction when shaping American policy toward Europe: Do not make the ideal the enemy of the good. The ideal from Washington’s point of view would be a politically united Europe that is a dedicated member of NATO . . . committing [increased military] funds almost entirely to the upgrading of NATO’s capabilities; willing to have NATO act ‘out of area’ in order to reduce America’s global burdens; and remaining compliant to American geopolitical preferences regarding adjacent regions, especially Russia and the Middle East; and, accommodating on such matters as international trade and finance. The good is a Europe that is more of a rival economically . . . while lagging in real political-military independence, that recognizes its self-interest in keeping America deployed on the European periphery of Eurasia,

*even while it chafes at its relative dependence and half-heartedly seeks gradual emancipation”* (emphasis added).

Brzezinski further warns that unless Washington manages this situation with geopolitical finesse, then there is “the potential to drive the Germans and the British into the arms of the French” against the U.S. role as post-Cold War hegemon. But, after describing the 60,000-man Eurocorps that is being built as “made less out of steel and concrete and more out of *papier-mâché*,” Brzezinski gloats that “Europe will continue to need America to be secure.”

He again peddles NATO expansion, which in *The Grand Chessboard* he had suggested would be appropriate to contain both Russia and Germany.

In this essay, Brzezinski puts it more diplomatically as follows: “In the meantime, a basic strategic priority of the United States should be continued expansion of NATO. NATO enlargement offers the best possible guarantee of continued transatlantic security ties. It serves to create a more secure Europe, with fewer areas of geopolitical ambiguity, while increasing the European stake in a vital and credible alliance.” Brzezinski names several potential candidates for NATO membership including many parts of Central Europe, the Baltics, and so forth—despite Russia’s understandable insistence that this is a most dangerous strategic shift.

Russia’s relationship with Europe, discussed in his essay “Living with Russia,” must take the following form: “The policy of effective engagement should be deliberately designed to make that choice Russia’s only choice.”

Addressing this also in “Living with a New Europe,” Brzezinski states: “An expanded EU overlapping with NATO can encourage Russia’s positive evolution by dampening old imperial temptations. Russia may then recognize its own interest in accommodating and becoming associated with NATO. If it does not, then a larger NATO will provide the needed security for Europe.”

Essentially, by these means, Brzezinski is prepared to dictate terms to Russia on how it must either become a junior partner affiliated with NATO, or else face military containment on parts of its northern, eastern, and southern *glacis*. The Russians have been adamant in their rejection of this “containment” design from the United States and the Britain of manic war-monger Tony Blair.

### ‘Russia Like the Ottoman Empire’

In “Living with Russia,” Brzezinski writes that Russia today is still collapsing in a fashion similar to “the collapse of the Ottoman empire.” Arguing that Russia’s “epiphany must come from within,” he claims that it may take a generation to get rid of all the “*apparatchiks*,” such as President Vladimir Putin.

Moreover, recalling his Carter Administration policy of promoting an Islamic fundamentalist “Arc of Crisis” around what was then the Soviet Union, Brzezinski writes that “to the south [of Russia] prospects are, if anything, even more

ominous.” Pointing toward the nine states in that region populated almost exclusively by Muslims, he notes, “Unless handled with great skill and genuine moderation by their formerly imperial neighbor, their political awakening could acquire a fervent anti-Russian cast, of which the Russian mishandling of Chechnya might be only a harbinger.” Given the Anglo-American oligarchical efforts to re-play Britain’s imperial “Great Game” and keep Russia out of this region, it should be no surprise that in *The Grand Chessboard*, Brzezinski described this vital region as “The Eurasian Balkans.”

Nowhere does Brzezinski mention his own role as a highly paid consultant to BP-Amoco, in the effort to grab the gold, oil, and other raw materials riches of this region. But, in “Living With Russia,” he does perpetrate the “Big Lie” (given the emergence of the “Shanghai Forum” as a nascent alliance of Russia with Central Asia), that “the Kremlin’s attitude in this regard is still based on the old Leninist zero-sum approach: It is better for the non-Russian areas not to develop economically if such development entails a Western presence. That is why direct access of the newly independent states to the global economy through multiple pipelines from the Caspian Sea region is viewed by the current Russian elite with almost as much hostility as that shown toward Ukraine’s flirtation with NATO.”

In fact, Brzezinski goes on to express some panic that the Russians may be winning the “Great Game” in this region.

### ‘Living with China’

Perhaps the most important feature of Brzezinski’s “Living with China” article, is that he says that the “one China” policy agreed to by President Clinton and every American President in the postwar period, ought to be changed to “one country, many systems.” This, he argues, would permit both Taiwan and Tibet a far greater degree of autonomy than is even tolerated in Hong Kong, which was stolen from the Chinese by the British during the 19th-Century Opium Wars.

He threatens that if China does not seek peaceable means for reunification after several hundred years of colonialism by the Anglo-American oligarchy, then “U.S. national interest would be engaged.”

“It follows that Taiwan will, and should, continue to have prudently measured access to the necessary U.S. military wherewithal for self-defense,” Brzezinski writes.

And, he argues, “Direct talks with the Dalai Lama [by Beijing] would represent a significant step in the right direction, and continued U.S. support for the Tibetan people is thus in order.” Although Brzezinski is clear that Washington must support Taiwan militarily, he is vaguer on how the U.S. might intervene further into Tibet.

### Put Brzezinski in a Straitjacket!

British asset Brzezinski was trained at Harvard in British geopolitics by the same racist Nashville Agrarian, William Yandell Elliott, who trained Sir Henry Kissinger. Elliott had

been an explicit spokesman for Cecil Rhodes’s “English Speaking Commonwealth,” as laid out in Rhodes’s infamous Last Will and Testament.

In 1972-73, Brzezinski had been a co-founder with David Rockefeller of the Trilateral Commission. By the time of the 1975 Trilateral Commission meeting in Kyoto, Japan, which constructed the framework for making peanut farmer Jimmy Carter their puppet President, Brzezinski was executive director of the Commission. (It was also at the Kyoto meeting that Brzezinski’s protégé, Samuel P. Huntington, took a leading role in presenting the main report, entitled *The Crisis of Democracy* (New York: New York University Press, 1975), which espoused a policy some called “Facism with a Human Face”). Brzezinski went on to become President Carter’s National Security Adviser, holding that position throughout the Carter Administration.

Brzezinski has long been considered “looney tunes” by many, and his nickname amongst some Washington *cognoscenti* is “Woody the Woodpecker.” Nevertheless, British lackey that he is, he is also the chief mentor and consultant to Secretary of State Madeleine “Madmeddling” Albright.

### TNI: A Neo-Con Project

One glance at the advisory board of the neo-conservative *TNI* demonstrates the *gravitas* of Brzezinski’s pieces in it: Its chairman is British-Canadian media mogul Conrad Black, who has called for the Super-NAFTA joining of the United States with Great Britain. Other advisory board members include: Samuel P. Huntington; Francis Fukuyama, Huntington’s sidekick on the editorial board of the National Endowment for Democracy’s *Democracy Quarterly* (it was Fukuyama who proclaimed “the end of history” after the cessation of the Cold War); Sir Henry Kissinger, who confessed his British agency in an infamous 1982 speech before the Royal Institute for International Affairs (RIIA-Chatham House); American Enterprise Institute senior fellow Jeane J. Kirkpatrick, who recently emerged as a leading member of the Lebanese Study Group, which proposed a “Gulf War-style” engagement with Syria to get it out of Lebanon — a plan which would totally sabotage any hope for Middle East peace; and, former Bush Administration Undersecretary of Defense for Policy Paul D. Wolfowitz, who is a leading foreign policy adviser to GOP Presidential candidate George W. Bush, and has repeatedly called for a new Persian Gulf War to finish off Saddam Hussein.

With such lackeys of the Anglo-American oligarchy on its advisory board, it is no wonder that France’s Védérine made a special point of citing Brzezinski’s latest threats in *The National Interest*. If either Vice President Al Gore, Jr. or Texas Gov. George W. Bush enter the White House, it is likely that either one of this two-headed freak show will implement many of the policies for which Brzezinski is the spokesman, which have lit the fuse for World War III. That prospect has the leaders of most of the world’s nations very worried indeed.

# France's Védryne Slams Anglo-American Policy

by Christine Bierre

French Foreign Affairs Minister Hubert Védryne, in a speech to the eighth conference of French ambassadors held in France on Aug. 29, delivered the most clear-cut public attack to date by any European leader, against the current policies of the Anglo-American financial oligarchy. He took off the diplomatic gloves to single out the particularly violent form of geopolitics of the lunatic Zbigniew Brzezinski. He also denounced the policy of globalization, which is plunging nations into bankruptcy, and emphasized the importance of Franklin Roosevelt's Bretton Woods system, in view of current "global problems."

Contrary to most European politicians, who are still trying to choose between U.S. Presidential candidates Al Gore and George W. Bush, Védryne has no illusions concerning either one of those contenders. "Can the results of the Presidential and Congressional elections modify in depth the course of foreign policy in the United States?" he asked. "I do not think so. There is a very strong consensus in the United States that leadership in the world must be theirs. . . . The two large parties share in that consensus," even though there are differences of style and tactics.

"My hypothesis is that there will be a continuation, a reinforcement of the power of the United States" in the years ahead, he said, warning of the "rise of a neo-unilateralism" which could lead to the United States calling "into question the very idea that it should negotiate with others—adversaries or allies. For a country in such a position, the notion of partnership is the most difficult to admit and practice."

## France Must Maintain 'It's Own Attitude'

As an example of this unilateralism, he advised the ambassadors to read "a most edifying article written recently by Zbigniew Brzezinski" ("Living with a New Europe," in the *National Interest*, Summer 2000—see article in this issue).

Faced with such prospects from the United States, Védryne

reaffirmed that under all circumstances, France must maintain "its own attitude." "We must know how to say yes or no, cooperate or resist, according to the case at hand, without ending the dialogue. 'Yes,' when the United States engages in seeking real solutions to a crisis; 'no,' when unilateralism inspires decisions which are not in conformity with our economic or strategic interests, nor favorable to our political ambitions for Europe, nor propitious to a multilateral approach to global challenges. Whether others like it or not, France should not renounce its own vision of the reorganization of the world."

Védryne angrily denounced U.S. Secretary of State Madeleine Albright's performance at the June 25-27 conference in Warsaw on the theme "Towards a Community of Democracies." Albright called for using "democracy" as a club with which to beat up any nation that rejects the policies of the Anglo-American oligarchy. Védryne at the time refused to sign the final communiqué, causing an international uproar. In his speech to the ambassadors, Védryne elaborated: "These were the reasons why, at the Warsaw conference, I had to refuse to subscribe to an attempt to use the world's aspirations to democracy to create a sort of new 'caucus' within the UN which would have received its instructions from the State Department. . . . I regretted spoiling this Polish conference because of my friendship toward [the host, outgoing Polish Foreign Minister] Bronislaw Geremek, but the Poles should never have lent themselves to this dubious and useless operation."

## Defense of the Nation-State

Védryne had started his speech with a denunciation of the Anglo-Americans' economic globalization, and proceeded to show that wherever in the world, there are nations demanding a return to financial and monetary regulation, the United States is doing everything to block that process. "States are weakened" by globalization, he said, describing how the globalizers do everything to "circumvent the states, to reduce their control, even when they are democratic states under the rule of law." He attacked the way in which large multinational companies and mutual funds, "both mainly American, . . . model and fashion the state of the world every day, without any afterthought, . . . calculating that their legal authority is equal to that of governments."

Because of all those factors, he said, the "multilateral and intergovernmental regulatory bodies of the UN/Bretton Woods types . . . are at a standstill. Yet they are more necessary than ever, because of global problems."

Védryne defended the primacy of political authority over financial markets, and stressed that the further globalization progresses, "the stronger the aspirations to regulation become; in Europe, most of the public, almost all political parties, are demanding more regulation, almost all the governments are working on it. . . . The majority of the develop-



Hubert Védryne

ing countries demand it. . . . The United States, however, maintains a certain ambivalence on this question, which can hardly surprise us.”

### ‘To Help Russia Is Justified’

Védrine distanced himself greatly from the International Monetary Fund’s shock therapy policies, which have brought Russia to the brink of economic annihilation. “To help Russia is totally justified,” he stated, explaining why it is in France’s interest to have a “prosperous and stable neighbor.” But “to help Russia with our eyes closed was a mistake. To incite it to deregulate its economy without restraints, when no modern state was prepared to assume its role there, was a sign of either ideological blindness or evil calculation. France did not push this line, but it was the line universally defended by the West.” Védrine proposed measures aimed at better managing aid to Russia, and better adapting it to help that country erect a rule of law.

“The reception of my proposals was positive among foreign ministers and the heads of state and government,” he said, “but was subdued among finance ministers and the international financial institutions. The European Union largely took up our thesis, but the United States claims that it fears that any reference to the state could be used by President Putin to justify an authoritarian takeover, which a part of the Russian people would not reject.” Our policy toward Russia, he stated, combines aid with a frank dialogue concerning problems such as the need for a political solution for Chechnya.

### Eastern Europe

Concerning the Balkans, Védrine raised the problem created by the Western sanctions policy against the Yugoslavia of President Slobodan Milosevic, and denounced the Anglo-American rejection of any alternative approach. “The fact that Milosevic remains in power is an almost caricatured illustration of my thesis regarding the counterproductivity of sanctions (with certain exceptions). More and more Europeans are convinced of this. Our alternative proposals, however, run up against the time-buying maneuvers of the British and the Dutch, inspired by American reticence.”

One would have to look back as far as the Foreign Ministry of Michel Jobert under President Georges Pompidou, in the 1970s, to find such coherent marching orders to French diplomats. Jobert didn’t hesitate to denounce then-State Secretary Henry Kissinger—which no doubt cost him his brilliant career in French politics. Indeed, Védrine was once a political associate of Jobert, in his early days in politics. It is the reemergence of this tradition which is causing fear among those Anglo-Americans, who, like Zbigniew Brzezinski, are terrified that France will organize resistance of the whole of western Europe, to globalization’s assault against the nation-state.

## Water Is Necessary for Durable Mideast Peace

by Carl Osgood

In a statement issued on Aug. 6, *EIR* Contributing Editor Lyndon H. LaRouche, Jr. warned that “without large-scale desalination programs being put immediately into operation, there is no hope for durable peaceful relations among the populations” of the Middle East. LaRouche has been offering plans for such large-scale development of that region, such as the Oasis Plan, for more than 20 years, and these plans have been picked up in one form or another by relevant important circles, including former Israeli Prime Minister and now Minister for Regional Cooperation Shimon Peres, and, from Washington, D.C., the Center for Middle East Peace and Economic Cooperation, headed by former U.S. Rep. Wayne Owens (D-Utah). Peres and Owens’s group have both been lobbying hard for economic infrastructural development for the region as a whole, as a cornerstone for a durable peace.

Perhaps surprisingly, Peres’s formulation was endorsed by a leading member of the Israeli Likud Party, former two-time Israeli Ambassador to the United States, Zalman Shoval, in remarks at the National Press Club in Washington on Aug. 28. Shoval, whose comments came in response to a question from this reporter, said that there is an absolute shortage of water in the region. “I think Shimon Peres said, instead of trying to find a way to share the water, let’s create new water,” he said. Shoval claimed that, during the previous Likud-led government, every meeting that then-Foreign Minister Ariel Sharon had, whether it was with Arab negotiators or in Washington, started out with a discussion of the water issue. While importing water from Turkey or elsewhere may be an interim solution, “the only real solution,” Shoval said, “is desalination, which will need a major international effort.” He added that the regional effort has to include Jordan, the Syrians, and the Palestinians as well as Israel.

Even before *EIR* raised the water issue, Shoval had noted that, while Israelis want to be sure that the other side in peace negotiations regards peace in the same way they do, “the Palestinians will also want to feel that their lives will improve” as a result of the peace process.

### The Next Arab-Israeli War?

Shoval’s remarks on the water issue were tinged, however, with pessimism and the usual Likud hard line toward



*Former Israeli Ambassador to the United States Zalman Shoval.*

the Palestinians and Israel's Arab neighbors. He was very critical of the July 11-24 Camp David negotiations between Prime Minister Ehud Barak and Palestinian Authority President Yasser Arafat. He argued that the final status of Jerusalem is such an intractable issue, that it should not be on the table, as long as failure to reach agreement on the issue threatens achievements that have been made up until now. Shoval complained that Prime Minister Barak has made too many concessions, and that President Arafat, rather than becoming more conciliatory in response to Israeli concessions, has, instead, become more intractable. Shoval warned that a bad agreement, in the current context, would be worse than no agreement at all, because a bad agreement would lead to continuing conflict and, possibly, a future Arab-Israeli war. He also claimed that the Likud has a better history of making peace agreements than the Labor Party, because "a majority of Israelis will naturally put their trust in agreements, including concessions and compromise, made by a center-right government which is perceived as being more hawkish, rather than by a dovish, leftist government which is perceived as not to be determined enough to protect vital Israeli interests." Finally, Shoval predicted that there's little chance of a national unity government, likely meaning early elections, with a "better than even chance" of a center-right Likud government as the result.

Even more ominous, Shoval clearly indicated that he believes that force, including involving the United States, is the only means to address relations with both Iraq and Iran. He claimed that, without weapons inspections, Iraq will soon be back to the level of threat that it was before the 1991 Gulf War, at least with regard to missiles and so-called weapons

of mass destruction. Shoval complained that the Iranians continue to aggressively pursue their efforts on missiles and nuclear development, aided by Russian companies. He further said that there is "no let up" in Russian assistance to Iran, despite the best efforts of the Clinton Administration.

What all this shows, he said, is that the Middle East is still a "dangerous neighborhood." "If Israel were to give up its security zone in the Jordan Valley," he concluded, "there could be an eastern front stretching from Iraq, through a Palestinian state, all the way to the outskirts of Tel Aviv." He acknowledged that there might not be a high probability of this happening, but "we can't disregard this possibility."

### **'Reunited by Scientists'**

Shoval's views on the security of Israel suggest that, despite his own statements, he, and the Likud Party, now led by Ariel Sharon, may not be willing to engage all sides on the water issue, which will otherwise remain a source of conflict. Peres, on the other hand, has demonstrated such a willingness. In a public appearance, in Washington, on March 30 of this year, Peres emphasized the importance of regional economic development based on science and technology, to include railways, water management, electricity, and related types of hard infrastructure. "The land is divided," he said, "you can't move, you can't communicate." The way this will change, he said, is that the Middle East "will be reunited by scientists."

At the World Water Forum, held in The Hague, the Netherlands last March, Peres reportedly showed strong willingness to engage with his opposite numbers from all over the Middle East, including Iran, Iraq, Syria, Lebanon, and Sudan. When the representatives of Syria and Lebanon, during a ministerial meeting accompanying the water forum, objected that water issues could not be discussed without resolution of certain political issues, Peres declared, "We're not here to talk about politics, but about water. . . . Water concerns everyone."

If the Likud Party, which expects to be leading the next government of Israel, is as committed to the peace process as Shoval claimed, then they must adopt the approach of Peres and LaRouche, otherwise, the peoples of that region will not be able to free themselves from the quagmire of Anglo-American geopolitics.

# Korean 'Miracle' Moves Ahead As IMF Financiers Lash Out

by Kathy Wolfe

"The new millennium is beginning with a miracle on the Korean peninsula," South Korean President Kim Dae-jung told world leaders at the UN Millennium Summit on Sept. 6, calling upon all nations to support the efforts of North and South Korea for reconciliation and economic reconstruction since their June 12-14 Inter-Korea Summit in Pyongyang. "Warm sunshine has begun to melt down the wall of ice that has stood between the South and North during the past 55 years of Cold War division," Kim said, noting especially the "miraculous" reunion on Aug. 15 of 200 Korean families in Seoul and Pyongyang.

Kim stressed that he and North Korean National Defense Commission Chairman Kim Jong-il had "resolved to work together so that there shall never be another war on the Korean peninsula," which could only be accomplished by "promoting economic and cultural cooperation between the two sides. . . . However, unification must be achieved peacefully, no matter how long it takes," he stressed. This "will greatly contribute to peace in Northeast Asia and the world" (see text, below).

Hours earlier, late on Sept. 4, persons identifying themselves as "United States air security agents" from the Federal Aviation Administration (FAA), attempted to impose strip searches on North Korean President Kim Yong-nam and his 15-person delegation at Frankfurt International Airport in Germany, as they were en route to the New York UN summit. The Pyongyang officials protested that they had been issued special visas by the United States, and personal invitations to a reception in New York by President Bill Clinton, and demanded the officials check with Washington.

Claiming to have done so, the "U.S. air security agents" returned, more abusive than before, as North Korean Vice Foreign Affairs Minister Choe Su-bon told a Frankfurt press conference. They said that "anyone from North Korea and seven other countries labelled 'rogue states' are unconditionally subject to the above strict inspection," despite the fact that individuals such as Fidel Ca from these nations are routinely exempt. When President Kim Yong-nam refused to strip, the U.S. agents summarily cancelled the North Koreans' flights, cancelling the delegation's entire trip. The North Korean President was to have met with Seoul's Kim Dae-jung, President Clinton, Russian President Vladimir Putin, Japanese

Prime Minister Yoshiro Mori, and to have addressed the UN (see Mr. Choe's statement below).

## Global Bankruptcy, Global Crisis

After three months of remarkable North Korean openings to the West, this constitutes an obvious attempt to disrupt the Korean peace process, an affront similar to the May 7, 1999 U.S. bombing of China's Embassy in Belgrade. "The possibility of war is great" from provocations such as this, one Asian expert told *EIR*. The disclaimer by White House spokesman Joe Lockhart on Sept. 5, that no U.S. officials were involved, just the private air carrier, American Airlines, on which the North Koreans were booked, only embarrassed President Clinton the more.

One U.S. intelligence community expert told *EIR* that Federal Bureau of Investigation agents often pose as FAA officials abroad, and that such FBI personnel "would be directly connected with the Pentagon's Office of the Assistant Secretary of Defense for Asian Affairs. The Pentagon has behaved very badly toward North Korea since the June 12-14 Pyongyang summit," he said. They have "no interest in the end of the Cold War in Asia."

The real story, however, is even worse than that. What is afoot here, as in the sinking of Russia's submarine, the *Kursk*, and in numerous such recent incidents, is nothing local, but a pattern of *global* strategic military confrontations. These stem from a single reality: The International Monetary Fund-based world financial system, led by the financial institutions of Wall Street and London which run the IMF, is bankrupt. Just as New York's Long Term Capital Management (LTCM) hedge fund collapsed with \$50 billion in bad derivatives in 1998, a dozen such Anglo-American financial houses are now in a race with the Wall Street stock market bubble, and the U.S. dollar, as to which will collapse first.

Consequently, Wall Street and the City of London are hysterical, and wish to assert control of world affairs with some "lovely little wars." They are also lashing out at anyone potentially creating alternatives to the bankrupt IMF system. Wall Street, through its assets in the U.S. Treasury, the U.S. Department of Justice (which controls the FBI and parts of the FAA), and a lunatic faction in the U.S. military, is working

with counterparts in London to provoke a series of events, provocations of other nations, otherwise inexplicable to sane persons.

## No IMF in North Korea

Something else which upset the IMF crowd appeared in a headline on Aug. 16 in the new Seoul newspaper *Tomorrow Daily*: “DJ: Don’t Involve IMF in North Korea.” (South Korean President Kim Dae-jung is also called “KDJ” or “DJ.”) The article is about *EIR* and Lyndon LaRouche; Wall Street worries that Seoul and Pyongyang, as relations develop, may follow LaRouche’s advice. Despite Kim Dae-jung’s frequent public praise of the IMF, most Korean, Japanese, and Asian officials believe the IMF has been completely discredited by the economic crisis since 1997. They may draw the line at the DMZ and say: “IMF Keep Out.”

*Tomorrow Daily* notes that LaRouche and *EIR* have been warning against the IMF especially since the reunification of Germany. Under the subhead “IMF Dangerous for North-South Korean Unification,” it says: “The IMF has a long history of creating these problems, according to *EIR*. After the 1980s fall of the Berlin Wall, the IMF, the U.S., and the British rejected LaRouche’s proposals to rebuild” the industrial infrastructure of Germany and East Europe. “The IMF told eastern Europe they would have to accept tough IMF conditionalities in exchange for all loans. These IMF policies have now caused the collapse of industrial production in Russia, for example, to 50% of levels under communism, with disastrous consequences such as unemployment, population decline, and a drug plague.

“Thus clearly the IMF should be kept out of North Korea and the Korean unification process. *EIR* is proposing to President Kim that he commission a South Korean think-tank study of the concrete results of IMF programs in eastern Europe, to document the case and use it to keep the IMF away from North Korea.”

## New System, New Cooperation

The Frankfurt incident will also be taken as an insult to Korea’s allies in East Asia, who are aware of the IMF system’s pending crash. In fact, the Korean peace moves require a new monetary system to finance reconstruction of the North. Korea, Japan, China, and the Association of Southeast Asian nations, known as “ASEAN Plus 3,” are trying to create an alternative Asian Monetary Fund (AMF) to protect their economies from the next financial blowout. They began with the Chiang Mai Initiative in Thailand on May 6 (see *EIR*, May 19, 26, and June 2, 2000). The Korean peace process also helps advance this AMF drive, by bringing many nations in the area, often at each others’ throats, into a cooperative venture. The Frankfurt attack on Korea should help convince Asian leaders that the Wall Street-City of London crowd are unfit to run a pachinko parlor, much less the monetary system.

The Frankfurt incident also contrasts with new cooperation in Korea itself. In the Aug. 29 *Washington Post*, South

Korean President Kim announced a surprise agreement with North Korean leader Kim Jong-il to retain U.S. troops in Korea, because KDJ “wants to prevent any new Cold War in Korea at all costs,” a Seoul official told *EIR* on Sept 1. “The world security environment has taken a turn for the worse and President Kim is responding to this,” he said. In the interview, KDJ said that he had told the North’s Kim, “The American forces must stay even after unification for stability in North-east Asia. The peninsula is surrounded by big countries, and if the American military were to withdraw, that would create a huge vacuum that would draw these big countries into a fight over hegemony.” Kim Jong-il said his view was “very similar,” adding, “Yes, we are surrounded by big powers—Russia, China, and Japan, and so therefore it is desirable that the American troops continue to stay.”

KDJ’s revelation shows how serious the North and South are about having their own way with unification. “This is a charm offensive to make the U.S. support our unification efforts,” another Seoul diplomat said. “Do you really think we expect military problems from China, Russia, or Japan? Yet, by heaping praise on the U.S. troops as our protector, we put the U.S. in the position where it’s very difficult for them to obstruct our unification.”

Seoul is also acting to strengthen Kim Jong-il’s position within North Korea, where he is facing opposition to rapprochement. “Many military leaders in Pyongyang insist on North Korea’s long-held position that the U.S. troops must leave before anything can be discussed, a demand which ruined every previous South-North meeting. This demand was suddenly dropped at the June 12-14 Inter-Korean Presidents’ summit,” one Seoul diplomat said on Sept. 1. “Kim Jong-il discussed why, with Kim Dae-jung, and now KDJ is making it public. So KJI looks like the most reasonable of North Korean leaders.”

North Korea’s Kim also has to overcome hard-line opposition to economic modernization. He offered on Sept. 1 to dispatch a 15-person team, featuring economists, to South Korea to explore the different economic system there, South Korean Unification Minister Park Jae-kyu said. “It would be helpful to economic cooperation, if they look around the South’s various industrial facilities and economic system.”

North Korean President Kim Yong-nam, KJI’s second in command, who refused the U.S. strip search in Frankfurt, is also one of the main architects of Pyongyang’s peace policy. He is the leader who arranged the historic June 12-14 Inter-Korean Summit, Asia scholar Chalmers Johnson told *EIR*. “He went to Beijing in early 1999, opened negotiations with the head of South Korean National Security, and worked out with the Chinese the formulation that South Korea is now also China’s ally and so Pyongyang can start opening up,” Johnson said. The U.S. provocation clearly could strain his hand with Pyongyang hard-liners, who will claim that opening up to the West just opens North Korea to such indignities. Only a Wall Street banker, not an American official with the U.S. national interest at heart, would want to see that happen.



# President Kim Dae-jung at UN: 'Miracle on Korean Peninsula'

*The following are excerpts of a speech by Republic of Korea (South Korea) President Kim Dae-jung, delivered to the UN Millennium Summit in New York on Sept. 6:*

The new millennium is beginning with a miracle on the Korean peninsula. Warm sunshine has begun to melt down the wall of ice that has stood between the South and North during the past 55 years of Cold War division. You must have seen some of the televised scenes of the South-North Korean Summit in June, as well as of the separated families reuniting on Aug. 15 for the first time in all those years of national division. They were miraculous, and they were brought about not only through the efforts of South and North Korea, the principal parties, but also through the steadfast support and encouragement of the United Nations and the leaders of the world. I thank you wholeheartedly.

Furthermore, I am greatly encouraged by and deeply grateful for the decision by the co-chairs of our historic gathering to issue a statement in support of the South-North Joint Declaration that the Inter-Korean Summit produced.

Upon my inauguration two-and-a-half years ago, I embarked upon my sunshine policy in pursuit of inter-Korean peace, reconciliation, and cooperation. Since then, the policy has won the support of the United Nations and all countries of the world.

In the Summit discussions, I and my North Korean counterpart resolved to work together so that there shall never be another war on the Korean peninsula. We agreed that unification neither by force nor by absorption is acceptable, as both would only lead to war. We agreed that while the aspiration toward unification through self-determination will continue to guide us, our efforts for now must focus on bringing lasting peace to the Korean peninsula and promoting economic and socio-cultural exchanges and cooperation between the two sides. And the efforts are already under way in many areas.

Unification is the ultimate goal of the Korean people. However, unification must be achieved peacefully, no matter how long it takes. Unification must be a success for both sides. This was the agreement of the South-North Korean Summit. Through exchanges of summit visits and continued ministerial talks, we will do all that we can to expand inter-Korean exchanges and cooperation and to make peace to last on the Korean peninsula. Such advances on the Korean peninsula will greatly contribute to peace in Northeast Asia and the world.

As long as we have the United Nations leading the global support for our efforts on behalf of peace with the active backing of all the leaders here, the miracle of the new millennium unfolding on the Korean peninsula will become a great achievement for history. In the most earnest terms, I ask for your abiding attention and support.

## Frankfurt Airport Provocation Condemned

*The following statement, on the attempted strip search of the North Korean delegation at the Frankfurt Airport in Germany, was issued in Frankfurt by North Korean Vice Foreign Affairs Minister Choe Su-bon on Sept. 5. It was provided by the Korean Central News Agency via Korea News Service in Tokyo. The text has been slightly edited.*

The President of the SPA presidium of the D.P.R.K. [North Korea] and his party which had been in transit in Frankfurt airport to attend the UN Millennium Summit were compelled to return home after cancelling their plan to participate in it due to the unreasonable obstructions on the part of the U.S. side.

At the time the President and his entourage were about to board the already booked American Airlines "AA 176" after going through all transit formalities as per the publicly recognized regulation in Frankfurt Airport on Sept. 4, those who style themselves U.S. Air Security Agents showed up there and treated them like criminals. They opened the luggage and hand luggage of all the delegation members and pressured them to undress and take off their shoes. They went the length of searching even such private regions of their bodies that baffles description.

They attempted to do such a rude thing against the President, too.

We lodged a strong protest with them against this after flatly rejecting such inspection on the spot, and demanded that they immediately report this to Washington. The American Air Security Agents reappeared after their brief disappearance and said what they did was instructed by their superior. And they provocatively charged that anyone from North Korea and seven other countries labelled "rogue states" are unconditionally subject to the above said strict inspection, otherwise no one is allowed to board the plane.

They cancelled our seats in the plane without any prior agreement with us. This rude provocation of the United States to the President of the SPA presidium, who represents the D.P.R.K., a dignified UN member, is a grave infringement upon the sovereignty of an independent state, an intolerable abuse and insult to human rights, and a blatant challenge to the exercise of rights by the member countries according to the UN Charter and the United Nations and the summit organized by it.

## Clinton Won't Authorize Bogus Missile Defense System

by Edward Spannaus

Under growing international and domestic pressure, President Bill Clinton announced on Sept. 1 that he will not authorize deployment of a national missile defense (NMD) system. The President's announcement was welcomed by Russia's President Vladimir Putin, and by the United States' NATO allies, all of whom had warned against the destabilizing effects of a move which would represent an abrogation of the 1972 Anti-Ballistic Missile (ABM) Treaty. Indeed, a unilateral U.S. deployment of an NMD system was opposed by Russia, China, the NATO allies, and by many scientific, political, and military leaders inside the United States.

The system under consideration by the Clinton Administration, had nothing in common with President Ronald Reagan's 1983 Strategic Defense Initiative, the conception of which was developed by *EIR*'s Founding Editor Lyndon LaRouche, and was centered around the application of "new physical principles" and an offer of technology-sharing made by Reagan to the Soviets.

The original Reagan SDI proposal was derailed by saboteurs inside the Pentagon and within the Reagan-Bush camp, who hijacked Reagan's proposal and turned it into a Cold-War provocation, utilizing off-the-shelf junk technology which was bound to fail.

Rather than a crash program to develop the most advanced technologies, including lasers, the unworkable system promoted in recent years by elements in the Pentagon and the Bush camp, utilized "kinetic energy" systems ("hitting a bullet with a bullet")—which are inherently incapable of providing any effective defense against incoming nuclear missiles.

President Clinton implicitly recognized this in his Sept. 1 speech, when he declared, "I simply cannot conclude, with the information I have today, that we have enough confidence in the technology and operational effectiveness of the entire NMD system to move forward to deployment."

### Strategic Confrontation

Even though it has been clear for months that the tide was turning against a decision to go ahead with the NMD system, it is likely that the final "nail in the coffin" was the near-outbreak of nuclear war which occurred during the 48-hour period after the sinking of a Russian nuclear submarine, the *Kursk*, on Aug. 12 (see "Putin Goes from Elected President to National Hero," *EIR*, Sept. 1, 2000). According to various accounts, that situation of near-nuclear confrontation was defused by direct contracts between Presidents Clinton and Putin, as well as by communications between Russian and U.S. military officials.

If Clinton still had any doubts in his mind, the events around the *Kursk* incident would have convinced him of the folly of throwing another match into the strategic tinderbox.

President Clinton was initially opposed to the very NMD plan which he later appeared to advocate. As a number of observers have pointed out, the Administration's shift was a Dick Morris-style "triangulation" maneuver, designed to protect Al Gore from Republican criticisms of being "soft on defense."

Clinton had initially hoped to be able to negotiate an agreement with then-President Boris Yeltsin, whereby Russia would agree to a modification of the ABM Treaty, in exchange for concessions around the START III strategic arms limitations talks involving the number of nuclear weapons each side would be permitted to retain.

But Putin, who succeeded Yeltsin at the beginning of this year, declined to seriously consider any changes in the ABM Treaty. Going into the June summit meeting between Putin and Clinton, the Administration was hopeful that some agreement on the ABM Treaty could be reached, but Putin reportedly refused any serious discussion of the matter, and Russian spokesmen warned that any abrogation of the ABM Treaty,

which they termed “the cornerstone of strategic stability,” would have serious and destabilizing consequences.

Then came the June 13-14 Inter-Korea Summit, which undermined the idea being peddled by some Republicans in Congress and elsewhere, that North Korea was planning to launch a nuclear missile attack on the United States.

The “rogue state” justification was always a fraud (as if any smaller state with a couple of nuclear warheads is going to lob a nuclear missile at the United States with its thousands of nuclear missiles), and it was rightly denounced as such by both Russia and China, who saw the proposed NMD system as an effort to deny them their own deterrent capability. In other words, a U.S. NMD system—if it worked—would potentially give the United States the capability to launch a nuclear first-strike, and to block a retaliatory second strike.

The ABM Treaty was intended to maintain the strategic balance between the United States and the then-Soviet Union; as flawed as the ABM Treaty was, the effort to unilaterally abrogate the treaty under current strategic circumstances, is even worse.

## Growing U.S. Opposition

In mid-June, a bipartisan group of former diplomats, military officials, and defense specialists made public a letter they had sent to President Clinton, urging him to defer the NMD decision, due to unresolved issues concerning “costs, technology, and security and foreign policy implications.” The group included former Clinton Administration Defense Secretary William Perry, and the former Chairman of the Joint Chiefs of Staff, Gen. John Shalikashvili.

Shortly after that, it was disclosed that a Pentagon review panel of 12 experts, led by former Air Force Chief of Staff Gen. Larry D. Welch, had raised questions about the feasibility of deploying an NMD system by 2005. The report cited problems with the interceptor booster rocket, the ability of the interceptor to discriminate between a real warhead and decoys, and the five-year timetable for the construction of a working system.

And in July, came a rather spectacular failure of a missile interception test over the Pacific Ocean—the second failure in three tries.

The July test failure emboldened critics of the NMD plan, and also undermined its support within the Administration and among Clinton’s top advisers. *EIR* was told in July that the Joint Chiefs of Staff did not regard the current plan as viable. By late summer, Defense Secretary William Cohen was reportedly the only advocate of the plan in Clinton’s top circle of advisers.

A week after the July test failure, three Senate Republicans joined all the Senate Democrats in voting for a measure which would have required more stringent testing of the proposed NMD system, and therefore a significant delay of the program. The amendment, offered by Sen. Richard Durbin (D-Ill.), would have required the Pentagon to test the system

against all possible countermeasures, including warheads surrounded by decoys. The measure failed, on a 52-48 vote.

Durbin said that Republicans “ran like scalded cats” when faced with the possibility of a realistic test of the system. “They are afraid to admit that their multibillion-dollar theory may not work,” he said. At the same time, Senate Minority Leader Tom Daschle (D-S.D.) and other leading Senate Democrats called upon President Clinton to defer any decision on building an NMD system to his successor.

## Russian, Chinese, and NATO Concerns

In his specially arranged speech at Georgetown University in Washington, D.C., on Sept. 1, President Clinton stressed the importance of the various arms control agreements, including the ABM Treaty, which he said had been negotiated by both Republican and Democratic Presidents alike. He termed the ABM Treaty a “key part of the international security structure we have built,” and “therefore, a key part of our national security.”

Clinton acknowledged Russia’s concerns, noting that Russia likely fears that the proposed NMD system, “or some future incarnation of it, could threaten the reliability of its deterrence and, therefore, strategic stability.”

In addition to acknowledging Russia’s concerns, and pledging to work with Russia on strategic defense and arms reduction, the President also said that “another critical diplomatic consideration” was the views of the NATO allies. “They have all made it clear that they hope the United States will pursue strategic defense in a way that preserves, not abrogates, the ABM Treaty.”

And finally, Clinton stated that “we must consider the impact of a decision to deploy on security in Asia,” adding: “As the next President makes a deployment decision, he will need to avoid stimulating an already dangerous regional nuclear capability from China to South Asia”—referring to India and Pakistan.

While the big budget and the attention were going to the NMD system, work has been quietly proceeding on the Pentagon’s laser missile defense program, with a much lower budget. A *Wall Street Journal* feature article on Sept. 5 reported that there have been significant advances in the approaches utilizing new physical principles.

“During the past few years,” the *Journal* reported, “scientists . . . have quietly toppled several of the biggest barriers to a workable laser-weapons system. They pumped up the power of a chemical laser, and they reduced the size of its supporting computer systems as new generations of high-speed semiconductors emerged. Perhaps most important, they turned an astrophysics theory dating back to the 1950s into a tangible system enabling laser beams to maintain their strength while overcoming atmospheric disturbances.”

These breakthroughs suggest that the time is ripe to scrap the bogus NMD schemes of the past decade, and to go back to the original LaRouche-Reagan SDI approach.

# LaRouche Rallies Democrats for Victory

by Michele Steinberg

A powerful movement of Democrats dedicated to the General Welfare concept of the U.S. Constitution, and to the policies of a New Bretton Woods alliance of sovereign nation-states, has emerged in the wake of the semi-annual conference of the International Caucus of Labor Committees and the Schiller Institute, on Labor Day weekend, Sept. 2-3, in northern Virginia.

Among the nearly 700 political leaders in attendance were two leading LaRouche Democrats — Mel Logan, who won the Democratic primary for U.S. Senate from Wyoming on Aug. 22; and Roger Beall, the Democratic candidate for U.S. Congress from the 5th District in Louisiana. Both will face right-wing Republican extremists in the November elections.

On Sept. 3, in a town meeting discussion with conference participants, former Democratic Party Presidential pre-candidate Lyndon LaRouche bluntly said that there is *no difference* between Gore and Bush—their policies are fascist and will lead to world-war confrontations. Politically, LaRouche said, the only hope to keep the United States in the coalition of

sovereign nation-states, is to look to history, where from 1810 until the 1860 election of Abraham Lincoln, the nation survived only because the Henry Clay-Mathew Carey political alliance kept the American Constitution alive, despite a succession of treasonous occupants in the White House.

LaRouche identified some 40-50 Congressional races where Democrats representing the FDR-type policy of upholding the General Welfare could win, but *only* by adopting his strategy of engaging voters' *minds*. LaRouche said: "What we have to do is reach out. . . . We have to directly engage the great mass of the population. So, therefore, we are going, at the same time, at the highest level of politics, and also to the street level of politics. . . . Because we have to engage these frightened citizens in the political process. Engage them so that we can lead them out of their present misery, pessimism, and self-destructiveness. We have to be there."

LaRouche outlined preparation of a policy pamphlet, which will contain elements of the historic Ad Hoc Democratic Party Platform Hearings of June 22, along with exemplary pieces of legislation. LaRouche explained, "It's not this issue-oriented politics. . . . The issue is the General Welfare. The issue is, everybody has a right to the General Welfare, and everybody has to realize you can't defend anybody's rights, unless you defend everybody's rights. You communicate to the people of this country, in this time, a sense that there is such politics, unlike the disgusting politics represented by Gore, Bush, and so forth. And the people will change their values, as the crisis hits harder. . . ."

"Under those conditions, and given the strategic conditions in South and Central America, Africa, and throughout



*Lyndon H. LaRouche, Jr. chats with Mel Logan and his wife at the ICLC/Schiller Institute Labor Day conference. On Aug. 22, Logan won the Democratic Party primary for U.S. Senate from Wyoming.*

Eurasia, we will find that we are part, an organic part, of a global process of struggle, for the kind of world that Franklin Roosevelt intended to bring into being once the war had ended.”

### LaRouche Speaks

Another powerful tool in the fight to save the Democratic Party and the nation will be the website and other outreach of LaRouche’s FDR-PAC, under the title of “LaRouche Speaks.” LaRouche’s FDR-PAC/LaRouche Speaks will publish the policy pamphlets that will lead the movement.

Two of the LaRouche Democrats who attended the Virginia conference are gearing up for a November victory.

Mel Logan of Wyoming told *EIR* that LaRouche’s warnings of the “bubble economy” are what “resounded” with voters, and led to his Aug. 22 primary election victory for the Senate.

“Al Gore, and George W. Bush, and even Bill Clinton for that matter, are talking about *the booming economy*, the creation of jobs, the long period of expansion of the wealth in the United States. Well, they’re all lying. Or, they’re all fools,” said Logan.

“I can’t support the lie. . . . I can’t continue to support the system that is killing America. . . . To me, to support free trade, is treason. Craig Thomas [Logan’s Republican opponent] is guilty of treason. Al Gore, and George W., are guilty of treason.”

Roger Beall, a Louisiana Democratic Congressional candidate, announced he will run as a “LaRouche Democrat,” despite the fears of his friends that the identification with LaRouche would “hurt with the press.” Beall says, “LaRouche and this organization have the only answers for survival of civilization and mankind itself. . . . We’ve got a blowout coming. I understood exactly what he was saying, because I’ve had my own personal blowout, in the farming industry. We’re through as family farmers, unless we can get some programs back in place that Lyndon LaRouche advocates.”

One leading Democrat who has been active with the LaRouche movement, has already won his election. On Sept. 5, Nevada State Sen. Joe Neal won a three-way primary against a challenger who was heavily funded by the Nevada gambling industry. Under Nevada law, Senator Neal has already won the seat, because he won more than 50% of the vote in the primary, rendering a November run-off unnecessary.

Senator Neal played a leading role in fighting for the soul of the Democratic Party, when he served on the panel of the Ad Hoc Democratic Party Platform Hearings. In Nevada, Senator Neal has taken the lead on critical issues to protect citizens. He told *EIR* that he plans to block the state deregulation of the electricity industry, and is pushing to increase the tax on gambling, in order to finance infrastructure and other needed improvements.

## Report on TWA 800 Crash Leaves Questions

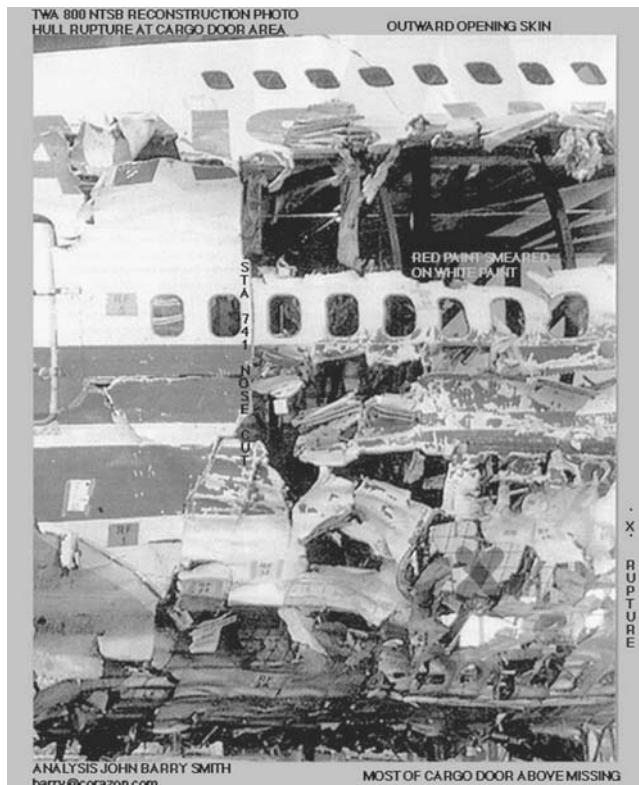
by Carl Osgood

On Aug. 22 and 23, the National Transportation Safety Board (NTSB) held a public meeting to formally close the four-year-long investigation into the crash of TWA Flight 800 on July 17, 1996. While the investigators were unable to pin-point the cause of the explosion that brought down the TWA 747, the NTSB, with the involvement of the Federal Bureau of Investigation (FBI) and the Central Intelligence Agency, made an unprecedented effort to refute eyewitness accounts that pointed in the direction of a missile attack being the cause of the crash. The investigators have, instead, focussed public attention on the center wing tank of the 747, which was empty of fuel at the time. The NTSB postulates that fumes in the tank exploded, blowing apart the aircraft, but they’ve never been able to positively identify an ignition source.

The NTSB’s official conclusions are leaving a lot of people unconvinced, however. The day before the NTSB began its two-day public meeting, representatives of the Flight 800 Independent Research Organization (FIRO), held a press conference in Washington, D.C., to raise important questions about the investigation. Also, a full-page ad appeared in the *Washington Times* on Aug. 16 and again on Aug. 22, declaring, “We Saw TWA Flight 800 Shot Down by Missiles, and We Won’t Be Silenced Any Longer.” The ad, placed by anti-Clinton media critic Reed Irvine, called on the NTSB and the FBI to tell the truth about what eyewitnesses saw that night.

The FIRO group would not venture an opinion on what caused TWA Flight 800 to go down, preferring to let the evidence they presented speak for itself. That evidence includes eyewitness testimony about an object streaking up toward Flight 800 just before it exploded, air and sea surface radar data that conflict with the FBI and NTSB explanations, and evidence that the flight data recorder tape might have been tampered with. The radar data include information on surface ships in the area where TWA 800 went down, including one vessel that was within three miles of the explosion, but was never identified by the FBI. That ship did not assist in the rescue efforts, nor were any witnesses who might have been aboard that vessel ever interviewed.

Richard Russell, a retired United Airlines captain who has been involved in the investigation almost from the begin-



While the National Transportation Safety Board continues its reconstruction of TWA 800 as part of its investigation into the cause of the crash (above), one website charges cover-up in the 1996 crash of TWA Flight 800, while another, based on eyewitness accounts, charges that TWA 800 was brought down by a missile.

ning, said that a radar data tape that came into his possession soon after the crash shows an object, without a transponder, within close proximity of Flight 800 just before it exploded, and the above-mentioned surface ship moving away from the accident scene at a speed of 30 knots, toward the nearby Whiskey 105 military operations area. When asked if the data on the tape were consistent with a missile launched from a naval vessel, Russell replied, “In my estimation, it is.”

### The CIA’s ‘Magic Climb Theory’

Central to the FIRO group’s charges is what FIRO chairman Dr. Tom Stalcup referred to as the CIA’s “magic climb theory.” According to the CIA, what the witnesses actually saw was the 747 continuing to climb more than 2,000 feet after the fuel-air explosion. The CIA’s theory, said Stalcup, contradicts physical laws, the radar data, and what the eyewitnesses reported seeing.

Another missing piece of the investigation relates to the forensic reports on the victims. Forensic evidence of how the victims of an air crash died is important in reconstructing the breakup sequence of the accident. In the TWA 800 crash, the Suffolk County, New York coroner reported that 89 of

the victims’ bodies contained foreign objects. It was up to the FBI to identify what these objects were and what part of the aircraft structure they may have come from, or if some of them were from an external source. According to Graeme Sephton, FIRO’s Freedom of Information Act officer, the FBI never turned over that information to the NTSB. The NTSB admits, in its final report, that it does not have this particular element of the forensics data.

Lending further credence to the missile theory of what happened to TWA Flight 800, are complaints from commercial airline pilots that the military uses their jets for target practice. Irvine told *EIR* that, after Flight 800 went down, a SwissAir plane made an emergency landing after it narrowly missed being hit by missiles. Irvine said that the Swiss demanded an explanation from the United States, got nothing, but kept quiet publicly about it. Elsewhere, columnist Joe Brancatelli, writing in an Internet business travel publication, reported on July 20 that he was told by an airline executive the day after the TWA 800 crash, that “it was a missile.” The executive, a former military pilot, added, “Friendly Fire. We kept telling the military this would happen one day. And the bastards just kept doing it and doing it.”

The most credible immediate evidence came from New York Police Department sources deeply involved in the recovery operations and investigation, who told *EIR*, a few days after the crash, that forensic evidence, in combination with the eyewitness accounts of the pilot of a New York Air National Guard helicopter and the crew of a U.S. Coast Guard cutter, both operating in the area that evening, pointed in the direction of a missile attack.

### The Strategic Context

Not considered in most discussions about what happened to TWA Flight 800 is the strategic context in which it occurred. Flight 800 went down about three weeks after a huge truck bomb demolished a U.S. Air Force barracks in Dahrán, Saudi Arabia, killing 23 U.S. airmen and injuring more than 100 others, and ten days before a pipe bomb exploded at the Atlanta Summer Olympics, killing one person. Concurrent with all this was the trial of Ramsi Yousef, afterwards convicted of being the mastermind behind the 1993 bombing of the World Trade Center, who was also accused of planning a worldwide series of bombings of American airliners. Yousef was part of the Afghansi apparatus, the Western-backed guerrillas left over from the 1980s war in Afghanistan, which is a deployable terrorist capability steered largely from London.

Whether TWA Flight 800 was brought down by a terrorist attack or a military accident, the crash can only be properly understood in the context of the “war-and-a-half,” as *EIR* Founder Lyndon LaRouche described it, that was then going on between those London-centered interests and President Clinton.

# Threat of Indictment Hanging Over Clinton

by Edward Spannaus

The threat of indictment will be hanging over President Bill Clinton's head like a Sword of Damocles for the rest of his time of office. This is the import of the disclosure by independent counsel Robert Ray, in an interview with the Aug. 29 *New York Times*, in which Ray stated that he will not make his announcement of whether or not he is indicting the President, until shortly after the President leaves office next January.

Ray told the *New York Times* that the process now is "deliberative," and not "investigative," but he then added, incongruously, that his deliberations on whether or not to indict the President would take a few months.

Ever since the 1998-99 impeachment proceedings, Clinton has essentially been only a shadow of his former self, treading the straight and narrow, and doing nothing to alienate the Wall Street crowd which exerts a high degree of control over the U.S. justice apparatus. The indictment threat is designed to keep Clinton in that box.

## Two Grand Juries

Word that Ray had empanelled a new grand jury came out on Aug. 17, the last day of the Democratic National Convention, with the news media playing up the disclosure that the grand jury had been convened to consider bringing an indictment against the President for possible perjury and obstruction of justice around the Monica Lewinsky affair.

The special grand jury had in fact been empanelled by Ray on July 11, and Ray had then sent a letter to the three-judge panel which appoints independent counsels, informing them of this, which the panel approved.

As it turned out, one of the members of the three-judge panel, Judge Richard Cudahy, later acknowledged that he had inadvertently told a reporter about the new grand jury. Cudahy, ironically, is a Democratic appointee, who previously had voted against the extension of the independent counsel's mandate; in October of last year, he urged Ray: "There can be no more vital consideration now than closure with all deliberate speed."

Cudahy said that when a reporter asked why he had now changed his mind, and joined in signing an order on Aug. 16 extending Ray's mandate, he inadvertently mentioned the new grand jury.

However, what is not being reported in most of the coverage, is that Ray also has a second grand jury investigating Clinton and the White House, which is meeting in Alexandria,

Virginia—the notoriously pro-prosecutor "rocket docket." The right-wing Judicial Watch litigating group says that e-mail whistleblower Sheryl Hall has received a subpoena to appear before a grand jury in the Eastern District of Virginia.

While many observers doubt that Ray, or any prosecutor, could obtain a conviction of Clinton from a jury in the District of Columbia, the Federal court in Virginia has always been a favorite venue for forum-shopping Federal prosecutors, and Ray's staff contains a number of prosecutors from the Eastern District of Virginia.

Already this year, Ray has hired at least nine new lawyers for his staff, plus a chief of investigations. And he's still shopping for more lawyers, to manage "some fast-paced, high-profile litigations," says *U.S. News & World Report*.

Ray has said publicly since last Spring, that he is considering whether to indict Clinton. In an interview on ABC-TV in March, Ray said: "There is a matter involving the President of the United States in connection with the Lewinsky investigation. . . . It is now my task as a prosecutor . . . to determine again whether crimes have been committed and whether, in the appropriate exercise of discretion, appropriate to bring charges."

On the same day that his statements were published in the *Times*, the high-profile Ray also had a commentary published in the *Washington Post*, in which he self-righteously proclaimed that empanelling a grand jury against the President is not a partisan endeavor, but is a guarantee of the "rule of law."

Responding to the criticisms which accompanied the disclosure of the new grand jury, Ray describes this "as no more nor less than a professional, nonpartisan effort to complete a criminal investigation." He says because it involves the President of the United States, that "the gravity of the situation . . . required empanelling the grand jury now rather than later."

Then, pretending that grand juries today actually exercise some independent judgment—rather than simply rubber-stamping whatever the prosecutor asks—Ray writes: "Every citizen . . . is guaranteed under the Constitution the protections afforded by the grand jury process. Grand juries sit precisely to ensure government according to the rule of law."

## Hillary Is Also Targetted

Ray expects to issue a statement on Hillary Clinton's role in the Whitewater real estate affair, a few weeks before the November elections in which Mrs. Clinton is a candidate for U.S. Senate from New York. "It's my intention to issue those findings and conclusions prior to the election," Ray said. "Right now I'm trying for mid-September." Ray has indicated that he does not plan to bring any criminal charges in the Whitewater aspect of his investigation, but the *New York Times* suggests that Ray is likely to be highly critical of sworn statements that the First Lady made about her role in Whitewater.

# The Science of Forest Fire Prevention

*Mr. Johnson is the Commissioner of School and Public Lands in South Dakota, and serves as President of the on Western States Land Commissioners. He was interviewed on Sept. 6 by Marjorie Mazel Hecht. The following is an abridged transcript.*

**EIR:** How does South Dakota's land-use and management policy differ from Federal policy?

**Johnson:** The big difference is that South Dakota, and a lot of the Western states, had land given in trust for a particular purpose—oftentimes, education. And, then you had the Land Grant colleges; that money was given from the Federal government for the support of those particular institutions. So, our mandate is not a multiple-use one, but it's one to make money, to manage the land as a trustee, and to put that money into education.

This is something that's got to last forever, so to speak. And so, we manage accordingly. We're not going to abuse it, but it has to make money.

**EIR:** How much of your state land is involved in these money-producing activities for the state, and how much money do the lands bring in, in South Dakota?

**Johnson:** I'd say 99% of this land is either leased out for grazing, or logging, or oil and gas exploration. The income varies. Our state lands, our total school and public lands—because all of our money goes back to the schools—[bring in] about \$12 million a year. Some of that comes from a trust fund.

**EIR:** And then, what's the Federal policy?

**Johnson:** The Federal policy on their lands is multiple-use, and making money is an incidental. Now, that may not be in writing, but that's generally the way that it's treated. They don't make money off the Bureau of Land Management grazing areas; these generally are money *losers*. And, the same way with forests.

A lot of people do enjoy the forests, but ours are treated

differently. We still allow certain activities on state land—perhaps hunting or fishing. Take Custer State Park in South Dakota, for example. It's a well-managed forest and grasslands, all in one park. They've done an excellent job, for years. They may have some small, prescribed burns in the forest, but they make sure they don't get fuel overloads, and diseased trees are taken out, broken-down trees are taken out—

**EIR:** Why don't you explain "fuel overload" for people?

**Johnson:** Fuel overload can happen in a forest or a grassland. If you didn't graze anything for years, you'd have a lot of dead grass, dead brush, and so on, so, if a fire starts, it's intense. It gets really hot.

Now, in the forest, there could be a lot of downed logs, and other things on the ground. We also use the term "dog hair pines" in a pine forest—these are a lot of little pines, which aren't as big around as, maybe, your wrist, and are growing really thick in the forest. And, if it's never thinned, and if it catches on fire, it just burns with such intensity, that oftentimes, it takes years and years before the trees come back.

**EIR:** So, on the state lands, you thin the underbrush and small trees.

**Johnson:** We thin the small trees, because that encourages the bigger trees to grow. If you have too many small trees, they take up too much moisture, and then it stunts the growth of the big trees. You also have to thin trees to make sure that they don't become a big fuel load on the forest floor that's going to cause more damage than it should, if a fire does occur.

**EIR:** Is it the case that the Federal lands don't get thinned?

**Johnson:** There are areas where nothing is done—the least-managed areas—and other areas where they do have some forestry practices. Maybe thinning is a part of their practice, but much less than it used to be.

Another part of the problem is—I can speak to the Black Hills forest, for example—that a forest plan can be scientifically looked at, and finally put in place, but oftentimes, ends up in litigation. Almost every forest plan ends up in litigation. And, in my view, the courts are not forest managers, and I don't think you get the best science out of litigation.

**EIR:** Is this environmentalist groups, that are challenging the forest management plans, because they want areas to remain as wilderness?

**Johnson:** Yes. They want areas to remain as unlogged, or, they may think that the logging is too severe; they may not like a particular logging pattern.

Or, they may just want to delay something. You know, lawsuits are a way of delaying any kind of action at all. I know, for example, in Montana, on some state land that was put up for logging, they actually got sued by both sides: by the environmentalists, because there was too much, and by



the industry, because they didn't think it was enough! So, sometimes you just can't win.

I think the states are better able to manage, because they don't have to go through this cumbersome process that the Federal government does. And, the states have a different emphasis, too: to make money. They want to grow big trees, because some day, they'll be harvested. And, forestry is a renewable resource, not like mining, which is a one-time thing.

**EIR:** Does the state contract out to timber companies, to do the thinning and logging?

**Johnson:** Yes. And, sometimes, if there's a fire, we contract out for salvage.

**EIR:** South Dakota's Black Hills lost some acres to fire this year, as part of the 6.2 million acres burned throughout the West.

**Johnson:** Well, a fire—and it actually has still not totally subsided—burned about 83,000 acres. It was started by an arsonist. This is one of those things you can't blame Forest Service practice on: arsonists and hot, dry, windy weather. Part of the area where it started had been logged. So, even though you may place some blame on Forest Service policy, there are things that are just beyond their control—such as lightning.

In this case, I think, the burn was even more severe, because, earlier this year, we'd had a severe wind, and tornadoes that had broken off hundreds and thousands of trees. And, even though they'd started a salvage operation, a lot of that had not commenced, and so, these broken and dead trees added to the intensity of the fire.

**EIR:** Why have we had so many fires this year?

**Johnson:** I don't like the "blame game." There's probably plenty of blame to go around. I would like to see us say—when we talk about the fires: "Okay, what would have made this easier to control? What should be done?" Scientifically, let's take a look at it. After we've analyzed it, we should figure out, "What could we have done differently? What could have been better? What practices would have made this easier to take care of, without damaging our property and the environment that we're living in here?" Then we should go from there.

It's too easy for people to cast blame, and then that sticks in the public's mind, before you've even had an analysis of how you might do a better job. It prevents a solution. Because, what they do is, "We're going to take the biggest advantage we can politically, and we don't care who we damage in the process." But we've learned nothing! What do we do? We beat up on people, and then, where's our opportunity to *learn* from this? Maybe we could do a little better job, the next time. Maybe we do more cutting; maybe we do more selective cuttings. Sometimes—and I know an environmentalist would never like to hear this—but sometimes, clear-cutting is the

right thing to do, in certain areas. For wildlife, many times it is the right thing to do.

So, I think we need to *learn* from this, and then, we can see where a policy needs to be adjusted.

**EIR:** What are your policy recommendations to alleviate the risk factor for fire in the West?

**Johnson:** I'm a land manager and an elected official. From my perspective, I think you need to have a policy of taking out your dead and dying timber, whether that comes through disease or through wind damage. I think you have to allow a lot of salvage. You do thinning. Even in areas of minimal management, you do some thinning in areas, because you want the other trees not to be starved for water. It's just a good practice.

Because so many people have built homes out in the forest, especially in the Black Hills, using prescribed burns, is tough. There are some places, where you could do it, but you always have a risk of those burns getting out of control. So, in the absence of prescribed burns, you're going to have to do thinning, you're going to have to take out the dead wood, you're going to have to try to reduce that fuel load as much as you can.

**EIR:** I know this has been opposed in other places by the environmentalist groups, who don't want any human intervention in the forests.

**Johnson:** That's true. I don't peg myself as an anti-environmentalist, but I think that some of those people, while meaning well, don't understand. Some of them say, "Well, just let nature take care of it." Well, God put the trees and the other animals for us to utilize. I'm not talking about abusing, or anything else. I'm just saying, they're there to utilize, and I think you can still enjoy the forest, immensely—probably even better—if you do some form of management. And, that management doesn't have to be that tremendously invasive.

**EIR:** What do you see as the role of Congress in this fight?

**Johnson:** Congress has to blame itself for this bureaucracy that doesn't work very well. When you establish a bureaucracy, whether it's with the Bureau of Land Management or the Forest Service, where you have 10,000 hoops you have to jump through to have every plan approved, sure, it's going to take way longer than it should. You also can't react to emergency situations. The states, when they have a problem, say: "Okay, we can get out a contract to loggers," for example, "to take down broken trees, and salvage," and it doesn't take long to do it. So, the process that would take the states a couple of months, might take them a couple of years. And, then your opportunity is lost, the trees are rotted and nobody wants 'em.

I'd rather see things not managed on a political basis, but on a scientific basis. I think there's good science out there. And, even scientists may have some disagreements, but there's good science, and I think that's how we ought to manage.

### *Many Strategic Threats, One Cause*

Virtually every week's issue of *EIR* is compelled to report yet another serious provocation against the national sovereignty and peace of nations, instigated by London and Wall Street pulling Anglo-American government strings.

This week, it was the forced cancellation of the trip of North Korea's entire delegation to the United Nations Millennium Summit in New York — an outrageous and deliberate insult, and a torpedo aimed at the crucial negotiations for unification and peace, which are bearing fruit between the two Koreas.

This followed by less than a month, the eruption of the U.S.-Russia crisis over the sinking of the submarine *Kursk*, a crisis which is still unfolding. Then came Russian revelations of proof that British Special Air Services (SAS) troops, under a flimsy cover, have been directly aiding Chechen rebels fighting the Russian government — one of a wide range of provocations and war threats around Russia's borders in the Caucasus and Central Asia. Last year's intentional bombing of the Chinese Embassy in Yugoslavia was the same sort of extreme provocation, met at first with disbelief as well as anger, because no sane motivation could be imagined for such open war threats.

Now British assets are openly calling for a new war against Iraq this Fall, and are threatening another Balkans war around the Serbian elections in late September. Also, the United States and the United Kingdom have openly demanded for months to overturn the recent Peruvian elections and force out President Alberto Fujimori.

These provocations will go on, aggravating the current world's strategic crisis, until their cause is removed. That cause is the ongoing blowup of the "globalized" financial bubble, by orders of magnitude the largest financial bubble in history.

We warn our serious readers, as they hear these developments confusedly reported — when reported at all — that they focus their attention and shape their actions against this cause. As *EIR*'s founder, Lyndon LaRouche, recently expressed this, "Beware of a ten-

gency, induced by fear, to strain at a gnat while ignoring a rampaging bull elephant."

Do not interpret individual incidents, such as the *Kursk* sinking and the atrocity against the North Korean diplomats at the Frankfurt Airport, as events in themselves. Recognize that the Anglo-American financier oligarchy is currently in a state of increasing hysteria and desperation, caused by its certainty that its existing world financial system is doomed. All such strategic atrocities, such as the bombing of Sudan, since the Summer of 1998, represent that pattern of growing hysteria and thrashing about by that oligarchy.

Wall Street, in collaboration with London, is in an escalating pattern of operations bringing the world ever closer to total warfare of some kind. They act through their assets in the U.S. military, British military, and NATO, and through agents in the U.S. Treasury and Department of Justice.

Do not puzzle over the details of the mystery of the possible motivations, for such an outrage as this latest, the forced strip-searching of an entire North Korean diplomatic delegation, as if they were criminals; nor about the resulting cancellation of President Bill Clinton's planned meetings with the Korean delegations about peace and reunification.

As in the case of the sinking of the *Kursk*, the strategic threat lies in the fact that those rentier-financier and related interests behind the corrupt institutions involved, are reacting with hysteria to the imminent doom of their globalized economic and monetary empire.

That is the essential strategic reality which provides the context for understanding the facts of these senseless strategic provocations. They are reminders that no strategy for avoiding war will succeed, save that which is based on a New Bretton Woods, on moves by nations to put this bankrupt IMF system into orderly bankruptcy. Those leaders who fight these provocations effectively, do so by moving on the flanks of the reckless financier oligarchy, and rapidly creating the sane alternative to their insane financial bubble.

# SEE LAROUCHE ON CABLE TV

All programs are *The LaRouche Connection* unless otherwise noted. (\*) Call station for times.

## ALABAMA

- BIRMINGHAM—Ch. 4  
Thursdays—11 pm
- MONTGOMERY—Ch. 3  
Mondays—10:30 pm
- UNIONTOWN—Ch. 2  
Mon-Fri every 4 hrs.  
Sundays—Afternoons

## ALASKA

- ANCHORAGE—Ch. 44  
Thursdays—10:30 pm
- JUNEAU—GCI Ch. 2  
Wednesdays—10 pm

## ARIZONA

- PHOENIX—Ch. 99  
Wednesdays—2 pm
- TUCSON—Access  
Cox Ch. 62  
CableReady Ch. 54  
Thu.—12 Midnight

## ARKANSAS

- CABOT—Ch. 15  
Daily—8 pm
- LITTLE ROCK  
Comcast Ch. 18  
Tue—1 am, or  
Sat-1 am, or 6 am

## CALIFORNIA

- BEVERLY HILLS  
Adelphia Ch. 37  
Thursdays—4:30 pm
- BREA—Ch. 17\*
- CHATSWORTH  
T/W Ch. 27/34  
Wed.—5:30 pm
- CONCORD—Ch. 25  
Thursdays—9:30 pm
- COSTA MESA—Ch. 61  
Mon—6 pm; Wed—3 pm
- CULVER CITY  
MediaOne Ch. 43  
Wednesdays—7 pm
- E. LOS ANGELES  
BuenaVision Ch. 6  
Fridays—12 Noon
- HOLLYWOOD  
MediaOne Ch. 43  
Wednesdays—7 pm
- LANC./PALM  
Jones Ch. 16  
Sundays—9 pm
- LAVERNE—Ch. 3  
Mondays—8 pm
- LONG BEACH  
Charter Ch. 65  
Thursdays—1:30 pm
- MARINA DEL REY  
Adelphia Ch. 3  
Thursdays—4:30 pm  
MediaOne Ch. 43  
Wednesdays—7 pm

- MID-WILSHIRE  
MediaOne Ch. 43  
Wednesdays—7 pm
- MODESTO—Ch. 8  
Mondays—2:30 pm
- PALOS VERDES  
Cox Ch. 33  
Saturdays—3 pm
- SAN DIEGO—Ch. 16  
Saturdays—10 pm
- STA. ANA—Ch. 53  
Tuesdays—6:30 pm
- SANTA CLARITA  
MediaOne/T-W Ch. 20  
Fridays—3 pm
- SANTA MONICA  
Adelphia Ch. 77  
Thursdays—4:30 pm
- TUJUNGA—Ch. 19  
Fridays—5 pm
- VENICE—Ch. 43  
Wednesdays—7 pm
- W. HOLLYWOOD  
Adelphia Ch. 3  
Thursdays—4:30 pm

## COLORADO

- DENVER—Ch. 57  
Sat-1 pm; Tue-7 pm

## CONNECTICUT

- CHESHIRE—Ch. 15  
Wednesdays—10:30 pm
- GROTON—Ch. 12  
Mondays—10 pm
- MANCHESTER—Ch. 15  
Mondays—10 pm
- MIDDLETOWN—Ch. 3  
Thursdays—5 pm
- NEW HAVEN—Ch. 28  
Sundays—10 pm
- NEWTOWN/NEW MIL.  
Charter Ch. 21  
Thursdays—9:30 pm

## DIST. OF COLUMBIA

- WASHINGTON—Ch. 25  
Sundays—3:30 pm

## IDAHO

- MOSCOW—Ch. 11  
Mondays—7 pm

## ILLINOIS

- CHICAGO—Ch. 21  
Sat. Sep 30—10 pm
- QUAD CITIES—AT&T  
AT&T Ch. 6  
Mondays—11 pm
- PEORIA COUNTY  
AT&T Ch. 22  
Sundays—7:30 pm
- SPRINGFIELD—Ch. 4  
Wednesdays—5:30 pm

## INDIANA

- DELAWARE COUNTY  
Adelphia Ch. 42  
Mondays—11 pm

## IOWA

- QUAD CITIES  
AT&T Ch. 75  
Mondays—11 pm

## KANSAS

- SALINA—CATV Ch. 6  
Love, Unity, Saves\*

## KENTUCKY

- LATONIA—Ch. 21  
Mon.-8 pm; Sat.-6 pm
- LOUISVILLE—Ch. 70  
Fridays—2 pm

## LOUISIANA

- ORLEANS PARISH  
Cox Ch. 6  
Tue., Thu., Sat.  
2:30 am & 2:30 pm

## MARYLAND

- A. ARUNDEL—Ch. 20  
Fri. & Sat.—11 pm
- BALTIMORE—Ch. 5  
Wed.: 4 pm, 8 pm
- MONTGOMERY—Ch. 19/49  
Fridays—7 pm
- P.G. COUNTY—Ch. 15  
Mondays—10:30 pm
- W. HOWARD COUNTY  
MidAtlantic Ch. 6  
Monday thru Sunday—  
1:30 am, 11:30 am,  
4 pm, 8:30 pm

## MASSACHUSETTS

- AMHERST—Ch. 10\*
- BOSTON—BNB Ch. 3  
Thursdays—3 pm
- GREAT FALLS  
MediaOne Ch. 6  
Mondays—10 pm
- WORCESTER—Ch. 13  
Wednesdays—6 pm

## MICHIGAN

- BATTLE CREEK  
ATT Ch. 11  
Mondays—4 pm
- CANTON TOWNSHIP  
MediaOne Ch. 18  
Thursdays—6 pm
- DEARBORN HEIGHTS  
MediaOne Ch. 18  
Thursdays—6 pm
- GRAND RAPIDS  
GRTV Ch. 25  
Fridays—1:30 pm
- LAKE ORION  
AT&T Ch. 65  
Alt. Weeks: 5 pm  
Mon., Wed., Fri.
- LANSING  
AT&T Ch. 16  
Thursdays—4:30 pm
- PLYMOUTH—Ch. 18  
Thursdays—6 pm

## MINNESOTA

- ANOKA—Ch. 15  
Thu.—11 am, 5 pm,  
12 Midnight

## COLD SPRING

- U.S. Cable Ch. 3  
Nightly after PSAs

## COLUMBIA HTS.

- MediaOne Ch. 15  
Wednesdays—8 pm

## DULUTH—Ch. 24

- Thursdays—10 pm  
Saturdays—12 Noon

## MINNEAP.—Ch. 32

- Wednesdays—8:30 pm

## NEW ULM—Ch. 12

- Fridays—5 pm

## PROCTOR/ HERMANTOWN—Ch. 12

- Tue. btw. 5 pm - 1 am

## ST. LOUIS PARK—Ch. 33

- Friday through Monday  
3 pm, 11 pm, 7 am

## ST. PAUL—Ch. 33

- Saturdays—12:30 pm

## IRONDEQUOIT—Ch. 15

- Mon., Thu.—7 pm

## JOHNSTOWN—Ch. 7

- Tuesdays—4 pm

## MISSISSIPPI

- JACKSON  
T/W Ch. 11/18  
Mondays—3:30 am

## MISSOURI

- ST. LOUIS—Ch. 22  
Wed.-5 pm; Thu.-Noon

## MONTANA

- MISSOULA—Ch. 13/8  
Sun-9 pm; Tue-4:30 pm

## NEBRASKA

- LINCOLN  
Time Warner Ch. 80  
Citizen Watchdog  
Tue-7 pm; Wed-8 pm

## NEVADA

- CARSON CITY—Ch. 10  
Sun-2:30 pm; Wed-7 pm  
Saturdays—3 pm

## NEW JERSEY

- MONTVALE/MAHWAH  
Time Warner Ch. 27  
Wednesdays—4 pm

## NEW MEXICO

- ALBUQUERQUE  
Jones Ch. 27  
Thursdays—4 pm
- LOS ALAMOS  
Adelphia Ch. 8  
Sundays—7 pm  
Mondays—9 pm
- TAOS  
Adelphia Ch. 2  
Mondays—7 pm

## NEW YORK

- AMSTERDAM—Ch. 16  
Mondays—7 pm
- BROOKHAVEN  
(E. Suffolk)  
Cablevision Ch. 1/99  
Wednesdays—9:30 pm

## BROOKLYN—BCAT

- Time Warner Ch. 35  
Cablevision Ch. 68  
Sundays—9 am

## BUFFALO

- Adelphia Ch. 18  
Saturdays—2 pm

## CORTLANDT/PEEKS.

- MediaOne Ch. 32/6  
Wednesdays—3 pm

## HORSEHEADS—Ch. 1

- Mon., Fri.—4:30 pm

## HUDSON VALLEY

- MediaOne Ch. 62/90  
Fridays—5 pm

## ILION—T/W Ch. 10

- Thursdays—12:30 pm

## IRONDEQUOIT—Ch. 15

- Mon., Thu.—7 pm

## JOHNSTOWN—Ch. 7

- Tuesdays—4 pm

## MANHATTAN—MNN

- T/W Ch. 34; RCN Ch. 109  
Alt. Sundays—9 am

## NASSAU—Ch. 71

- Fridays—4 pm

## NIAGARA FALLS

- Adelphia Ch. 24  
Thursdays—4 pm

## N. CHAUTAUQUA

- Gateway Access Ch. 12  
Fridays—7:30 pm

## ONEIDA—T/W Ch. 10

- Thursdays—10 pm

## OSSINING—Ch. 19/16

- Wednesdays—3 pm

## PENFIELD—Ch. 12

- Penfield Community TV\*

## POUGHKEEPSIE—Ch. 28

- 1st, 2nd Fridays—4 pm

## QUEENS

- QPTV Ch. 57\*

## QUEENSBURY—Ch. 71

- Thursdays—7 pm

## RIVERHEAD—Ch. 27

- Thursdays—12 Midnight

## ROCHESTER—Ch. 15

- Fri-11 pm; Sun-11 am

## ROCKLAND—Ch. 27

- Wednesdays—4 pm

## SCHENECTADY—Ch. 16

- Tuesdays—10 pm

## STATEN ISL.—Ch. 57

- Thu.-11 pm; Sat.-8 am

## SUFFOLK—Ch. 25

- 2nd, 4th Mon.—10 pm

## SYRACUSE—T/W

- City: Ch. 3

## Suburbs: Ch. 13

- Fridays—8 pm

## TOMPKINS COUNTY

- Time Warner  
Sun.—9 pm (Ch. 78)  
Thu.—9 pm (Ch. 13)  
Sat.—5 pm (Ch. 78)

## TRI-LAKES

- Adelphia Ch. 2  
Sun: 7 am, 1 pm, 8 pm

## UTICA—Ch. 3

- Thursdays—6 pm

## WATERTOWN—Ch. 2

- Tue: betwn. Noon-5 pm

## WEBSTER—Ch. 12

- Wednesdays—8:30 pm

## WESTFIELD—Ch. 21

- Mondays—12 Noon  
Wed., Sat.—10 am  
Sundays—11 am

## W. MONROE

- Time Warner Ch. 12  
4th Wed.—1 am

## W. SENECA—Ch. 68

- Thu.—10:30 pm

## YONKERS—Ch. 71

- Saturdays—3:30 pm

## YORKTOWN—Ch. 71

- Thursdays—3 pm

## NORTH CAROLINA

- MECKLENBURG  
Time Warner Ch. 18  
Saturdays—12:30 pm

## NORTH DAKOTA

- BISMARCK—Ch. 12  
Thursdays—6 pm

## OHIO

- FRANKLIN COUNTY  
Ch. 21: Sun.—6 pm

## OBERLIN—Ch. 9

- Tuesdays—7 pm

## REYNOLDSBURG

- Ch. 6: Sun.—6 pm

## OREGON

- CORVALLIS/ALB.  
AT&T Ch. 99  
Tuesdays—1 pm

## PORTLAND

- AT&T Ch. 22  
Tuesdays—6 pm

## QUEENSBURY/ALB.

- Thursdays—3 pm

## SALEM—ATT Ch. 28

- Tuesdays—12 Noon  
Thu.-8 pm; Sat.-10 am

## SILVERTON

- SCANVY Ch. 10  
Alt. Tuesdays  
12 Noon, 7 pm

## WASHINGTON—ATT

- Ch. 9: Tualatin Valley  
Ch. 23: Regional Area  
Ch. 33: Unincorp. Towns  
Mon-5 pm; Wed-10 am;  
Sundays—10 am

## WYOMING

- GILLETTE—Ch. 36  
Thursdays—5 pm

## RHODE ISLAND

- E. PROVIDENCE—Ch. 18  
Tuesdays—6:30 pm

## TEXAS

- EL PASO—Ch. 15  
Wednesdays—5 pm

## UTAH

- GLENWOOD, Etc.  
SCAT-TV  
Ch. 26, 29, 37, 38, 98  
Sundays—about 9 pm

## VIRGINIA

- ARLINGTON  
ACT Ch. 33  
Mondays—4:30 pm

## CHESTERFIELD

- Comcast Ch. 6  
Tuesdays—5 pm

## FAIRFAX—Ch. 10

- Thursdays—12 Noon  
Thu-7 pm; Sat-10 am

## LOUDOUN—Ch. 59

- Thursdays—7:30 pm

## PRINCE WILLIAM

- Jones Ch. 3  
Mondays—6 pm

## ROANOKE—Ch. 9

- Thursdays—2 pm

## STUARTS DRAFT

- WPMG-TV Ch. 17  
Adelphia Ch. 13  
Saturdays—2 pm

## WASHINGTON

- KING COUNTY  
AT&T Ch. 29/77  
Thursdays—3 pm

## SPOKANE—Ch. 14

- Wednesdays—6 pm

## TRI-CITIES

- Falcon Ch. 13  
Mon-Noon; Wed-6

# STORM OVER ASIA

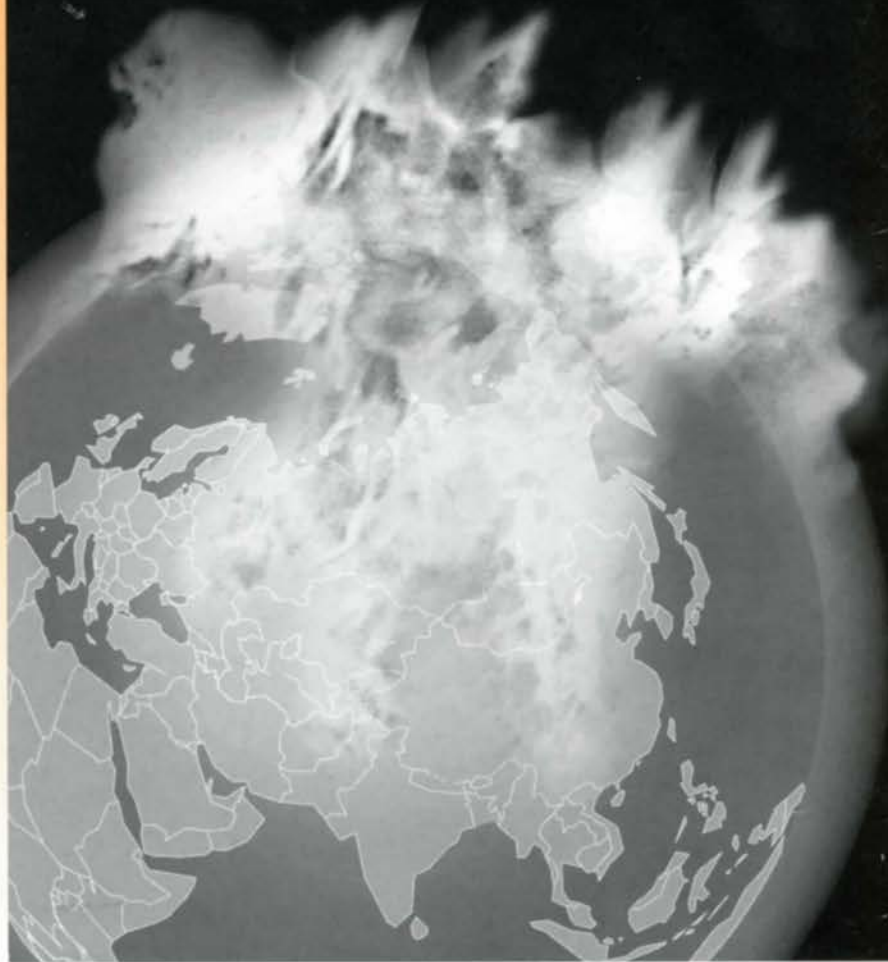
Like no other video ever produced! Lyndon H. LaRouche, Jr. points the way from strategic disaster, to a global Renaissance in the new millennium.

In this feature-length video, LaRouche presents a comprehensive picture of the current world strategic and financial crisis, and the policy of statecraft required to deal with it effectively.

This is a challenging presentation, not the kind of "bite-sized" slogans that pass for politics in Washington these days.

We confront an enormous strategic danger. Russia, China, and other Eurasian nations are the targets of mercenary terrorist forces, deployed under the direction of the British oligarchy, with the aim of bringing about the disintegration of the nation-state. If Russia, a weakened but still well-armed power, is pushed to the wall, the military consequences are incalculable. And yet, as the global financial system disintegrates before our eyes, such fools as Zbigniew Brzezinski are pushing their conflict with Russia beyond the point of return.

LaRouche counterposes to this lunacy, a brilliant foreign policy for the United States. "Our interest," he states, "is to bring into being on this planet, a hegemonic community of perfectly sovereign nation-state republics, which share that commitment to defense of the general welfare, which is the cornerstone of our Federal Constitution."



2 hour, 40 minute video **\$50**

Order #EIE-99-015

**Shipping:** \$3.50 first item; \$.50 each additional item.

Order from

**EIR News Service, Inc.**

P.O. Box 17390 Washington, D.C. 20041-0390

OR Order by phone, toll-free: **888-EIR-3258**

OR Send e-mail with Visa or MasterCard number and expiration date to: [eirns@larouchepub.com](mailto:eirns@larouchepub.com)

Visa, MasterCard accepted