

EIR

Executive Intelligence Review

July 27, 2001 Vol. 28 No. 28

www.larouche.com \$10.00

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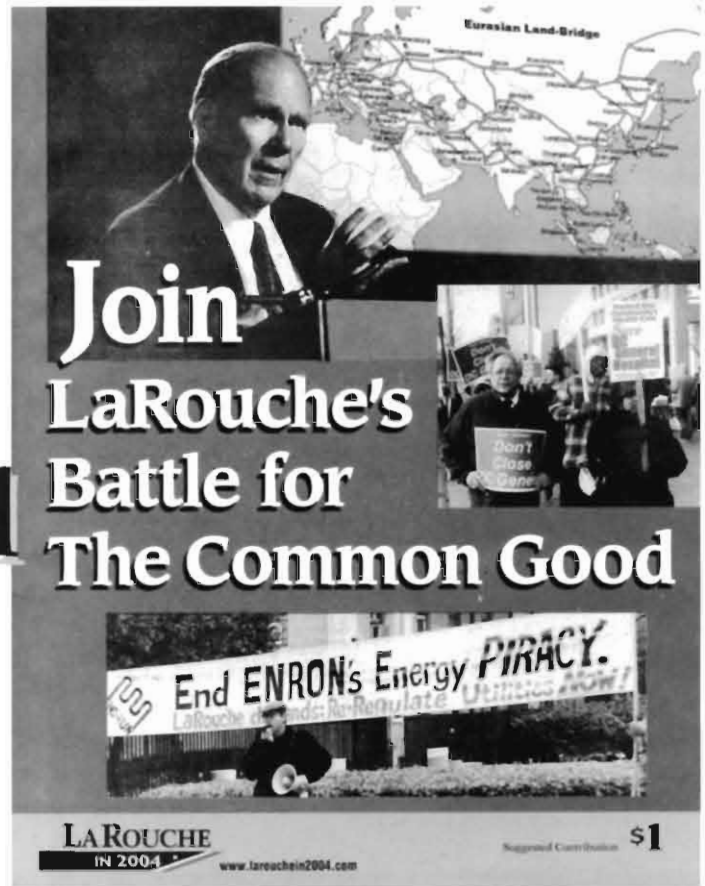
**China-Russia Treaty: LaRouche
Is Right, Brzezinski Wrong**



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*EIR (ISSN 0273-6314) is published weekly (50 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.*

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0963, 55-46-2597, 55-46-0931, 55-46-0933 y 55-46-2400.

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

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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

It would be completely impossible to make any sense of the current tumultuous world situation, without taking account of “the LaRouche factor.” From the desperate efforts of the global financier oligarchy to contain the Argentina financial crisis; to the acceleration toward war in the Mideast; to the momentum toward a “Survivors’ Club” in Eurasia; to the fight in the U.S. Congress over the General Welfare—in all these areas, reported in this week’s issue, you can see LaRouche’s growing influence, and the mobilization of his enemies to block it.

Just look at the fulminations of our favorite Tweedle-Dum and Tweedle-Dee:

Zbigniew Brzezinski dismissed the new Russian-Chinese friendship treaty as “just a piece of paper, with a bunch of empty-headed geopoliticians on both sides thinking they’re pulling off a coup” (London *Sunday Telegraph*, July 15).

Henry Kissinger, in his new book (reviewed in *International*), warns of a “dark cloud” hanging over the global financial system. “When global growth depends so much on the performance of the American economy, a downturn of any length could wreak havoc with the international financial and political systems.”

What are they so afraid of? *Not* what Kissinger calls the “hostile Asian bloc” that might emerge in the aftermath of a U.S. collapse. They are afraid of the fact that Eurasian leaders are listening to LaRouche! That LaRouche was right, when he stuck to the “unpopular” scientific analysis that the global financial system was coming down. And that people are now listening to him, and are acting on his advice.

Just look at the response to LaRouche in Russia, reported in our *Feature*. This, the last installment of our series on his historic intervention there in June, includes his speech to the Institute of Physics, and his dialogue with scientists there.

LaRouche’s assessment of the current strategic conjuncture is reported in “A Post-Sharon Nuclear Armageddon Plot?” (p. 54), and in the *Editorial*. As we approach the “end-game” phase of the battle between LaRouche and the oligarchy, the danger is great. But the means exist to bring about a revolutionary change, away from the insane fantasy-world of Tweedle-Dum and Tweedle-Dee.

Susan Welsh

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China's President Jiang Zemin (left) and Russia's President Vladimir Putin embrace at the signing of the China-Russia Friendship Treaty.



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Turn to Protectionism, Build the Land-Bridge.

Frantic Schemes Can't Save Argentina's Unpayable Debt

by Gretchen Small

Argentina's \$212 billion in foreign obligations — official foreign debt, both public and private, and other de facto foreign obligations — are non-performing. The country is bankrupt. These debts can never be paid.

Government officials and financiers of many countries are scurrying around, meeting, consulting, and issuing threats against Argentina, with the single-minded goal of achieving one thing only: to maintain the illusion, for one more day, that Argentina's non-performing \$212 billion can still be kept on the global balance sheets.

It is not Argentina or its people which concern those engaged in this frenzied activity; they are driven to desperation by the fact that the Argentine crisis could bring down the entire international financial system, both economically and politically. Argentina's bankruptcy has exposed in gory detail, that "the whole damn system" is as bankrupt as Lyndon LaRouche has been saying it is — and the time has come to change course entirely.

Although Argentina's \$212 billion in debts may seem insignificant in comparison to the \$400 trillion-plus in financial paper swirling around the globe, that \$212 billion is highly leveraged into the \$400 trillion bubble. If the reality is acknowledged, that Argentina cannot pay its debts, the chain reaction from that default could set off a greater explosive charge under the system as a whole than the Russian moratorium of August 1998.

"Memories of that confounding set of chain reactions remain vivid," the *Washington Post* confessed, in a quietly hysterical July 14 article. The fall-out from Russia's default and devaluation of the ruble "triggered the collapse of a giant but little-known hedge fund, Long Term Capital Management, which had placed enormous bets that bonds would move in the opposite direction. The hedge funds' woes caused greater sell-offs of bonds with any sort of risk — even bonds of relatively sound U.S. corporations. For a couple of weeks, it ap-

peared that the bond market . . . might cease functioning properly." (The whole \$300 trillion derivatives bubble nearly blew.)

But the crisis extends far beyond Argentina's borders, and envelopes the entire system. As LaRouche emphasized in a July 18 interview which we report in our editorial, "the key thing is to compare Argentina *and* Turkey." That comparison makes it clear that the entire system has entered into "a hyper-inflationary explosion analogous on a world scale to what happened in Weimar Germany in the Summer and Fall of 1923."

Physical Limits to Looting

Any person still capable of reason, comparing reality to the spectacle of those scurrying to cover up the Argentine bankruptcy, can only come to the conclusion that those attempting to save the global financial system have gone clinically insane.

The immediate crisis exploded on July 10, when the only bonds the government could sell at its biweekly auction, were 91-day paper at an unpayable 14.1% interest rate. The game was up. Economics Minister Domingo Cavallo admitted that, with international financial markets closed to Argentina, "we can't obtain financing to maintain the current level of expenditures."

The next day, at a joint press conference with the pathetic Fernando de la Rúa, whom he has effectively replaced as President, Cavallo announced he would "defend the financial system to the end." How? By making foreign debt payments the government's only priority, while adopting a zero-deficit policy for the government. That is, and he spelled this out explicitly: the amount the government will pay in wages, pensions, and payments to its suppliers, and what it will spend on investments, health, unemployment, etc., will vary, depending on what tax revenue is left over after debt pay-



If Not One Way, It Will Be Another

Since July 10, people in prominent places around the globe, the Chairman of the U.S. Federal Reserve and the President of the United States included, have insisted that Argentina can “settle and calm the situation down,” if only its President and the provincial governors, including the opposition Peronists, would sign a political deal, committing the provinces, too, to implement zero-deficit budgets on Cavallo’s principle.

Ignored is the fact that there are four factors, minimally, any one of which could, at any moment, blow apart any possibility of continuing the pretense that Argentina’s debts are viable.

The first, is the fact that the “savior” political deal sought, cannot be implemented. It was signed on July 17, but no sooner had bond markets started rising upon the news that such a deal had been signed, than all parties involved began renegeing on the agreement. The agreement was extracted from the governors,

only after the federal government promised to pay the \$1 billion it owes the provinces. Minutes after signing, Cabinet chief Chrystian Colombo added a qualifier: The federal government will pay the billion owed, “as long as there are funds.” The governors came back: “We will do our best,” but if we don’t get the \$1 billion, “all bets are off.”

The government decided to raise the \$1 billion, by getting the big banks and Spanish companies which have bought up much of Argentina, to prepay taxes owed *for the next three years*—through 2004! With what tax revenues, pray, will the government operate in 2002? No matter!

Yet, even as that insanity proceeded, on the evening of July 18, less than 36 hours after the deal had been signed, Presidential aspirant Carlos Ruckauf, Governor of Buenos Aires, the most populous and most indebted province (almost half of Argentina’s 36 million citizens reside there, and it has \$5 billion in debts), announced that his province will enter into a “default situation” by early August. The provincial Supreme Court struck down his decree for \$500 million in wage and pension cuts, and his proposal to pay part of wages in bonds or IOUs, because the state legislature had not passed it. In Buenos Aires, it is the government-affiliated deputies who hold the majority, and who refuse to pass the cuts.

Second, there is the problem of the banking system. Nervous Argentines are pulling their money out. While a general panic has yet to begin, withdrawals are mounting. Because Argentina pegged its peso to the dollar under its currency board system, the Central Bank cannot print money, and money in circulation cannot exceed the foreign reserves held

Argentine Economics Minister Domingo Cavallo (left): the short, fat man with egg on his face. Workers, enraged at his economic policies which have bankrupted the nation, pelted him with eggs on July 15, outside the church where his daughter was getting married. Here, he is with German Economics Minister Werner Müller, in April.

ments are met.

The cuts will apply to all pensioners who receive more than \$300 a month—thus decreeing radical increases in starvation and death, given that Argentina is one of the most expensive countries in the world, because its currency is pegged to the dollar.

Cavallo first announced that wages, pensions, and supplier payments for July would be cut by 8-10%. Two days later, the cuts were increased to 13%, due to the “discovery” that the deficit was larger than thought.

And next month? Will they be cut by 20%? By 30%? The Argentine economy will *implode*, in a non-linear fashion, under these measures. Tax revenues were already dropping every month this year, as the economy, gutted by nearly three decades of policies which cannibalized the physical economy to pay for ever-increasing debts, collapsed into severe depression. Unemployment officially stands at 16.4%, and underemployment, at 14.9%. What will be the effect on tax revenues, to cut the State’s role by another 13%, across the board?

Already, the Argentine Union of Suppliers to the State (UADPE) ordered a suspension of supplies to the State, until the government revises its plan. The federal government spends \$27 billion a year on goods and services, which it purchases from 1,500 businesses, 85% of them small and medium-sized companies. Endangered immediately by the cut-off of supplies, are public health facilities.

And the social explosion has already begun: Two one-day national strikes and protests by labor unions have already been held.

by the Central Bank. On July 11, government spokesmen had to issue statements throughout the day, denying that a run on the banks had begun. By July 12, dollars were so scarce, that a delay in the arrival of a United Airlines plane carrying greenbacks from the United States forced several banks to restrict bank withdrawals to \$1,000 dollars per person.

On July 14, Moody's Investors Service downgraded three categories of Argentine debt, including its rating on the foreign currency bank deposit ceiling. The latter dropped from B3, to Caa1. A Commerzbank Securities analyst told Bloomberg wire service that the "C" rating on bank deposits "tells you that bank deposits are flying out of the window, and there are only so many reserves around to back M1 (money that can be converted to cash)." By July 16, foreign reserves were \$19.75 billion, a drop of 13% in July alone.

Third, there is the \$8.8 billion in government debt which comes due in 2001. Financiers are calculating: The \$4.1 bil-

lion in non-Treasury bills which come due this year, can be covered by \$4.7 billion which Argentina is to receive under the International Monetary Fund bailout signed in December 2000; that leaves \$600 million towards the \$4.3 billion in Argentina's Treasury notes, *Letes*, which come due this year. The focus is to get banks and private pension funds to swap enough of their *Letes* for one-year paper, to be able to cancel, at least for a few months, the biweekly auctions used to roll them over. The auctions make it so public that no one is willing to buy Argentine government paper; they have become "a flashpoint for investors' fears about the country's solvency," as the *Wall Street Journal* put it on July 18.

Should Argentina and its creditors be able to fake it past big payments due in August and September (as far ahead as anybody is thinking right now), there is the fourth factor ticking away: the nightmare of Brazil, and its \$500 billion in foreign obligations.

Turkey in Hyperinflation

A new crisis of much greater intensity has broken out in Turkey, a NATO member and a candidate to join the European Union. On July 17, the Turkish lira went into a free fall and panic erupted in financial markets after a government bond auction failed to raise funds, even though it offered 105% interest rates. The bond auction failure signalled a full-blown crisis of confidence, with the lira plunging 13% overnight as Turks sold lira for foreign currency at panic levels. By end of the day, the lira stood at 1.6 million to one U.S. dollar. The day before, it had been 1.3 million, and a month earlier it had been 900,000 lira to a dollar.

"Turkey is at the end of the road unless she can stop the lira free fall," warned City of London banker S.J. Lewis. "The country is in hyperinflation. The real problem is in the domestic lira debt held by Turkish banks. The total cost to the government to service this bond debt is now greater than the total estimated annual tax receipts of the government. Were Turkey a private company, it would be de facto bankrupt. Instead, it is going into hyperinflation." On July 16, Finance Minister Sumer Oral reported that the government spent 92% of its entire tax revenues in the first six months of the year on interest payments on state debt.

According to Lewis, "If you take the official rate of inflation of the past three months, and annualize that, inflation now is running at an 1,800%. The country was teetering on the brink of just such a hyperinflation crisis when events exploded last February, with the government crisis. Now the lira has been destroyed and hyperinflation is here." Since the crisis last February, the lira has floated

freely against foreign currencies.

On July 17, a day after the lira crisis broke, financial markets rejoiced on news that Transport Minister Enis Oksuz, the leading opponent of International Monetary Fund-dictated austerity and privatization "reforms," had resigned. The lira recovered 8% and interest rates fell by 14%. That hardly means a return to normal, as rates are still 100%.

The joy will be short-lived however. The "winner" from the Oksuz resignation is the savage IMF austerity plan and its chief architect, former World Bank technocrat, Kemal Dervis. Dervis was brought in by the Ecevit coalition government after the February crisis, in a bid to regain the confidence of the IMF and international investors. The IMF in return pledged \$15.7 billion to Turkey on the implementation of its austerity demands. Oksuz had had repeated open clashes with Dervis over IMF demands to privatize the state telecom company to cut the budget deficit.

Already the Turkish economy is in a deep depression as a result of the long banking crisis, soaring interest rates, and earlier IMF austerity demands. For June, manufacturing industries operated at only 71.7% of capacity. Shortages of raw materials and soaring prices have been a major factor in the industrial depression.

In the latest crisis, Turkish companies simply stopped paying their bills and invested in the rising dollar with their lira as the currency weakened. Bedrettin Karaboga, head of the Turkish industrialists association, GUNSIAD, remarked, "As an industrialist, I could not collect my checks and deeds. People invest in foreign currencies rather than pay their debts." He warned, "Turkey will be seized by social explosions if measures are not taken to save the real sector from depression." — *William Engdahl*

Russians Anticipate Dollar and Bush Crash

by Rachel Douglas

Russia is getting ready for the dollar to crash. Preparedness measures have moved from the realm of published warnings, to concrete actions, such as the Central Bank's decision to put the gold chervonets coin into circulation. The short-term purpose of that move is to attract Russians' savings out of the dollar, in a country where \$100 billion or more is held in cash (U.S. Federal Reserve Notes). Beyond that result, the Russian currency shift could become a stepping stone to more profound changes in international monetary policy—as nations seek safety from the disintegration of the Anglo-American-centered world financial system.

The Bank of Russia (Central Bank) acted on July 10, making the gold chervonets legal tender. The coins were minted as prospective souvenirs in 1980, at the time of the Moscow Olympics in the Soviet Union, but the more interesting historical reference point is the 1920s coin, of which the modern chervonets is a replica. That currency was introduced at the initiative of Soviet Foreign Minister Chicherin in connection with the Soviet-German Rapallo agreements, acting at odds with the Versailles Treaty powers. That chervonets was used exclusively for foreign settlements.

The revived chervonets is being discussed in the Russian press, as related to the coming crash of the U.S. dollar. *Kommersant* wrote that the chervonets, taken out of mothballs in the Bank of Russia's depository, may become "a full-blown circulating currency, which the Russians may soon choose as an equivalent for personal savings instead of the U.S. dollar."

On July 4, Pavel Bykov wrote in the financial weekly *Ekspert*, "The gold chervonets is back in Russia. The Bank of Russia could not have picked better timing for its comeback. . . . Withdrawing some amount of rubles from circulation and replacing it with chervontsy [plural], minted in the former Soviet Union but unsuitable for any other use since then, is not a bad combination. All the better, if the chervonets manages to crowd out the U.S. dollar and Russians start using it as an alternative savings currency." The Central Bank's action, according to *Ekspert*, "shows that the bank is seriously interested in creating a liquid market for the gold coins. After all, a dollar is just a piece of paper, while Russia has always preferred more valuable things. . . ."

Better than Bathroom Wallpaper

It was the outspoken economist Tatyana Koryagina, who suggested in her testimony to Sergei Glazyev's State Duma

hearings on June 29 (*EIR*, July 6 and 20) that holders of dollars will soon be able to use them for nothing but wallpapering their toilet stalls. She was interviewed by the newspaper *Pravda* on July 12, about her forecasts of a mid-August blow-out of the entire world financial system, the U.S. economy and the dollar first and foremost. Koryagina's forecast of an August U.S.-centered financial breakdown is clearly being debated throughout Russia: July 16 saw press conferences by Economics Minister German Gref to claim that no financial breakdown is threatening Russia; and by Duma markets committee chairman Andrei Shokhin to say that American authorities were taking steps to prevent what Koryagina and LaRouche forecast.

To *Pravda*, she repeated her warning—"Yes, the budget of that country is several trillion dollars, but the foreign debt of the United States is \$26 trillion; it is a bankrupt nation"—Koryagina said that the solution was on the record:

"The measures Russia should carry out in order to avoid the consequences of the global crisis, triggered by the financial catastrophe in the United States, are described in detail in the document, prepared by the Duma's Economic Policy Committee on the basis of the [June 29] hearings, and conveyed to Vladimir Putin."

Those were the hearings, where Lyndon LaRouche gave the lead-off testimony, on how to organize and finance Eurasian and worldwide economic development, by common action of sovereign nation-states to replace the defunct speculative system.

Moreover, Koryagina suggested that Russian citizens already now should "change dollars for rubles," and gave a nod to the Bank of Russia's latest actions: "I am closely watching the measures taken by the President and the Central Bank. From the standpoint of pre-crisis measures, they are acting properly. It is possible that after August 19, the ruble may become a rather good currency."

At Glazyev's hearings, he and several other Russian experts urged that the Bank of Russia diversify the national gold and currency reserves, reducing the portion of U.S. dollars in favor of other currencies. Glazyev also urged "to think about strengthening the ruble, not in terms of strengthening the ruble's exchange rate, but in terms of expanding its sphere of utilization as a full-fledged Russian currency, which would be defended against the possible destabilizing effects of the global financial system."

The last time there was public consideration of changing Russia's dollar orientation, was in the aftermath of the August 1998 collapse of the ruble and default on the ruble-denominated GKO government bonds. In January 1999, maverick economist Artur Sazonov floated a plan for a "gold-backed ruble," linked to the European Monetary Union currency, the euro. *Komsomolskaya Pravda* wrote it up at that time, under the headline, "Why Not a Gold Ruble, Gentlemen? Introduction of New European Currency Makes You Wonder Whether Russia Should Be Going Along With the Dollar."

Sazonov proposed linking the new currency to the euro, not just for the sake of exploiting a putative “euro vs. dollar” rivalry, but to replicate some of the credit and development features of the 1920s arrangements. He proposed that circulation of the dollar inside Russia be banned, and that payment for Russian oil, gas, and other raw materials sold to Europe be accepted only in gold rubles. *Komsomolskaya* commented at that time, “If the ‘golden ruble’ idea is adopted, we could print as many ordinary rubles as we like without fear of inflation. . . . The initial task of the ‘gold ruble’ would be to squeeze the dollar out of the country, but gradually it would also replace the ‘ordinary’ ruble.”

Two and a half years later, the Central Bank has moved towards such new arrangements, with its decision to circulate the chervonets.

‘The Coming Collapse’

Moscow analysts are linking the coming crash of the dollar, to the sour turn in the fortunes of George W. Bush. These are hot topics in Russian parliamentary and government circles, as well.

In May, a book titled *The Collapse of the World Dollar System: Near-Term Prospects* was published under the auspices of Yuri Maslyukov, the industry specialist who was First Deputy Premier in Yevgeni Primakov’s government (September 1998-May 1999), and now chairs the State Duma Committee on Industrial Policy. In it, a dozen prominent experts—some of whom also testified at Glazyev’s June 29 hearings—demonstrated the unsustainability of the financial bubble in the United States. Several of those analysts, however, gave voice to a misevaluation of the G.W. Bush Administration, suggesting that the global financial crisis would make Bush disengage from foreign policy and ease up on countries that have been oppressed by the international financial institutions.

Each new month of Bush’s tenure does more to demolish those illusions, as was reflected in a July 6 commentary by Sergei Shishkaryov, carried on the website Strana.ru. Shishkaryov is deputy chairman of the State Duma Committee on Foreign Affairs, and a member of the People’s Deputy grouping in the Duma. “Something is rotten in ‘the kingdom of America,’ ” wrote Shishkaryov.

The Russian parliamentarian drew attention to European criticisms of Bush, commenting that “at the center of the European politicians’ concerns are the growing problems in the American economy.” And, he reviewed the anger of the Russian people, as well as political leaders, at a Bush foreign policy that has offended Russia “painfully and often.”

But all of this criticism from abroad, said Shishkaryov, is “rather calmer and more restrained,” than the attacks on Bush at home. The example Shishkaryov selected to highlight, was none other than the diagnosis of Bush’s self-doom, given by Lyndon LaRouche at the May 2001 Bad Schwalbach, Germany conference of the Schiller Institute (*EIR*, May 28, 2001). Shishkaryov concluded:

“Now I shall cite several passages from American authors, which contain political accusations against the President. ‘Bush is a perfect fascist. We don’t have a fascist regime yet in the United States. But we have a fascist party in power, within the Republican Party, represented by a President who’s an integral part of that. This man is a Nietzschean personality, and if you’ve watched some of the things that he’s done, and his administration has done, they do not consider the consequences of their actions.’ . . .

“Pretty sharp criticism, against a President who has been in office less than a year, isn’t it? Its author is a respected member of the U.S. Democratic Party, and even an announced candidate for that party’s Presidential nomination in 2004, Lyndon LaRouche—an economist by profession, and founder and publisher of *Executive Intelligence Review* (from where these quotations are taken). True, LaRouche assures us that no new ‘evil empire’ will come off, due to the mental level of the current residents of the White House. . . .

“The signs of crisis, which really are to be observed in the American economy, can be used to a certain extent by Bush’s opponents, as a means of manipulating American and world public opinion. As for foreign politicians and observers, it would seem that, in part, they have failed to understand the problem, and, in part, they have not figured out what consequences it will have for them. But, this will have to be figured out. The stakes are too high.”

GENOCIDE RUSSIA AND THE NEW WORLD ORDER

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Brazil's 'Wall of Money' Is Collapsing

by Lorenzo Carrasco

The simultaneous resurgence of financial crises in Argentina and Brazil, triggering pre-panic runs against the currencies and debt paper of both countries, is an unmistakable symptom of the ruin of the entire financial system. The failure of the so-called "financial armor," and the futility of the Argentine foreign debt swap organized by Economics Minister Domingo Cavallo, also show the bankruptcy of the policy initiated with the May 1998-February 1999 period of crises, first in Russian debt paper and then with the devaluation of the Brazilian currency, the real.

As part of a global strategy by the Anglo-American financial powers, coordinated with U.S. Federal Reserve Chairman Alan Greenspan, a fantasy-ridden hyperinflationary scheme was put together, which mega-speculator George Soros dubbed, at the January 1999 Davos World Economic Forum, with the generic name "the Wall of Money."

What Soros meant to suggest was simply that the bankruptcy of Brazil, and that of the entire world economy, could be masked by the hyperinflationary printing of money; hidden, literally, behind a "wall of money." Soros' own protégés, his apprentice at the Brazilian Central Bank Arminio Fraga and, later, Domingo Cavallo at the Argentine Economics Ministry, would serve as the guards of that "Wall of Money."

From that moment onward, any "analysis" of the financial situation of Brazil or of Argentina, became one great lie. These countries, like coma patients in the intensive care unit, were kept on life support through a continuous money flow. This policy, officially launched in October 1998, began to visibly disintegrate, with the onset of the U.S. economic depression. The hyperinflationary magic of Alan Greenspan has ended, and with it, that of his pupils Arminio Fraga and Domingo Cavallo. Today, they are on the verge of fleeing their guardposts as the collapsing Wall of Money also buries their prestige among international speculators.

The effect of Greenspan's failure to keep the U.S. markets up, is immediately reflected in the impossibility of maintaining capital flows to the so-called emerging markets, specifically that of Brazil. For Brazil, this means that, this year, its permanent balance of payments deficit, calculated for 2001 at around \$28 billion, will not be able to be covered by the flow of foreign capital. This problem is most evident in the fall-off of direct investment, now expected to reach barely \$20 billion, as compared to last year's \$30 billion figure.

To compensate for this lack of foreign investment, Brazil will have to seek new foreign loans, which will immediately

increase the risk of financial insolvency. Brazil currently has a foreign debt of more than \$380 billion, meaning an annual transfer abroad of \$20 billion in interest payments, on top of profit and dividend transfers, all of which play a major part in the balance of payments deficit. Clearly, the new loans will have to be contracted at higher international interest rates, given that the insolvency risk is higher.

This picture of the country's foreign accounts is primarily responsible for the increase in domestic nervousness over the value of the real, especially since the majority of foreign loans are private, and all companies are joining with career speculators in "protecting" themselves from the ongoing exchange crisis. Already, the value of the dollar has risen this year by about 25% against the real.

At the same time, difficulties in rolling over government debt paper are growing, which has driven up interest rates, as well as dollar-denominated Treasury debt. For example, of the entirety of domestic government debt today — some \$230 billion — \$60 billion is dollar-indexed instruments, and so must be added to the country's foreign debt, which thus rises toward the half-trillion dollar mark! The interest rate on those dollar bonds has been rising, and is today more than 11%, when just a few weeks ago, it was 8%.

The Pestilence of Usury

It is obvious that we have reached the end of the line. In the case of Brazil, the so-called "Real Plan" turned the 1980s inflation into hyperinflation, under the illusion that globalization and, with it, totally opening up the economy to free trade, would bring a flow of cheap goods and financial resources that would lead to an explosion of economic growth and productivity, which in turn would make the increase in government debt negligible. This was the great "secret" of the Brady Plan.

However, the economic opening that put a brake on monetary inflation, by means of increased imports of all sorts of goods, not only destroyed national industry, but created huge deficits in both the trade balance and in the balance of payments. This in turn triggered a growth in debt. In this way, Brazil's internal government debt went from 42 billion reals in 1994, to approximately 550 billion reals today. When the first explosion of the Real Plan occurred in January 1999, the International Monetary Fund (IMF) determined that this debt, representing 41.3% of Brazil's Gross Domestic Product before the August 1998 Russian crisis, could not surpass 46.5%. But today, it is expected to reach 53% by year's end, a palpable demonstration of the pestilence of usury that has infected Brazil.

Without new means of confronting the crisis, Argentina's bankruptcy will trigger a domino effect in Brazil that, given the size of the Brazilian economy, threatens the disintegration of the rest of the world financial system. Just as the Communist system succumbed with the fall of the Berlin Wall, so too will the Anglo-American liberal system, which dreamed of world empire, fall beneath the ruins of its own Wall of Money.

Agenda for National Energy Emergency Action

I. Houston Cartel Energy Policy Proceeds

Key parts of cartel-serving U.S. energy deregulation policy are going ahead, despite the mis-impression that major new legislation is needed for the so-called “new and national” Bush-Cheney energy program.

Coal speculation: On July 11, futures trading of coal began on the New York Mercantile Exchange for the first time ever, strictly to create new speculation and brokering opportunities for outfits like Houston-based Enron, which has been positioning itself for coal “markets.”

In terms of real physical economics, not “markets,” the very idea of a national coal trading market is absurd. As a bulky, storable commodity, coal has traditionally

been booked on a long-term contract basis. (The wisecracks are joking that FedEx will see its stock soar on the anticipation of new markets for next-day boxed-coal deliveries!)

Until now, coal trading has been almost exclusively international, with Mirant, Enron Corp., and Aquila, Inc. doing over-the-counter exchanges, during which about 1 million tons of coal can change hands in a day. Now, 20% of the 1 billion tons of coal burned in the U.S. per year that is purchased on the spot market, will be an object for speculation. More than 50% of the United States’ electricity is produced by burning coal. The stage is set for hyperinflation and chaos.

Regional Transmission Organizations: In electricity, the Federal Energy Regulatory Commission decreed by fiat in early July, that all utilities must participate in and sell power to regional transmission organizations, or RTOs, set up according to FERC. This facilitates continued deregulation of energy distribution and generation.

In dramatic contrast to the corporate earning drops in both the old and “new” economies, the energy pirates report mega-revenues.

■ Duke Energy reported second-quarter earnings up 27%. Revenues increased 43% to \$15.58 billion from \$10.93 billion a year earlier, wholesale natural gas and power sales in North America have expanded, and transmission of natural gas in the eastern U.S.

■ Enron reported a 40% increase in second-quarter earnings, over last year, on revenues of \$50 billion.

II. Bush-Cheney-Hyped Energy Plan Croaks

Starting July 16, five Cabinet Secretaries and 25 Congressional Republicans went on the road to preach the administration “energy message.” Providence intervened right from the start.

On day one, Vice President Dick Cheney, scheduled as the lead speaker at two Pennsylvania events, got laryngitis. Cheney had to sit by, while his wife read his speech.

On day two, the news came out that Cheney has tried to get the Navy to pay the full energy bill for his household in Washington, D.C.! The Cheney residence bill is estimated this year, to be \$186,000 for electricity, and an unknown amount

for natural gas. The Vice President is given a 33-room mansion on the property of the Naval Observatory. Customarily, the Navy partially paid the bill and the rest comes from the Vice President’s “official budget.” But now, the White House sent a letter to Congress asking them to okay handing the whole bill off to the Navy.

Cheney himself, and the raft of other speakers promoting the Bush-Cheney energy plan, make the same basic pitch: “Back us to give you more production. Trust us. We won’t hurt the environment. We’re also the friends of technology [nuclear, coal, wind, etc.]. We’ll give more money to the poor, to pay their bills (to

the energy cartel). Your bills have been higher, because there was too little production. Give us [cartels] rights to drill, own transmission lines, and everything else, and we will be good.”

In reality, energy inflation over the past 18 months correlates with profiteering, not with low production. In 2000, an estimated \$263 billion in inflated energy prices was sucked out of the economy, and into the energy cartel sector. 2001, clearly, is worse.

Another tired Houston Cartel/Bush falsehood is: “Our nation, especially under Clinton, has had no energy policy. On May 17, we presented the first national energy policy for the country.” In fact, since the 1970s, the policy of deregulation has been implemented on an ever-widening, and deliberate basis—case by case (natural gas, first), state by state, and internationally. And now, the so-called “new national” en-

ergy policy calls for still more of the same deregulation.

Meanwhile, on July 18, the General Accounting Office issued Vice President Cheney a "demand letter" to produce within 20 days, the records of his task force meetings on energy policy. So far Cheney has refused; court action could be ahead. This is the first demand letter to be

sent to a President or Vice President. At issue is the involvement of Enron and other energy outfits, in formulating the White House energy policy which Cheney announced on May 17. The GAO investigation was originally requested in April, by Rep. Henry Waxman (D-Calif.) and John Dingell (D-Mich.), ranking minority members of Government Reform Committee

and Energy and Commerce Committee, respectively.

On July 17, Waxman called for a Justice Department investigation of the stock holdings of Karl Rove, Senior Adviser to the President in the White House. Rove has admitted that he did not sell some \$250,000 of Enron stock, when he came into office.

III. Worsening Havoc from Deregulation

The latest round of monthly and second-quarter economic and corporate reports show the havoc in the economy, from energy hyperinflation and other breakdown factors.

■ Consumer inflation figures for June, though highly fudged, showed a one month jump of 3.8% for electricity, the largest increase on record. This reflects the impact of the new round of rate increases in California, but there are also rate hikes in Iowa and other states.

Overall, official statistics reported consumer energy prices dropping in June by 0.9%, attributed to the effect of falling gasoline and natural gas prices. But since January, consumer energy prices are reported up by 11.8%—even by government calculation.

■ Electricity consumption has been cut by 20% or more by nearly one in three Californians, since last year, in hopes of getting a break on electricity rates for reduced usage. The inducement has been a

state-backed 20% refund on home electric bills, for customers qualifying by cutting consumption at least 20%. Cutting usage (voluntary "rationing") is one thing as a contingency plan in an overall move to re-regulation; but as a policy, or outlook, it's a dead end.

■ Layoffs and falling corporate earnings announced by firms heavily dependent on energy costs, e.g., forest products companies are hit hard by high energy costs, as well as low commodity prices, high-dollar valuation, and collapsing trade. Second-quarter earnings for Boise-Cascade dropped 36%. Willamette Industries Inc. reported a 20% drop in earnings.

IV. Congressional Dems' Momentum Sags

"Only national re-regulation will work," was the comment by Nevada State Sen. Joe Neal (D), after rolling blackouts hit his state for the first time in history, on July 2. But in Congress, policy moves in this direction have stalled out as of mid-July.

In the most extreme case, Sen. Joe Lieberman (D-Conn.) has U-turned on any pretense of action on the energy crisis, to the point of holding a hearing on July 18, in his Committee on Governmental Affairs, to propose, as a "strategy aligned with U.S. energy policy," an amendment to the 1992 Federal Power Act, establishing a National Office of Climate Change Response, within the executive office of the President. Lieberman's committee says it wants to stop "anthropogenic interference" into climate.

What does this really mean? As Lieberman said on July 16, at the national confer-

ence of the Democratic Leadership Council, he wants to "out-Bush Bush," not oppose him.

In the first week of June, the incoming Democratic Senate leadership (Jeff Bingaman of New Mexico, Carl Levin of Michigan, and even Joe Lieberman himself), were outspoken on the need to stop price-gouging by the pirate energy marketer companies, to restore reliable electricity supplies, and probe linkages between mega-profiteering energy companies and the Bush Administration. The House Democrats announced "Energy Action Week." California Gov. Gray Davis (D) came to Washington to score the administration and demand \$9 billion in refunds from the Bush-connected companies that bilked his state.

The threat of all this helped force the administration to stand down and compel FERC, on June 28, to put a few teeth (not

enough) into its control over wholesale electric prices in the Western states.

The nationwide constituency organizing by the LaRouche campaign for energy re-regulation is creating the support for going all the way for national-interest emergency measures. Cheney's July 16 motorcade in Pennsylvania was met with signs for "Re-Regulation."

But as of mid-July, the momentum in Congress sagged.

Senate: In the Energy Committee in mid-July, there are three hearings on a mish-mash of proposals, ranging from reducing dependence on foreign oil, to reducing dependence on the "Light Duty Vehicle Sector" of gas-guzzling sport utility vehicles.

House of Representatives: Not surprisingly, the so-called Cheney Energy Plan draft bills, "Energy Security Act" and "Energy Advancement and Conservation Act," are being pushed through committee. One standout is Rep. Henry Waxman, who may still raise his electricity cost-based pricing proposal.

How LaRouche Fought New York's Fascist Financial Dictatorship, 1975-82

by Richard Freeman

The paradigm for the genocide that is carried out today in such U.S. cities as Washington D.C., or Camden, New Jersey, is the Lazard Frères' plan that was deployed against New York City from 1975 through 1982. Under that plan, every vital service needed for human existence was imploded in large areas of the city. People living in those areas either died, or fled from the city.

Katharine Graham and her gang's policy to force the closing of Washington's public hospital by an unelected Financial Control Board—which set off a national battle led by LaRouche Democrats, over “general welfare vs. genocide”—is modelled on the 1975 New York Plan, and was drawn up by the same forces, with Lazard Frères investment bank directors at the center.

New York City black and Hispanic neighborhoods, which were targeted for extinction, either were left as abandoned urban wastelands, or, in selected neighborhoods, were taken over by urban renewal/gentrification real estate interests, and new apartment complexes and fancy restaurants were built for wealthy, mostly white, tenants. The rents were often three to ten times those that the displaced poorer families would have been able to pay.

The Lazard/New York Plan was aimed at shrinking a city, and leaving only enclaves of wealthy residents. It is the City of London-Wall Street financial oligarchy's paradigm for application under conditions of financial disintegration in the near future in the United States and other nations.

In 1974-75, the financier oligarchy precipitated a financial crisis in New York. They took the known, but soluble underlying economic-financial problems that beset the city, and made them worse. By April 1975, thanks to the bankers' operations, New York City had no money, and its credit rating was so destroyed that it could not borrow from the financial markets. Seizing on the crisis it had created, the Wall Street banking elite rammed through the New York State legislature, legislation which invoked “emergency police powers,” and in June 1975, created the Municipal Assistance Corp. (Big MAC), and, in September 1975, the Emergency Financial Control Board (FCB—the “Emergency” was dropped three years later).

Under the direction of Lazard Frères banker Felix Rohatyn, who became the unelected Führer of New York for the next several years, the FCB and Big MAC ruled as a single,

unified dictatorship. The power of the City Council and mayor, in all but name, was suspended. Lazard was especially equipped for this function, because it had long pursued the racist policies of Cecil Rhodes, and in 1933 helped install Hitler into power.

The oligarchy did not hide its policy, but arrogantly brandished it publicly, calling it the “planned shrinkage” of New York. On Nov. 14, 1976, Roger Starr, a member of the *New York Times* editorial board, and a spokesman for the banker and real estate interests, wrote a 4,000-word feature in the Sunday *New York Times Magazine*, advocating planned shrinkage. Starr declared, “Planned shrinkage is the recognition that the golden door to full participation in American life and the American economy is no longer to be found in New York.” At that time, New York City had a population of 7.5 million. Starr decreed that, “New York would continue to be a world city [sic] even with fewer than 5 million people.” This led to only one conclusion: forcibly killing or expelling one-third of the city's population.

Starr elaborated his account of how this genocide would be accomplished. After labelling sections of New York City as “virtually dead,” Starr wrote that in the past, the New York government and various soft-headed people had tried to keep those “dead” sections alive. This was a mistake: “Yet the city must still supply services to the few survivors, send in the fire engines when there are fires, keep the subway station open, even continue a school. In some of these sections, under the pressure of a local official . . . the city is pressed to make new investments in housing.”

So, new investment must be stopped: “If the city is to survive with a smaller population, the population must be encouraged to concentrate itself in the sections that remain alive,” and leave the “dead sections” to die.

He described how undesirable districts of the city “can be cleared away” by tax policy, making it unprofitable to invest in buildings in these districts. He mentioned other means to shut a district down.

Once an area that Starr designated for closure, were cleared away, “The stretches of empty blocks may then be knocked down, services can be stopped, subway stations closed, and the land left to lay fallow.” Starr realized, but did not say, that “stopping services,” is a direct means to actually facilitate the clearing away of an area.



Felix Rohatyn in 1980 (right) with the admiring henchman of emergency Financial Control Board rule in New York, Mayor Ed Koch (at left). Rohatyn and the bankers he acted for, calculatingly set off a financial disaster by withdrawing credit from the city, in order to declare a state of emergency.

Rohatyn: ‘The Pain Is Just Beginning’

At around the same time, Starr also insisted: “Stop the Puerto Ricans and the rural blacks from living in the city . . . reverse the role of the city . . . it can no longer be the place of opportunity.

“Our urban system is based on the theory of taking the peasant and turning him into an industrial worker. Now there are no industrial jobs. Why not keep him a peasant?”

Starr’s “philosophy” was not original, but only a working-out of the outlook that came from the higher level of Lazard Frères investment bank and Felix Rohatyn. While the oligarchy was creating the Big MAC and FCB in 1975, Führer Felix looked straight into the television cameras, and summarized the plan which Starr would detail: “The pain is just beginning. New York will now have to undergo the most brutal kind of financial and fiscal exercise that any community in the country will ever have to face.”

The Lazard Frères investment bank, and Felix Rohatyn, took the point in New York City in 1975, just as Lazard Frères has taken the point in Washington, D.C. today, in destroying D.C. General Hospital. Katharine Graham, the late owner of the *Washington Post*, who orchestrated the setting up of the D.C. Financial Control Board, which is dismantling D.C. General Hospital, is a wholly owned asset of Lazard Frères, through her father, her grandfather, and through Lazard’s control over the *Washington Post*. In setting up Washington’s Financial Control Board and the destruction of the nation’s capital, Graham was assisted by Franklin Raines, now the chairman of the Federal National Mortgage Association (Fannie Mae), who had spent a decade at Lazard Frères.

Though little known outside of the financial community, Lazard is a 150-year-old investment bank, headquartered in Paris, London, and New York, which is at the top level of the British oligarchy, grouped around the House of Windsor. This gives Lazard much of the muscle that it exercises in the United States. Most importantly, Lazard’s heritage and outlook is Nazi, making it, of course, the ideal instrument to implement Nazi policy. Lazard was deeply engaged, as an insider, in masterminding the project to install Adolf Hitler and the Nazi Party in power in Germany in 1933. Lord Robert H. Brand, a senior managing partner, during the early decades of the 20th Century, was crucial in this operation. Lord Brand was a member of the South African-centered “Milner’s Kindergarten,” who were the heirs and administrators of Lord Cecil Rhodes’ Trust, and his global policy of exterminating blacks. In 1906-09, Lord Brand founded the British Roundtable as an elite policy arm for the British oligarchy. It is this Roundtable, through Lord Brand and Lord Lothian, as well as the Astor-controlled Cliveden Set, Averell Harriman, Prescott Bush, and Baron Kurt von Schröder, among others, which installed Hitler into power in early 1933, and used emergency decrees to run Germany.

The Role of LaRouche

But Lazard faced an obstacle. Lyndon LaRouche built a powerful movement for a moratorium on the illegitimate debt, which would allow the city to rebuild. This nearly shattered the austerity-driven Lazard/New York Plan. This occurred within the climate of a 1973-75 worldwide financial-economic crisis. LaRouche linked that call for debt moratorium

in New York to similar efforts in Boston, Buffalo, Seattle, and other U.S. cities, and to an international movement against the debt that was strangling the Third World. Simultaneously, LaRouche called for an International Development Bank, to channel inexpensive credit into great infrastructure projects that would generate tremendous economic growth in the Third World, and would serve as the basis for world economic reconstruction. In August 1976, Fred Wills, then Foreign and Justice Minister of Guyana, and an ally of Lyndon LaRouche, brought up a resolution for a debt moratorium at the Non-Aligned Movement summit in Colombo, Sri Lanka, reiterating his call before the UN General Assembly shortly thereafter. There was widespread support for this resolution. U.S. Secretary of State Henry Kissinger, on the other hand, made it a personal point to deploy worldwide to stop LaRouche's proposal.

Thus, in the fight in New York, LaRouche's and the oligarchy's world-views came head-to-head, embodying principles that had global implications. LaRouche's strategic fight nearly toppled the FCB/Big MAC dictatorship.

Below we detail the Nazi method by which the New York Plan was implemented, step-by-step, as a pilot project for cities across the nation.

New York's Financial Problems

In order to institute the planned shrinkage model, the financier oligarchy needed a crisis. In New York City, there existed deep underlying problems related to the policy of the "post-industrial society," which the oligarchy had instituted in the 1960s. There were also some budget-fiscal problems stemming, primarily, from those underlying problems. But the bankers had no intention of solving the underlying problems; instead, they made them worse, and provoked the crisis.

There were four major underlying problems, two of them national in origin.

The first was the decimation of New York's manufacturing base, which had eroded its tax revenue base. Up through the end of World War II, New York City had a large manufacturing sector, and the largest concentration of manufacturing workers of any city in the world. In 1947, New York City had 1,073,000 manufacturing jobs. There were no large steel or auto plants; its manufacturing was concentrated in printing, clothing production, some breweries, and hundreds of machine-tool shops and similar factories, employing between 10 and 200 workers. As late as 1965, New York City still employed 865,100 manufacturing workers.

But the unleashing of the oligarchy's anti-production, pro-speculation post-industrial society in the mid-1960s, withered New York's manufacturing base. As a prominent sub-feature, New York's garment industry jobs were dispersed to low-wage runaway shops in the South. By 1975, New York City's manufacturing workforce had plummeted to 536,900 workers, a loss of 328,000 jobs, or 42% of the 1965 total. (By January 2001, it was down to 227,400 workers.)

The decimation of New York's manufacturing base over

1965-75, created a sharp loss of tax revenue, which aggravated a brewing budget crisis. First, there was the loss of manufacturing plants, which paid corporate taxes; second, there was the loss of manufacturing jobs, most of them medium- to high-paid, which brought New York City income tax.

The second major underlying problem was also national in origin. In 1971, President Richard Nixon took the U.S. dollar off the gold-reserve standard. This divorced financial flows from physical goods production, and damaged the economy. Then, in the 1973-75 period, the London-Wall Street financier oligarchy carried out the first oil hoax, through the Seven Sisters oil companies, sending the price of oil from \$3 per barrel to \$12. This was part of a plan called "the controlled disintegration of the economy." The world economy buckled, and Third World debt went shooting upward; the U.S. economy collapsed, and the official U.S. unemployment rate went above 10% (in reality, it was much higher). Within this context, New York City's economy nose-dived: The official unemployment rate shot above 10%, and tax revenues of all kinds plunged. This national crisis, over which the elected officials of New York had no control, made the New York City budget a disaster, and New York had to increase its short-term borrowings to stay alive.

The third major underlying problem was the scandalously low tax assessment of commercial real estate property, such as office buildings, which at that time had the highest market valuation of any commercial real estate market of any city in the world. The real estate industry in New York, was heavily dependent on funds from the New York banks; the real estate forces and banks controlled New York. In the mid- to late-1970s, *EIR* estimated that the market value of Manhattan's commercial buildings south of 59th Street was conservatively judged to be \$41.25 billion (and perhaps much more). However, under the influence of the real estate sector, the New York City authorities only assessed the property at \$7.7 billion. Taking the difference between real estate assessments and revenues from real estate taxes, New York City was losing \$1.25 billion in real estate taxes per year, just from the area of Lower Manhattan below 59th Street. This under-assessment built the New York City crisis, and the \$1.25 billion in lost yearly taxes would have been enough to cover the entire New York City deficit by itself, during the crisis.

The fourth major underlying problem was New York City's enormous debt outstanding, which at the end of 1974 totalled \$12.3 billion, and upon which New York paid yearly debt service (interest plus principal) of \$1.896 billion. This debt service, which was 20% of New York's budget expenditures, was choking New York. Some of this debt represented transit system bonds, which New York had issued in the early 1900s, and upon which it had paid interest sufficient to pay off the bonds many times over, but on which it still was forced to pay debt service. Such policies by the financier oligarchy as the post-industrial society, and the under-assessment of commercial real estate, had swelled New York City's debt to dizzying heights.

In 1960, tax-exempt municipal bonds in general accounted for 21.6% of the portfolios of New York City's commercial banks; by the end of 1974, they had shot up to 50%! *EIR* estimates that by the end of 1974, New York's banks alone owned between \$4 and \$6 billion of New York City's \$12.3 billion debt. The banks publicly criticized the high levels of New York City debt, but their policies had systematically created it, and they raked in a huge bonanza in interest payments from the debt they had manufactured.

Each of these four problems reinforced the other.

No band-aid solution would work, but a real solution was required. This would have entailed increasing the real estate assessment for commercial real estate interests, and enacting a moratorium on New York City's debt in order to stop the city from being strangled, while the debt was being sorted out, and the illegitimate debt was being written off. Most importantly, it would have entailed scrapping the insane post-industrial society policy, and replacing it with a policy of promoting the general welfare, and of building up manufacturing production and vital infrastructure. This was the policy of Lyndon LaRouche.

The banks were fanatically opposed to a solution to the underlying problems; *they deliberately exacerbated the underlying problems*, seeking a crisis in order to institute their dictatorship, and through Nazi-like "emergency ordinances," to carry out planned shrinkage.

Lindsay Initiates First Phase

In order to understand what the banks planned, it is necessary to understand how New York City operated politically. For decades, an urban political machine, consisting of trade unionists, minority and ethnic groups, teachers, and employees of small and medium-sized businesses, grouped broadly around the idea of protecting the general welfare, had run day-to-day politics in New York.

In 1965, the financiers installed John Vliet Lindsay as the city's mayor. While positioning himself as a political liberal, Lindsay's main qualification is that he had an aristocratic pedigree. Lindsay's father had been the chairman of the board of the American Swiss Corp., a subsidiary of the notoriously dirty *Crédit Suisse* Bank of Geneva. John Lindsay's brother, Robert, became a top officer at Morgan Guaranty Trust Bank, a bridgehead for British intelligence in America, which played a leading role in the New York City financial crisis. By 1975, Robert Lindsay was executive vice president at Morgan Guaranty; from 1980-86, critical years for the New York crisis, he was its president.

As mayor, Lindsay carried out a war to shatter the urban machine, including its policy of building infrastructure; he attacked the police, transit, and fire departments, and instituted tax breaks and other policies that benefitted the financiers and real estate interests. During his eight years in office, Lindsay presided over the first phase of the burning down of sections of New York, to drive minorities out, as we will see.

Lindsay's policy has today been transmitted to Washing-

ton, D.C. Lindsay selected Eleanor Holmes Norton to be his executive assistant from 1971-74. Later, as D.C.'s Delegate to the U.S. Congress, Norton has operated with Lazard Frères to close down D.C. General Hospital. Norton trained Donna Brazile, who was her top assistant from 1990-99. In 1999, Brazile was then made top assistant to Al Gore, to help direct his Presidential bid. Brazile has acted as a henchman for the Gore wing of the Democratic Party in 2001 against the LaRouche-led mobilization to save D.C. General Hospital as a fully funded, public hospital and health-care system.

In 1973, Abraham Beame was elected New York City Mayor, taking office in 1974. Beame was part of the Democratic Party machine, and generally amenable to the interests of the banks. But from the banks' standpoint, Beame would not institute the full range and degree of austerity that they needed. The banks effectively carried out a coup against Beame, and he was allowed to speak only at such times as he would announce the bankers' policy.

Provoking the Crisis

The Lazard-led oligarchy's tactic was to attack the weak point of the city's finances. In July 1974, the banks demanded that New York City pay 7.92% interest if they were to lend it money. The city refused to pay that much, but shortly thereafter, desperate for cash, New York had to pay 8.59% interest to borrow money. In October, Fitch's rating agency — like all rating agencies, controlled from London and New York — lowered New York City's credit rating.

Since the early 1970s, some of New York City's debt had been issued in the form of short-term instruments called Revenue Anticipation Notes (sometimes called tax anticipation notes), which had a shaky basis. RANs had been issued against general, unspecified "future" income streams. In November 1974, New York sold a half-billion dollars' worth of RANs, through a private syndicate headed by J.P. Morgan, but the RANs offering was wobbly. By December, the banks were charging 9.5% interest on one of the city's debt offerings, which was a record interest rate for New York City.

By this time, the banks believed they had set New York City up for the kill, and took two decisive actions. Holding \$4-6 billion in the city's debt, beginning in October 1974 and escalating through March 1975, they dumped a few billion worth of New York City bonds onto the open market.

Next, in February 1975, just as the U.S. economic depression was hitting with gale force, New York City attempted to sell a new issue of short-term RANs. Bankers Trust refused to underwrite the new issue of RANs, and so, the city turned to David Rockefeller and Chase Manhattan Bank to form a syndicate to underwrite the RANs. Rockefeller also refused. The banks were coordinating to shut New York City out of the credit market. By March, New York City was unable to sell any short-term security at any interest rate, no matter how high.

Between March 1975 and January 1979, just shy of four years, the banks blocked New York City from entering the

credit market. New York was instructed that it would either have to borrow through new issues of Municipal Assistance Corp. bonds—a new institution that was about to be created—or it could not borrow at all. New York City was rendered financially prostrate.

The Establishment of the Dictatorship

On Jan. 9, 1975, a group of bankers arranged a meeting with Mayor Abe Beame. The group was led by Elmore Patterson, the chairman of the Morgan Bank, who was also chairman of the New York Clearinghouse Association, which represented the most powerful commercial banks in New York. Joining Patterson were representatives of Chase Manhattan, Citibank, Chemical Bank, Bankers Trust, and Manufacturers Hanover Bank. After the bankers declared that Beame's proposed level of austerity was unacceptable, they formed a group called the Financial Community Liaison Group (FCLG). In March 1975, the FCLG circulated a memo, asserting that "the municipal unions and other interest groups" were a problem, because they would not bow to the bankers' demands. The FCLG worked with Lazard Frères.

At this juncture, Felix Rohatyn and Lazard Frères emerged publicly to take command. They replicated what Lazard et al. had done in Germany in 1933 to install Hitler's rule: first, create a crisis (like the Reichstag fire); then, suspend elected government and establish a dictatorship; then, rule through emergency decrees (*Notverordnungen*) to loot the population and the economy.

In March, the banks, by shutting New York City out of the credit market, had created an enormous crisis: The U.S. economic depression had cut New York's revenues; New York had payments to make to workers and for services, and old debts to pay, while it was unable to either refinance its debts, or raise new funds to cover its revenue shortfalls. The bankers began circulating stories that New York City was about to default.

Next, Lazard and Rohatyn sprang their trap. According to *The Crisis Regime: New York City Financial Crisis*, Rohatyn personally "pulled together the financial package" for New York. This included a dictatorship institution, called the Municipal Assistance Corp., and a pulverizing new austerity regimen.

On June 10, 1975, under intense emergency pressure that "New York might default on its debts," the New York State legislature was railroaded into passing the Municipal Assistance Corp. Act. The new law created a "public benefit" state agency, run by a nine-member board, called the Municipal Assistance Corp., nicknamed "Big MAC." Rohatyn, who was on the board, would soon run it; other members included: Simon Rifkind of the Paul Weiss Rifkind law firm; Metropolitan Life Insurance chief executive Richard Shinn; and George Gould, chairman of Donaldson Lufkin Jenrette investment house.

The powers delegated to Big MAC were:



The model for the Lazard-bankers "financial fire," by which they seized New York City rule from its elected government in 1975, was the 1933 Nazi Notverordnungen (emergency rule decrees), which Hitler justified by having a "terrorist" burn down the Reichstag.

- It would monitor the city's financial position;
- It would protect new as well as old creditors;
- It could restructure the city's debt.

The corporation could issue MAC bonds, up to the sum of \$3 billion. The June 10 law demanded that the following city income streams be "earmarked" to pay the interest and principal on the MAC bonds: the city's 4% sales tax revenues, the city's stock and transfer tax receipts, and per-capita aid paid by the state. *The law mandated that only after the city paid off its bondholders—MAC bondholders and others—could it use the remainder of its revenues to pay city workers or essential services.*

In early July, MAC issued a \$1 billion bond issue, at a 9.5% interest rate. In mid-July, MAC issued its second billion-dollar bond issue—but this one had trouble selling. By mid-August, the value of existing MAC bonds started to fall. The money that MAC received for the bonds, it doled out drop by drop to the city, keeping the city on a tight leash.

The MAC board began instituting austerity programs against the city—shutting down city programs, laying off workers, cutting wages—in order to squeeze out wealth to

transfer to the account of backing up the bonds. But this method reduced the functioning of the city's economy further, making it even more difficult to support the bonds. The conclusion that should have been drawn, is that the method of life-threatening austerity was a failure.

But Lazard and Rohatyn drew an opposite conclusion: that the level of austerity had to be increased. Rohatyn believed that a major limitation was that the MAC board still had to obey civilized standards, and did not have enough power to loot the population, institute fascist economics, and crush popular organizations. He sought a dictatorship that had all the power it needed, and would not flinch at inflicting pain.

Creating the Financial Control Board

Rohatyn then drafted a 111-page report that sought harsher austerity and a stronger institution that could enforce it. In September 1975, new legislation, arising from Rohatyn's report, was introduced into the New York State legislature. The legislation was called the Financial Emergency Act. In the early hours of Sept. 6, 1975, after the legislators had been kept up for hours, the legislation was rammed through by a close vote. The key feature of the act is contained the summary of it in the New York State Laws 1975 (chapter 868, Sec. 1): The situation in New York City "is a disaster and creates a state of emergency. To end this disaster, to bring the emergency under control and to respond to the overriding state concern . . . the state must undertake an extraordinary exercise of its police and emergency powers under the state constitution, and exercise controls and supervision over the financial affairs of the City of New York."

The Rohatyn-drafted act specifically announced a "state of disaster" and "emergency" to exist, which it said, required "undertak[ing] . . . extraordinary police and emergency powers." These sweeping powers, normally reserved for a state of insurrection, were to be used to issue diktats for an artificially created financial crisis. This was a reprise of what Hitler and the Nazis had done in Germany in March 1933, after the staged Reichstag fire.

To effect his coup, Rohatyn had the act instantly create an Emergency Financial Control Board (EFCB), and in 1978, the term "Emergency" was dropped. The way Rohatyn interpreted the act, and the way it was used, the FCB had "the extraordinary police and emergency powers." The powers of the New York City Council and the Mayor were overridden.

The EFCB was a dictatorship. According to one summary account, the "EFCB [was placed] as trustee over all city accounts in all banks," that is, it had control over the city bank accounts, and further, "the EFCB was granted powers . . . over investment and disbursement." Thus, the EFCB controlled all of New York City's money flows. Moreover, the payment of debt was enshrined in the act: "the act created a debt service account . . . to ensure that debt service would be given first priority." The EFCB had the power to draw on every one of New York City's revenue streams to pay the debt.

The act replayed the Nazis' practice of looting workers' pension funds to support worthless financial paper, in this case, giving quotas to the pension funds of New York State and City were for how much Big MAC bonds they had to buy—the state pension funds had to buy \$225 million, the city Employees' Retirement System had to buy \$225 million, the Teachers Retirement System had to buy \$200 million; and so forth—all told, more than three-quarters of a billion dollars.

The EFCB could either "accept or reject any contract entered into by the city." It promptly ripped up most labor agreements.

Finally, the bankers made their dictatorship explicit, by writing, with matchless contempt for elected government, that they were the Supreme Power, to which all officials and citizens must bow down. "Violations of the emergency act or the EFCB's policies included misdemeanor charges and, upon vote, removal from office. The mayor was not excluded from these potential penalties." Whoever failed or refused to implement the EFCB's policies, including the Mayor, could be removed.

Whatever power the Big MAC had lacked, the EFCB now had. They acted together as a unified dictatorship.

Guiding Starr to Disintegration

The financiers had manufactured a financial crisis, and then exploited it to pass legislation, which created the FCB/Big MAC dictatorship. Now, they were positioned to carry out Lazard's planned shrinkage.

Roger Starr's recommendation guided what was done. "Stopping services," would clear away an area, Starr said. Once an area was cleared away, "The stretches of empty blocks may then be knocked down, services can be stopped, subway stations closed, and the land left to lay fallow."

(Nonetheless, before, during, and after the 1975 initiation of the crisis, the banks contrived to deal to themselves and major Fortune 500 corporations massive tax cuts, which aggravated the crisis. In the mid-1970s, tax cuts were granted to Morgan Guaranty Trust, Lehman Brothers, and other banks; the New York Stock Exchange; IBM, U.S. Steel, General Electric, Metropolitan Life Insurance, and Getty Oil. In 1979, the city's Industrial and Commercial Incentives Board extended nearly \$30 million in real estate tax reductions to three proposed office towers for Philip Morris, AT&T, and the Fisher Brothers.)

The Lazard-run EFCB/Big MAC dictatorship used the opportunity of making cuts to slash fundamental services so deeply, that the services and human existence were driven far below the level of economic functioning. Just as the World War II Strategic Bombing Survey did for Dresden and other major German cities, dozens of the most densely-populated New York neighborhoods, especially black and Hispanic, were targeted for extermination. Already in New York City, by 1975, the official unemployment rate stood at 10%—but

TABLE 1

New York City Government Employees Get the Axe

(Selected Sectors)

	June 30, 1975	April 30, 1981	% Change
Police	35,447	27,697	-21.9%
Uniformed Officers	30,601	22,862	-25.2
Social Services	28,331	21,052	-25.2
Fire	13,885	12,429	-25.7
Education	81,970	69,847	-10.5
Sanitation	9,491	6,832	-28.0
Health and Hospitals	43,128	40,735	-5.5
Total	296,805	231,903	-21.9%

in reality, 15-20%—and workers who did have jobs, suffered wage cuts of 5-10%. On top of those wage reductions, were one to live in a neighborhood whose subway station had been closed down, whose fire station had been shut while fires raged, and whose local hospital had either been great reduced or closed altogether, this was not a matter of greater inconvenience or discomfort; it was the elimination of one's existence.

Consider the Nazi-like efficiency with which the FCB/Big MAC dictatorship cut life-sustaining services:

- Sanitation: The garbage that sat on the street and was not picked up, became a breeding ground for vermin and rodents which transmitted disease, creating a health emergency.

The FCB/Big MAC fired sanitation workers in waves; when they protested, and threatened to strike, the FCB/Big MAC cut their wages. **Table 1** shows that between June 30, 1975 and April 30, 1981 the Department of Sanitation workforce was reduced from 9,491 to 6,832, a fall of 28.0%.

Table 2 shows that between 1975 and 1978, the tons of refuse that were picked up plunged from 7.53 million to 6.47 million, a fall of 14.2%. This meant that an extra 1.06 million tons of refuse was being left out on streets and sidewalks, effectively for a year, becoming extremely unsightly and creating a health hazard.

- Transportation: New York City's mass transit system of subways and buses, which was the longest and most highly developed of any U.S. city, was turned into a nightmare. Starting in 1974, and with much greater force once the FCB/Big MAC dictatorship established its rule in 1975, New York City officially and publicly abandoned routine maintenance, whereby the operating efficiency of the transit system would be maintained before breakdown; in its place was put a policy of deferred maintenance, whereby an element of the system had to *break down first*, before money was appropriated to

TABLE 2

New York City Sanitation Services Guttled

	1975	1978	% Change
Tons of Refuse Disposed	7,534,988	6,468,221	-14.2
Miles of Street Swept	1,233,998	836,442	-31.7

attend to it. All capital expenditures were halted. Further, between 1977 and 1980, total spending for transit service was reduced by 30%, and subway and bus maintenance staffs were cut by 35%.

By 1980, New York City subway trains were breaking down 71,700 times a year (nearly 200 times per day), more than double the level of 1977. Subway cars were running less than half as far in 1980, than they had in 1973. Between 1977 and 1980, subway track fires increased by 40%. By 1980, nearly a quarter of the city's bus fleet was out of service every day.

According to one report: "In 1980, routine maintenance was reinstated because the cost of breakdowns had risen to such a point that the system was deteriorating at an accelerated pace. Transit officials estimated it would take four or five years to bring the system back to a 'basic minimum' of reliable service." Due to the destruction that the FCB/Big MAC inflicted, today, it would cost billions of dollars over several years, to bring the system into the 21st Century.

- Education: Many primary school buildings, which already were fairly old, incurred damage, but no or only minimal repairs were made. Wings of schools remained closed for months at a time. The size of average classes shot up.

A knife was applied to the City University of New York higher education system. Between FY1961 and FY1975, New York City had increased CUNY's budget from \$45 million to \$612 million, and during this time, student enrollment had increased from 93,000 to 271,000. The FCB/Big MAC axed the CUNY budget, and by 1980, its enrollment had been cut to 172,000 students, a fall of 43%. Tuition was imposed.

- Police: Between June 30, 1975 and April 30, 1981, some 25.2% of uniformed police officers were laid off. Police were told, off the record, not to arrest anyone unless it were for a serious crime, because, the costs of time spent for an arresting officer to book and make court appearances, as well as court and jail costs, were "too high." Street patrols were reduced; the Organized Crime Bureau, which had narcotics oversight, was reduced from 1,600 men to 439, a fall of 72.5%. Accordingly, drug-dealing exploded. The staff of units that worked with youth was cut by 52%.

Obliteration of Housing

But, as these and several other basic areas of infrastructure were decimated, lowering the city's economic functioning

and ability to survive, there were two areas of infrastructure that the FCB/Mig MAC Nazi dictatorship affixed its attention for obliteration: housing, and hospital and medical service. These constitute the heart of a city's survival: Like a human heart, if its functioning is stopped, life ceases.

By the same principle, the Katharine Graham-orchestrated Washington, D.C. Financial Control Board today has zeroed in on the destruction of health and housing, reasoning that once that is accomplished, they can go after other areas of infrastructure in the way that Big MAC did.

The FCB/Big MAC dismantled health and housing with cold-blooded efficiency.

The bankers' mayor, John Lindsay, had already started the plan to effectively use arson during his 1965-73 administration. Lindsay reduced the number of Fire Department inspections from 1,420,000 per year in 1966, to 474,000 in 1976, a fall of 67%. Between 1966 and 1968, fires in New York City increased by 42%. At first, the urban political machine in New York City understood what Lindsay's design was, and moved to thwart him. In 1969-70, the Firefighters Union demanded the creation of 14 new fire companies, and the City's Public Employees Board granted the demand.

Lindsay counterattacked. He brought in the RAND Corp., based in Palo Alto, California, which had been set up by Air Force Intelligence immediately after World War II. The RAND Corp. used "systems analysis" to implement austerity, and knew how to deploy austerity as a sort of strategic bombing survey, on how and where to bomb critical targets needed by a population. Between 1968-71, RAND conducted more than a dozen studies on overhauling New York City, to "save money," slash services, and speed up the reduced workforce in several departments, including the Fire Department. RAND concluded that the Fire Department could be run with fewer units. Acting on RAND's recommendations, in five rounds between 1971 and 1976, Lindsay eliminated or relocated 35 fire companies. Twenty-seven of the targeted fire companies — four-fifths of the total — were in areas which had the highest incidence of fires, predominantly black and Hispanic neighborhoods. Meanwhile, 2,400 firefighters, representing 23% of the force, were fired.

The arson policy was one of the earliest and most "effective" forms of urban renewal, from the criminal standpoint of the oligarchy and real estate interests. The real estate moguls hired arsonists to do their dirty work, a fact that was known to everyone in the city, including the Fire Department. In a study, "Fire Service in New York City, 1972-86," researchers Rodrick and Deborah Wallace gave a graphic example of how the urban renewal through arson worked:

"The [New York] Planning Commission informed the Fire Department that certain sectors of the Rockaway Peninsula [in Brooklyn] were to undergo urban renewal and that fewer fire units would be needed. . . . After elimination of one of the [fire] engine companies, large areas of that sector were

cleared by [arsonist's] fire for redevelopment without the city having to spend time and money for legal urban renewal work."

Starting 1975, the FCB/Big MAC vastly expanded the arson policy started by Lindsay, by making deeper cuts from an already-depleted Fire Department. As a result, in constant dollar terms, the 1980s budget for the Fire Department was slashed 35% below that of 1975. Many fire stations were shut down. Between 1976 and 1979, residential inspections had been cut by more than 30%, on top of the two-thirds cut in the number of inspections over 1966-76. Between June 30, 1975 and April 30, 1981, an additional 10% of the city's firefighters were laid off.

The financier-real estate elites in New York got two bonuses with the arson. First, they were fully compensated for burnt properties through their insurance policies (that they were not indicted, bespeaks something about how this operation worked). Further, they also could deduct losses on their tax filings. Second, they could either leave the ground fallow — as per Roger Starr's recommendations — or they could retain the land or sell it to a new landlord for development. This meant urban renewal/gentrification. An entire area could be designated to become an apartment area for high-income, predominantly white tenants. Not only could the landlords collect rents as much as ten times what they had collected from the previous poor tenants, but from New York City they got special tax abatements and exemptions. Thus, the landlord/real estate interests made profits several times over.

But as a result of this process, if a family could manage to continue live in the same area of the city, its rent shot up relative to its income. A study conducted by Columbia University found that in 1975, there were approximately 225,000 housing units in the South Bronx area, one of the nation's poorest neighborhoods, which charged \$150 or less per month. Already, as a result of economic decline, the white population had begun leaving the South Bronx in the early 1970s. After the FCB/Big MAC-supervised real estate transformation, by 1978, the study found that there were only approximately 115,000 units that rented for \$150 per month or less, a loss of half of the 1975 level. In the intervening three years, 46,000 were "upgraded" into more expensive units, and another 60,000 had been abandoned outright.

Roger Starr had the South Bronx as one of the areas in mind when he stated in his Nov. 14, 1976 *New York Times* piece that the place should be left to die, and "services cut off."

Though the FCB/Big MAC was dissolved in the mid-1980s, it left behind a legacy in housing that still dominates a permanently scarred New York City.

Housing was built for those in the "high-tech" or financial sectors. The number of apartment units that rent for \$5,000 or more per month is at an all-time high.

But, consider the availability of housing for poor and low-

income families. In 1970, New York City had a surplus of 270,000 low-cost apartments relative to the number of extremely low-income renter households, who would need to rent them. An extremely low-income renter could find a place to live. That is no more. Today, in New York City, there is an extreme shortage: The number of extremely low-income renter households exceeds the number of available low-cost apartments by 500,000. If a household is poor or low-income, it often lives in squalid housing, and in many cases has to share it with another household.

Health and Hospitals

The other high-profile target was New York City's superb hospital system, which it had developed from its own efforts beginning in the 19th Century onward, and which was abetted by the passage of the Hill-Burton Act of 1946, under which the Federal government provided funds and assistance nationally for building hospitals. Lazard and the bankers carried out policies which, combined with the genocidal policy of the health maintenance organizations (HMOs) beginning in the early 1970s, had a domino effect, closing down public and not-for-profit hospitals.

Felix Rohatyn took direct aim at the public hospital system, which particularly served the poor, and over which New York City had budget authority, which the FCB/Big MAC usurped.

New York City's public hospital system—the largest in the United States—consisted of 17 separate hospitals, which provided, each year, over 3 million days of inpatient care, 1.5 million emergency room visits, and 4.5 million ambulatory care visits.

During 1975, on the bankers' orders, the Health and Hospitals Corp., which ran the city's public hospitals, fired nearly 8,000 employees, gutting critical services. In March 1976, the bankers demanded the layoff of an additional 3,200 employees, and the shutdown of four public hospitals.

There is a direct parallel between the Lazard-Katharine Graham shutdown of D.C. General Hospital in June 2001, and Lazard's cleaving of the New York City public hospital system. More specifically, one gets an eerie sense, in viewing the attack on D.C. General, of having seen it all before, in the way that Lazard's Rohatyn went after Sydenham Hospital in West Harlem, Manhattan.

Sydenham Hospital served a population that was black, and largely poor. As with D.C. General, many of the patients were uninsured. In the lobby of Sydenham was a verse from Psalms 9:18, inlaid in black marble: "For the needy shall not always be forgotten, nor the expectation of the poor perish forever."

In its design to shut down Sydenham, the FCB/Big MAC faced a great obstacle from West Harlem's residents, who knew they needed a hospital, and a leader, who gave voice to their opposition: Dr. John Holloman, president of the Health and Hospitals Corp (HHC). Dr. Holloman held the highest

post of any black person in the U.S. medical profession. He was also a civil rights activist, who had marched with Dr. Martin Luther King during the Selma, Alabama voting rights demonstrations in 1965. On his desk, he had a plaque with the simple, but powerful motto: "Health Care Is a Right."

Increasingly, the bankers found Holloman foiling their plot. Holloman often either slowed down or sabotaged the bankers' plans to for cuts at HHC as a whole, and at Sydenham. This made him a marked man. The more Holloman threw sand in the gears of the Big MAC austerity machine, the more Lazard's "Führer Felix" set out personally to destroy Holloman and have him removed as head of the HHC.

On Oct. 16, 1976, the Financial Control Board held a meeting to discuss the HHC budget. The minutes summarized what Rohatyn had to say: "Mr. Rohatyn stated that the management of the Health and Hospitals Corp. was generally recognized as inept, and therefore it would be insufficient to put HHC on a monthly allocation [of funds, as with other New York City services] based on uncertain [HHC financial] numbers. He observed that the problem of dealing with the HHC was of special concern because of the important and difficult social function [sic] of the hospitals system."

The Control Board's minutes further revealed that it planned to change the HHC board: "The HHC board of directors should be put on notice immediately of the need to reorganize its management to adequately deal with the fiscal crisis."

In other words, Holloman's head had to roll.

On Oct. 17, the day after the FCB meeting, the *New York Times* rolled out the bankers' propaganda machine: Holloman had to go. The *Times*' sleazy City Hall bureau chief, Steve Weisman, quoted an unnamed member of the Financial Control Board, pontificating: "A consensus was reached [at the Oct. 16 FCB meeting] that Holloman is a disaster, that there is no way costs can remotely be controlled if he and others continue to run the corporation."

But Holloman refused to leave, or to relent in his opposition to the cuts. In November, Mayor Abe Beame, by then little more than a marionette for the Control Board, created a special committee of the HHC to run many of its functions, in order to bypass Holloman.

Still Holloman would not give in.

On Jan. 26, 1977, the FCB's henchman on the HHC board pushed for Holloman's firing at an executive session of the HHC. Demonstrators outside the HHC's offices protested the dismantling of the HHC hospitals, in support of Holloman. By meeting's end, Holloman had been forced off the board. He denounced "financial interests" for his dismissal.

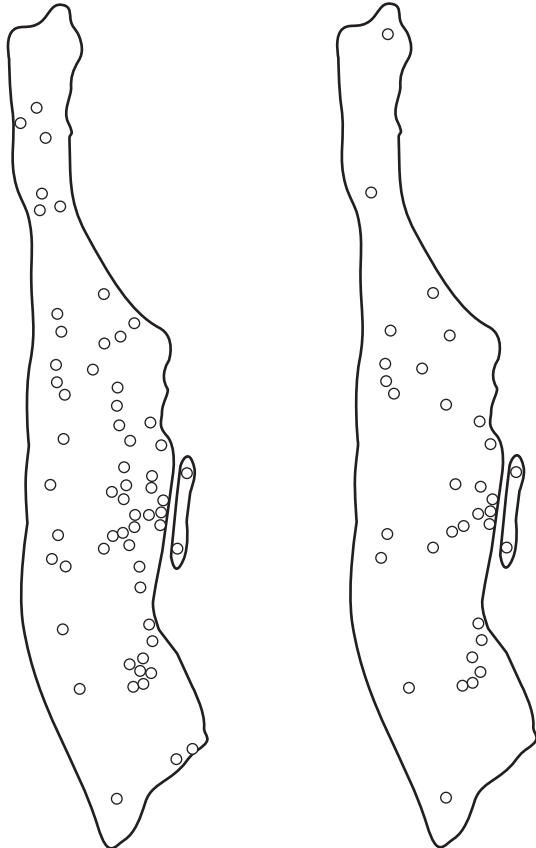
Sydenham managed to remain open only a few more years. Over the next two decades, five out of the 17 public hospitals in New York City were shut down, and now other public hospitals are threatened with closure. The attack on the public hospitals was the wedge-end to shut down New York's hospital system, private, non-profit, and public. In 1960, New York City had 154 hospitals; by 1990, that was slashed to 79,

FIGURE 1

The Big MAC-Era Shutdown of New York's Hospitals

□ Hospitals in Manhattan, 1960

□ Hospitals in Manhattan, 1990



a reduction of 49%.

Figure 1 shows the hospital closures in Manhattan, one of New York City's five boroughs, with a population of 1.5 million. In 1960, Manhattan had 78 public, private and not-for-profit hospitals; by 1990, that was down to 33, and still falling. Notice in the map, that the area of the upper gooseneck of Manhattan, the area above 125th Street: There had been six major hospitals of all kinds in 1960; by 1990, there were only two. But if a New Yorker is seriously injured or ill, and needs to get to a hospital, a cab or ambulance to get to the hospital that replaced the nearby one in the neighborhood, must negotiate New York City's congested streets, taking an extra 20 to 30 minutes. This could be, and sometimes is, the difference between life and death.

The destruction of New York's superb hospital system is another part of the permanent, still corrosive legacy of FCB/Big MAC.

The LaRouche Alternative

But while there were local pockets of opposition to the FCB/Big MAC dictatorship, there also coalesced a city-wide opposition, led by Lyndon LaRouche.

In 1975, LaRouche knew that New York City's \$12.3 billion debt was a strategic issue: not only in its increasing strangulation of the city, but in the way it had, for decades, connected the world's biggest banks to huge cash flows of virtually tax-free real estate, financial, and banking income. Over the decades, the city had already paid enough principal and interest to pay off its debt several times over, but, because the interest was compounded, the debt had swelled. From the 1960s, especially under the Lindsay administration, the bankers had used every scheme possible, and ultimately the debt had more than doubled. The bankers, who held the largest share of the debt, were the largest beneficiaries of the city's payments.

Therefore, LaRouche built a campaign for debt moratorium, which struck at the bankers' key vulnerability, and educated Americans in the most efficient way possible about the true nature of how New York City's crisis had been created, and how the city had been ravaged for a century. LaRouche stated that there would be a debt payment suspension for a period of time, accompanied by an orderly accounting to determine which part of the \$12.3 billion debt was still legitimate, and would be paid in the future, though at a restructured, lower interest rate; and which part, being the larger, was illegitimate, and would be written off. New York City would be freed of this debt strangulation.

This was a key element in LaRouche's global strategy: He understood that the world economy, especially the Third World, was overburdened with accumulations of unpayable, illegitimate debt. Simultaneously, LaRouche activists were organizing for debt moratoria in Ibero-America and Asia. This struck at the oligarchy's world financial system, and thus at their strategic power.

At the same time, in April 1975, at a well-attended press conference in Bonn, Germany, LaRouche advanced his proposal for an International Development Bank (IDB), to channel inexpensive credit into great infrastructure projects that would generate tremendous economic growth in the Third World, and serve as the basis for world economic reconstruction.

In late 1974, and continuing into 1975, the LaRouche movement raised the demand for debt moratoria in several of America's major cities, which, like New York, had major financial crises. In Boston, the organizing struck fertile soil, as LaRouche organizers met with some of the City Council members there. City Councilman Albert "Dapper" O'Neill introduced draft legislation for an 18-month moratorium on all municipal debt. On May 19, 1975, in a special address to the Boston City Council, which eight of the city's councilmen attended, LaRouche presented the debt moratorium for Boston. Afterwards, he told the City Hall press corps, "There is



Lyndon LaRouche speaks before the Boston City Council in May 1975, when his proposals for debt moratoria were introduced in New York, Boston, and other cities, and adopted by the Non-Aligned Movement the next year.

absolutely no way out of the worst economic collapse in human history” except by declaring “orderly moratoria on major categories of paper worldwide.”

On June 2, Councilman O’Neill presented formal legislation for an 18-month debt moratorium. On July 3, Boston Mayor Kevin White, a tool of the Vault (as Boston’s Brahmin bankers were known), mailed out a special brochure Bostonians to counter LaRouche, claiming that the city did not need a debt moratorium.

In Philadelphia, Buffalo, Chicago, Seattle, and several cities in New Jersey’s industrial corridor, the idea of debt moratoria was discussed with city councilmen and began to take hold.

In New York City, on June 11, 1975, City Councilman Luis Olmedo, of Brooklyn, introduced a resolution into the City Council for an 18-month moratorium on all city debt. Olmedo formed a group with like-minded individuals, called the Ad Hoc Committee for Social Justice, to push for this idea. On June 30, Olmedo got a co-sponsor for his resolution, from City Councilman Pasquale Mele. On July 22, Olmedo, who was working with the LaRouche movement, held a press conference, joined by one other city councilman, and 12 members of the New York State legislature, led by Frank Barbaro from Brooklyn. Together they called for a one-year suspension on the city’s debt. Olmedo stated, “We’re not paying any debt, including the Big MAC bonds.” This group called for an eight-point program, that included the demand for a substantial increase in real estate, stock transfer, and other bank-related taxes.

Already, this movement had been joined by some of the city’s unions. On June 19, 1975, Uniformed Firefighters Association President Richard Vizzini and Policemen’s Benevolent Association head McFeeley held a press conference, officially endorsing the debt moratorium.

The mood was shifting: There was growing opposition by hundreds of thousands of trade unionists and citizens to FCB/Big MAC and to Rohatyn, by name. The financial package put together under Big MAC was coming apart, because it was seen that citizens might not tolerate this situation, and that they might demand the debt be cancelled. A critical development: the value of MAC bonds started to plummet. On July 28, MAC had to cancel a bond issue, because it had insufficient buyers.

Meanwhile, during 1975, the teachers unions launched strikes against the austerity. Citizens were rallying against the announced closing of Sydenham Hospital in West Harlem.

On July 21, 1975, Jack Devine, Chase Manhattan’s chief municipal bond trader, stated that banks were purchasing increasingly illiquid MAC paper. “The situation is very bad and getting worse. We are already overloaded with obligations,” he said.

A spokesman for First National City Bank (today, Citibank) became hysterical when asked to comment on a possible city default, as early as August: “Of course we’re worried. We’ve got millions of dollars of bonds tied up in New York City. We’re absolutely sick about the whole thing. . . . The entire state and municipal bond market would be shot. . . . Every state and local government would be shut out of the

market. New York City could never borrow again. The question is whether [Mayor] Beame will get off his fat ass and do something. Clean out the City! Restore fiscal responsibility! Otherwise, it's the end."

In the early Fall, Congressional hearings were held. George Ball, then a senior partner at the powerful Lehman Brothers investment bank, and a former U.S. Undersecretary of State, told a Congressional committee that a New York City default, "particularly if the Federal government stood by and did not intervene," would be seen in Moscow as a "significant symptom of the weakness of American capitalism," which would strengthen the position of Moscow hardliners. An appeal to the threat of Communist resurgence may nor may not have been fully credible, or even to the point, but it did accurately reflect the intense panic in Ball's mind.

What Ball, Rohatyn, and a few others realized, was that a New York default, or—worse, from their standpoint—a LaRouche-directed debt moratorium, would set a precedent for nations to follow throughout the world. A series of moratoria, and a replacement of the speculative monetary system by one guided by the principles and purposes of LaRouche's International Development Bank, would mean the end of the system run by Ball, Rohatyn, et al.

Rohatyn's Counterattack

What Rohatyn and Lazard did then, is precisely what they are attempting to do today to defuse Washingtonians' resistance to the destruction of D.C. General Hospital. The plan was to attempt to divide the anti-genocide opposition forces from LaRouche's leadership, accompanied by threats of reprisal, etc.

In New York, the bankers used Victor "Bumgut" Gotbaum, head of District 37 of the American Federation of State, County, and Municipal Employees (ASFSCME), the largest union in New York City, representing over 90,000 workers, to play the same role that the bankers have given to D.C. Delegate Eleanor Holmes Norton today: to divide the forces from within, and spread rumors about LaRouche, while impotently striking a militant posture. Gotbaum was made virtually a member of the Big MAC board, and attended most of its meetings. Rohatyn made clear, in interviews and general discussions, that he could not have pulled off what he did without the assistance of Gotbaum.

At the same time, a terror campaign was brought down. Firefighters President Richard Vizzini, a debt moratorium proponent, was provoked into taking his union out for a five-hour strike, and he was then prosecuted under the state's union-busting Taylor Law outlawing strikes by municipal workers. In May 1974, State Supreme Court Justice Burton Roberts, a flunky of former New York Gov. Nelson Rockefeller's machine, was given jurisdiction over Vizzini's case. Starting in April 1975, according to reliable sources, representatives from Justice Roberts had started telephoning Viz-

zini, threatening him to stay away from political activity, or else. Vizzini did go ahead and endorse an 18-month debt moratorium in June 1975, but by late Fall, the Justice Robert's terror campaign was effective, and Vizzini dropped away from debt moratorium work.

Countless others were subjected to similar operations.

Lazard made a special point of taking over the Democratic Party, just as Albert Gore wing of the Democratic Party is leading the fight against D.C. General, and the general welfare of the nation. In 1976-77, Lazard Frères purged the old-line machine politicians from the New York Democratic Party, and took it over. According to the biography of the longtime head of the U.S. branch of Lazard Frères, André Meier, one of Meier's top protégés was Arthur Ross, the head Central National Corp. Ross and the Rupert Murdoch-run *New York Post*, took hold of the New York mayoral candidacy of U.S. Rep. Ed Koch in 1976. Koch was running fifth in the field of six candidates for the Democratic nomination, with only 4% of the vote. Ross and the *Post* propelled Koch to win the Democratic nomination. In this Democratic city, Koch handily won the mayoralty election in November 1977.

As mayor, Koch ruthlessly suppressed all opposition the FCB/Big MAC policy inside the New York City Democratic Party, just as Al Gore wing of the Democratic Party, through such creatures as Donna Brazile, is doing today in Washington, D.C. He often made budget cuts before the FCB/Big MAC asked him to.

Opportunity Lost

The fight against FCB/Big MAC policy was far from over, and during 1976, the LaRouche-led forces continued to build forces against Lazard-led fascism. An inflection point came in August 1976 at the summit of the Non-Aligned Movement in Colombo, Sri Lanka. There, the courageous Foreign Minister and Justice Minister of Guyana, Frederick Wills, a friend and ally of LaRouche's, introduced a resolution calling for a global debt moratorium, which was passed by the assembled delegates. Immediately, U.S. Secretary of State Henry Kissinger deployed internationally, to prevent governments from acting on the Colombo resolution.

By August 1976, the accumulated threats and buyoffs of crucial and potential debt moratorium allies, stopped New York, with its international importance, from adopting a debt moratorium. Mayor Ed ("Feel the Pain") Koch moved to crush those in the Democratic Party who had listened to Lyndon LaRouche, as did Victor Gotbaum in the labor movement. Many people in New York backed off, under the threats of Koch, Gotbaum, and Rohatyn.

A golden opportunity for profound change had been lost.

In Washington, and other cities, the lesson of New York City in 1977-82 shows that the financiers' plans can be broken, by following the economic principles and leadership of LaRouche.

If not, the spiral downward will be very deep.

V.I. Vernadsky and The Transformation Of the Biosphere

In this issue, we continue our report on Lyndon H. LaRouche's June 28-29 diplomatic initiatives in Moscow. He participated in a webcast press conference on "The Economy of Russia Under Conditions of Destabilization of the World Financial System" on June 28 (EIR, July 6), and then addressed hearings of the Russian State Duma's Economics Committee on "Ensuring the Development of the Russian Economy Under Conditions of a Destabilized World Financial System," on June 29 (EIR, July 20). He also delivered the lecture printed below, to the Lebedev Institute of Physics of the Russian Academy of Sciences (FIAN), on June 28.

Two regular social sciences seminars exist under the auspices of the FIAN. Prof. L.A. Shelepin chairs the FIAN methodological seminar, which has existed for over 50 years, and continuously (after a five-year hiatus) since 1993. The second standing seminar, devoted to economic modelling, was initiated in 1995 by Profs. G.G. Pirogov and D.S. Chernavsky. The late Prof. Taras Muranivsky, Moscow president of the Schiller Institute for Science and Culture, addressed the FIAN seminars on several occasions, with in-depth reports on the principles of physical economy and the forecasts and proposals of Lyndon LaRouche. After the death of Professor Muranivsky on July 17, 2000, the FIAN seminars devoted two special sessions to his memory, the second of which was held jointly with the international Schiller Institute, in December 2000, with the title "Russia's Historical Mission in Light of the World Economic Crisis."

Professors Shelepin and Chernavsky presided at a joint session of the FIAN seminars on June 28, 2001, where LaRouche was the guest speaker. His lecture, and the discussion that followed, are presented in the following pages.

Professor L. Shelepin: Our seminar, this evening, is meeting with the well-known major economist and political figure Lyndon LaRouche. The name of Lyndon LaRouche is very well known to you all. In our country and all over the world, we have a great confusion of various ideas, and people clashing with each other, and LaRouche is playing a great integrating role.



Lyndon H. LaRouche, Jr. speaks to scientists at the Institute of Physics of the Russian Academy of Sciences in Moscow, June 28, 2001. Above: Vladimir I. Vernadsky (1863-1945), the founder of the science of biogeochemistry.

Lyndon LaRouche puts out a journal, *EIR, Executive Intelligence Review*, which is distinguished by the quality of its information and analysis, and other qualities. Lyndon LaRouche is connected with the Schiller Institute, which conducts a great deal of work in the United States, in Western Europe, and in the whole world. At the end of last December, we held a joint conference of our seminar with the Schiller Institute, which had a great public resonance.

I would like to say the following in addition: Lyndon LaRouche applies the method of the exact sciences, economics. The concept he puts forward, is based on bringing the exact sciences into the social sciences. That is the very same task, as our seminar has. Our seminar deals with economic modelling, and precisely with bringing the exact sciences into economics, sociology, and other social sciences. Those who have attended the seminars know that. Therefore, there are many points of tangency between Lyndon LaRouche and the activity of our seminar. Therefore, LaRouche's coming here is, without any exaggeration, a real event for us. I would like now to turn the floor over to Lyndon LaRouche.

Speech by Lyndon H. LaRouche, Jr.

There are many items of business I would have to transact in Moscow now and with you, but today I shall pick one. I will say what I wish I could say in the presence of our dear departed friend, Taras Muranivsky, Professor Muranivsky, who was a dear friend. This is the first time I've been in

Moscow when he was not here to greet me. He would appreciate what I'm going to do.

I'm going to talk partly about Vernadsky, and his importance for today, for economics as well as for other matters. Vernadsky was unique, actually, in economic science, though he was not an economist, because his emphasis upon what he called the noösphere was one of the most fundamental conceptions in all sound economic science. It becomes important in two ways. One, strategically; the other way, because of its relevance to the specific issues before us today, particularly issues faced by Russia.

Now, there are certain things that Vernadsky did not do in respect to economics; that is, specifically, he did not get at the relationship, the *social* relationship, between the individual discovery of principle and how that works in a society. He recognized that, just as life transforms non-life, so the human mind is unique among all living processes, in the way it transforms the biosphere. There are several aspects he didn't attack, which have to be attacked in order to apply the importance of his work to economics. Even though he referred to the work of Riemann in his papers, he did not actually seem to understand the significance of Riemann's work as such. And the work of Riemann is essential, for understanding the fuller implications of the discoveries which Vernadsky actually made.

Let me just, as carefully as I can, explain what the issue is involving Riemann and Vernadsky. And those of you who are physicists, or biologists, will appreciate this, because they have the same quarrel with many mathematicians. The formal



Prof. L.A. Shelepin of the Institute (standing) chairs the seminar. To LaRouche's left is Sergei Cherkasov, scientific coordinator of the Vernadsky Geological Museum, Russian Academy of Sciences, who translated for the event.

mathematician tries to explain everything at the blackboard, including physics. The physicist, the discoverer, deals with the matters that the mathematician would never discover. And this is the way to look at Vernadsky, from my standpoint.

What we call modern physical science, is based on taking what people believe is the organization of the universe, and proving it's wrong. The classic example of that, in modern science, is the discovery of gravitation by Kepler in his 1605 *New Astronomy*.

That is, you take an existing mathematical physics, for example. Remember that Kepler dealt with a very primitive kind of mathematics of Copernicus and Brahe. Before Kepler, the attempt was made, ever since the Romans, to explain the planetary orbits in terms of a statistical projection from a series of observations. And Kepler's more precise calculations, on the measurements made by Brahe, showed that Brahe was wrong, and that Copernicus and Brahe were both wrong, about the nature of planetary orbits and planetary systems. By using existing statistical methods, you could not predetermine, by calculation, what the position, or velocity, of a planet would be.

This discovery by Kepler established in a new way, the concept of a universal physical principle: that physical behavior is not determined statistically. It is determined, in the case of these kinds of aberrations, or these kinds of contradictions, by the discovery of a physical principle, which has the effect of being an *intention* of the system.

Now the same thing was done, in a simpler direct way, by the great Fermat, the great French philosopher. That is,

working from a Cartesian, or Euclidean, system, and trying to compare the experimental results of reflection, and refraction, he found a difference. So, therefore, what Fermat posed, was that the pathway of light was not the pathway of the shortest distance in Euclidean space-time, but the pathway of the quickest time. Then later, through the collaboration on these questions, by Christiaan Huyghens, and Leibniz, especially together, the question of relativistic time and relativistic physical space-time began to be opened up to European science.

Actually, the Leibniz calculus, and also Leibniz's *Monadology*, are key to understanding what came out of these kinds of discoveries by Leonardo da Vinci, then by Kepler, and then by Fermat. The problem came as this: You had a problem with Leonhard Euler, who was a formalist, and you had a problem with a protégé of LaPlace, Augustin Cauchy. The Newton calculus was discredited, so Cauchy tried to save Newton by revising the differential in the Leibniz calculus. The result is, that legions of people after Cauchy, because of the influence of that school, and particularly the British school, have been fraudulently teaching, and practicing the calculus for almost two centuries. Because the differential value, in the Leibniz differential calculus, is not a linear interval. There is no linear connection.

This leads directly into the question of what Vernadsky actually did. And it's the same method; Vernadsky's method, as he describes it, is the same method that was used by these predecessors, including Leonardo da Vinci, including Kepler, including Fermat, including Huyghens, including Leibniz,

all the great discoverers, including, before him, Gauss and Riemann. And it's a great school that he studied in. It was a school of crystallography, which actually was started in European science by Kepler, with his work on periodicity in crystal formations. It's the school of Mendeleev, who was part of the same tradition in scientific work, and whose defining of the periodic table is a benefit of the same method.

So, the important thing is, that in coming in contact with the school of Pasteur, and Curie, Vernadsky made a leap, along the lines they were working, to use certain anomalies, statistical anomalies, to show that living processes obeyed a principle, which does not exist among non-living processes. Now, on that basis, he defined the biosphere from a geological standpoint very precisely. Then, at a later point, he recognized that human behavior affected the biosphere, in the way that life affected the non-living processes. And his limitation was, not breaking fully with the so-called formal geometry, and formal mathematics.

The key thing that Kepler started, is the demonstration that the universe does not conform to a sense of infinite linear extension, in three directions of space, and one direction of time, one sense of time. But a follower of Leibniz, of the Eighteenth Century, a great mathematician and physicist, Abraham Kästner, of Germany, who was the teacher of Gauss, established what was called anti-Euclidean geometry. Not *non-Euclidean*, but *anti-Euclidean*. And this was the basis for Gauss's training. He did this in mathematics, in formal mathematics; he did it in geometry. It is to show that there are anomalies, like the anomaly that Kepler pointed out in terms of the orbital system, the Solar System; anomalies like that which are identified in the case of the work of Fermat on light. It came to Riemann to say, finally, that *there are no formal, a priori principles of space, matter, and time*. But there are only universal physical principles, which we do not detect *a priori*, or with our senses, but principles which we prove in the laboratory by principles of universal experimentation.

And that, of course, is the significance of Riemann's habilitation paper of 1854. Riemannian geometry is not a non-Euclidean geometry; it's an anti-Euclidean geometry. Non-Euclidean geometries are created in the way Lobachevsky did, by challenging postulates within Euclidean geometry. The work of Bolyai and Lobachevsky are comparable in that sense, that they both challenge axiomatic assumptions, but their postulates are of Euclidean geometry. They do not overthrow the geometry.

That is also the significance of the discoveries of Vernadsky: by using experimental evidence, natural phenomena, to demonstrate that the existing physical explanations do not account for the phenomena, and thus to demonstrate that a universal principle is operating, rather than the kind of system we assumed was operating.

Now, the problem was, in the work of Vernadsky, that he never was able to unify, or never came to unify, the implications of Riemann's work, with his own work.

The Hoax of 'Information Theory'

The way I discovered Vernadsky, is back in the 1940s, when I was doing work in refuting what's now called systems analysis, what's called "information theory." Now, from there, I'll go to the point of what is the significance of this for economy, in Russia, in particular, today.

Wiener and von Neumann were both protégés, religious protégés, of Bertrand Russell, who had introduced the attempt to reduce to simple arithmetic, linear methods everything in the universe. He tried to explain everything in terms of what he called "information theory," like Wiener did, which was the same thing that Russell had argued, and was the same thing which von Neumann argued. That is, he tried to explain it statistically, by the statistics of people like Mach, the statistics of people like Boltzmann, and so forth. And this is like liberal economics, which says that if you get enough people doing evil, and rubbing their bellies together, you'll get a good economy. You don't need any science, you don't need any principle, just rub enough free traders' bellies together, and they'll come out with a good result.

And this was obviously absurd to me, just from the standpoint of technology, and from my experience in production. And you all know it, who do physical science, who've done experimental work—you all know this. You try to prove a principle. You have an anomaly which arises experimentally. You try to make a hypothesis of what principle explains this anomaly. Then you must construct—if you think you're right, you must now design and construct an apparatus, which tests for that: Is that principle true? Number one. And second, is it universal? You create something which has never been seen before, a new principle.

Now, you look at the apparatus which succeeded in proving the principle. You look at the apparatus, and you say, "Ah! We now have new technologies." Now, if you have a good arrangement in education, you have a university with your academies, and so forth, who are doing discoveries which lead to experiments, which result in discoveries of principles, and new technologies. If the testing laboratories, through engineering, design engineering, are connected to production, now you make new kinds of products, and new kinds of productive processes, using these technologies. If you do it properly, you change man's relationship to the universe. Man's power in the universe is increased, per capita, and per square kilometer. It is not necessary to rub together the bellies of idiots together to get progress. If you do that, it's called liberal rubbing, liberal economics.

But what is demonstrated, is the human mind, with a human cognitive capability, which Vernadsky called "noetic" capability. It's the same term that's used in the Greek, it comes from the Greek, and it's used interchangeably with the origin of poetry, and "noetic" is the same concept.

So, what has happened is, the human mind has created something you can't see, you can't smell, you can't taste, but it enables you to increase man's power in the universe. How

can you increase the actual productivity of mankind? How can you increase man's power in the universe? How can you make human life better? How can you bring nations together peacefully around common objectives? By organizing society around the discovery and use of valid universal principles.

So, the significance of Vernadsky lies there, in his understanding that life was a principle, distinct from molecular biology.

So, what I'd done earlier, was to recognize that Riemann had made a fundamental discovery which applied to economics: It's how is society organized, to increase the productive powers of labor. A principle which Bertrand Russell, von Neumann, Norbert Wiener, and others denied existed, like Kant before them—Kant's famous attack on Leibniz in his *Critiques*: He said that the noetic, the cognitive process, does not exist.

The Classical Principle in Education

Let me, before completing this, just take one aside, and say one thing about education.

A human being, newborn, as Vernadsky defined it, *every newborn human being* has the potential capability of making fundamental discoveries, including moral ones, which can be of benefit to all humanity. Every individual human being, when born. But if we're successful, it takes almost 25 years to bring the newborn baby to maturity. Not simply biological maturity, but cognitive maturity. By cognitive maturity, you mean the best scientific minds, discoverers, you mean the greatest creative artists, and performers. These are the gems of society.

So, the first thing in society, if we understand what Vernadsky has said, is to have an educational and maturational and family situation, which takes these newborn babies, and develops them to their cognitive potential. What must be learned, is not to learn formulas from a textbook. We would hope that the child, in each phase of education, would relive the experience of great discoveries of principle made by people before them. They should not be educated the way you train an animal—a dog, a cat, a horse. Rather we want the child to relive history, the history of the great discoveries. We want the child to *be there*.

I often use the case of Archimedes, who was killed by the Romans in 212 B.C. There are famous discoveries by Archimedes. Why shouldn't the child go back 2,200 years in history, and relive a moment in the mind of Archimedes, a moment of discovery, and shriek "Eureka!"—"I saw it!"

When you have this kind of education, in which the child—it's called a Classical humanist education—has that kind of education, they have a sense of their humanity, meaning their relationship, their immediate personal relationship, to discoverers, who may have died hundreds or thousands of years before they were born. And then you say, well, what is the characteristic of all great leaders of society, in science, in politics, in art—the great performers in art, for example?

LaRouche on Vernadsky

Lyndon LaRouche has long emphasized the importance of the work of V.I. Vernadsky, beginning with a March 1973 advisory (unpublished), which led to the subsequent formation of the Fusion Energy Foundation. Here is a short bibliography.

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Vladimir I. Vernadsky, "On the Fundamental Material-Energetic Difference Between Living and Non-Living Natural Bodies in the Biosphere" (1938), Jonathan Tennenbaum and Rachel Douglas, trans., *21st Century Science & Technology*, Winter 2000-2001.

"Bring Science Back to Life—Vernadsky's Method," *21st Century Science & Technology*, Summer 2001. A panel discussion at a May 2001 Schiller Institute conference in Bad Schwalbach, Germany.

What is their characteristic, that distinguishes them from the greedy little people?

Just as they think of their relationship to the great men, who made them possible, they look forward to the future generations, for accountability for what they do. It's the denial of that quality of education, and social standard, which deprives society of leaders of all the qualities that we need, to ensure that society does not get into the kind of mess the world is in today.

Vernadsky spoke about the role of the individual, and the individual's contribution to society, the cognitive contribution, the noetic contribution. That we must think instead, of an anti-Euclidean, Riemannian form of geometry of principle, only *proven* principles—proven in the way that Vernadsky himself demonstrated the universality of a principle of life in geology. Or the way he demonstrated the same thing for society in terms of the impact of individual discoverers in trans-

forming man's relationship to the universe.

So, therefore, we require an orientation to the fact that there are also principles involved in social relations of cognition, principles which are typified by two things: that, first of all, the mind is not based on an individual discovery, one at a time. The mind of a discoverer, as any of you know, from your own experience. . . . In an educational and related process, there are many minds living inside your mind. Think of the challenge of a great actor of Classical drama, who must go on stage, and convince the audience, that he or she is the character they're playing in the drama. And the director of the play, who must have an interaction among the actors, which presents to the audience, the actual conflict in the drama.

We relive the past, in our own minds. We relive it when we re-enact a discovery, a physical discovery. We re-enact it in great art, when we re-enact the intent of the composer of great art. Their mind lives again inside us, a moment from their mind. That population in our mind, of all the people we've known from thousands of years before, in this way — as my dear friend Taras would have said, "in the best way" — we know this when we do something, we think of their minds looking at what we're thinking. These are our conscience. We may differ with them. We may disagree with them, but we will never do anything dishonorable in their eyes.

So, we need an educational system, but first of all, we need an educational policy, as a policy of society, first. We have to do for the noosphere, what Vernadsky did for the biosphere. Vernadsky took the geological history of the planet to demonstrate the biosphere. History, as I've just described it summarily, is the same thing, the application of the same method, to the noosphere.

A Vernadskyian Mission

Now, to the practical application.

As I've emphasized a great number of times, in Central and North Asia, we have the greatest frontier for conquest of all humanity to date. This is an area poorly developed, or an area which is unusable presently, within which lie rich potential resources, that are not rich unless we develop them. I once called this the conquest of inner space, comparable to the development of outer space, and we must conquer inner space, as we must conquer outer space. Because we have in Eurasia, in this time of great world crisis, the greatest concentration of world population, and also the greatest cleavage in culture throughout all humanity.

What you have is a situation in which, on the one side, you have European culture, which includes Russia's culture, the culture of Western Europe, the culture of the Americas, which is predominantly European culture, modern European culture. Then you have on the other side, the culture of China, Japan, Southeast Asia, South Asia, with a traditional Islamic culture; it's not difficult to work, as we see in the history of the Abassids, for example, in the Great Caliphate of Baghdad.

There's a similarity of culture, which we know how to work with.

And you have different cultures in India. You have cultures which are similar to those of Europe, and cultures which have a different conception of man than you have in European culture. And, also in China, you have different cultures. You have the tradition of Confucius, and Mencius, which is very easily understood by us, and very sympathetic to us. While Japan is modern, in the sense of modern European culture, it has a different cultural root. So, Southeast Asia.

Central and North Asia, particularly Central Asia, is the meeting place, the great cultural meeting place, between Asian culture, as such, and European culture. And Russia has the peculiarity of being the world's Eurasian nation.

Now, we're in a world economic crisis: not only a financial crisis, not only a monetary crisis, but an actual physical breakdown of the planet's ability to sustain its existing level of population. If you attempted to extend the presently world-hegemonic, liberal economic system of free trade and globalization, for another ten years, you would set into motion a collapse of the world population level, rapidly, to levels below 1 billion persons. The greatest genocide this planet has ever known.

Now, the development of this Eurasian development, requires the greatest infrastructure-building project ever conceived, especially affecting Central and North Asia, going into the tundra areas. It's a project that will change the character of the planet, for the better. It's a project that will work only among sovereign nation-states, not some globalized empire. But to do this means we have to have a sane scientific conception of physical economy, as the basis for collaboration among nations. We're going to change the environment of the planet as never before, because what will be done in Central Asia, will transform the entire planet's practices. It *must* be done, because you can not save China, with its present population, without an injection of technology beyond what China is capable of producing internally at present. India and Southeast Asia depend upon the same thing.

Therefore, think! We're proposing to change the biosphere on the largest scale ever conceived. We must introduce a change in the conception of the way economy is organized, starting with education. And the relationship between the university, and the educational system, the scientific laboratories, the production of technology, manufacturing and design of products, must be a continuous, well-organized process.

But I know we can do it. I've given many decades of thought to this: We can do it. Even some of us who are older can do it. But to do it, we have to take the full implications, not only of Vernadsky's work, but the implications of what he left unfinished. Revive it, and put it to work. As in the way Professor Shnoll has been doing with his group, to preserve this kind of nonlinear exploration. We need it. We need to do the job. But, above all, we must adopt the idea as a *mission*. We must make the idea a mission, an infectious idea, which

not only infects people, but inspires them to do things they think they can't do, but they could.

Thank you.

Dialogue with LaRouche

During the discussion period, many of the scientists in the 150-person audience had questions for Mr. LaRouche. In an effort to communicate with as many people as possible, in the time available, he made his answers particularly short and pithy.

Professor Shelepin: Here we have a coherent body of knowledge, which Lyndon LaRouche has developed. Now, questions—but, please be very concise.

Q: Tell me please, what place or role you assign, within physical economy, to the improvement of social and economic forms of development?

LaRouche: Essentially, what I've said, in terms of education. An economist must not be trained as they're trained now. That's important. An economist must do what all of us have done, who are serious about studying science. You must not merely study the textbook to learn the formula, or look up the table in the tables at the back of the book, or the indexes. You *must re-experience* the great discoveries of principle of mankind as if you were discovering them afresh yourself.

Imagine all these crazy spy-people who think that you can steal secrets. You can't steal secrets; you have to earn them. That is, important secrets. If you start to steal, you'll probably get rubbish that somebody left in the ashcan in the back of their house. You may know cases like this, but I know of cases like this, where people, spy agencies, went to great lengths to steal secret documents, but they didn't know what they meant! When you put things down on paper, discoveries on paper, you don't have to tell yourself how you connected them. These are merely notes. It's like somebody trying to steal the ideas of Beethoven by reading a piano score.

If people understand physical economy, it is not to be taught as people think about teaching economics. The basis for physical economy is studying world history in the way I've described it. If you become educated in the way I've described, with a cognitive education, reliving the ideas, or discoveries, of people before, and you're sharing discoveries with people with whom you're working, or trying to share a discovery—for example: If you're a scientist, you're running a laboratory, you make a discovery. You have a design-engineering team work and help develop the apparatus. You prove the apparatus. Now what do you do? You go and try to explain, make this clear to people who have to use the apparatus to understand what it is. What you do, is you make a team of your people. The scientists and the people they work with become a cooperative team. They work together and they

think together. That's the way physical economy has to be practiced.

Q: What is it that could lead to the reduction of the Earth's population to 1 billion, and what is your forecast of the chances of this happening?

LaRouche: Well, as I said, in ten years of this continuing process, we would get into a process which would, within a generation or two, lead to that kind of collapse of population levels. The percentile of people who actually produce, and the effectiveness of their production, is less, on a planetary basis, than it's been in the past 30 years.

Q: Do you believe that there can be one single model of an optimized economy, for all the countries in the world? Or, is it rather the case that, depending on the geographical variation among nations, each country has its own optimal economic model?

LaRouche: I think that problem doesn't exist. A different problem exists. What you need, is you need the sovereign nation-state, which I've explained in a great number of writings—why you can not do without the sovereign nation-state. What you get, because of the geographic conditions, you get a division of labor among nations. For example, today, say between Russia and China: China has some high technology. It doesn't have enough. Through the mediation of Western Europe and Russia, China can get the additional technology it needs for its development. That is a case of different geographic areas, different problems. The two groups of nations can cooperate to mutual advantage.

Q: First of all, I would like to welcome Mr. and Mrs. LaRouche to Russia, and secondly, to wish this Democratic Party candidate for the Year 2004 Presidential election, success. I hope that the United States will refute the Russian proverb which says, "If you have strength, you don't need any brains."

I would like to ask a question, taking advantage of Mr. LaRouche's tremendous erudition. The tendency for a reduction of the anthropogenic load [on the planet], in connection with population reduction, is chiefly taking place because the United States of America wills it to take place, in order to ensure its own ecological security. Wouldn't it be better to try find alternative ways to solve the energy problems, which have broken out in California and elsewhere in the United States, for example? How can this be solved? [*Translator restates the question:* In other words, isn't the U.S. trying to solve its economic problems by wiping out other populations?]

LaRouche: No, it isn't. The United States is not. You've got an Anglo-American group which is trying to reduce the world's population, in order to have the kind of world they want. It's deliberate. If you stop *them*, we can reverse the whole problem.

Q: Everybody knows there are two parts of humanity — the producing part, and those who consume. And we are aware, that the consuming part exerts control, over the producing part. Do you have indications that inside the creative, producing part, there is some organized force that could mobilize the efforts of that part?

LaRouche: Yes. Absolutely. We're organizing it, because it exists potentially. The problem is a lack of leadership to bring —. You see, many people would play that role. But, if they don't have the quality of leadership, they won't do it. A fuller answer to that would take at least two hours.

Q: In this book [*So, You Wish to Learn All About Economics?*], which you inscribed to me on April 27, 1994, there was not one word about the teachings of Vernadsky. From this, I have concluded that a certain progress has been achieved. In this connection, I have a question. In Vernadsky's teachings on the biosphere, and also at the basis of physical economy, there is the concept that the three elements of the biosphere — the abiotic, the biotic, and the social — are closely interconnected, and differ in how they function, in their energetic function, first and foremost. What do you think is the fundamental characteristic of the energy function in the social element, at the present time?

LaRouche: No, the point is that the attempt to come up with "energy," is something which Vernadsky himself was very suspicious of. What he pointed to, is that apparently weak forces actually can dominate what seem to be strong forces. And so, therefore, you're dealing with a question of *organization* in the universe, not energy as such. Energy is a result; it is an effect, it is not a cause.

Q (follow-up): May I make this more precise? The characteristic of the social element is to be found in labor activity, the energetic effect of which, is that energy is accumulated with an efficiency of greater than 100%.

LaRouche: No, it doesn't work that way. It has the *effect* of that, but it is not a form of energy. It has the *effect* of energy. But, try to measure the mass of a thought.

Q: The main burden on the Earth's resources is created by the Golden Billion, not the rest of the population. Maybe the thing to do would be to reduce the population size of this Golden Billion. [Laughter, applause.]

LaRouche: Put them to useful work! [Even more applause.]

Q: What is your attitude toward the expansion of the "anti-globalist" movement in the world, if you could please characterize it? And, are you working with some anti-globalist organizations?

LaRouche: No. The "anti-globalist" movement, worldwide, is headed by Teddy Goldsmith, who's a very evil fellow. He's using it, to disrupt the very cause he pretends to defend, as in the case of Brazil. He organized a conference, which

was an attempt to globalize Brazil, in the name of anti-globalization.

I think that Vladimir Putin is a great anti-globalizer, because he's actually taking concrete steps to bring cooperation among sovereign nation-states.

Q: Many of those present became acquainted with you from your book, which was published in Russian translation in 1992-93. In this book, the economist Friedrich List, whom you assess positively, has a great role. Has your attitude to this economist changed, during the past ten years?

LaRouche: Yes, List is extremely important. He's not the most important figure, but he played a very significant historic role in Europe, especially in Germany, and also in Russia, in the history of Russia.

Q: The ideas on education, which you discussed here today, that is, teaching the technological history of mankind, rather than just the history of wars and coups — the teaching of that which is fundamental, cognitive, and scientific. Have they been organized? That is, are there any works on this, which would deserve to be translated into Russian?

LaRouche: Not much, currently. You have a long history of this in the United States. It started in the Massachusetts Bay Colony, in the Seventeenth Century, and it continued, but it was always limited. The best exposition of this method, is the writings of Friedrich Schiller and of Wilhelm von Humboldt, on the question of Classical humanist method. What I said, is no different; it's expanded over what they did, but it's the same thing. . . .

Q: In your other written material, you include Marx as a monetarist. Why?

LaRouche: Because Marx adopted, with some changes, the British school of Bentham, which is Adam Smith, etc., as the founders of modern scientific political economy — which is not true. Modern scientific political economy was founded by Leibniz, long before Adam Smith was born, between the years of 1671 and 1716. The founding of physical economy by Leibniz, was the first theory of modern economy. And Marx made a number of mistakes, which have been passed on to the socialist movement, as a result of this misunderstanding of the history of political economy. To understand Marx, you have to look at him as working within the intellectual tradition he adopted, and working against the British economy, *but within that system*.

Q: My question concerns what critical ideas in physical economy, are connected with Riemann's habilitation dissertation of 1854. I read your book carefully, and I read Riemann's paper, but I don't understand what idea from that paper, applies in physical economy.

LaRouche: The idea is that there are no principles in geometry, except those which are derived from experiment. No *a priori* principles, no sense of the absoluteness of space,

time, and matter. It's called a pure synthetic geometry, by Riemann himself.

Q: Thank you for discussing physical economy in the Institute of Physics. I have two questions, about Reason. . . . Is it possible that in the future, Science and Reason will become a single, universal ideology, a single, universal methodology? My second question, is about the possibility of establishing a world association of scientists for the enlightenment of mankind, in order to create on the planet the reign of Reason.

LaRouche: [Answering the first question.] Yes, in a sense. The key question, which has to be faced, is what is the conception of man? If you take the work of Vernadsky, what leaps out from the pages on his conception of the noosphere, is: What is the conception of man? Man, the actor who produces this effect. Individual man. And therefore, the question of man, and of man's relation to man, is a fundamental question of Reason. I would say that all these questions on Reason are answered by saying: What is the nature of man? What is the relationship of man to man? Physics, and everything else, comes from that.

[To the second question.] The only thing you can do in that direction, is you must have a scientific quality of education of people, and then they will automatically deal with one another on that basis. Kill superstition!

Q: You mentioned Mendeleev. Are you aware that Mendeleev was no less a partisan of protectionism, than List, and that he was one of the most active organizers and practical economists in Russia?

LaRouche: Yes, that's true.

Q: Does physical economy recognize markets, and money, as an instrument of economy?

LaRouche: It's a bad child that has to be controlled.

Q: Do you think it is possible to create a physical model of society, without the religious element?

LaRouche: Not exactly. You have to define your terms, when you ask *me* that question. The term has to be defined precisely. For me, the question of whether man is made in the image of God, as a matter of human knowledge, comes from one's definition of man.

Now, I believe man is made in the image of God. But, how do we know what God is? It's the same noetic principle, which is referred to by Vernadsky. This great power of the universe, *which we share*. So, religion for me is recognizing that one is a child of God—and behaving accordingly.

Q: I've heard you speak before, about corridors of development. What corridors do you see, now, from the West to the East?

LaRouche: We have what we've laid out in this book on the Land-Bridge. It's all in there. The details are there, so I



Economist Dr. Tatyana Koryagina, representative of the Schiller Institute in Russia, briefs the audience on LaRouche's political role. Seated is Prof. G.G. Pirogov.

hope that someone would get you a copy of that Land-Bridge report, because it's all in there. I'd only add one thing: I think this is what President Putin is helping to pave the way to do.

Q: Were the principles of physical economy implemented, anywhere, at any time, in the governance of an economy? Can it be said that in the Stalin period, when the industrialization of our country was carried out, the principles of physical economy were used in directing those processes?

LaRouche: Yes, and no. If you look at the process of production, there are certain principles of the process of production. There were several times when the Soviet Union engaged in a science-driver program. I do not believe, however, in a certain kind of science in concentration camps.

Q (follow-up): This institute, FIAN, was founded in 1936.

LaRouche: Yes. But, the point is that if you're going to implement a science-driver program, you have to follow the principles of physical economy—whatever else that a society is doing. All good physical economy programs, are science-driver programs. It's otherwise called *progress*.

Shelepin: In conclusion, we shall have two or three short speeches.

Prof. D. Chernavsky: I would like, on behalf of the staff

of the Institute of Physics of the Academy of Sciences, where you are a much-desired guest, again to thank you again for the honor, and for this seminar. Moreover, I would like to say that you are a very daring person. You decided to discuss questions of physics, in the Institute of Physics, before an audience of physicists.

Physics is not really the well-ordered, logical science it may seem to be from the outside. Those who work in physics, from the inside, know that there are many problems in physics. This becomes especially clear, when attempts are made to apply physics to biology, or vice versa; or, when there are attempts to solve, jointly, problems such as: How did life arise from non-living matter? How did cognition arise? People at FIAN are working precisely on this, and not entirely without success.

When we apply physics to economics, more problems arise. And indeed, the development of physics and synergetics with a non-linear approach is closely related to biology, sociology, and economics. And, we here are all working on this.

Therefore, your audacity is justified. You may consider that here, both here in the hall, and at the Institute, your followers are working on the creation of physical economy. And I am certain, that this will be very fruitful for science, and—which is the main thing—very important, stunningly important not only for Russia, but for the world. We thank you, once again.

Shelepin: I give the floor to Tatyana Ivanovna Koryagina, who represents the Schiller Institute, the LaRouche movement, in our country.

Tatyana Koryagina: [*For technical reasons, Dr. Koryagina's remarks are given here as a transcript of the simultaneous translation, which abridged them. She spelled out her economic and political forecast in testimony before the State Duma the next day. See EIR, July 20.*] I am very glad that Lyndon and his wife were able to attend this seminar—especially his wife, this outstanding woman. People knew about LaRouche in the Soviet Union, and now in Russia, but I would like to say just a few words about him.

Lyndon LaRouche has been a candidate for President several times, and will be again for the Democratic Party in 2004. Having met him in person, you can see more clearly why, after his previous campaigns, he landed in prison, thanks to the efforts of Henry Kissinger and certain other organizations. I think that the contrast of Lyndon LaRouche with Reagan, and now even more so, with certain other idiots, gives us a sense of the level of knowledge which LaRouche represents, also as a Presidential candidate. Imagine if he had been a candidate for the *Russian* Presidency, in comparison with Yeltsin! Now we have the younger Bush, who may even be more stupid than Yeltsin.

Tomorrow there will be parliamentary hearings on the world financial system. And here we should say that

LaRouche has carried out a revolution in the ability of masses of Americans to understand what's going on in the economy.

Just now Professor Chernavsky said that physics is not a well-ordered science. My colleague, Yegor Gaidar, thinks that economics is a well-ordered science.

You have to understand, that the destruction of the world economy, of virtually all the economies in the world, is being accomplished not by a stupid policy, but by a very clever, liberal policy. This is a policy not of creating, but of destroying. The liberal theory confirms the notion of the Golden Billion; it is designed for a small elite layer. The question is whether the public, the population of the world, can resist and defeat this small layer of the international oligarchy, as well as the domestic oligarchy. Because, in fact, all the money that has been invested in stocks, and so forth, is going to be devalued and wiped out. Even a wealthy country like the United States is faced with the collapse of health care and education.

So, the task is to pull people together into a united effort, to combat this evil policy. Otherwise, you get a complete, worldwide deluge. . . .

We are carrying out further forecasts on the process of defaults, and we anticipate big events in August-September-October. If we look at the wave, which spread from Asia in 1997, to Russia, and so forth, the next big explosion we expect in the United States. The banking system, the currency system.

Voices from the hall: Who says this?

Koryagina: There are various forecasts. I am presenting my vision of how things will develop. . . . These were the same prognoses that were correct, about what would happen with the devaluation of the ruble.

Lyndon LaRouche is now trying, and has already done a lot, to explain in the United States, and to the rest of the world, what is happening. . . . He has shown that the dollar is not actually a functioning currency, but a piece of paper backed up by nothing.

Not long ago, there was an interview with [George] Soros in a leading financial publication. He used the image, that when he talks about the inevitable crash, people say: What are you talking about, people are still buying things, aren't they? He said, "The orchestra has stopped playing, but they're still dancing."

The American population is completely uninformed about what's actually going on. LaRouche goes to the roots of the problem, which is very important. Therefore, on behalf of the Schiller Institute movement in Russia, I wish him good health, and all the best. And I wish him success in going into the Duma, at the hearings, and straightening out our parliamentarians and government.

Shelepin: Our agenda has come to an end. I would like to thank Lyndon LaRouche for his very interesting speech.

LaRouche's Method: 'Victory over Entropy'

by Jonathan Tennenbaum

"In the Image of God—LaRouche's Physical Economy as the Victory over Entropy" is the title of an extraordinary article, published in the July 3 edition of the Russian nationalist weekly *Zavtra*, the week after Lyndon LaRouche's historic appearance before the Economics Committee of the State Duma. The article, signed by Denis Tukmakov, accompanied an interview with LaRouche done by Tatyana Shishova. It is significant on several counts, first because it constitutes probably the first serious, independent attempt to introduce LaRouche's conception of physical economy to the Russian public, since the articles of the late Taras Muranivsky.

Second, because it strongly emphasizes the religious-theological implications of LaRouche's work, in a manner which places that work, de facto, in the middle of recent public discussion over the importance of the principles of Christianity, in defining a mission for Russia in the world. Interestingly, this discussion has included a revival of interest in Vladimir Solovyov, Pavel Florensky, and others who favored an ecumenical reconciliation between the Eastern and Western Churches. Third, the article differs markedly in tone and content from the usual, often violently nationalistic rhetoric of *Zavtra*, a publication associated with certain Russian military and intelligence circles.

Denis Tukmakov writes regularly for *Zavtra*, often on Church matters, as well as international politics. He first brought LaRouche into one of his commentaries in 1998, in a profile he wrote about the late scientist and industrial organizer Pobisk Kuznetsov.

"Who is Lyndon LaRouche, anyway?" asks Tukmakov in the opening of his article, going through common characterizations of LaRouche in Russia: "American economist; political scientist; millionaire [sic]; professor; 'Godfather' of the SDI; many-time candidate for the Presidency of the U.S.A., who each time was beaten down in the primaries because of his fundamental philosophical differences with all other candidates."

"But what is he, in a deeper sense?" Tukmakov continues. "An irreconcilable opponent of the monetarist, liberal hierarchy of values which presently rule over three-fourths of the planet, an irreconcilable opponent of the system of 'brain-washing' in Western education. A specialist in philosophy and the history of science; an expert on Plato, Leibniz, Rie-

mann, Vernadsky; creator of original conceptions for the development of mathematics, thermodynamics, and music.

"But is there something even deeper in LaRouche? Yes, there is. Conceptualizing, in his life's work, the movement of human thought from Neanderthal man to Egypt, Greece and Rome; through the Renaissance to modern times; and reconceptualizing the course of history over the last 6,000 years, LaRouche has in essence created a new Theodicy, or Justification of God. In the anti-entropic development of human civilization on the planet Earth, and in the creative, positive labor of humanity, which multiplies the Earth's wealth, he sees a demonstration of the continuous presence of God in the world; His infinite, ongoing creation; His will, which defines the meaning of the entire universe's development.

"It is these theological categories that guide LaRouche's views on empirical economics, financial or political questions—views which inevitably contradict the distorted, 'God-denying' notion of the role of man in the cosmos, that has prevailed on this planet over recent decades, as embodied in the political-economic model of development under Anglo-Saxon hegemony.

"Let us try to grasp LaRouche's economic and philosophical views in a more detailed way, taking the example of what may be his most important work, *Physical Economy*, written in 1994. (It was published as a book in Russian in 1997, the English original having been serialized in *EIR*, Vol. 21, Nos. 9, 10, 11.)

"LaRouche begins with the proof, that the world economy, including the 'leading' U.S. economy, has gone through a contraction over the last 40 years—a decline of such a systemic character, that it can soon lead to a catastrophe for mankind and a new 'Dark Age.'

"LaRouche proposes, that an unbiased measurement of the economy of any nation, must be based on calculating the typical market baskets of household consumption, in terms of physical volumes of agricultural and industrial goods produced. This includes all basic forms of physical consumption plus two basic services: health and education.

"If, following LaRouche, we examine the change in these consumer baskets over the last 40 years, per capita, per household, or per square kilometer, we come to the undeniable conclusion: Throughout this period, the net output of physical production steadily decreased, nearly all over the world. At first this was simply a decline in rates of economic growth, and later it turned into an 'absolute decline.'" Tukmakov quotes from LaRouche on the collapse of market baskets in United States, and goes on:

"LaRouche mentions three main reasons why the populations of developed countries, especially the United States, have been blinded to this problem and have believed in the claims of politicians, about supposed 'economic prosperity.' The biggest reason is the gullibility of the majority of the world's population, molded by mass culture and forced into 'politically correct' forms of expression of public opinion.

The second reason is the elementary frauds of official statistics, which refuse to deduct from gross national income, the unpaid costs of maintaining productive infrastructure. The third reason . . . lies in the prevailing practice of calculating of national income, which rejects any distinction between the actual useful production and consumption of benefits, on the one hand, and the unnecessary expansion of nominal incomes.” Tukmakov describes the expansion of nominal income from various forms of superfluous “services” and financial speculation in the United States and other countries, activities that contribute nothing to real production, but are included in the official calculation of “economic growth.”

He continues: “But why are leading economists and politicians around the world, committing fraud and leading their populations into catastrophe?” LaRouche, he says, sees the main reason lying in systematic defects in thinking determining policy-making, going back to the axioms of thought of Adam Smith and Marx and more recently introduced into economics after 1938 by the radical positivist John von Neumann.

“The point is, that the systems of Smith, Marx, von Neumann, John Maynard Keynes, and J.S. Mill—the entirety of British political economy—describe only entropic processes.” Tukmakov backs this up with a quote LaRouche on the fallacious notion of “zero-sum” economics, and the Physiocratic notion of wealth being defined by “the bounty of nature.”

More important, however, “LaRouche identifies the social doctrine of John Locke as the key to understanding the economic dogmas of Smith, Malthus, Marx, Ricardo et al. According to that doctrine, human society is nothing more than an aggregate of discrete entities, moving chaotically under the influence of three basic impulses . . . to stay alive, . . . to pursue pleasure, and to fulfill greed for property. . . . Modern man is a kind of animal, with bestial instincts and animal activities, hardly much different from baboons living 10 million years ago.

“But, LaRouche points out, something doesn’t fit, in such arguments.” Tukmakov then cites LaRouche on the documented, spectacular increase in population potential in the course of human history, from a baboon-like state with a population potential of only tens of millions, to the potential of sustaining 25 billion population on the basis of presently available technologies, and even to the point of beginning to colonize space. How did this happen? “In the course of history, man was able to constantly make great, revolutionary discoveries . . . which are not simply transferring wealth from one pocket to another. . . . As a result, simple entropic systems of political economy are utterly unable to account for the historical development of mankind, and all the more incapable of prescribing to mankind, how to develop further.

“Answering the question, what kind of political economy might be better able to describe the progress of mankind, LaRouche points to Leibniz—an opponent of Locke, Smith

and Marx.” Tukmakov goes into Leibniz’s work on heat-powered machines and the concept of technology, increasing the per-capita productivity of labor, and notes: “It flows from the philosophy of Leibniz, that man is differentiated from the world of animals by a growth in population density, thanks to an increasing productivity of labor. . . . Human labor itself, the physical creation of wealth, is nothing else, than pursuing the works of God, cooperating with God, man’s action in likeness to God in the process of God’s eternal ‘winding up of the world clock’ How alien were such ideas to the theory of ‘bestial mankind’ of John Locke or Adam Smith, the latter working in the service of the British East India Company, which dealt in opium trade and the slave trade, or to the French Physiocrats—feudal landowners and usurers!

“Leibniz’s ideas, which found a positive continuation in Riemann and Vernadsky, in List and Mendeleev, in Witte and Hamilton, in de Gaulle and Adenauer, are opposed to the present-day ‘brain rules’ of the global political-economic elite.” Tukmakov then cites LaRouche, stating that any national or world economy that bases itself on the neo-conservative idea of “democracy and free trade” and the so-called “conditionalities” of the IMF, is doomed to economic and political collapse, chaos, and death.

“In order to understand and resolve this global crisis, what is required, in LaRouche’s thinking, is physical economy as a science, able to describe and project the actual negentropic development of mankind.

“LaRouche bases the further elaboration of these ideas on the foundation of two interacting categories. First is ‘potential population density,’ which is the true measure of the development of the productive forces of society and which subsumes the physical processes of production, consumption and reproduction of the human population, as well as necessary services such as education, health and culture, calculated per capita, per household, and per square kilometer.

“The second most important category in LaRouche’s system is ‘revolutionary-axiomatic discoveries,’ which cause increases in the potential population density [of the human species]. These discoveries are the product of human creative reason and constantly move mankind forward on the path of progress, serving in their turn as the source of increase in the physical productivity of labor. . . .”

Tukmakov concludes: “To regain a vision for the future, and reject the ruinous dogmas and prescriptions of ‘entropy theory’; to overthrow the power of the world oligarchs who are putting the brakes on technological progress and reducing the majority of the population to the level of stupid sheep; to harness beneficial productive labor and unleash the revolutionary power of our minds, in order to overcome extinction through ‘heat death’—all of this, according to LaRouche, is the task confronting mankind today. And only in the process of fulfilling that task, will each of us finally come to know, that we are in the image and likeness of God.”

Memories of Taras V. Muranivsky (Feb. 3, 1935-July 17, 2000)

by Felix Beleyubsky

Prof. Taras Muranivsky, president of the Moscow Schiller Institute of Science and Culture and a frequent contributor to EIR, died one year ago. In December 2000, these recollections of the earlier years of Professor Muranivsky's life were offered by his close friend for over 40 years, the Russian scientist and journalist Felix Beleyubsky, at a joint seminar of the Schiller Institute and the Lebedev Institute of Physics of the Russian Academy of Sciences. Konstantin Cheremnykh and Rachel Douglas translated the speech from Russian.

This happened a long time ago, in 1958. Taras and I were walking under a blazing sun, on a road winding through the boundless and sparsely populated fields of the place where he was born—the Tarashcha district of Kiev Province. A truck caught up with us, and the driver stopped and called out (in Ukrainian, of course), “Who are you?”

“I’m Vasyl Muranivsky’s son,” Taras replied.

“Okay, get in!”

We happily climbed into the back of the truck, taking refuge from the heat under a tarpaulin. When we got where we were going, I tried to give the driver a ruble, as was my habit from Moscow, but he proudly said,

“I won’t take money from Vasyl Muranivsky’s son.”

And he didn’t take it. I asked Taras in surprise:

“Do you know him?”

“No. But the whole area knows my father. In 1932, he was the director of the local collective farm. When he found out that the whole grain harvest was going to be confiscated from the barns on the farm, my father woke up the men from the village during the night. They hid the grain. He was expelled from the Party, and spent some time in prison. He didn’t take anything for himself, but he saved two villages from starvation—our Antonovka, and Kosyakovka, the next one over. Now Vasili Filonovich is permanent chairman of the farm’s control commission. They won’t let him be elected director again. . . .”

Thus, Taras was born with the conviction that honorable behavior is one of the highest human values. He received his first lesson in humanism, and independent behavior for the sake of those for whom one is responsible, for the sake of whom one must stay with his people, in the most terrible times the country faces.

The Krasnopevtsev Affair

The final year of his uneventful time as a university student was marked by serious trouble. In the Autumn of 1957, Taras was summoned for interrogation by the KGB in Moscow. They demanded that he give evidence against our friends, who had already been arrested. Investigator Shchebenko and a man in civilian clothes, who introduced himself as U.S.S.R. Deputy Prosecutor General Samsonov, especially insisted that Taras Vasilyevich incriminate Vadim Kozovoy, who had already blabbed too much in custody.¹ Taras Vasilyevich withstood this test with honor, only partially confirming a number of facts already known to the investigators, but concealing the most important compromising evidence—the manuscripts of Lev Krasnopevtsev and Leonid Rendel, the two persons, already arrested, who were the major target of this KGB case—which he had in his possession.

“I hid the manuscripts of Krasnopevtsev and Rendel in the loft at my aunt’s house in Kosyakovka,” Taras told me. Now that archive will never be found!

I was impressed with his confidence in me, as we had only just gotten acquainted. We met in the waiting room of the Moscow City Court on Kalanchovka, where the trial of a group of young historians from Moscow State University was going on behind closed doors. It was known as the Krasnopevtsev Affair, after our chief. This was in February 1958. I knew of the existence of Taras Muranivsky, and he recognized me. He approached me, asking, “Are you Felix Beleyubsky?” I said yes, and he invited me to drink some beer. With a certain winning openness, he started to talk about the interrogation, and asked whether I thought he had conceded

1. Vadim Kozovoy, son of an official of the Communist Party of the Soviet Union (CPSU), lived in the same dormitory with Taras and me, and was the one who introduced us to the members and the ideas of Lev Krasnopevtsev’s group. During the investigation, he was somewhat demoralized and let out some information that damaged others. But he did not strike a deal with the investigators, and, therefore, was sentenced to eight years imprisonment. In custody, he fell in love with a woman who appeared to be the daughter of the last, common-law wife of the writer Boris Pasternak. He died in Paris, where part of Pasternak’s archives remain. Vadim never knew that at the most troublesome time of his life, when he was looking for a job after jail, he was assisted by Taras Muranivsky, through his friends at the Progress Publishing House.—F.B.



The late Taras Muranivsky, speaking at a Schiller Institute conference in Bad Schwalbach, Germany in 1998, showed the audience one of his many articles about Lyndon LaRouche in the Russian press.

too much to them. I was worried about the same things. As two witnesses in a closed proceeding, we had plenty to talk about.

Eventually, it came time to pay. Taras Vasilyevich was expelled from the Party, and I from the Komsomol. It was only 40 years later, that we could see the letter of Gen. Ivan Serov, then-chairman of the KGB, requesting the imposition of Party discipline on some 20 persons, including the two of us.² With a certain feeling of pleasure, we read the clear signatures of Politburo members Bulganin, Kosygin, Kuusinen, and Suslov, confirming that they had reviewed the matter, and made out the scrawls of Khrushchov and Brezhnev, who were also informed about this case. At that time, in 1958, we couldn't even imagine on what a high level our "ideological aberration" was discussed.

The story we landed in at that time, the prosecution of the Krasnopevtsev group, deserves serious and thorough analysis, not hasty treatment. But it made us friends for life, and so I should say something, if only briefly. Historians of the dissident movement in the Soviet Union usually do not write about the Krasnopevtsev Affair, because this was a group of reformers—or free-thinkers, *volnodumttsy*, as they were traditionally called in Russia—who did not set out to overthrow socialism, but saw their task as the repair and improvement of socialism. One of the issues the group raised, in disagreement with the official theoreticians of the CPSU, was the notion that the law of value functions without limitation

2. KGB Chairman Serov's directive of Feb. 17, 1958 can be viewed in Russian in the Electronic Human Rights Bibliography, at www.hro.org/editions/karta/nr1718/kgb.htm

under socialism. Nine of the theoreticians received prison terms of 6 to 10 years, for such ideas.

Marat Cheshkov, the most clever person in our group, said at a 1994 reunion of the "conspirators" in the case, held at the editorial offices of the journal *Voprosy Istorii* (*Questions of History*; see 1994, No. 4, p. 115): "Our opposition was, to put it in modern language, 'systemic,' that is, it contained arguments within the framework of the system, and was designed for its improvement." Today, M.A. Cheshkov is a Doctor of History.

As Taras and I worked through that 1994 material in *Voprosy Istorii*, I was steamed. "But they were not talking about the 'total elimination of Bolshevism,' as Krasnopevtsev says now.³ Was he a hypocrite, back then? Was he deceiving us?"

"Take it easy," my wise friend Taras advised, "There is a kind of irresponsi-

ble person, who sincerely believes what he says at a given moment, and forgets what he said yesterday. Or, maybe," he added with a touch of irony, "Krasnopevtsev joined a 'colony council' for struggling against Bolshevism.⁴ In any case, just forget it, work on something else."

I really valued in Taras, the fact that he never tried to use his association with the Krasnopevtsev Affair, as a tool to gain recognition in the post-Communist period—although he had excellent formal grounds to demand compensation. The black mark on his record had seriously disrupted his career, closing the doors of respectable scientific institutions for him. My own experience, that I could have never become a scientist without help from some close friends, makes me admire Taras, and the persistence that allowed him to get his scientific degrees, and a job at an institution of strategic importance.

A Career, with Political Baggage

We had learned something, during the "brain storm" of 1955-57, and the accompanying debates. We set out into the productive, creative phase of our lives. General Serov's letter was our invisible constant companion.

3. Unfortunately, the talented social scientist Lev Krasnopevtsev was seduced by morally crippled figures who surrounded him in the early 1990s, and transformed from a profound scholar into an ordinary stooge of the globalist task force of Russian "liberal reforms." The names of those who parasitized on his personal tragedy should be remembered by decent historians of the future.—K.C.

4. By "colony council," he meant a form of labor "self-management," set up in Potemye by the prison camp's administration.—K.C.

T.V. Muranivsky was reinstated in the Communist Party, with a severe reprimand recorded on his card. The first job he was able to secure, carrying that kind of political baggage, was night tutor at a boarding school. Landing that job was a near miracle. Two wonderful fellow students of ours from the class ahead of me—Galya Alekseyeva (now she is G.D. Alekseyeva, Doctor of History) and her friend the late Olga Sokovikova—had traipsed around half of Moscow to find a school director who would hire Margarita Menshikova, the wife of Vladimir Menshikov, who was imprisoned in the Krasnopevtsev Affair. She had been left with no means of sustenance, and an infant in her arms. We all thought that trying to conceal the obvious fact that her husband had been convicted, was not an option. But her two girlfriends found a daring school director, near the Voykovskaya subway station. He was Boris Shirvind, himself the son of an earlier victim of political repression. He hired Margarita, on the one condition that she use her maiden name, Rogova. Margarita Ivanovna Rogova, in turn, saw the chance to obtain a job for Taras Muranivsky. As the school year began, he could walk in his own country, with the confident step of a law-abiding employed person.

Taras Vasilyevich excelled. He succeeded Shirvind as the school's director. After half a dozen other jobs, he rose to the position of scientific consultant at the All-Union Institute of Scientific and Technological Information. He worked in the information department of the Ministry of the Construction Materials Industry, and then at the Ministry of Machine-Building for Light Industry and Food-Processing. The peak of his administrative success was the job of Information Department head, at the Institute of the U.S.A. and Canada of the Soviet Academy of Sciences (ISCan).⁵

In 1976, the talented scientist Taras Muranivsky was fired from ISCan without explanation. "They remembered the old business," we said to ourselves—and to this day, there is no other way to explain what happened.⁶

5. ISCan, which was at the forefront of comparative political and social science, was able to take advantage of having such a mind as Taras in its ranks. By that time, he had defended his *Kandidat* thesis, on the economics of the information system in the United States. This kind of strategic knowledge was indispensable for having a correct picture of the role of mass media in what is now called "the industrialized countries," but known at that time as "the countries of developed capitalism."—K.C.

6. We believed that the "ideological aberration" in his biography resurfaced when that most vicious tyrant of ideas, Communist Party Ideology Secretary Mikhail Suslov, was playing a more important role in supervising science, than the already doddering Leonid Brezhnev. It is noteworthy that at that very time, the Soviet elite was faced with the choice of making U.S.S.R. a leading world force either in machine-building, or in the oil industry; the effects of its opting for the latter, are being felt to this day. The choices made at that time, were accompanied by a more and more formalist approach in cadre policy, under which morally weak careerists were promoted, and independent-minded, decent specialists got the boot. The dubious role of ISCan during Mikhail Gorbachov's *perestroika*, which was essentially an ideological victory of consumerist thinking, and a catastrophic defeat for the concept of industrial development, resulted from this crippled and degenerative biased personnel policy. In the sphere of information science, the defeat

Taras Vasilyevich survived this setback, too. A few months later, he began to teach at the Department of Theory and Informatics, at the Moscow Historical Archive Institute. The history of information management in our country is inconceivable, without the contribution of T.V. Muranivsky as a researcher, as well as a professor at the Moscow Historical Archive Institute, where he trained a whole generation of information specialists between 1976 and 1998. (In 1991, the Institute was transformed into the Russian State University for the Humanities, housed, ironically, at the former premises of the Communist Party Central Committee's Higher Party School.)

A Risk-Taker

Taras Vasilyevich was an extraordinarily creative person, a risk-taker. He didn't care about his own "scientific immortality." Despite much coaxing, he had no interest in pushing the publication of either of his dissertations. He had defended his dissertation for the degree of *Kandidat* of Economic Sciences, at the Institute of the World Economy and International Relations (IMEMO) in 1970. In 1988, he defended his doctoral thesis on the social aspects of scientific information and management, at the Philosophy Department of Moscow State University. But for him, this was relatively boring; he was always looking for more interesting, important, and—most importantly—new things to look into.

He found a pivot for his interests, and his furious hard work: the social problems of informatics and management theory. The most interesting thing he did in that period was to raise the issue of the value and cost of information (here was the heritage of Lev Krasnopevtsev's early works!), founding a new branch in Soviet information science, which has still not been followed through. He was the first to work, not on the technical problems of information transfer, but its social aspects, and to tie this question in with the theory of management. Since archivists were less strictly ideologically controlled than diplomats, he managed to raise issues that were considered pure heresy, such as feedback from those being managed, to those doing the managing. This was a bold step at that time. Today, it doesn't take great audacity to raise the question—but, it still hasn't been solved.

I heard it said (though it wasn't stated in print) that cybernetics had supposedly determined that the optimal type of management would be a dictatorship.⁷ Taras Mura-

was of special importance, because Gorbachov's notorious *glasnost*, or "openness," entailed the total, uncritical, and ruinous adoption of the axioms of information theory, which infected the scientific circles at the highest level of the Communist Party.—F.B./K.C.

7. In the early 1980s, Russian science experienced a big intervention of cybernetics theories, along with technologies for the manipulation of the human mind with methods developed at New Age institutions in the West. From the standpoint of this poisonous quasi-science, silently infiltrating the ostensibly isolated Soviet scientific community, dictatorship was seriously regarded as an optimal form of management.—K.C.

nivsky developed a diametrically opposite conception: that without feedback (without democracy, that is), society is doomed.

He published hundreds of scientific works, methodological handbooks, and courses of study. The bibliography of his works is recorded in the publications *The Role of Information Processes in the Social Management of Production Collectives* (Moscow: 1980), and *Socio-Economic Problems of Providing Information Services for Scientific and Technological Progress* (Moscow: 1982).

He remained a scrupulously honest person. When S. Velikovskiy of the Progress Publishing House asked me if it was worth giving Vadim Kozovoy a chance to earn something, Taras Vasilyevich was ready with an answer: "Let's see it! Kozovoy is very talented. He should be published. As for his talking too much to the interrogators, I'm not some Stalin who wants to take revenge on him my whole life." And Vadim got his chance. He published the poem "Tristan and Isolde," with commentary, and some poems and essays of Verlain. He died, never knowing that we had helped him for our own satisfaction.

His Finest Hour

But Taras Vasilyevich's finest hour came later, when the Soviet Union broke up, and a social counterrevolution took place in Russia. He did not accept the sort of new capitalist social order that took hold. Yes, his father had been arrested and expelled from the Party, and he himself had been persecuted. But these personal offenses did not distract him from the heart of the matter. The events of 1991 significantly shifted his scientific interests. Taras Vasilyevich was not content with the role of some kind of living classic of information theory, but threw himself with passion into the study of what were new problems for him—the situation on the whole periphery of George Bush's "New World Order," in Latin America, in Eastern Europe, in his native Ukraine, and Russia.

Essentially, he took up a new area of scientific specialization, becoming an expert on Latin America and the reforms in Poland. His refutation of the attempts to justify the reforms in Russia, using the experience of Latin America, is very interesting. He showed that this was a nonsensical endeavor.⁸

His collaboration with Lyndon LaRouche and his associates played an enormous role in the development of Taras Vasilyevich's view of the world. The work he did with them on problems of the globalist capitalist system, and its "Third

8. He joined this battle before it really started, warning Russian ruling circles in his publications, about the danger of the particular kind of reform implemented in Latin America, which had doomed it to degenerative deindustrialization. This Argentinian kind of reform, favored by such types as swindler Boris G. Fyodorov, and imposed by them on the minds of officials like Victor Chernomyrdin (whose company, Gazprom, this Fyodorov was busy asset-stripping), was prevented in Russia due to the efforts of decent Russian scientists, whose opinion was expressed in Taras Muranivsky's articles in *Nezavisimaya Gazeta* and elsewhere.—K.C.

World" component, was the centerpiece of his creative investigations during the last decade. Muranivsky valued especially highly, the regular system of international information, created by the Schiller Institute under the leadership of Lyndon LaRouche and his wife. He saw that information channel as an alternative to the information networks of Reuters, the Associated Press, Agence France Press, which he called apologists for imperialism.

Coming close to the Schiller Institute, he was most impressed with the similarity of approach and concern over the fate of all mankind, especially those in the "Third World," in the suffocating atmosphere of a global economic and cultural crisis of civilization. He recognized this stuffy atmosphere as the prelude to a thunderstorm, in which the battle for real truth, beyond modern "information theory," was going to start.

And in this new struggle, again, he preferred truth to considerations of career. Speaking the truth, he could not help exposing lies and ideological manipulations. While thousands of Russian scientists humbly accepted grants from George Soros, sacrificing a part of the identity of their country for a short-term salary, Muranivsky exposed Soros in *Nezavisimaya Gazeta*—though Soros was also a sponsor of the "democratic guru" Yuri Afanasyev, director of the Russian State University for the Humanities. Just as 40 years before, this opposition to the mainstream made him an outcast in the Moscow scientific community.

In 1998, Yuri Afanasyev discharged him from the University, thus obediently demonstrating his devotion to the ruling oligarchy, which Afanasyev had always displayed, since being the chairman of the Soviet Pioneer Organization (from which he once expelled the activists of the Communist Movement, sending a paper to the Politburo in the classical style of Gen. Ivan Serov).

Unfortunately, his voice was not always heard. He was mainly published in a fine newspaper, *Ekonomicheskaya Gazeta*, but its circulation is not so large. And, not all of the works in this cycle of his reached their readers. It would be important to pull together a collection of his articles, because what he did brought qualitatively new knowledge, which is very necessary for all of us—for it is still not clear, what country we are living in, and what kind of social formation we have here.

Therefore, it is the sacred duty of his friends, to publish a collection of his works. If someday a book is published under the title *Russia's Answer to the West*, a place will be found in it for the works of Taras Muranivsky. Time will pass, and the renewed Russian scientific community will pay tribute to the decency of real specialists, appropriately evaluating the petty career manipulators, who floated on the crest of the murky wave of unjust and selfish deals during the transformation. The task of those who remember the most decent scientists—in particular, my task as a friend of Taras Muranivsky—is that their names remain in the minds of people, before these better times come.

Dr. Markl's Great Bioethical Offensive vs. Human Dignity

According to Max Planck Society head Hubert Markl, bioethics demands cutting the human race by two-thirds, for which he offers a host of recipes. Gabriele Liebig reports.

Gabriele Liebig is the editor of the German weekly of the LaRouche movement, Neue Solidarität, from which the following article and the Documentation are adapted.

After the President of Germany's Max Planck Society (MPG), Hubert Markl, uttered the wish that the world population, over the next 200 years, should shrink to 2 billion, during his January interview with *Frankfurter Rundschau*, we demanded his resignation. A man with such an outlook seemed to us inappropriate for a leadership position in scientific research. But Markl does not want to hear any criticism, and has apparently sought to silence troublesome critics by going to the law.

In May, President of the Federal Republic of Germany Johannes Rau gave his second annual speech at the State Library in Berlin, in which he referred to the highest law of the Republic of Germany — that is, the inviolability of human dignity — he took a position against relaxing the laws protecting the embryo, or making the fertilized human ovum into an object, or reifying its nature, as happens in stem cell research; he also took a stand against legalizing pre-implant diagnostics (PID) (see *Documentation*).

Markl had been silent on this subject until now. However, during the annual conference of the Max Planck Society, on June 22, he trotted out his great refutation. In it he defended the absolute freedom of “research into and with human embryos and with cell cultures from such embryos, up to therapeutic cloning in the first two weeks of embryo life,” as had already been accepted in England, and were soon to be ac-

cepted in other countries. He polemicized that, it would be better for Germans to listen to those countries, “rather than seeking to occupy, along with the Vatican, the high ground of moral ultimata.”

Likewise he finds justification for pre-implantation diagnostics and the culling of damaged embryos, since man is not doing anything other than what nature does all the time. And he strictly interdicts any comparison of today's eugenics — the disposal of damaged proto-embryos after PID — with the eugenics of the Nazis. Whoever makes such comparisons, he claims, is belittling the suffering of the victims of the Holocaust.

In the same speech, Markl praised the Dutch Parliament's legalization of euthanasia, and he equated the “people's freedom to make decisions about themselves,” with “human dignity.” Here, too, Markl markedly contradicted the Federal Republic's President, who had been most emphatic against the Dutch practice of euthanasia.

Markl concluded with a paean to scientific progress, and to man's spirit of invention, which always discovers new frontiers, and “crosses new Rubicons.” Markl used a clever sophist's argument that exploits a certain weakness in Rau's argumentation. Rather than contradict Markl's rhetoric, we would ask: How credible are these pious utterances from the mouth of a man who wishes to shrink the world population by two-thirds, who has written a book that calls scientific and technological progress a “drug,” and who has, when it comes to medicine, very peculiar views about what progress really is?

Thus, Markl said during the tenth debate at the Sinclair



Club of Life activist Linda Everett (center) leads a demonstration against euthanasia. Max Planck Society chief Hubert Markl (inset) has called for cutting the world population to 2 billion, by determining whose lives are worthy to be lived: Markl backs both the Dutch euthanasia model, and disposal of unwanted human embryos.

House of the Herbert Quandt Foundation in Bad Homburg-on-the-Höhe in April 1998, on the theme “Life—At What Price?”:

“Do the binding ethical principle of *nil nocere* [the Hippocratic Oath, “do no harm”], the life-saving duty of the doctor, and the ban, considered no less binding—especially by us Germans—on putting an end to human life as we see fit, i.e., killing, even though this might be presented as passive euthanasia—do these really mean that no limits can be imposed on medical treatment and experimentation, because any appraisal of what may be a highly doubtful quality of life of the person kept alive, must inevitably conjure up the terrible specter of ‘life that is not worth living’? Does the unlimited respect for life, therefore, actually mean that the advance of bio-medical technology remorselessly condemns human beings, who at birth and death alike are unable, as a rule, to determine their own fates, to live at all costs? Perhaps even prolonging a vegetative state, even as an excuse for running the equipment made possible by medical science? . . . But, at what point will the good deed not only turn into a costly burden, but also an upside-down Moloch, which grows fat, not by consuming its victims, but rather by their survival?”

This quote implies two things. First, it turns out that Markl does not envision mere voluntary birth control as adequate for his perspective of reducing the world population; but that its counterpart, euthanasia, is also being considered.

Second, the question arises: If Markl finds certain aspects of medical progress too expensive, and asks, as he did at the Quant Foundation symposium: “What potential medical services should be withheld, for what reasons, for what patients, and for what illnesses, in order to ensure that the health-

care system as a whole does not cease to function?” Why, then, does he so ardently support such extremely costly reproductive medicine as surgical embryo-cell removal, *in vitro* fertilization, PID, *in utero* implants?

The Chicken and Egg Argument

Why does Markl reject the demands for effective legal protection of human embryos fertilized *in vitro*, as embryo and human, so vehemently, and with such a biting sarcasm? The egg is not a chicken, he says, and a fertilized human embryo is a long way from being human, inasmuch as “human dignity” does not begin until the embryo is implanted into the mother’s uterus. Admittedly, the implantation of the egg is an important condition for its development; and it is only then definitively decided, if one or more embryos (e.g., twins) will develop from the embryo cells. Still, we are undoubtedly dealing with human life, even at earlier stages.

What is really at stake? The question here is the following: Researchers and pharmaceutical concerns wish to have access to potential human life, so that from its products, they can obtain lucrative patents. The argument, that the limit of becoming human is the embryo’s implantation, aims at arbitrarily moving the borders, in order to remove protection of the embryo under the human dignity stipulation—and to do so more definitively and less contradictorily than the German paragraph 218 does for abortion. Only in this case, would they get full access to this greatly sought-after “material” for medical research, genetic experiments, and use in the biopharmaceutical industry.

About these consequences, Markl was silent. And, although he was so eloquent in presenting his thesis that “human

dignity” begins with the embryo’s implantation, he said not a word about the feverish research into replacing the human uterus by some artificial apparatus, or implanting fertilized human ova into animals.

If such a reification of human offspring should become legal, you can count on it, that soon they would be culturing not merely stem cells, but any kind of artificial tissue; that they would be implanting genetically manipulated human embryos, into artificial or animal uteruses, for example, to make complex artificial organs. And with such a successful assault on human reproduction, how long will it be, before some kind of manipulated creature is born, which will have critical elements added or subtracted, to make it no longer a member of the human species?

This would come, at just this point in history, that the world is becoming smaller because of high-speed travel, and even faster electronic communication; when, neo-racist campaigns notwithstanding, people are gradually beginning to realize that, even though we have different skin colors and cultures, there is only one human race; and it would be just now, that we would run the risk, of fragmenting the human race by artificial genetic manipulations.

In order to prevent this, people should cease and desist in their attempts to get around the law protecting embryos; rather that law should be extended to all of today’s relevant domains, to the whole domain of *in vitro* fertilization, cloning, or reproductive therapy.

Is Freedom the Same as License?

Hubert Markl passes himself off as the herald of a new, post-Christian, post-humanist conception of the world. For him, the (presumed) right to abortion or to a “self-determined” death by active, physician-assisted euthanasia, are attributes of human freedom. Markl uses the term “freedom” as more or less equivalent to arbitrariness or license, for this is nothing other than “the will to make a judgment, and to ‘choose,’ that is, to choose between alternatives.”

Markl’s argument is similar when it comes to the choice of human seed in a test tube. “Man, who in the course of his evolution has been freed from genetic compulsion, and has attained the freedom to judge and to act,” is able to do today, “what nature takes care of through genetic compulsion, if he finds this the right thing to do.” The discussion is about selecting “genetically impaired seed.” Thus Markl’s concept of freedom stands revealed as arbitrary choice, as license.

Closely tied to this, is his erroneous idea of perfection, which is based upon the culling of the imperfect, just like helping a beet to grow, by pulling out a weed, or thinning overabundant seedlings. What is right and just when dealing with plants, becomes brutal even when one is dealing with animals: a case in point, the “medieval” methods currently being used against hoof-and-mouth disease, instead of universal vaccination. When it comes to people, the idea of culling leads to crimes against humanity.

Christian culture made the contribution of defeating the

principle of culling, from its very roots. In its stead, Christianity elevates the love of one’s neighbor, of helping and healing. This principle has also stimulated medical progress, while its opposite, the principle of culling the infirm, has been very detrimental to the soul of the medical researcher. The greater the readiness to abort fetuses that show some impairment, the less inspiration there is to finding healing treatments for the relevant diseases.

What Makes Mankind Inviolable

Freedom is more than mere choice between different alternatives. True human freedom consists of the untrammelled possibility for development of the fundamental creative potential inherent in every human being. Anyone who is prevented from such development, from becoming human, is not free, and will also usually sense this.

It is from this that inalienable human rights are derived. Elementary are the right to life, the right to physical health, and all the rights which are concomitant with necessities of life. Just as important, however, is the right to develop one’s mind, to education, learning, and being steeped in a human culture.

The development potential of the individual creative mind is usually very much underestimated, for it is, in principle, infinite. As long as a person lives, he can attain new knowledge, or perfect himself in some other way. As a microcosm, he can learn to recognize the macrocosm, and relive within his imagination, the discoveries and inventions of great scientists of the past, to enrich them with his own. And even if the creative, inventive activity of a person does not take place at the apogee of science and art, but in more modest domains of social activity — the inspiration from the archetype of creative art holds, in the small. That is how the Christian religion speaks of man, in the image of God. What you call it does not matter, but if you take it away from man, you take away his freedom and his happiness.

It is from the uniqueness of the human spirit, that man’s position above all other living things, is derived, and the inviolability of human life, which, as “human dignity” is most particularly protected by the German constitution, the Grundgesetz. But, it is not realized potential that makes the man; rather, the potential already in itself — still quite undeveloped, in the fertilized embryo cells, or fading in people with a fatal illness, or in a coma. We must encourage the individual, and raise him up to use his freedom and to develop his potential; and even if he falls short of this, we do not deny him his humanity. “Man” is not a “culturally created construct,” as Hubert Markl asserts, but the name of our species — fortunately, still only one.

However, since the human spirit is connected not only to the body, but also in a special way with the brain, and absolutely, though not at all understood in its nature and kind, with heredity; hence the non-Christian will also understand why the human reproductive process must be just as inviolable as human life itself.

Markl Asks: 'Life At What Price?'

Excerpts from the speech of Max Planck Society President Hubert Markl, titled "The Economic Determinants of Birth, Health, and Death," to the Tenth Sinclair House Debate, held in Bad Homburg-on-Höhe, on April 24-25, 1998.

. . . The birth of a human being has always been, as it were, by its very nature, a dangerous phase of human life, calling for special help, for mother and child; the well-being of humans has always been threatened throughout the whole of their lives by countless factors, giving them cause to seek a medical cure; humans have always been prepared to give a lot, even virtually everything, in order to rescue a little extra life, no matter how meager it might be, from the threat of imminent death. . . .

But life at any price? Currently, the entire "health system" of the Federal Republic of Germany still claims "only" 14% or so of GDP, or roughly DM 500 billion in 1996, providing more than 2 million people with employment. However, if we also took into consideration the social costs incurred by these huge outlays to maintain health and preserve life—from the welfare benefits needed for the extra years lived by the elderly (in which women are far more prominent than men, in this respect), to the social-welfare spending on people who have been more or less successfully kept alive, but who, regardless, are either severely disabled or complete invalids—then there can be little doubt that the health, or more accurately in some cases, the illness system, represents an enormous economic sector, perhaps the largest of all the spending items, for which we daily work.

This is quite in order, on ethical and economic grounds alike, for nobody compels us to preserve life, either our own or that of those close to us. We want to do so quite voluntarily, and are prepared to make sacrifices for this purpose, as we have down the ages. All the same, the question, "life at any price?" cannot simply be dismissed. Is it really true that no cost is too high for us? Certainly, nothing can replace a human life, and it cannot be made subject to financial considerations. But does this still hold true for each day, each month, that death can be held at bay through the unlimited use of medical and technical resources? Is every sacrifice really necessary? Above all, though: Does this even include sacrificing the right to a humane birth and death, and to an existence that is forced upon the individual by the unbounded skills of medical science, in the form of the permanent torment from serious disability?

. . . Does the unlimited respect for life, therefore, actually

mean that the advance of bio-medical technology remorselessly condemns human beings, who at birth and death alike, are unable, as a rule, to determine their own fates, to live at all costs? Perhaps even as a vegetating prolongation, even as an excuse for running the machine made possible by medical science? For, if the equipment can preserve life, it has to preserve life and along with it the doctors, nurses, care-givers, technicians, who are capable of managing it, and entitled and committed to doing so. . . .

These are the questions to be dealt with at the Tenth Sinclair House debate:

1. The limits of life at birth and death, versus the unlimited nature of potential medical progress. How can society (re)establish the yardsticks which the medical profession must observe in the artificial creation and prolongation of human life? . . .

2. In what ethically acceptable way, can elements of economic rationality impose limits on the huge quantitative scope of the medical system? At what cost, which always involves third parties forgoing something in favor of medical patients, can what medical services be considered acceptable? Or, put differently, what potential medical services should be withheld, for what reasons, for what patients, and for what illnesses, in order to ensure that the health-care system as a whole does not cease to function, where we can by no means do without it? What medical services can be subjected to rationing in order to prevent the economic efficiency of a given society from becoming overextended? . . .

Rau: For Progress in Human Terms

Excerpts from the "Berlin Address," of German President Johannes Rau, on May 18, 2001.

When we speak of the new opportunities of life sciences, the subject of discussion is not first and foremost a scientific or technical one. From beginning to end, it is a question of values. We have to know how we think about man, and how we want to live.

Throughout the world, successful research is being carried out on medicines and forms of treatment whose purpose is to help the ill. There is also promising work on bio- and gene techniques, for which none need have a bad conscience. That research is worthy of every possible encouragement and support.

There are, indeed, great challenges ahead of us: Just think of some diseases which are a daily reality in our part of the world: diabetes, cancer, multiple sclerosis, Parkinson's, Alzheimer's. But let us not forget that, in other parts of the world, hundreds of millions of people have to combat completely different diseases. I do not just mean AIDS—which is a far

greater threat for a large part of the African continent, than it is for us—I am thinking of malaria, hepatitis, or parasitical infections from which half the world's population suffers.

In that part of the world, there is often too little medical aid to effectively help so many sick people. If we redouble our efforts in science, and research, then we might bring extraordinary and great benefits to millions of people around the world.

I am completely convinced that we can do an infinite amount of good, without having to venture into ethically questionable fields with our research or our science. . . .

Fertility Medicine and Embryo Protection

Something is occurring in biotechnology and fertility medicine, or is being made possible there, which is, in one essential point, entirely new qualitatively: It is no longer merely a question of technological possibilities and risks for man and the environment. For the first time, man seems to be ready to change man himself, and even to redesign him genetically.

No one should be surprised that the churches have been especially involved in this, with its moral dimension; but it would be completely wrong to think this a special question of morality, pertaining only to the churches.

You do not even have to be a professing Christian, to know and to see that certain possibilities and proposals of the bio- and genetic technology, are contradictory to the fundamental values of human life. These values—not only here in Europe—were developed over several thousand years of history. These values lie at the base of the simple rule, which is preminent above all the others in our legal system: The dignity of man is inviolable.

. . . We must be clear about the consequences, if we put into question the canon of values which have developed over a long history, as the fundamental basis of all actions by the state. Might we then not become prisoners of a concept of progress, which makes perfected man the measure of all things? Would that not mean turning selection, and unbridled competition, into the highest principle of life?

That would be quite a different, a truly new world—but not a brave one.

I have the impression that such ideas have become quite widespread, which is shown by many arguments that you hear from time to time in the debate about genetic technology. The optimization of the strongest and the best becomes a self-evident concept. Will not the human body itself then become merchandise, and an object of economic calculation?

. . . [W]hat is decisive are the order of priorities and the weighting of arguments. Surely we are in agreement that something inadmissible ethically, should not be permitted, even if it should promise economic benefit.

Whenever human dignity is at issue, economic arguments do not count!

Here in Germany, embryo research is not permitted. This was decided in 1990 by the elected representatives of the

German Parliament, from quite different parties. They took as a fundamental premise, that the human life of a fertilized ovum must be protected.

Whoever does not agree with this notion, that that is when human life begins, must answer the question: At what other point should human life be absolutely protected? And why only at such a later point?

Would it not be arbitrary to draw other, different limits, and be premised upon pressure for new changes? Might the danger not be lurking, that something else will be more valued, than the defense of life? Not everyone seems to be clear on the significance of this, which goes beyond this specific debate. It would mean that ethical responsibility would, time and again, have to be modified to adapt to technological opportunities. It is not up to scientific progress, no matter how lofty its goals, to determine at what point human life should begin to be protected.

Re-Enter Eugenics, Euthanasia, and Selective Breeding

Many people are demanding that Germany, too, should permit pre-implantation diagnostics, PID for short.

People say that it is not possible to prohibit PID, since, here in Germany, thousands of abortions take place every year with impunity. This argument ignores that these are entirely different questions.

. . . How apparent choice can lead to new pressures, can be seen from the fact, that recently in the Netherlands, legal grounds have been enacted for active euthanasia. Surveys point to the fact that, here in Germany, too, there is a widespread support for such a ruling. And in this discussion, the choice of the person, his autonomy, is called the most important argument. When it comes to ending one's own life, it seems at first glance, to be a convincing argument. . . . In the Netherlands, the opponents of the new law cite a scientific study carried out under the auspices of the government. This study showed that during the so-called trial phase for changing the law, there were 1,000 cases of active euthanasia annually, in which, and I quote, "actions were carried out to terminate life without the express wishes of the victims."

Eugenics, euthanasia, and selective breeding: In Germany these ideas are linked to some terrible memories. They call up—and rightly so—an emotional defense. In spite of that, I think it wrong to argue we Germans must not do certain things, because of our history. If we hold something to be unethical and immoral, then, on that score, it is always and everywhere unethical and immoral. In fundamental questions of ethics, there is no geography of what is permitted and what forbidden.

I am always reminded that history is a help to us—not just to us Germans—to help us understand what happens when measures of value are distorted, when people are turned from subjects into objects. Anyone, who even just begins to treat human life as a mere tool, who begins to distinguish between a life worthy and unworthy to be lived, is already, in fact, on

a road with no return.

Remembering this is an enduring call: Nothing must be placed above the dignity of the individual person. His right to freedom, to self-determination, and to respect for his dignity, must not be offered up to some other aim. An ethic which rests upon these grounds, surely does not exist in vain. It is something of worth, when we act upon ethical grounds.

Markl: Cut Population to 2 Billion People

The following excerpts were translated from an interview that Max Planck Society President Hubert Markl gave to the German daily Frankfurter Rundschau, on Jan. 9, 2001.

Q: What areas of science do you think will characterize our new century?

Markl: The life sciences, in the broadest sense of the word. There are many illnesses which we would gladly be rid of. If we really understand the causes of such illnesses, we will also be able to develop new methods for curing them. But there will also be new dangers. First, 10 billion people are a gigantic breeding reservoir for dangerous microbes and other small organisms. The fight against pathogens will be a long-term one, which will make unusual demands upon us. Antibiotics will only give us a short breathing space. The same is true of plant and animal organisms which make up the food supplies for man. They are subject to permanent pressure from evolving parasites. Extremely important, naturally, is also the related question of ecological problems: We understand world climate, today, thank God, as a part of the whole geobiospheric system.

And thus, just as the chairman of the U.S. Federal Reserve hopes for a soft landing in the U.S. economic situation, I hope for a soft landing in the overheated population boom for humanity in this century.

Q: What would you want things to look like in the future?

Markl: That we would get to the point, in coming centuries, to get the world population down to 2 billion.

Q: In 1850, there were 1 billion.

Markl: That was already a lot of people.

Q: Such a dramatic reduction seems unrealistic.

Markl: But it probably is not. The boom of human reproduction is surely a thing of the past. Admittedly we can't yet give the all-clear signal, since mankind is still growing at 1.5% per year. But in 200 years, what you see today in the highly developed countries of North America, Western Europe, or in Japan, will be the case everywhere. Many families have only one child, many none. That will lead, without coercion,

to a population decline in a nation such as Germany, from 80 to 40 million.

Q: But won't progress make it possible, in the long run, to feed 10 billion people?

Markl: I don't believe so. The biosphere could not be maintained, if the world population were to consume at the same order of magnitude as America or Europe. The problem of garbage alone would be so great that, in the long run, it would not be possible to stabilize the biosystem.

'Citizen Markl'

Here are excerpts from a commentary in the June 26 issue of Germany's leading daily, Frankfurter Allgemeine Zeitung, by Associate Editor Frank Schirrmacher.

The real question is whether what Markl says, is what he actually believes—or, to put the question less polemically—whether his extravagant speech is not merely theory, but has perhaps already gone over into practice—practice, namely, in the sense of its being an experiment, a trial balloon launched in the presence of the President of the Federal Republic. . . .

What is unpleasant about [Markl's] attitude is, that it uses sophistry to veil its insecurity. None of the research and treatment goals under discussion today, were even thinkable three years ago. Nonetheless, President Markl speaks as an authority, as a practically omniscient author. But the following are of interest: What does the acknowledgment of this revolution mean for the self-conception of the scientist? How is it that Markl is only now coming out with this relativistic view of the world? What social consequences might follow from his definition of human life?

The question that should be asked of Markl, and of the Max Planck Society is whether the great speech of President Markl were not a big cover-up. It is as if you were in front of a door where you check in, without any guarantee of being able to check out. Markl should have said, precisely as a biologist, he should have told us what kinds of things would evolve from his definition of life.

What does it imply for therapeutic cloning?

What for reproductive medicine?

What are the implications of the possibility of splitting the human species into another one, through genetic intervention into mankind?

And how will it be decided, who deserves to be called man, and who does not? How do Markl's cultural-historic deliberations explain the return of medicine to a vulgar Darwinism, with the triumphant pointing to the fact that when anomalies are feared, nature itself often aborts fertilized embryo cells. Nature, we might reply, also lets people starve to death, and die of thirst, without our drawing the conclusion that we should do the same.

Book Review

Peter Singer: Another Promoter of 'Humanicide'

by Mark Burdman

Writings on an Ethical Life

by Peter Singer

London: Fourth Estate, 2000

361 pages, hardbound, £15

After World War II, the late Bruno Bettelheim reported on an unusual, and most unsettling phenomenon, the which became known as the "Bettelheim Syndrome." The renowned psychologist recounted how, in the Nazi concentration camps, certain camp prisoners, as they became broken psychologically, adapted their mannerisms, clothing, behavior, and ultimately values, to conform to those of their Nazi torturers.

During numerous investigations over the past two decades, this writer, himself Jewish, has often come across a curious phenomenon of a kindred sort, what might best be called the "Bettelheim Syndrome, Second Generation." It involves the advocacy and promotion, by sons or daughters of concentration camp survivors, of ideas and policies that are, in some sense, modelled on those of the Nazis, but are even more drastic in their actual consequences, than what Adolf Hitler advocated and executed.

Such a "Second Generation" type, is Peter Singer, the Australian-born son of Holocaust survivors. As graphically elaborated in various of the essays in this book, Singer *wittingly* agitates for ideas and policies that would, if effectively applied, necessarily lead to the elimination of most of the human species, if not the human species in its entirety. His program might, justifiably, be called "humanicide."

Over recent years, Singer has become the center of controversy, and attacks, for his support for Nazi-modelled euthanasia, and for his advocacy of infanticide, in the case of handicapped infants, who, he argues, have less claim to life than does a healthy animal. As a consequence of such ideas, his public appearances have often been disrupted by protests in various parts of the world, most regularly in Germany, where sensitivity to Hitlerite ideas, for obvious reasons, is very strong. There have also been protests at Princeton University, where Singer is currently Professor of Bioethics, at the Center for Human (sic) Values. In 1997, the famous Austrian "Nazi-

hunter" Simon Wiesenthal released a letter, protesting Singer's euthanasia and infanticide policies.

But as serious as these atrocious ideas are, they are relatively benign, in comparison to the central thrust of Singer's program, as a whole.

Liberating the Beast

The main theme that runs through Singer's writings, is fanatical opposition to the reality, that human beings are differentiated from, and superior to animals. He denounces those who insist on this reality, as "speciesists." In so doing, he attacks those beliefs that are at the core of the Western, Judeo-Christian tradition.

The point has been made in scores of locations in the recent period, by *EIR* Founding Editor Lyndon LaRouche. What absolutely distinguishes the human race from animal species, is the human capacity for cognition. Cognition gives the human species, uniquely, the ability to change the basis of its existence, to higher and more effective orderings. Cognition has given humans the capability to progress beyond the caveman status that Singer and his "animal liberationist" friends idolize, to the current capacity to sustain the present 6-plus billion people, and potentially far more, and, some day in the not-distant future, to visit and colonize distant planets.

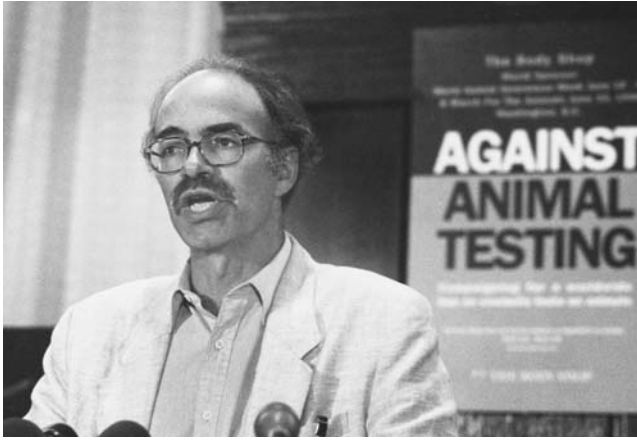
Of course, animals can learn. As anyone who has had a pet dog can attest, dogs can learn tricks, express emotions, and even do unexpected things, to the joy and surprise of their owners. But the dog species can not change the basis for its own existence, and is significantly dependent, for what it learns, on humans. Apes have the ability to learn a lot more than dogs, including elementary language. But the level an ape can reach, is, in human terms of reference, not more than that perhaps fit for an aficionado of the "New Economy," obsessed only with "information." That, however, is not *human knowledge*.

To eliminate "the distinction between man and beast," and to insist that "man is just another Great Ape," as Singer does, means, necessarily, vastly lowering the relative potential population density of the human race, and thereby eliminating billions of people. It means reducing humans to the level of beasts, liberating the most bestial instincts in humans.

Adolf Hitler was a fanatic, cultist vegetarian. So is Singer, as he explains in one essay. He even suggests, that it will become a criminal offense, for humans to eat meat! But Singer has extended the vegetarian obsession to its *reductio ad absurdum*, against humanity as such.

Fulminating Against the Hebrews

In a mid-1990s essay entitled "Bridging the Gap," published in *Writings on an Ethical Life*, he attacked the idea of "many writers" over the centuries, that "it was to humans that God gave dominion over the other animals; it was humans who were made in the image of God; and it was humans, and



Peter Singer, here addressing the 1996 “March for the Animals” press conference in Washington, D.C. Singer’s hatred of human beings marks him, whose parents escaped Hitler’s Holocaust, as a sad case of second-generation “Bettelheim syndrome.”

only humans, who had an immortal soul. For thousands of years, the human-centered Western tradition ruled without serious opposition.” That all changed, he exults, in the 19th Century, with Britain’s Charles Darwin, with his (scientifically fraudulent) theory of “evolution.” Singer reports that Darwin wrote, in his notebook, already in 1838, and then, in 1871, in the book *The Descent of Man*: “Man in his arrogance thinks himself a great work, worthy of the interposition of a deity. More humble, and I believe, true to consider him created from animals.”

What Darwin began, Singer claimed in that essay, was given a great boost in the 20th Century, by the findings of molecular biology and genetics, which further removed the distinction between man and beast.

In his 1991 essay “Environmental Values,” Singer attacked “both the Hebrew and the Greek traditions,” for having “made human beings the center of the moral universe.” To demonstrate this, this son of survivors of the Nazi Holocaust, blasted “the Biblical story of creation,” which “makes very clear the Hebrew view of the special place of human beings in the divine plan,” and then quoted from what he regards as the most egregious document of them all, the Book of Genesis: “And God said, Let us make man in his own image, after our likeness. . . . So God created man in his own image, in the image of God created he him. . . . And God blessed them, and God said unto them, Be fruitful, and multiply, and replenish the earth, and subdue it.”

Having finished thus attacking Judaism, Singer then attacked three of the greatest figures in the Christian tradition, whose views embodied what was just quoted from the Book of Genesis: St. Paul, St. Augustine, and St. Thomas Aquinas.

Most of the essays in the second half of the book, derive both from Singer’s manic obsession, to attack what he calls the “Western Christian notion of the sanctity of human life,” and from his apparent euphoria, that the era dominated by

this notion, is coming to an end—helped, no doubt, by the rampages of the Nazis. Employing the worst forms of sophistry, masquerading as “philosophy” and “ethics,” he wrote one essay entitled “Justifying Infanticide”; he attempted to do exactly what the title announces. Another essay is devoted to undermining the arguments of Dr. Leo Alexander, who wrote that section of the Nuremberg war crimes indictments against the Nazis, condemning Nazi euthanasia. A third essay rails against “overpopulation,” and promotes “population control.”

Bentham’s Child

It is quite revealing, who it is that Singer identifies as his philosophical mentor.

In “Bridging the Gap,” he wrote that the animal liberation movement is based on the idea that “we go beyond our speciesist morality and give equal consideration to the interests of all beings who can feel pleasure or pain, irrespective of species.”

Already back in 1975, in an essay entitled, “All Animals Are Equal”—extracted from his book which, for all intents and purposes, launched the “animal liberation” movement—he reported that this idea of the supremacy of the “pleasure-pain principle,” comes from the late-18th-, early-19th-Century British philosopher Jeremy Bentham, and his doctrine of “utilitarianism.” Singer quoted Bentham: The ultimate question is not “Can they *reason?*,” but “Can they *suffer?*” (emphasis in original).

Bentham was a senior figure in the ideological division of the British East India Company. He was the first head of the Secret Intelligence Service of the British Foreign Office, after the latter was launched, in 1782, and was one of the main agents of the all-powerful Lord Shelburne. In this capacity, Bentham ran networks of British agents around the world, most notoriously in France, where certain of his key operatives played commanding roles in the French Revolution, thus ensuring no repeat of the American experience. Respecting the United States, he was one of the main controllers of traitor Aaron Burr, and harbored Burr in London, when the latter was forced to leave the United States for some years, in the early 19th Century.

In his *The Principles of Morals and Legislation*, Bentham lambasted the founding ideas of the American Republic, and counterposed to these, a notion of “happiness” that was simply radical hedonism. Not surprisingly, he was, himself, a notorious degenerate, one of whose writings was *In Defence of Pederasty, or Offence Against One’s Self*. He led the satanic revels of Britain’s Hell-Fire Clubs.

Bentham, over the past couple of centuries, has become the guru for all those in Britain, and elsewhere in the world, who insist that “there is no difference between man and beast.” Peter Singer is his student, and has acquired the kind of pernicious influence Bentham had. Singer recently triggered a big controversy, even inside the “animal rights” movement, with an article defending human sex with animals!

China-Russia-India: A New Step for the 'Survivors Club'

by Rainer Apel and Paul Gallagher

Ignore the nonsense coming from Zbigniew Brzezinski and his geopolitical ilk, denigrating the Russia-China friendship treaty signed at the July 15-16 summit between Presidents Vladimir Putin and Jiang Zemin. The summit, with its included agreement to a treaty focussed on economic cooperation, is a very significant step toward a "survivors club" of nations against the global economic collapse, and toward the building of the Eurasian land-bridges of economic infrastructure. Developments around this summit vindicate not Brzezinski, Kissinger et al., but Lyndon LaRouche, whose economic ideas and interventions in key Eurasian countries continue to shape the process.

Perhaps the clearest sign of the potentially historic events occurring, was the near-simultaneous announcement by the Chinese Foreign Ministry of a new policy toward cooperation of Russia, China, and India—a policy shift which the Press Trust of India (PTI) called a century-shaping development. This not only reflects LaRouche's "Survivors Club" conception, but revives the specific "Strategic Triangle" formulation of it by then-Russian Prime Minister Yevgeni Primakov in 1999—rejected at the time, and harshly attacked by Anglo-American geopoliticians.

The spokeswoman of the Chinese Foreign Ministry, Zhang Qiyue, declared on July 16, in Moscow, "We hope to further strengthen the cooperation with Russia and India. On many international issues, China, Russia, and India have similar or near-identical stand and concerns." In its exclusive report on this, PTI wrote: "In what could be the most important political development in the post-Cold War period, China has shed its initial inhibitions to form a strategic triangle along with India and Russia."

Many Chinese scholars stress the need for enhanced cooperation among China, Russia, and India to ensure a multipolar world and a new international political and economic order,

PTI wrote. Furthermore, "Preparing ground for a tie-up that has potential for far-reaching global ramifications, scholars from the three nations are scheduled to meet in Moscow in September to find ways and means to cooperate and explore a common approach. . . . The idea for a 'strategic triangle' was originally conceived by former Russian Premier Yevgeni Primakov."

New Russia-China Relations

The principles of the new state-to-state relations of Russia and China were spelled out by Jiang Zemin at a speech at Moscow Lomonosov State University, following the summit. "Under the guidelines of the treaty," Jiang said, "I believe Sino-Russian relations will be developed to a higher level in the new century." He termed economic cooperation the most important aspect of this strategic partnership; and cited the Shanghai Cooperation Organization set up in June by China, Russia, and four of the Central Asian Republics, as an illustration of new principles of inter-state relations. Thus far, there had been no moves to bring India or Pakistan into the Shanghai alignment.

Besides the Russia-China-India potential, There are two other central aspects of the friendship treaty. First, a 20-year Good Neighborly Treaty of Friendship and Cooperation, which was characterized as a "model for for future relations among sovereign nations in the 21st Century." On the basis of common desire for peace, the mutual respect for full sovereignty, and the desire for peaceful relations with other nations, the following was agreed upon:

"The two sides, on the basis of mutual benefit, are developing cooperation in the spheres of trade and the economy, military-technological cooperation, the areas of science, energy and transportation, nuclear energy, [and others]. . . . The military and military-technological cooperation between the

two sides is not directed against any third party. . . . The two sides are taking steps to strengthen the central role of the United Nations as the most authoritative and universal international organization. The UN Security Council holds the utmost responsibility for supporting international peace and stability. . . .” The two “underline the principal importance of the ABM agreement, which remains the cornerstone of strategic stability and the basis for reducing strategic arms forces, and reaffirm their support of the treaty in its current form.”

Second, the Chinese president elaborated somewhat more on the foundations of the friendship treaty, in his Lomonosov University address. He identified four key points in Russian-Chinese cooperation:

1. “China will, as always, support Russia in its efforts to invigorate its national economy and safeguard its rights and interests. . . . China will never do anything detrimental to the interests of Russia.” He said he was convinced that Russia will support China in its economic modernization drive and in its effort to enhance the cohesion of the nation.

2. Common economic development of Russia and China, by both nations making fuller use of their potentials, their geographic proximity, and complementarity of their economic systems. They will increase their cooperation not only in trade, but also in science and technology, energy, transport, aerospace, telecom, and information technology.

3. Cultural exchange, making use of the riches of the long cultural history of either side: Russia’s great minds like Pushkin are well-read in China, as are China’s great minds like Confucius in Russia. “We should widen the channels of Sino-Russian cultural exchanges, to make both Russian and Chinese civilizations learn from each other and achieve common progress.”

4. Strategic cooperation to enhance peace and stability in the world, also in view of the right to development, of the developing-sector nations. Russia and China bear responsibility for the entire world, through their permanent seats on the United Nations Security Council and their role in international organizations, not least in the newly created Shanghai Cooperation Organization. “The world needs peace, peoples want cooperation, countries want development, and societies want progress — this is the trend of our times.”

President Putin stressed to the press after the Chinese President’s speech, that it had been an extremely significant event. The speech, he said, had been addressed directly to the students, as the “future Russian generation,” whose task would be to deepen Russia’s relations to China and to the rest of the world.

The “Strategic Triangle” then, advanced by LaRouche over years as a cornerstone of Eurasian land-bridge development, and later proposed to China and India by Primakov, is coming into existence. An interesting and material signal, was China’s new order of ten Tupolev civilian aircraft from Russia — an order that Boeing had firmly been counting on.

Chronology

Productive Triangle to Eurasian Land-Bridge

Since Lyndon LaRouche’s historic press conference in West Berlin in October 1988, the Eurasian Land-Bridge has developed step by step, despite all the interventions of the Anglo-American financier oligarchy to prevent it (such as the 1991 Gulf War, the genocidal wars in the Balkans, and the 1997-98 assault on the Asian currencies). This timeline documents how a powerful idea becomes history.

Oct. 12, 1988: Lyndon LaRouche gave a press conference at West Berlin’s Kempinski Bristol Hotel, on “U.S. Policy Toward the Reunification of Germany.” He forecast the collapse of the Comecon economies, and elaborated a “Food for Peace” policy for transforming East-West relations, centered on rebuilding the economy of Poland, so that “the desirable approach to reunification of Germany can proceed on the basis a majority of Germans on both sides of the Wall desire it should.”

December 1989: LaRouche commissioned a group of scientists and other specialists from the Schiller Institute to work out an economic program for Europe, known as the “Productive Triangle.”

January 1990: *The Productive Triangle, Paris-Berlin-Vienna: Locomotive for the World Economy* was published, in German. This geographical area, a spherical triangle approximately as large as the territory of Japan, encompassing the industrial regions of northern France, western and eastern Germany, and parts of former Czechoslovakia and Austria, was envisioned to serve as a locomotive to restart the collapsing world economy.

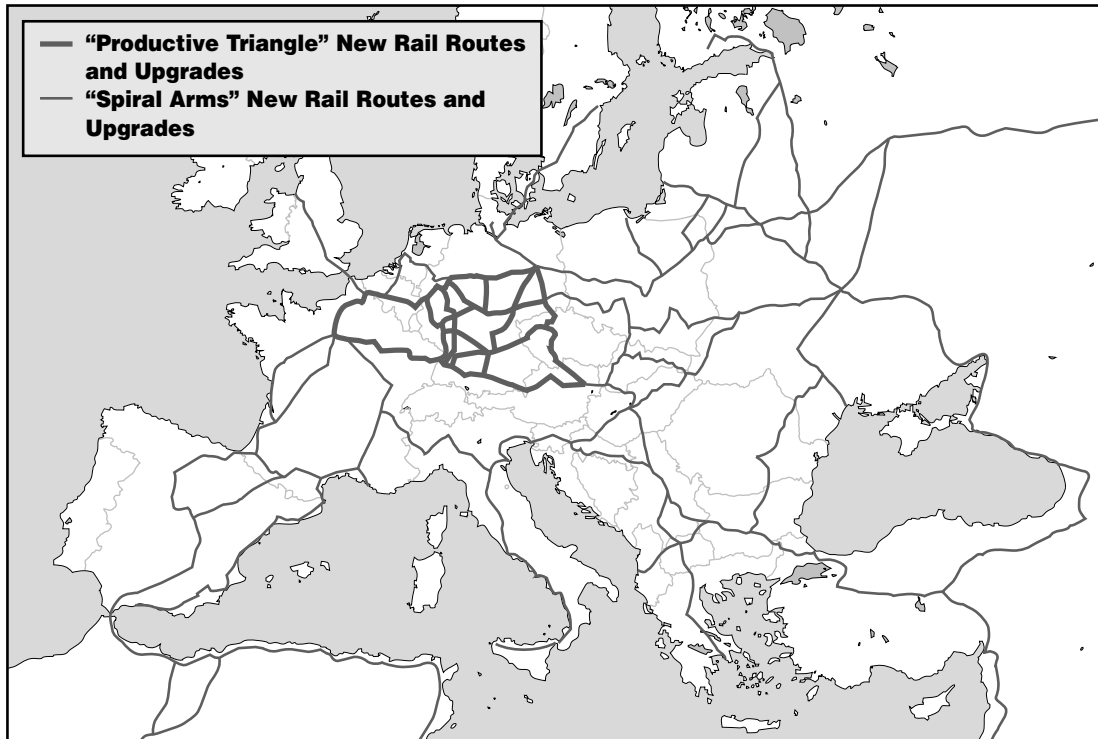
The program aimed at stimulating the economy of eastern and western Europe following the fall of the “Iron Curtain,” by means of large projects for the modernization of infrastructure in transportation, energy, water, and communications. These projects, to be financed chiefly through state credit at low rates of interest, would stimulate the demand for investment goods over the long term, secure employment, and favor the creation of modern industrial factories.

The backbone of the triangle was to be an integrated system of high-speed and magnetic levitation rail, to be used for transport of both passengers and freight. The transportation network was to be expanded with roads and waterways, linked by automated freight-transfer systems. The urban centers would be connected with magnetic levitation lines.

March 1991: A Schiller Institute conference in Berlin,

FIGURE 1

1989: LaRouche’s Proposed European ‘Productive Triangle’ Rail Development



The “Paris-Berlin-Vienna Productive Triangle” concept, put forward by Lyndon LaRouche, has “spiral arms” — development corridors reaching into Eastern Europe, Southwest Asia, and Africa. The Schiller Institute circulated this and several other maps of the Productive Triangle, beginning in 1990.

“Infrastructure for a Free Europe,” was attended by over 100 economists and political activists from 17 countries. Its “Berlin Declaration” appealed to “the governments of Eastern and Western Europe, to make the ‘Productive Triangle’ the centerpiece of their government policy.”

In a speech read to the conference, LaRouche (who had been a political prisoner of the Bush Administration since January 1989) identified the political battle of the last century, of European and Asian leaders attempting to unite Eurasia as “a sphere of cooperation for mutual benefit among sovereign states,” which could have ended the British domination of the world. Then, as now, he said, the British and their allies launched a twofold attack, using balance-of-power methods, playing off potential collaborators among France, Germany, Russia, Japan, and so on, against each other, and waging cultural warfare for the internal destruction of European civilization.

October 1991: At the First All-European Conference on Transport, held in Prague, transport ministers from 16 nations resolved on the need for a common European infrastructure network. Schiller Institute representatives distributed the Productive Triangle program and discussed LaRouche’s concept of energy-intensive, technology-intensive development corridors.

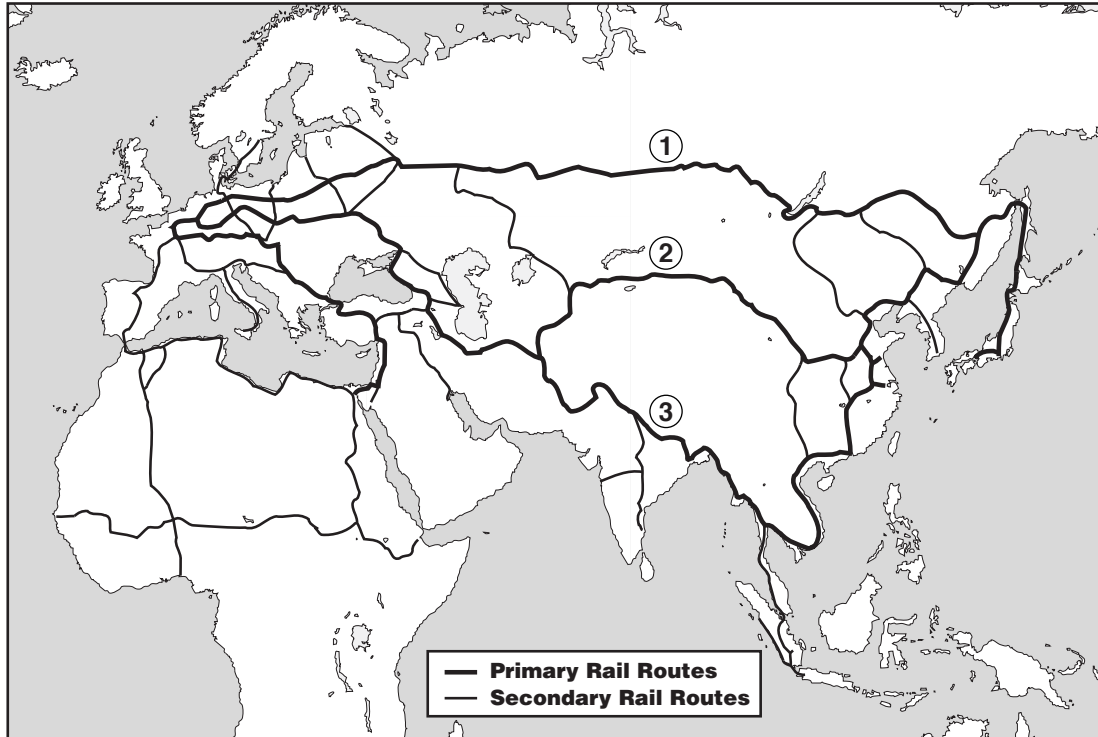
November 1991: Schiller Institute conference in Berlin. Some 400 participants from over 30 countries, including the republics of the Soviet Union (then breaking up), deliberated on “‘The Productive Triangle’: Cornerstone of an All-Eurasian Program of Infrastructure Development.”

1992: The Schiller Institute elaborated the “spiral arms” of the Productive Triangle, as a network of transcontinental Eurasian development corridors. The concept soon resonated in China, where attention to the potential for development along the new Eurasian Land-Bridge began to intensify, after the link-up of China’s rail system to the Soviet system was made at the Alataw Pass in 1990, becoming operational in June 1992.

Throughout the early 1990s, intense discussions on such cooperation were going on throughout Eurasia. The 14,000 kilometer Trans-Asia railway project, to link Indonesia in Southeast Asia, via Thailand and Myanmar, with the Indian subcontinent, and then to Istanbul on the border of Europe, which had been under discussion and planning since the 1960s, was revived. In the early 1990s, work began on filling in the strategic “missing links” between Southeast and South Asia, Southeast Asia and China, and South and West Asia. China completed its Nanning-Kunming railroad, which could be linked to northern Myanmar. Iran, although under serious

FIGURE 2

1992: Schiller Institute Eurasian Rail Network Plan



This map conceptualized the spiral arms of the Productive Triangle, as three great infrastructure development corridors across Eurasia.

economic pressure, remained committed to finishing the short, vital 600 km rail line necessary to link Pakistan, and thus the Indian subcontinent, with West Asia and Europe.

1992: The Economic Cooperation Organization, composed of Turkey, Iran, and Pakistan, expanded to incorporate the Central Asian republics, which had declared their independence from the Soviet Union in 1991. ECO held a series of summits, some including China, to plan Eurasian rail development, and outlined a modern transportation network running from Istanbul to China. These nations also discussed the construction of oil and gas pipelines to link Kazakhstan and Turkmenistan to Iran and China.

Intensive diplomacy between India and Iran developed beginning in 1992, with one key issue being that Iran would provide India with a bridge to Central Asia via Turkmenistan.

June 1992: With the completion of additional Eurasian rail lines in Central Asia, it became possible for the first time to travel the 11,000 kilometers from China's east coast port of Lianyungang on the Yellow Sea, through Central Asia, to Rotterdam, Europe's biggest Atlantic port.

Autumn 1993: China officially announced its policy to develop the "regions along the Eurasian Continental Bridge," an idea very close to LaRouche's concept of "development corridors" extending for about 50 kilometers on either side of

a central transport-spine of waterways, rails, pipelines, and trunk power-lines. With Russia, in the grip of Western "shock therapy," plunged into economic disaster, the Beijing leadership put forward a policy to bridge the growing economic gulf between China's fast-developing coastal regions and the huge, backward hinterland.

Winter 1993-94: The Transport Infrastructure Committee of the European Union, under Jacques Delors, proposed the "Delors Plan" for extending Western European rail lines into Eastern Europe. At its heart was the completion of the Trans-European Network (TEN). The Delors proposal aimed to expand existing national high-speed rail projects, such as the French TGV and Germany's ICE, into the most modern rail grid in the world. Investments of some \$500 billion would be required by the year 2010, and 26 high-priority projects would be carried out, including the construction of a comprehensive Europe-wide high-speed rail network. The construction of a modern rail connection from Berlin to Warsaw would signify an important improvement of the "continental bridge" to the Asian part of Russia and on to China. The Delors Plan map closely mirrored LaRouche's Productive Triangle proposal, but omitted the war-torn Balkans. The most important corridors called for by the plan were never funded.

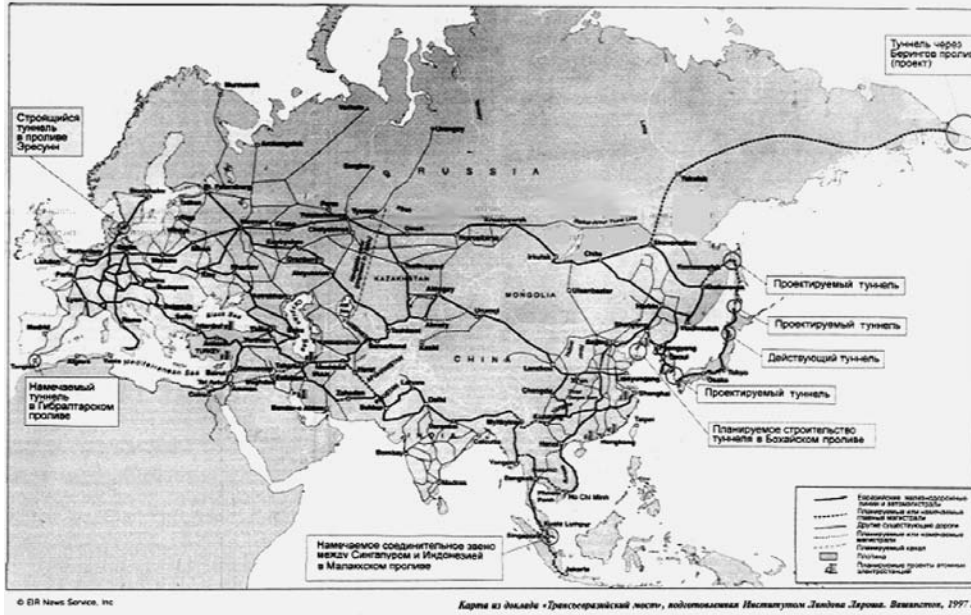
December 1994: A Schiller Institute conference in Elt-

FIGURE 3

1996: Schiller Institute and EIR Map, 'The Eurasian Land-Bridge Network'

КОНТУРЫ НОВОЙ РОССИЙСКОЙ СТРАТЕГИИ

Страну может спасти только срединное положение на геоэкономической карте Евразии



EIR's illustration of the Eurasian development corridors as the sinews of a 21st-Century economic miracle, was circulated worldwide. Here is how it appeared in the Russian newspaper Nezavisimaya Gazeta in 1998, illustrating Academician Sergei Rogov's article, "Contours of a New Russian Strategy: Only Its Central Position on the Geoeconomic Map of Eurasia Can Save the Country."

ville, Germany, "Global Economic Recovery and the Cultural Renaissance," focussed on the "New Silk Road" development policy. Lyndon LaRouche, personally taking part for the first time since his imprisonment under the Bush regime, conducted a seminar on the Eurasian development corridors perspective, with leaders from Russia, Ukraine, China, and Eastern Europe.

May 7-9, 1996: Experts and officials from 34 countries gathered for an "International Symposium on Economic Development of the Regions Along the New Euro-Asia Continental Bridge" in Beijing. Schiller Institute founder Helga Zepp-LaRouche addressed the conference on "Building the Silk Road Land-Bridge: The Basis for the Mutual Security Interests of Asia and Europe."

May 1996: Iran and Turkmenistan announced the opening of the Mashhad-Ashkhabad rail line. This provided the missing links of the Land-Bridge, from the Persian Gulf to all the Central Asian countries, and beyond.

Jan. 4, 1997: LaRouche addressed a forum of the FDR-PAC in Washington, D.C. laying out a broad policy orientation for the second Clinton Administration, centering around two proposals: that the U.S. President convene an international conference to establish a "New Bretton Woods sys-

tem," to put the world economy through bankruptcy proceedings and to reorganize it for productive development; and that the United States join in global projects of benefit to all mankind, with a special focus on the Eurasian Land-Bridge program.

January 1997: EIR published a special report, *The Eurasian Land-Bridge: The "New Silk Road."* With its in-depth discussion of development corridors, and of the national banking approach needed to finance the project, the report circulated far and wide.

1997-98: The global financial crisis, spearheaded by George Soros' speculative assault on Asian currencies, devastated the economies of Southeast Asia.

1998: The European Union and Russia resolved to extend the No. 2 Pan-European Corridor (Berlin-Warsaw-Minsk-Moscow) to Nizhny Novgorod (formerly Gorky, Russia's third-largest city, a Volga River industrial center), effectively making it coextensive with the Trans-Siberian Railroad.

Oct. 27-Nov. 1, 1998: Conference on "Asia-Europe Economic and Trade Relations in the 21st Century and the Second Eurasian Bridge" in Beijing, with visits by foreign guests to four Chinese cities, to inspect construction of the New

Eurasian Continental Land-Bridge. Helga Zepp-LaRouche gave a keynote speech on “Principles of Foreign Policy in the Coming Era of the New Eurasian Land-Bridge.”

Nov. 24, 1998: Chinese President Jiang Zemin gave a speech in Novosibirsk, Russia’s “science city,” injecting the crucial element of rapid scientific and technological progress into the growing momentum toward what LaRouche had dubbed the Survivors’ Club. Jiang called for “a new technological revolution,” and defined a policy of cooperation to harness Russia’s enormous scientific-technological potential for the development of Eurasia.

Nov. 25, 1998: Chinese President Jiang Zemin visited Japan, discussed the implications of the Eurasian Land-Bridge development for the peace and stability of Asia. A joint press statement called the Land-Bridge one of the main areas for “cooperation in the international domain.”

Dec. 21-22, 1998: Russian Prime Minister Yevgeni Primakov visited India, proposed the formation of a “strategic triangle” among Russia, India, and China.

Feb. 24-28, 1999: Chinese Prime Minister Zhu Rongji visited Moscow to consolidate the economic base of the new relationship between Russia and China. Eleven cooperation accords were signed with Prime Minister Primakov, governing trade, science and technology, energy, transport, and regional cooperation.

April 21, 1999: *EIR* seminar in Bonn/Bad Godesberg, Germany, on “The Way Out of the Crisis: Europe, the World Financial Crisis, and the ‘New Cold War.’” Lyndon and Helga LaRouche joined a panel of distinguished speakers from Russia, India, China, and Germany.

May 12, 1999: Russian President Boris Yeltsin fired Prime Minister Primakov.

July 28-29, 1999: Michael Liebig of the Schiller Institute in Germany addressed a conference in New Delhi on the topic of Indian relations with Central Asia. The written proceedings included a statement by Helga Zepp-LaRouche on the Eurasian Land-Bridge and the “China-Russia-India Strategic Triangle.”

July 30, 1999: Scholars of India, China, and Russia founded the Triangular Association, at a meeting in New Delhi, to promote the Eurasian Land-Bridge as a vital task in the strategic interests of the three nations. Lyndon LaRouche was named as an honorary adviser.

March 26, 2000: Vladimir Putin elected President of Russia.

April 15, 2000: Conference in Port Said, Egypt, on linking Africa to the Silk Road through Egypt.

June 23, 2000: South Korean President Kim Dae-jung and North Korean National Defense Commission Chairman Kim Jong-il held the first meeting between the national leaders of the two Koreas, in Pyongyang, and pledged to promote reconciliation and economic reconstruction, including restoring the North-South railway links between them, which had been broken off for half a century.

September 2000: The Second International Eurasian Conference on Transport, held in St. Petersburg, Russia, was attended by over 40 nations. Russia, India, and Iran agreed to develop a north-south corridor. Upgrades of the transcontinental lines, and the links from Russia to Europe were also discussed. The rail line Calcutta-Delhi-Lahore (Pakistan)-Sukkur (Pakistan)-Zahedan (Iran), being problematic due to political and military tension, the north-south corridor entailed sea shipments from the Indian west coast ports of Mumbai (Bombay) and Kandla (south of the border with Pakistan) to Bandar-e Abbas on the Persian Gulf in Iran, then north by rail.

Nov. 10, 2000: Formation of the Mekong-Ganga Cooperation group, including India, Cambodia, Laos, Myanmar, Thailand, and Vietnam. Their “Vientiane Declaration” called for joint development of transport networks, as well as cooperation in science and technology.

Nov. 24-25, 2000: Summit meeting of the ten members of the Association of Southeast Asian Nations, plus China, South Korea, and Japan (ASEAN-Plus-3), announced their intention to launch regional development projects, and to concretize the Chiang Mai Initiative for mutual currency support, the formation of an Asian Monetary Fund, and the redesign of the global financial architecture.

May 4-6, 2001: Conference of the Schiller Institute in Bad Schwalbach, Germany, on “The Ecumenical Battle for the Common Good.” LaRouche’s keynote speech underlined the importance of transcontinental Eurasian development, and a conference panel on “A Twenty-Five-Year Development Perspective for Eurasia” presented the views of leading figures from China, India, Russia, Egypt, and Germany.

May 15, 2001: The creation of a Eurasian Transport Union (EATU) was announced by Russian Minister of Transport Sergei Frank, providing an institutional venue for deliberations among the nations of Eurasia, and any others, interested in building great infrastructure projects as a road out of economic depression. Frank said that the EATU was open for countries, transport companies, other firms and organizations to join. The new organization aimed to promote the rapid build-up of international Eurasian railroad-centered transport corridors across the territory of Russia. This activity included upgrading existing infrastructure, such as the rail and port facilities of the Trans-Siberian Railroad, and developing a new north-south corridor, from Europe through Iran and Russia to India.

June 14-15, 2001: Founding summit meeting of the Shanghai Cooperation Organization (SCO) in Shanghai. Participants included the Presidents of China, Russia, Kazakstan, Kyrgyzstan, Tajikistan, and Uzbekistan. Discussions focused on security and territorial integrity, and economic cooperation.

July 15-16, 2001: Chinese President Jiang Zemin in Moscow, signed, with President Vladimir Putin, a 20-year “Good Neighborly Treaty of Friendship and Cooperation.”

A Post-Sharon Nuclear Armageddon Plot?

by Jeffrey Steinberg

Lyndon LaRouche has issued a new warning: Some powerful desperadoes within very influential Anglo-American circles, now appear to be planning a detonator for a nuclear war within the entire Middle East region, and beyond. He warns, that, in short, these circles might choose to have Israeli Prime Minister Ariel Sharon assassinated, thus turning him into the allegedly martyred victim of Islamic assassination, his death the pretext for either nuclear, or similar reprisals against such targets as Baghdad, Damascus, and Tehran.

The earlier *EIR* warning posted on July 10, that Prime Minister Sharon was operating on a calculated escalation to Mideast war, relying on Hamas terrorism as a tool of that policy, was echoed in the world's media in the days following; but, so far, without signs of comprehension of the longer-range motives of the higher-level, not necessarily Zionist circles encouraging Sharon, and also perhaps planning his early martyrdom. The threat of such developments not only exists as plausible, but the danger is increasing. LaRouche poses the question: Exactly how plausible is such a scenario for the near term?

One Likely Scenario

At the present time, Israel is embarked on a count-down toward a general attempt to expel the Palestinians into nearby Jordan, with accompanying measures intended to topple the Jordanian monarchy and terrify the neighboring nations into submission to a full-scale realization of the goal of Vladimir Jabotinsky's followers: "Eretz Israel" as a leading nuclear-weapons power.

As LaRouche has emphasized, in the medium term, Israel would be ruined and ultimately defeated by the state of irregular warfare it thus creates throughout the region. Nonetheless, the fanatics in Israel, who currently control the majority, are determined to go down that road now. At this point, those fanatics have support for this from certain circles in London and the U.S.A. At the point at which such a "war" is launched on a fuller scale by Israel, the pre-conditions for the orchestrated martyrdom of Sharon are ripe.

In the case of a prevailing belief in Israel, that Sharon had been martyred by complicity of some Islamic states of

the region, terrible exemplary reprisals would be taken rather promptly by the band of howling, wild-eyed fanatics who had just buried Sharon. Nuclear, or similar attacks on population-centers, such as Damascus, Baghdad, and Tehran, are currently pre-indicated targets for such actions.

The obvious weapons for this attack are conventional nuclear warheads, but we must presume that the Israeli arsenal features electromagnetic-pulse-effect weapons as well. Politically, the latter weapons, if available, would be the Israeli command's first choice. Nonetheless, such weapons, or chemical-biological substitutes, would deliver a global political shock, like that produced by conventional nuclear weapons, to the entire structure of the post-1962 global arms-control arrangements and associated mythologies. Such a state of affairs is not a place to which a living Sharon would wish to go. He might be wicked enough, but not stupid enough. Only the most fanatical of religious nuts would go to such levels. Why, then, would anyone in Washington or London wish to bring such lunatics into power?

LaRouche describes Sharon as like an organized-crime gangster, an evil, calculating figure, who, like Adolf Hitler, would go to almost any limit, if he thought he could bluff the world into tolerating his actions. However, Sharon is also a very practical sort of organized-crime type, who would balk at the insanity of using Israel's well-known nuclear weapons arsenal to achieve his present, regionally-bounded objectives of a Greater Israel state. Sharon may be mad in his own way, but, on the record of his past performance, he is the kind of ruthless madman who would operate within certain bounds, bounds which the religious fanatics behind him, are not likely to tolerate.

LaRouche has warned repeatedly, that Sharon's quality of feral prudence is not to be expected from among the wild-eyed fanatics likely to take command of Israel's nuclear arsenal on the pretext of Sharon's assassination. Behind the scenes, among those high-level Anglo-American geopolitical circles who developed the RAND Corporation's "nuclear chicken-game" scenario for the Middle East, decades ago, there are those who could, and would use the kind of Israeli "Masada complex" desperadoes inclined to take nuclear reprisals against capitals of nearby Islamic states. The only plausible basis for a "strategic nuclear chicken-game" scenario is religious warfare.

Sharon would not go that far, without a credible threat of strategic attack from Arab states. Therefore, if one intended Israel to launch such attacks, it would be necessary to replace Sharon, and replace him in a way which would ensure bringing into power the types behind the assassination of Prime Minister Rabin. The only motive for doing that, would be to detonate general religious war throughout most of Asia, which only an unprovoked nuclear, or similar form of assault by Israel would be likely to bring about.

Who would wish to do such a thing?

Why Sharon's Masters Consider Him Expendable

The obvious question is: Why would those same high-level circles which have been using Sharon until now, intend to have him play an early role as a martyr of what would be an allegedly Islamic assassination plotted in centers such as Damascus, Baghdad, and Tehran?

Enter exemplary lackey-like figures such as Zbigniew Brzezinski, Samuel P. Huntington, Madeleine Albright, her father, Josef Korbel, and, presumably also President Double-you's National Security Adviser Condoleezza Rice. As Albright has bragged publicly, she and her father have based their careers on adherence to the ideas of the notorious H.G. Wells of *The Open Conspiracy* notoriety. As Secretary of State, Albright acted according to that dogma, as she bragged of this on one public occasion, in 1999. Brzezinski and Kissinger, whose careers were shaped by the direction of Nashville Agrarian neo-Confederate William Yandell Elliot, represent the same "geopolitical" ideology. These public figures essentially echo the higher circles by whom they are deployed.

Brzezinski is merely typical of the mental state of those circles whose logic would impel them to exploit an assassination of an Ariel Sharon as a detonator for what Brzezinski confederate Samuel P. Huntington has proposed to unleash upon all Eurasia as a "Clash of Civilizations" (Samuel P. Huntington, "The Clash of Civilizations?" *Foreign Affairs*, Summer 1993).

Brzezinski's consistent passion, since his role as National Security Adviser to President Jimmy Carter, has been his determination to use ethnic and religious conflicts in Asia, such as those deployed then, and now, from Afghanistan, to undermine and obliterate any political challenge to the world supremacy of Anglo-American world power. The Osama bin Laden problem of today is nothing other than a strategic outgrowth of what Brzezinski, and later Vice-President Bush and his British cronies conducted in Afghanistan back during the late 1970s and 1980s.

Echoes of such desperation-driven views, genetically akin to the widely publicized geopolitical passions of Brzezinski and Huntington, are to be read in Henry Kissinger's newly-issued book, reviewed in this issue (*Does America Need a Foreign Policy?* New York: Simon & Schuster, 2001), and in Zbigniew Brzezinski's own series of shrill attacks on the new China-Russia friendship treaty. The presently onrushing collapse of the world's present monetary and financial system takes such strategic speculations as theirs out of the policy think-tank board-rooms, and sets them into motion in real life, with real forces.

In former times, after the two world wars of the past century, we became accustomed to speak of "The Guns of August," the month when pending world wars tended to erupt. Now, as then, what inflames the passions of Brzez-

inski, Huntington, Kissinger, and similar types, is the looming threat of a general collapse of the world's present monetary and financial system. Then, as now, the drive toward war was motivated by the determination of the Anglo-American financier interest, to prevent the kind of economic and related cooperation throughout continental Eurasia typified by scientist D.I. Mendeleev's development of the Trans-Siberian Railroad.

To these circles, the "geopolitical threat" represented by Eurasian infrastructure corridor development, pivoted on an evolving Russia-China-India cooperation, as elaborated by Mr. LaRouche, could warrant unleashing the kind of global conflagration that only a post-Sharon Mideast nuclear conflict would provide.

The Threat Assessed

As we see in the present deployment of the Osama bin Laden who was created for the Afghan war launched under Brzezinski's stint as National Security Adviser, the objective presented by Brzezinski side-kick Huntington's "Clash of Civilizations," is to drive the Islamic world into a state of permanent homicidal rage against the rest of Eurasia. In all of ancient, medieval, and modern history, the only way in which such a permanent state of warfare can be sustained, is the kind of religious, or related ethnic warfare from which modern Europe freed itself by the 1648 Treaty of Westphalia, a Treaty which Kissinger, for example, opposes as a model policy for the Middle East today.

As we should recall, when commander Wallenstein recognized that the religious war launched in 1618 must be brought to a peaceful conclusion, hopefully through negotiations with Gustavus Adolphus, Wallenstein was assassinated by the supporters of the continuation of that war, and the war continued for nearly two more decades as a result of that killing. Former Kissinger crony Sharon exhibits none of the relatively commendable qualities of a Wallenstein, but, he, too, would be inclined, even for purely practical reasons, to seek an honorable peace with Israel's Arab neighbors, if circumstances pressed him to the wall to do so.

The point is, the spirit of the murderers of Wallenstein live on today, and there are Kissingers who oppose the Peace of Westphalia, still today. Only by exposing the risk of the assassination of Sharon, are we likely to succeed in preventing it, by discrediting the myth of Sharon's martyrdom in advance.

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Israel's Sharon Still Calculating on War

by Dean Andromidas

EIR's report of Israeli Prime Minister Ariel Sharon's plans to go to full-scale war to destroy the Palestinian Authority, using Hamas terrorism as his tool, was posted on the *EIR* website, larouchepub.com, on July 10, and was subsequently covered in press reports internationally. Despite that exposure, the march to war continues as of this writing, and only its timing is in doubt. Our sources reported that Sharon counted on being able to manipulate the Bush Administration's support for war, to justify a U.S. defense buildup.

Although the countries of the European Union have certainly not given Sharon a green light for war, and have stepped up their criticism, they have not yet been able to put a stop to Sharon's plans. The Bush Administration still refuses to take active measures. Sharon therefore still has a "yellow light" to continue his "slow invasion" tactics against the Palestinian Authority. Furthermore, the White House still continues the insane policy of leaving the decision up to Sharon, on when the so-called cease-fire has taken hold, and when the Mitchell Commission peace plan can begin to be implemented. This, despite the fact that the world knows that Sharon has no intention of ever implementing the Mitchell plan.

On the evening July 17, Israeli military forces reinforced the occupied West Bank, moving a full armored brigade within striking distance of the northern West Bank city of Jenin, and another full armored brigade to the Israeli settlement of Gush Etzion, within striking distance of the West Bank city of Bethlehem. These heavily armored units, reinforced with regiments of infantry, represent the advance guard of an operation that would divide the West Bank into three sectors, as soon as the orders to attack are given.

Ahmed Abdel-Rahman, aide to Palestinian Authority President Yasser Arafat, declared that Israel's goal was to attack the Authority: "These huge numbers of military units, tanks, and heavy artillery have only one goal, which is to attack the Palestinian National Authority . . . pushing the fragile situation to the edge of explosion."

According to Israeli press reports, the deployment was not simply to intimidate the Palestinians, but also to send a clear message to the European Union, the United States, and those set to meet at the Group of Eight summit in Genoa, that Sharon is prepared to go to war.

Israeli intelligence sources have told *EIR* that Sharon may not have launched his invasion yet, but he is actually wreaking, slowly and methodically, over a longer period of time, the same damage he could inflict in a *blitzkrieg* assault. This includes attacks on Palestinian Authority political infrastructure, assassinations, house demolitions, and tightening the blockades of towns and cities, all of which are intensifying day by day.

As long as the United States and Europe do not step in and implement the Mitchell peace plan, this process will continue into an early, generalized war, disastrous for Israel, and for Palestinian and Arab targets, alike.

Temple Mount Fanatics Mobilize

The trigger may be Israeli right-wing extremists, rather than Hamas. Lyndon LaRouche has warned that the assassination of Sharon himself cannot be ruled out, turning him into a martyr that would bring to power the most extremist Israeli factions. This possibility should not be lightly dismissed. Sharon continues to operate within the confines of his national unity government between his Likud party and the Labor Party. The latter is not yet prepared to back a full-scale war, especially without the full backing of the United States. This has defined a very uneasy consensus to continue the "slow war" approach. Until Sharon makes the decision to break the coalition consensus, he will continue to come under increasing pressure from his fanatic allies, hence making his elimination another danger that cannot be ruled out.

In the last weeks, the fanatics have launched a major operation to bring the explosive issue of Jerusalem and the al-Haram al-Sharif/Temple Mount back into the center the current conflict. Unreported in the press outside of Israel is the July 18 decision of the Rabbinical Council of Judea, Samaria, and Gaza—i.e., the West Bank and Gaza—to lift the ban on allowing religious Jews to enter the al-Haram al-Sharif/Temple Mount. This organization comprises the most radical rabbis representing the settlers in the Occupied Territories, and the Temple Mount fanatics who want to destroy the Islamic holy sites on the al-Haram al-Sharif and build the "Third Temple of King Solomon." These madmen could touch off the religious war throughout the region that has been feared since the beginning of this conflict.

On Nov. 3, 2000, *EIR* published a report ("Who Is Sparking a Religious War in the Middle East?"), exposing this movement as being backed by powerful Anglo-American political forces. These super-chauvinist religious Zionists work closely with U.S.-based Christian fundamentalists typified in the Bush Administration by Attorney General John Ashcroft.

The rabbis are expected to meet with the Yesha Council of Jewish Settlements, which represents the settlers in the West Bank and Gaza, to organize mass trips to the Temple Mount around the July 29 religious holiday. Their call is noth-



Ariel Sharon: His assassination could unleash a nuclear conflagration.

ing less than a call to arms to ignite a new Middle East war. The Temple Mount has been closed to all Jews by the Israeli government since Sharon, then in the parliamentary opposition, made his “march on the Mount” one Friday last September, touching off riots outside the Al Aqsa Mosque there, and sparking the current Intifada. The call also violates a ruling by the majority of Orthodox rabbis, that forbids religious Jews from visiting the Temple Mount, lest they accidentally tread on areas of the temple, such as the holy of holies, which were reserved for the priests. So far, continued obedience to that ruling has helped prevent catastrophe.

It is not hard to imagine what will occur if hundreds of radical religious Zionists start marching toward the entrances of the al-Haram al-Sharif/Temple Mount when thousands of Muslims are at afternoon services.

The rabbis’ call was, no doubt, arranged with the cooperation of Jerusalem Mayor Ehud Olmert, and Police and Security Minister Uzi Landau, who are hankering to put Jerusalem at the center of political attention. Both have started a campaign claiming that the Muslim religious authorities are damaging “archeological evidence” through their renovation work, as a provocation to try to undermine the Muslim authorities’ responsibility for the holy site. Jerusalem Mayor Olmert maintains direct ties to the Temple Mount Faithful, one of the most radical groups linked to the above rabbinical council. He has helped them occupy houses in Jerusalem’s Old City and in East Jerusalem. Olmert is also close to Irving Moscowitz, the California-based gambling king, who is the Temple Mount Faithful’s chief fi-

nancier. Olmert has started a campaign to demolish every illegally built house in Palestinian East Jerusalem. (Most post-1967 Palestinian housing has been built without permits, because the Israeli city administration refuses to issue them.) Already, 25 houses have been demolished, leaving hundreds of people homeless.

Arab Leaders Denounce ‘Rogue Government’

In another provocation, Police and Security Minister Landau, on July 17, almost provoked a riot by refusing to allow a scheduled memorial ser-

vice for Palestinian leader Faisal Husseini, who died suddenly in May. At the last minute, Landau issued an order forbidding 5,000 mourners, including many Israelis, from attending. When the ceremony was nonetheless held at Orient House, the Palestinian representative’s office in Jerusalem, Landau deployed hundreds of police to surround and block the streets leading there. The ceremony did take place, but with only a few hundred in attendance. It was only thanks to the better judgment of the Palestinians that no outbursts occurred.

Sharon’s march to war has drawn the harshest response yet seen from the Arab nations, where the mass of public opinion supports the Palestinian cause. Egyptian President Hosni Mubarak, in a press interview, denounced, “With Sharon, there is no solution. . . . [He] knows only murder, aggression, and war. By his nature, he cannot accept peace, and frankly, I don’t believe there is any hope with Sharon and his gang, which includes extremists.” Mubarak urged the United States to intervene into the “explosive situation.”

The final communiqué of the Arab League’s meeting of foreign ministers on July 18, included a statement denouncing Israel as a “rogue state.” The communiqué declared, “Israeli policies and practices, including assassinations, kidnappings, house demolitions, land destruction, and settlements make Israel a rogue government acting outside international law.” Amr Moussa, former Egyptian Foreign Minister and the League’s secretary general, went further: “Israeli policy aims at imposing facts on the ground and imposing an Israeli peace with Israeli conditions.” He, too, characterized Israel as a “rogue state.”

Book Review

For Kissinger, Economic Crisis Demands War

by Mark Burdman

Does America Need a Foreign Policy? Toward a Diplomacy for the 21st Century

by Henry Kissinger

New York: Simon & Schuster, 2001

318 pages, hardbound, \$30

For anyone who had doubts that high-level circles in the Anglo-American financial-political establishment are extremely nervous about the onrushing crash of the global economic system, and are calculating a war, most likely in the Middle East, as their means of holding onto power, at all costs, Henry Kissinger's newest book is proof.

Throughout his woeful career of more than five-plus decades, Kissinger has been obsessively committed to the strategy of "geopolitics." This is the arcane notion invented by Britain's Sir Halford Mackinder, at the turn of the 20th Century, the which made a significant contribution to starting the First World War. Kissinger has adapted, for contemporary use, "geopolitical" strategies, from the anti-American policies put forward at the 1815 Congress of Vienna, by Britain's Lord Castlereagh and Austria's Prince Metternich, as these policies are lauded in his doctoral thesis, *A World Restored*. Otherwise, his main source of "inspiration," has been the British Foreign Office, admiration for which Kissinger has often publicly expressed, in lectures and writings.

In *Does America Need a Foreign Policy?: Toward a Diplomacy for the 21st Century*, Kissinger perpetuates this obsession. "Geopolitical thinking" was downgraded during the Bill Clinton era, he claims, and is now being revived under George W. Bush. He avows that "geopolitics has not disappeared as an element of international politics," and he devises "geopolitical strategies" for Asia, Russia, and other parts of the world.

However, in this book, there is a very important new spectacle: the "master strategist" Kissinger in a state of panic, that the world economic system is careening out of control, and will reduce all his great designs, to rubble. He cannot contain

his dismay, that the crisis will lead certain countries, such as Brazil in South America and several in Asia, to overthrow the "rules of the game," rules that he and his Anglo-American financier and political buddies have been able to impose on the world for much of the post-World War II period.

In such a state of mind, Kissinger is apparently reaching for the one solution that he has always had in mind for times of big trouble: start a war, and institute an international regime of "crisis-management." The main focus for his bellicose intentions, as usual, is the explosive Middle East situation. His outrageous claim, that a solution modelled on the 1648 Treaty of Westphalia is impossible for the region, clearly points in this direction.

This matter would not be so important, were Kissinger speaking only for himself. His latest book reveals him to be a mediocre thinker, at best, who resorts to so many pomposities, lies, distortions, and cover-ups about his own nefarious activities, that a book could be written on that subject alone.

Nonetheless, his state of mind in writing it, is relevant for international financial, political, and strategic developments, as they are now unfolding. For Kissinger speaks for a network, extending into the current Bush Administration, and into senior Wall Street banking and finance layers. His entire career has never been "his own." From the outset, he was the protégé of the super-Anglophile Harvard Professor of Government, William Yandell Elliott, one of the chief figures in the so-called "Nashville Agrarian" movement of American backers of the ideas of the 1861-65 Southern Confederacy. He has always been at pains, as in his notorious May 10, 1982 address before the London Royal Institute of International Affairs ("Chatham House"), to stress his tutelage by the British Foreign Office.

So, when Kissinger speaks or writes, an Anglo-American "Committee" of some substantial influence, is expressing itself—leaving aside the question of whether the entire book has been ghost-written by a "Kissinger Committee" of his lackeys and underlings.

U.S. Downturn 'Could Wreak Havoc'

Early on, Kissinger indicates his nervousness about the global economy, interrupting his hyperventilations about "globalization" and the ostensibly unchallengeable nature of American power, to warn that a "global economic crisis is the major threat to contemporary democracy." Then, "another significant financial crisis in Asia, or in the industrial democracies, would surely accelerate efforts by Asian countries to gain greater control over their economic and political destinies by the creation of an Asian counterpart to the existing regional systems. A hostile Asian bloc combining the most populous nations of the world, and vast resources with some of the most industrial peoples would be incompatible with the American national interest." He is nervous, that there will be growing support for the protectionist policies of Malaysia,

China, and India, all of whom weathered the storm of the “Asia crisis” better than those who were subjected to International Monetary Fund prescriptions.

It is hardly necessary to read between the lines, to understand that this is a “thumbs down,” from relevant Wall Street milieux, to the LaRouche policy package of a “New Bretton Woods,” combined with a Eurasian Land-Bridge reconstruction program.

He also frets, that a possible “hard landing” in the U.S.A., could overturn all his wishes, for a Free Trade Association of the Americas, and for an eventual Trans-Atlantic Free Trade Association (TAFTA), and bring about a Brazil-led resistance to free-trade designs.

The mood of panic hits its peak in Chapter Six, “The Politics of Globalization.” In the introduction, Kissinger had specified, that this chapter was written with advice from Felix Rohatyn, the wheeler-and-dealer of Lazard Frères banking house, and John Lipsky, a Wall Street prominent. In the chapter, he admonishes that “the very process that has produced greater wealth in more parts of the world than ever before, may also provide the mechanism for spreading an economic and social crisis around the world. Just as the American economy has been the world’s engine of growth, a major setback for the American economy would have grave consequences transcending the economic realm.”

Next, he makes a revealing assessment about the state of mind of those in positions of power and influence, faced with the unravelling economic-financial situation: “There are significant psychological obstacles in preparing for such a crisis. Those responsible for the economy . . . *find it psychologically easier to manage the consequences of a recession than to take controversial measures to avert it.* . . . I have nothing to contribute to the debate about the economic measures needed to avert or to mitigate a recession” (emphasis added).

Soon thereafter, Kissinger mentions the past years’ economic crises in Russia, Brazil, Argentina, Ecuador, etc., and writes: “How many such roller-coaster rides can the international system withstand, without political and social debacle? What would happen if a U.S. recession were thrown into the equation. . . . When global growth depends so much on the performance of the American economy, a downturn of any length could *wreak havoc with the international financial and political systems.* . . . The dark cloud hanging over globalization is the threat of a global unraveling of the free market system under pressure, with all its attendant perils to democratic institutions. . . . The international financial system needs to reduce its volatility and learn to cushion the impact of crises more effectively” (emphasis added).

‘The Maxims of Westphalia Do Not Apply’

In this context, Kissinger’s geopolitical obsessions signal that he and his friends are looking for a war.

This suspicion is aroused early on in the book, when he writes that “the Middle East conflicts are most analogous to those of 17th-Century Europe. . . . The maxims of Westphalian peace diplomacy do not apply in the Middle East.” What this refers to, is the 1648 treaty, which brought about an end to the 1618-48 Thirty Years War in Europe, a war which had caused vast devastation throughout much of the continent. The Treaty of Westphalia insisted on a new regime of international justice, centered around the recognition of the absolute sovereignty of the nation-state, ecumenical agreements between these states, and the rejection of revenge and retribution in policy calculations.

That he would so attack “the maxims of Westphalian peace diplomacy” for the Middle East can only be read as an attack on the policies of Lyndon and Helga LaRouche, the two figures who have repeatedly, and uniquely, insisted on “Westphalian” policies, as the only means of war-avoidance in that region. For the LaRouches, “Westphalian maxims” are the only way to create the preconditions, there, for a new era of economic cooperation, including water-development projects, and the like.

By axiomatically excluding the Treaty of Westphalia precedent from the Middle East context, and insisting on the “analogous” 17th-Century European Thirty Years War situation there, Kissinger is saying, in fact, that new wars are inevitable, and, in essence, desirable.

If one reviews his Chapter Five, dealing with the Middle East, what sticks out, is not only his obsessive dislike for the 1990s Clinton Administration peace diplomacy and “Oslo peace process,” but his yearning for his days of “shuttle diplomacy crisis-management,” when he was Richard Nixon’s National Security Advisor. While covering up his own central, manipulative role in the October 1973 “Yom Kippur War,” and in the ensuing “oil crisis,” his nostalgia for that conjuncture is crystal clear. The message, for the present moment, is also clear.

Britain Yesterday, America Today

Although his perspective on Asia is not stated quite so crudely, there too, in the Kissingeresque worldview, war is on the horizon. He likens the situation in Asia, now, to that of 19th-Century Europe. There, according to this great strategist, the only thing that “worked,” was the “balance of power” doctrine of the British Empire. The United States, today, must apply “balance of power” policies to prevent “an unfriendly bloc” from developing in Asia, or in Eurasia more broadly. “America’s relationship to Asia is . . . comparable to that of Britain toward the continent of Europe for four centuries,” he writes. He quotes at length, from Churchill’s 1948 book, *The Gathering Storm*: “For 400 years, the foreign policy of England has been to oppose the strongest, most aggressive, most dominating Power on the Continent.” This covers the era,

inclusively, as Churchill stresses, of Lord Marlborough's conquests on the continent, in wars against France, and of the First World War.

It would be worth neither the time nor the space, to enumerate or detail the lies, distortions, and cover-ups in *Does America Need a Foreign Policy?* But one particularly egregious example deserves comment.

Kissinger, ever the influence-peddler, has felt the need to position himself, in the recent period, as a supporter of the Bush Administration's National Missile Defense (NMD) policy. He portrays himself here as a long-standing supporter of ballistic missile defense, and as a staunch opponent of the Mutually Assured Destruction (MAD) policy. What could be more absurd?!

This reviewer had the opportunity, soon after President Ronald Reagan's March 23, 1983 announcement of the Strategic Defense Initiative, to speak to a very well-connected European strategist. This individual reported, that he had been at a dinner, with Kissinger, when the latter first was informed about Reagan's speech. He commented: "Henry nearly choked on his food, when he heard what Reagan had said! He was dismayed."

Beyond that anecdote, the simple fact is, that from that March 23, 1983 point onward, Kissinger became ever-more obsessed with destroying his chief adversary in the United States, the man who had architected what became the SDI policy, Lyndon LaRouche. Kissinger had already successfully demanded, during 1982, the extra-legal processes that eventually led to LaRouche's unlawful conviction and incarceration, in 1988-89. But in Spring 1983, he re-intruded himself into the Administration of a President who despised him, to combat the policy-influence of LaRouche.

The historical point, which is hardly a state secret, is that Kissinger was one of the architects of MAD. This grew, from his intimacy and collaboration with the leading circles of the Anglo-American-Soviet "Pugwash Conference" of Lord Bertrand Russell et al. This was the clear message of his 1950s book, *Nuclear Weapons and Foreign Policy*, written for the New York Council on Foreign Relations (the U.S. branch of Chatham House), under the tutelage of establishment big shot McGeorge Bundy, and ghost-written by one Gordon Dean. Though Kissinger is MAD, there is a dangerous method to his madness.

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Sanctions on Iraq Aren't So 'Smart'

by Muriel Mirak-Weissbach

The decision on July 3, by the United States and British governments, to withdraw their resolution to the UN Security Council, calling for a new regime of "smart sanctions" against Iraq, demonstrates how much the world has changed since George W. Bush entered the White House. The move signalled a personal defeat both for Bush and his Secretary of State Colin Powell (who had vowed to change the sanctions regime, as a priority); furthermore, it announced a new reality in the Security Council: No longer can Washington and London assume that the usual arm-twisting will work, to win over the support of the Russian government in continuing the anti-Iraq policies.

It was, in fact, the Putin government's rejection of the "smart sanctions" resolution, which forced the United States and Britain to back off. Russia, which has been critical of the sanctions overall, shifted its position this time, to threaten an actual veto in the Security Council, a humiliation which Bush and British Prime Minister Tony Blair did not want to suffer.

Now, formally speaking, the *status quo ante* has been reinstated, in that the oil-for-food program, allowing Iraq to sell oil for purchases of food and other necessities, has been confirmed, for five months. In reality, the entire correlation of forces inside the Security Council has changed, as it is now Russia—not the U.S. and U.K.—that is determining policy toward Iraq.

Smart Sanctions vs. Dumb Sanctions

The proposal for a new sanctions regime was submitted on May 22, on British and American initiative. It was dubbed "smart sanctions," allegedly because the resolution claimed to limit the effect of sanctions to the government and military, while alleviating the hardship for the civilian population. The resolution called for lifting restrictions on some civilian goods, while toughening controls on illegal imports of goods, illegal exports of oil, and also tightening enforcement of the arms embargo. This meant, that the UN expected Iraq's neighbors, Syria, Turkey, and Jordan, to "monitor" the flow of trade, i.e., that these countries should play the role of UN inspectors, which are no longer on the scene.

Iraqi officials were quick to note, after the resolution was presented, that if these were "smart sanctions," the previous measures must have been "dumb sanctions." They rejected the proposal, and immediately contacted the neighboring countries' governments, to make clear, that were they to sup-

port the U.K.-U.S. proposal, Iraq would suspend all trade with them. Jordan, Syria, and Turkey stood up for their economic interests, and refused to back the plan.

Inside the Security Council, the U.S. and U.K. tried to ram the proposal through in eight working days, but when France, Russia, and China balked, they agreed to extend the oil-for-food program for one month, until July 3, to allow more time to apply pressure, especially to Russia. Iraq responded to that move, by stopping its supply of oil, arguing that the one-month extension was a violation of the program itself, which is defined in six-month intervals. When the month was up, China and France had agreed to the resolution, but Russia signalled its intention to veto, if necessary.

What had occurred in the interim, among other developments, was the summit meeting between George W. Bush and Vladimir Putin, during which the U.S. President reiterated his provocative positions regarding missile defense, abrogating the ABM Treaty, and massively expanding NATO eastwards. Putin made clear his principled rejection of these policies. The Russian President's first face-to-face confrontation with the intellectual lightweight Bush, must have impressed upon him, how important a firm stance by Moscow would be, in crucial policy questions, to maintain stability and prevent the Bush regime's provocative stance from endangering world peace. Iraq was to become the case in point.

When the Security Council decided to extend the oil-for-food program five months, the United States and Britain tried to insert a phrase, to the effect, that the Council in the meantime would continue to study the smart sanctions. This, Russia, also torpedoed; the only phrase allowed, was one referring to the need to improve the humanitarian program. In a statement issued by the Russian Foreign Ministry, the UN decision was characterized as a "wise compromise," and the ultimate solution to the Iraq problem was identified as a complete lifting of sanctions, in the context of Iraqi "cooperation with the international community in the field of disarmament." The day after the UN decision, the Russian parliament, the State Duma, voted 242-3 in support of a call to Putin, to use Russia's veto power to shoot down "any initiatives envisaging a tougher sanctions regime against Iraq," and to push for lifting the sanctions altogether.

No wonder, then, that when the "smart sanctions" plan was withdrawn, regional observers identified the Russian role as crucial. "I am happy about it," said economist and political commentator Fahed Fanek of Jordan, "because it clearly shows that the United States no longer imposes its will on the world, while Russia has proven that it is still a superpower."

The Economic Dimension

One reason for Russia's intransigence on the Iraqi sanctions issue, is economic. Russia has huge interests in Iraq, which have been damaged by the ten-year sanctions, and is eager to return to trade normalcy. Iraq has \$10 billion outstanding in debts to Russia, from before the 1991 Gulf War;



Russian President Vladimir Putin virtually pronounced the Iraq sanctions policy dead on July 18, calling it inappropriate and wrong, and announcing that Russia was negotiating resumption of full trade with Iraq.

the two countries have signed a series of massive economic cooperation and trade deals, worth that figure, which can be implemented as soon as the sanctions are lifted. As Russian wire services reported on June 26, a group of Russian businessmen in the Committee on Cooperation with Iraq, met regarding the July 3 vote on sanctions, and issued a statement. It said that if the resolution passed, Russian companies would have to completely withdraw from Iraq, after having sustained some \$30 billion in losses already, over the ten-year sanctions period. The companies involved included big groups, such as LUKoil, Slavneft, StroitransGaz, and Saubneft.

The same must be said of Iraq's immediate neighbors, albeit the dimensions may be reduced. Jordan, whose economy has been shattered by the Gulf War and sanctions, has depended on trade with Iraq, especially oil imports, to survive. As one Jordanian diplomat told *EIR*, if the "smart sanctions" go through, it would be the end for Jordan. Prime Minister Ali Abu Ragheb told UN Secretary General Kofi Annan, in a letter prior to the vote, that if Jordan agreed to the new proposal, it "might very well threaten its social, economic, and political stability."

For Syria and Turkey, as well, trade with Iraq is crucial. The Turkish economy is going through a terminal crisis, and is financially virtually bankrupt, in part due to the after-effects of the Gulf War and sanctions, which cut the volume of trade by an order of magnitude.

Thus, the rejection by Iraq's neighbors of the U.S.-U.K. proposal. Iraqi Minister of State for Foreign Affairs Najji al Hadithi expressed the government's satisfaction with the defeat of "smart sanctions," saying, "The American plot has collapsed. This collapse is a victory." And he added, "It's also a victory for the will of the countries which voiced their rejection of this deceitful project, such as Jordan, Syria, and Egypt."

First India-Pakistan Talks Yield Little

by Ramtanu Maitra

The first round of talks between Indian Prime Minister Atal Behari Vajpayee and visiting Pakistani President Pervez Musharraf, held July 14-16 in the historic Indian city of Agra, failed to formulate an agenda on the basis of which future talks would progress. While both sides expressed disappointment, close observation suggests not all is lost. President Musharraf's invitation for Vajpayee to visit Islamabad, was accepted by the Indian premier, and a further meeting at the UN General Assembly session in New York, is likely.

Unfortunately, the media, particularly in Pakistan, have downgraded the summit as a failure and blamed New Delhi's intransigence. But the holding of the summit itself was an achievement. As recently as the Summer of 1999, Pakistan had escalated its irregular warfare against India by infiltrating a large number of militants and Pakistani Army regulars into the high mountains of Kargil in the Indian-held part of Kashmir. Although the Indians beat back the invaders, relations between the two touched their nadir. A few months later, Pakistan's Army Chief Gen. Pervez Musharraf pulled off a coup and arrested duly elected Prime Minister Nawaz Sharif. It was evident then that it would be hard for India to accept General Musharraf, who had conducted the Kargil warfare. The Agra summit shows that India has not only accepted President Musharraf as Pakistan's legitimate head of state, but is willing and ready to discuss the normalization of India-Pakistan relations.

The Sticking Points

Long before leaving for Agra, President Musharraf and his foreign minister, Abdus Sattar, made statements to New Delhi, and to the Pakistani citizenry, that the summit concerned Kashmir, and no other issue. While Foreign Minister Sattar referred to Kashmir as the "only issue," to President Musharraf it was the "core issue." President Musharraf also met with militants and extremists active in Kashmir a week before his departure for the summit and obtained their approval for talks.

By contrast, India was eager to keep Kashmir as "another issue," but not the core issue that must be addressed for there to be normalization of relations. According to New Delhi, Kashmir is no longer only a territorial issue, as it was in 1947. Over the years, the Kashmir issue has become more complex, because of Pakistani intervention by arming, training, and using militants and *jihadis*. New Delhi, however, did not seem

to have a strategy on how to avoid Kashmir becoming the only subject of discussion.

Rather, India, under pressure from Pakistan's insistence to discuss Kashmir, put forward a proposal which suggests that New Delhi is willing to address Kashmir as the core issue, provided narcotics trafficking and cross-border terrorism, encouraged by Pakistan, are also discussed under the same agenda. However, no agreement could be reached on that, since those whom India considers "terrorists," are "freedom fighters" in Islamabad's dictionary.

Root of the Problem

In their ten-hour-long discussions at Agra, both sides were guided by "invisible hands." In Pakistan, extremists have a strong power base. The base extends inside the bureaucracy, Army, media and street-level agitators. It is a volatile coalition which cannot be ignored. In Agra, President Musharraf was held down by this distant force.

The Pakistani hard-liners, which include the extremists and *jihadis*, as well as the old anti-India warriors, believe that it is their moral and material support lent to the Kashmiri *jihadis* that has forced India to come to the discussion table.

In India, the perception is different. While it is acknowledged that the Kashmir insurgency is a drain on the national exchequer, the Indian economy is impacted nominally by Kashmir events. They also believe that the Pakistani Army, by investing heavily in Kashmir and anti-India campaigns, has bankrupted the nation. Moreover, Pakistan's unwise role in Afghanistan and Kashmir has made it a virtual pariah to the world community. According to these Indian opinion-makers, Pakistan, and Musharraf, are in dire need to resolve the Kashmir problem before it destroys Pakistan. At Agra, this line of thinking had acted as an "invisible hand" as well.

Beside those perceptions, other differences played a role at Agra. To Pakistan, Kashmir remains an unfinished agenda of the partition of the Indian subcontinent. Jammu and Kashmir (J&K) was one of the 565 princely states over which British paramountcy lapsed at the stroke of midnight on Aug. 15, 1947. Rulers of these princely states were given the option of joining either of the dominions—India or Pakistan. The ruler of J&K, Maharaja Hari Singh, did not join either, but wanted a "standstill agreement," pending his final decision.

A Muslim-majority state with a Hindu ruler, J&K was pressured by Pakistan, as well as India. Finally, when Pakistani tribesmen invaded J&K on Oct. 22, 1947, Hari Singh sought Indian help. As a conditionality, Hari Singh acceded to India on Oct. 26, 1947. The accession was never accepted by Pakistan, nor the United Nations. London took upon itself to promote a very strong movement seeking Kashmiri independence.

Pakistani hard-liners believe that since the Indian subcontinent was divided in 1947 based upon religion, no conceivable peace can be attained unless the Muslim-majority J&K



A sign of what did change despite the difficulties of the India-Pakistan summit: Pakistan's President Pervez Musharraf, responsible for the on-the-ground fighting in Indian-held Kashmir a few years ago, reviews an Indian Guard of Honor in New Delhi. Potentials for Eurasian economic cooperation provide hope for longer-term results.

becomes part of Pakistan. In India this view is strongly challenged. The partition of the subcontinent was brought about by a departing colonial power, Britain. That very basis of partitioning the country was proven wrong when Bangladesh (with a Muslim-majority, and formerly part of Pakistan) broke away from Pakistan with India's help. To the majority of Indians, to revert back to the distorted 1947 concept to solve the Kashmir imbroglio is simply unacceptable.

What To Expect Now

For President Musharraf, a certain level of success, mixed with the right dose of toughness at the summit would help him to legitimize his leadership at home. Therefore, it was not surprising that when he left for Islamabad he was crestfallen and visibly depressed. Foreign Minister Sattar has, however, reassured Islamabad reporters that the summit was not a failure, but "inconclusive."

The same compulsions drove the Indians say that all was not lost. India's External Affairs and Defense Minister Jaswant Singh said he was not disheartened by the outcome. The arrival of President Musharraf is a thread of peace and India will follow that thread as far as it goes.

The reason that both India and Pakistan are unwilling to label the summit as a failure, is that both parties realize the complexity of problems that encompass the resolution of Kashmir. Pakistan knows that Kashmir cannot be annexed militarily, nor is there any reason to believe that India will give up any significant part of the territory it holds now.

Equally relevant is yet another factor that may influence how India conducts the talks in the next round. Washington

had long been exerting pressure on both New Delhi and Islamabad to bring an end to the Kashmir conflict. There exists a veiled warning, or two. Washington has conveyed on many occasions that if the Kashmir situation continues to remain as it is, the United States would like to take over the mediator role to break the gridlock. Pakistan welcomes such intervention, but it is vehemently opposed in India. In addition, Washington has also implied that if India fails to resolve the Kashmir dispute, it would not be able to garner the American support in its yearning to become a permanent member of the UN Security Council.

Then, of course, there are the Kashmiris themselves. President Musharraf, during his stay in Agra and prior to that, has made it clear that the "will of the people of Kashmir" must be given adequate attention. Pakistan also wants India to

commit to the participation of the Kashmiri groups in the talks at a certain point. New Delhi agreed reluctantly, worried about the likelihood that they will, in due course, demand a Kashmir independent of both nations—the brainchild of the British colonial era.

Immediate Threat

The fallout of the "inconclusive" talks could give rise to increased violence in Kashmir. Two powerful terrorist groups, Lashkar-e-Toiba and Hizbul Mujahideen, both based in Pakistan, have subsequently threatened to blow up Indian government installations. It is likely that they will be able to rev up fellow *jihadis* and Kashmiri militants to spread violence on the ground. According to Stephen Cohen, a Brookings Institution scholar who followed the subcontinent's armies for decades, the Pakistani hard-liners may see in this "inconclusive" summit, the sign to go for another Kargil-like adventure.

The hope, on the other hand, is that the ten-hour meeting is expected to have an impact on both leaders, and that the next round of talks will have a new level of confidence. Prior to the summit, President Musharraf, focused on Kashmir, rejected New Delhi's suggestions to adopt some confidence-building measures. India had suggested enhanced trade and commerce; opening up the pre-partition rail and road links between India and Pakistan; setting up checkpoints to facilitate freer travel between two Kashmirs; and the prospect of laying the gas pipeline from southern Iran to India, via Pakistan. Now that the ice has been broken, working on these may change the outcome of future talks.

Anglo-Americans To Push Zimbabwe into Civil War

by Dean Andromidas

The Anglo-Americans have decided to escalate their attacks on Zimbabwe. Despite successfully mobilizing almost all the international institutions, especially the countries of the European Union, to isolate the government of President Robert Mugabe, they have been unable to force any African leader to denounce Mugabe and to work for the overthrow of his government. *EIR* has evidence that the attack on Mugabe is being extended to other political layers who, despite their criticism of some of the Mugabe government's policies, refuse to join the Western-sponsored opposition Movement for Democratic Change (MDC). The aim of such a broadened attack is to polarize the country to the point of plunging it into a civil war.

The recent meeting of the Organization of African Unity, which resolved to disband and form the Union of Africa, came out in full support of Zimbabwe. A preliminary resolution was drafted by the organization's Council of Ministers on July 8, calling for full support of Zimbabwe and its land-reform process. "Recalling that the liberation struggle was essentially . . . a struggle by the people of Zimbabwe to reclaim the land which they were dispossessed of by British colonialism," the Council urged Britain to "fulfill the outstanding commitment it undertook during the de-colonization process by honoring its obligations on the land question." The resolution criticized Britain's opposition to Zimbabwe's land reforms, particularly London's "moves to mobilize European and North American countries to isolate and vilify Zimbabwe leading to the imposition of formal and informal sanctions against it." The ministers resolved to form a committee chaired by Nigeria, and comprising Algeria, Cameroon, Kenya, South Africa, and Zambia, to coordinate with Zimbabwe "at all fora wherever the Zimbabwe land issue is raised."

Because the final statement called for promoting "dialogue" between Zimbabwe and former colonial power Great Britain, Western media blared that the Council's statement was evidence of their backing down in fear of scaring off Western investors. Nonetheless, the draft statement captures the underlying mood on the continent, where Africans continue to be crushed under genocidal policies which the Western nations refuse to change. The fight being waged in Zimbabwe

is rekindling a political current comparable to that at the height of the anti-colonial and anti-apartheid struggles of the 1960s and 1970s. It also made clear that no southern African head of state is prepared to be a party to destabilizing Zimbabwe.

Pro-British Reactions

The response to the conference was swift. In the United States, right-wing Sen. Bill Frist (R-Tenn.), a strong supporter of the overthrow of Sudan's government, won approval for his so-called Zimbabwe Democracy and Economic Recovery Act in the Senate Foreign Relations Committee. The act calls for sanctions against Zimbabwe, with a package of incentives for the Zimbabwe opposition and other southern African countries to overthrow the Mugabe government.

The private International Crisis Group (ICG) has also issued a report calling for putting Zimbabwe and President Mugabe in the same basket as Yugoslavia, under President Slobodan Milosevic at the height of the Balkan wars. The report declared that "if Mugabe will not permit free and fair elections, the international community should apply sanctions that impact on the political leadership—a freeze on personal funds and travel restrictions . . . and the [British] Commonwealth should suspend Zimbabwe." The report demands that Zimbabwe allow the opposition to receive as much money from outside as "the international community wishes to provide and it wants to accept."

The ICG is comprised of a gaggle of old U.S. State Department and Commonwealth officials, politicians, and others, who have managed to fumble almost every international crisis in the last 20 years. Among its members are former U.S. Rep. Stephen Solarz, who helped organize the overthrow of Philippines President Ferdinand Marcos in 1985-86; Richard Allen, former National Security Adviser to President Ronald Reagan; former U.S. Ambassadors Kenneth Adelman and Morton Abramowitz; Gen. Wesley Clark, former NATO supreme commander who headed the disastrous NATO war against Yugoslavia over Kosovo; and Cyril Ramaphosa, former Secretary General of South Africa's African National Congress, who is reportedly also leading a campaign to oust South African President Thabo Mbeki. One of the moneybags behind this operation is George Soros, the mega-speculator and drug legalization advocate, whose Open Society Institute is busy throughout southern Africa financing various anti-government organizations.

Inside Zimbabwe, there is a dangerous shift in tactics. Up until now, the policy has been to finance and give strong political support to a very aggressive political opposition, the MDC, to overthrow the Mugabe government through "democratic elections," in which the "international community" will decide that the only acceptable "democratic result" would be Mugabe's electoral defeat. (They pointedly ignore

the fact that Mugabe won re-election.)

Nonetheless, the Anglo-Americans are facing a problem with their MDC proxy, because it has proven politically inept. A recent report drafted for mining giant, Anglo American Corp., and leaked to the press, questioned whether the MDC and its leader, Morgan Tsvangirai, have the wherewithal to take power.

Because the MDC and its supporters in the opposition press never attack the policies of the International Monetary Fund (IMF), the World Bank, the mining companies, and finance houses that are crushing Africans today, they are unable to win the support of the majority of the population. There are just too many Zimbabweans who, though critical of the government, see these international institutions and corporations, which still control vast chunks of the economy, as far more dangerous than President Mugabe. Despite what the international media prints about the government land-reform program, and with all its problems, it nonetheless has substantial support within Zimbabwe and throughout the region.

This was confirmed by *EIR*'s fact-finding mission to Zimbabwe last Spring (see *EIR*, April 6, 2001). *EIR* saw that the greatest cause of rage against Mugabe and the ruling ZANU-PF party, is their capitulation in the 1990s to the IMF policy that has collapsed Zimbabweans' living standards. The opposition has mobilized this rage, particularly in the urban centers, against the government, but without once attacking the IMF policies. *EIR* encountered intellectuals, politicians, and others who, despite being highly critical of Mugabe, refused to back the MDC. Even among the white commercial farmers, there is a growing minority willing to compromise with the government.

It is the growth of this more nationalist political center that has caused the MDC to fail to achieve the polarization necessary to secure the overthrow of the Mugabe government. A very dangerous shift in tactics by the MDC and its supporters is aimed at attacking this layer of the population. One important and potential dangerous case has been brought to the attention of *EIR*.

Anti-IMF Forces under Attack

Earlier in July, a Zimbabwean Anglo-American mouthpiece, the *Daily News*, launched a vicious campaign of slander and intimidation against Dr. Ibbo Mandaza, the editor of Zimbabwe's only independent newspaper, the *Zimbabwe Mirror*, which refuses to join the lynch mob against Mugabe. The outrageous and baseless nature of the attack, making wild allegations of corruption and impropriety, rules out a simple attack on a rival daily. A threat on Mandaza's life also cannot be rule out.

Dr. Mandaza has collaborated with *EIR* on economic and political investigations, and his newspaper has published *EIR* articles. The basis of this collaboration is Dr. Mandaza's out-

spoken criticism of the IMF and World Bank, and the evils of globalization. These are convictions that brought him into conflict with President Mugabe's government when, in the 1990s, the government adopted the IMF Structural Adjustment Program. An old-style African nationalist, Dr. Mandaza, despite his criticism of the government, sees the real enemy of Zimbabwe as the IMF, World Bank, and the policies of globalization that are destroying Africa. He is also part of the circle of African nationalists, who are looking toward the "Malaysian model" as an effective means to combat the IMF and globalization.

A businessman, Mandaza is also a well-known academic who has held tenure at several African universities, worked for the United Nations, and authored several books on politics and economics. He is also director of the Southern African Institute for Policy Studies of the Southern African Political Economy Series Trust, organizations which comprise a network of African nationalist economists. Many of their studies have documented the negative impact of IMF Structural Adjustment Programs.

Probably one of the principal reasons for launching the attack on Mandaza, was the fact that he is currently endeavoring to expand the *Zimbabwe Mirror* from a weekly into a daily. This would have a profound impact on the newspaper market, because all of the non-government dailies, including the *Zimbabwe Independent* and the *Daily News*, exist only to attack the government. As a daily, Mandaza would offer a media outlet for a patriotic opposition, whose commitment would be to the country and not to simply overthrowing the government and doing the bidding of the IMF.

A western European journalist in the capital, Harare, explained to *EIR*, "They have to attack Mandaza in order to completely polarize the country." This journalist, who has been living in Zimbabwe for years, said that Mandaza is being made an example of, for a whole layer of Africans with their roots in African nationalism and who have not fundamentally changed and refuse to join the MDC, despite their criticisms of the government.

Profile of the 'Daily News'

EIR can attribute some very evil intentions of those who have financed the *Daily News*. It was founded in 1998 and has the reputation of being the unofficial mouthpiece of the MDC. One of its directors is Janet Todd, daughter of Sir Garfield Todd, a former Governor of Rhodesia, the pre-liberation, colonial, name of Zimbabwe. More interesting is who finances the operation: The daily is owned by the Associated Newspapers of Zimbabwe, which was created in 1998. Some 60% of its founding capital came from the British-based consortium Africa Media Investments (Zimbabwe) Ltd., which was specifically organized to finance the daily.

The consortium brings us into the epicenter of the Anglo-

American operation targetting Zimbabwe. It is a mix of high finance and high-level international media and operatives linked to the Commonwealth apparatus. This includes the Bank of Scotland, one of the United Kingdom's most elite banks, whose royal charter permits it to print its own currency. The bank kicked up a lot of controversy when it was in talks with U.S. right-wing televangelist Pat Robertson to set up a banking operation linked to his fundraising operations. Robertson, who is notorious for commercializing his religious beliefs, earned the nickname "Diamond Pat," when it became known that he owned diamond mines in the Congo. One of his most important devotees is former President Sir George Bush, with whom he often travels to Africa.

Among the media backers is Independent Newspapers of South Africa. This is one of the country's leading newspaper groups and is controlled by the media empire of Tony O'Reilly, former chairman of Heinz 57, the U.S.-based multinational processed-food corporation. More important, O'Reilly is good friends with Henry Kissinger, whose Kissinger Associates consultancy was instrumental in getting Heinz into the China market. Among his other friends is Sir George Bush, who in 1988 offered O'Reilly the Commerce Department portfolio.

Another media group is Tindle Newspapers, one of the largest publishers of local newspapers in Great Britain, and whose owner, Sir Ray Tindle, is a good friend and business associate of O'Reilly's. Another key media empire is Allied Press, New Zealand's largest privately owned newspaper group.

The operatives who are running the day-to-day operations of the consortium are linked to the Commonwealth apparatus, which is often used for destabilizing members whom the "mother country" finds troublesome. One of these operatives is Derek Smail, whose Commonwealth Publishing Ltd. is part of the consortium. Smail is in constant contact with the Zimbabwe Democratic Trust of London, which is the major coordinating center for operations against Zimbabwe (see *EIR*, May 12, 2000).

The other operative is Michael Stent, who is a director of the Commonwealth Journalist Union. Stent travelled to Zimbabwe to set up the editorial offices of the *Daily News*.

The owners of the *Daily News* are always bragging about how their newspaper is vastly out-selling the government-owned Zimpapers group. Nonetheless, the company has been constantly on the verge of bankruptcy since its founding, according to Zimbabwe press reports. The last year was especially difficult, and another local consortium, the Independent Media Group, bought out 60% of its shareholders to help bail it out. Independent Media Group is led by Zimbabwe businessman and MDC financial backer Strive Masiyiwa. Masiyiwa is the head of Econet, one of Zimbabwe's mobile telephone companies, and is archetypical of the new breed of "globalized capitalists" of the so-called New Africa. A deeper

look will reveal that this "new breed" are promoted by the same Anglo-American companies that were part of colonial old Africa.

Masiyiwa is famous for breaking the monopoly of the government-owned telecom, which had been demanded by the IMF's Structural Adjustment Programs. He was aided by the Zimbabwe High Court, which simply declared the monopoly unconstitutional. His seed money came from one of the financial world's leading hedge funds, the New York-based Waterford Partners. Led by Edward Bozaan, Waterford became famous, because of its vulture-like Global Stabilization and Recovery Fund. This fund would invest in emerging markets after they collapsed, under assault from the large hedge funds, such as the Quantum Fund and Tiger Fund, which would pull out after taking huge profits. Bozaan threw Masiyiwa a few million dollars for Econet, after he came to Harare to buy up stock holdings on the cheap, of some of the old Zimbabwe elite firms, such as Delta Corp. and Meikles African, whose roots are in the colonial Rhodesia Cecil Rhodes. With this cash, Masiyiwa became the partner of such international telecom giants as British Telecom, eager to get into the African telecom market. In 1995, Masiyiwa was appointed by the U.S. government to the board of the Southern African Enterprise Development Fund.

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Drug Legalization Mania Seizes British Elites

by Mark Burdman

This news article is the introduction to a longer piece on the drug-legalization craze sweeping Britain, written for the European War on Drugs magazine.

As the global economic-financial and social-cultural crises sharpen by the day, dominant elements within the British policy establishment have rushed to promote their own unique, and perverse “solution”: legalization of drugs.

There are two motivations in such a propaganda campaign. The first, based on greed, but also desperation, comes from an understanding that the global financial system is going bust, and must have access to much greater flows of “regulated” drug revenues to bolster “the markets.”

The other, more sinister motive, comes from that tendency in the British establishment, historically expressed most clearly in the late degenerate Aldous Huxley’s 20th-Century novel *Brave New World*. Their aim, as H.G. Wells’ buddy Huxley expressed it, is to create a “new order,” in which substantial segments of the population are controlled through drugs of various sorts. The “Huxleyites” among the British elites, see this period of growing chaos and disintegration—now featuring continuing riots in cities of Britain and North Ireland—as a marvelous window of opportunity, to establish their New Age, or, more precisely, New Dark Age.

Although the British Empire no longer exists in the form of its 19th-Century heyday, these reflexes have a clear historical precedent in the practices of the Empire, when Opium Wars were mounted against China, when vast sums were made in the opium traffic, and when such trade was legal. This was the time, when Queen Victoria used cannabis, ostensibly for medical reasons, and numerous figures in the British literary and cultural world regularly used narcotic substances.

As *EIR* has documented extensively in its book *Dope Inc.*, City of London-centered financial institutions around the world, have, for decades, managed, or laundered, flows of money coming from illegal drug trafficking. Legalized drug-money flows would be much larger.

Thatcherites For Drugs

The drug-legalization offensive began soon after the June 7 general elections in Britain, and has become a dominating, if not *the* dominating issue in the country, since. Appeals

for legalization have been prominently covered in the main “respectable” establishment press—not the tabloids—including the conservative London *Times* and London *Daily Telegraph*, and in the left-liberal London *Guardian*.

On June 20, Mary Ann Sieghart, a neo-conservative senior commentator for Rupert Murdoch’s *Times* newspaper, reflected on the terrible results that the British Conservative Party had had on July 7, and insisted that there were only one viable path for the party in the future. This had to be support for legalization of drugs, since this would both appeal to the “libertarian” streak among Conservatives, and would be popular among the younger generation of voters. At the *Times*, she was seconded, in the days following, by commentator Simon Jenkins, and by influential pomposity, Lord William Rees-Mogg. On July 2, his lordship came out, full-square, for drug legalization.

Endorsement for legalization, within high-level Conservative Party ranks, came soon thereafter. On July 6, former Cabinet Minister Peter Lilley wrote a commentary in the London *Daily Telegraph*, the daily owned by Margaret Thatcher propagandist Conrad Black, chief executive of the Hollinger Corporation. Lilley, himself a protégé of Thatcher, affirmed that cannabis should be legalized and sold through government-licensed outlets, in order to show that the Conservative Party is “open to radical new ideas.” He asserted that Conservative policy “ought to be about setting people free. Nothing could more vividly dramatize reaffirmation of our belief in freedom and personal responsibility, than to move clearly in favor of liberalizing the law on cannabis.” Lilley’s comments were featured, in the *Telegraph*’s lead front-page news article.

His words were, a couple of days later, echoed by Michael Portillo, who was, at that moment, the leader in the race for the Conservative Party successor to the defeated William Hague. (He was dethroned from this position, in Conservative Party voting, on July 17.)

It is, in fact, the “Thatcherites,” who have been, in great part, responsible for laying the groundwork for drug legalization, in Britain and worldwide. Despite all the self-righteous, moralistic protestations from Thatcher about “restoring values,” a main proponent of drug legalization has been Lord Harris, the founder and former director of London’s Institute of Economic Affairs (IEA). Harris is a top figure in the ultra-free-market-oriented Mont Pelerin Society, and, by his own boastful admissions, was largely responsible for “creating Margaret Thatcher.” His views are reflected, in the United States, in a more populist, “dumbed-down” variant, by the indigestible Milton Friedman.

The IEA is the key organizing force, for the scheduled 2002 biannual plenary of the Mont Pelerin Society, to take place in London. It can be assumed that, in the lead-up to that event, drug-legalization propaganda will explode, in “neo-conservative” and “libertarian” circles, worldwide.

Gore Dems Flee Crisis, Fight LaRouche's Leadership

by Debra Hanania Freeman

Congressional debate on July 18-19 on funding for the District of Columbia, including funding for D.C. General Hospital, gave the lie to Rep. Eleanor Holmes Norton's months-long insistence that the fate of D.C. General is "not a Congressional matter." It was a line that Holmes Norton had used with the stated intention to stop Lyndon LaRouche's influence on Congress on this vital matter of the general welfare. LaRouche forces had waged a national mobilization, and had won a victory, when a House-Senate conference committee removed from the funding bill, an endorsement of the D.C. Financial Control Board's illegal closing of the hospital.

On July 11, in a message to a town meeting honoring the staff of the public hospital just days before its closure, LaRouche—already a declared candidate for the 2004 Democratic presidential nomination—said that, "Up to a point in time, our efforts to save D.C. General Hospital as a full-service, fully funded public hospital, had succeeded in reaching the objective set forth in the series of webcasts conducted by me during the relevant weeks following the fiasco of Nov. 7, 2000. The mobilization of citizens had brought the issue to the point that members of Congress had signed onto overriding the Control Board to save D.C. General. But, then, Democratic Party forces intervened, to pressure members of Congress into abruptly reversing their immediately prior commitment to save the hospital."

LaRouche went on to assert that, without a firm and aggressive commitment to restore the general welfare principle, government has no moral authority, and the nation little chance of survival.

At the time of the meeting, an aggressive propaganda

campaign was being waged by the likes of the late KKKatie Graham's *Washington Post*, D.C. Mayor Anthony Williams, and D.C. Delegate Holmes Norton, aimed at convincing citizens that with the hospital's July 13 closure, the fight was over. LaRouche disagreed: "The fight is going on. The fight is going to get tougher. People in the Congress have let us down. But they're going to be hit again by the issue. This issue is going to come back. It's not a done deal; it's not going to go away. . . . This is the beginning, not the end."

Gore Dems Pressure Against LaRouche

Those gathered, and hundreds others not present that night, knew that Congress had let them down, and they were angry. In the short span of time between Sen. James Jeffords' defection from the Republican Party, and discussions between Senators Tom Daschle (D) and John McCain (R), many Democratic officials who had rallied to defend the hospital had backed away. They believed that with the balance of power in the Senate shifting to the Democrats, they had options to avoid LaRouche's leadership, as Holmes Norton and others were demanding.

Succumbing to pressure from Gore Democrats, some, among them South Dakota's Senators Tom Daschle and Tim Johnson, went so far as to withdraw their names from public statements supporting the continued operation of the capital city's only public hospital. But, LaRouche's July 11 remarks kept people focussed on the critical issue at hand: the restoration of a policy commitment to protect the general welfare, particularly as the onrushing financial and economic crash hits the United States with full force.

Less than two weeks later, with the unravelling of the debt

of Argentina and Turkey, and the global financial system cracking, LaRouche and the movement he leads, enjoy growing recognition internationally as the only institution in the United States capable of getting anything done. Fearing further political vindication of LaRouche, leading establishment news-outlets, including the *Washington Post*, have orchestrated a coordinated shift, suddenly warning that the global economic turndown is about to spiral out of control, and exploring the G-8 gathering in Italy to do something about it.

Is it that they suddenly understand the reality of the situation? Highly placed Washington sources say "No." Instead, they note, with every ratcheting down of the global financial system, the credibility and authority of LaRouche ratchets up. Internationally, articles featuring Lyndon LaRouche's Eurasian Land-Bridge development perspective are becoming more and more commonplace, especially in the immediate wake of LaRouche's historic June 29 address in the Russian Parliament (Duma).

The "LaRouche factor" was also responsible for the major July 19 victory in Congress in the ongoing D.C. General battle. With an intense 24-hour mobilization, LaRouche successfully blocked the Al Gore "New Democrats" from putting Congressional imprimatur on the shutdown of D.C. General Hospital and on the lies used to justify it. A House-Senate Conference Committee withdrew language containing an obscene provision, that would have endorsed the Financial Control Board's illegal ratification of the contract that privatized the hospital.

The language which had been inserted into the Supplemental Appropriations bill at the request of Control Board Chair Alice Rivlin, would have essentially repealed the legislative authority of the City Council of the District of Columbia, which has cast two unanimous votes to block the hospital's closure. Rep. Norton opposed the measure, when it became clear that the measure simply could not be openly defended in Congress without severe political consequences.

Power To Reopen Hospital Saved

With the language taken out of the bill, the D.C. City Council retains the power, not only to revoke the April actions by the Financial Control Board that shut the hospital down, but also to restore the hospital to full-service status. The only remaining question is whether they have the political will to do so.

The victory in this battle is seen as having significantly strengthened LaRouche's position in the ongoing fight to restore the hospital. Congress has now done precisely what Delegate Norton has emphatically insisted they would "never do": They have started a public debate concerning the hospital's future. On May 9, and at numerous other times, Norton has knowingly lied that "There is no D.C. supplemental before the Congress. We are informed by the appropriate committees that none will be submitted or considered. In addition, the

contract for the new health-care system in the District . . . is not subject to approval by the Congress."

Now, not only has the Congress refused to ratify the Control Board's illegal, quasi-legislative actions of April 30, but, with the Congress having now considered the plight of D.C. General Hospital as a matter of legislative business, no one can claim that D.C. General is not the responsibility of the Congress. They have deliberated, and Eleanor Holmes Norton, along with the Gore Democrats who have backed her up, are revealed as either liars or incompetents. More importantly, though, the absolutely rotten role played by Senate Democrats under Tom Daschle's leadership, in what LaRouche has called a "go along to get to Hell" mode, stands exposed.

Back in late February, word went out from the highest levels of the Democratic Party personally associated with former President Bill Clinton, that LaRouche was absolutely right in declaring the fight to save D.C. General Hospital a matter of international strategic importance, and deserved support in that fight. This was largely driven by panic at the Bush apparatus's complete willingness to ignore the U.S. Constitution, and to smash any remaining remnants of the general welfare principle in matters of public policy. Over the following few weeks, the entire Democratic leadership of the House and the Senate issued public endorsements of the D.C. General fight.

Then, when control of the Senate shifted to the Democrats, the Gore crowd, who had led the party to a crushing defeat the previous November, seemed to crawl out of their worm hills, fostering the idea, in a completely insane and immoral flight from reality, that working with LaRouche was no longer necessary; that "other options" were now available to contain the Bush crowd. One well-placed Washington source compared the action to a man dying of thirst in the desert believing that a six-pack of ice-cold beer is just a short distance away.

LaRouche had said then that those who stayed and fought had a chance of victory. He said that the issue would come back with greater force, in a broader fight for a general welfare policy, as well as a fight "to restore to this national a general health-care policy consistent with the intention of Hill-Burton." It was the fight which had identified LaRouche during his bid for the Year 2000 Presidential nomination.

These recent actions open the door for an immediate escalation of a citizens' drive on Capitol Hill that insists that anyone with any integrity in the Congress will listen to LaRouche. It is against this backdrop that on July 24, LaRouche will deliver a history-shaping address to a Washington D.C. audience, broadcast internationally via the Internet, his fifth post-Nov. 7, 2000 election webcast. In it, he will outline urgent measures that must be taken by governments around the world, including that of the United States, to avert financial, monetary, and economic collapse.

New Democrats Join The Moral Majority

by Scott Thompson

As the economies of Argentina and Turkey fell into the abyss, perhaps to become the detonators of a major explosion within the ongoing financial crash, 700 so-called “New Democrats” gathered on July 15-17 at the fifth “National Conversation” of the Democratic Leadership Council (DLC) in Indianapolis. There, they heard the New Democratic leadership tell them, that the latest slogan was: “It’s the Culture, Stupid!” And thus, with these New Dems trying to “out-Bush Bush” on such issues as Faith-Based Initiatives, 2004 Presidential pre-candidate Lyndon H. LaRouche, Jr. emerges as the only Democrat of national stature who is addressing the onrushing financial collapse, each phase of which he has forecast.

This is quite a contrast to President Clinton’s successful campaigns — until he was captured in 1996 by the DLC gang, who claim to have triangulated a “third way” between remaining Democrats in the tradition of Roosevelt and Kennedy, and becoming Gingrichite Conservative Revolutionaries. Prior to that, Clinton demonstrated that the real question that American voters want discussed, is the economy. The issue is even more critical now, with stock market collapses that have wiped out \$5 trillion worth of “shareholder value” from Americans’ life savings, IRAs, and 401(k)s, especially through the near-total collapse of the Nasdaq Information Technology mania, which the DLC champions as part of the “New Economy.”

It was Clinton and his adviser James Carville who, in 1992 identified the issue: “It’s the Economy, Stupid!”

Liberman, Sleeping with the Enemy

Sen. Joe Lieberman (D-Conn.), who was Vice-President Al Gore’s running mate last year, and who, like Gore, is a former DLC chairman, spelled out the insane effort of the Gore Democrats to practically join that icon of conservative politics, the Moral Majority, because that’s the cultural trick they think will win them elections.

Speaking at the DLC’s National Conversation, which drew only 250 Federal, state, and local officials, Lieberman critiqued the Bush Administration for “repeatedly showing over the last half-year it is out of touch with the core values most Americans share. . . . Just as we regained the public confidence during the 1990s on questions of fiscal responsibility and economic growth, in this decade we must earn back the people’s trust on matters of culture, values, and faith.”

DLC founder Al From pointed out that the Clinton Administration had adopted such New Democratic issues as workfare “welfare reform,” the disastrous Balanced Budget Act of 1997, globalization and free trade, the “reinventing” of a leaner government. But this shift from the general welfare of all Americans, to address only issues of concern to the rich and the middle class, created a situation which Sen. Ted Kennedy (D-Mass.) warned about as early as 1995, arguing, “We don’t need two Republican Parties.”

With no daylight showing between the New Democrats and the Gingrichites, many in the Democratic Party’s traditional constituencies, associated with the policies of FDR and JFK, including the black voters, farmers, labor, and others, sat out the election in disgust. This is the real legacy of the DLC “New Democrats,” like Vice President Al Gore, Jr., and it is one of the main reasons why an idiot like George Bush won the last election.

It’s the Culture, Stupid!

At the National Conversation, the latest July/August issue of the DLC’s flagship *Blueprint* magazine was distributed, bearing the title, “It’s the Culture, Stupid! — The Fault Lines of American Politics.” Speaker after speaker at the DLC National Conversation addressed the “issues” within this rag.

One article, by Alan Wolfe, titled, “Faith Matters,” noted that 63% of those who attend church once a week voted for President Bush, while only 36% voted for Gore.

Wolfe, who is Director of the Boisi Center for Religion and American Public Life at Boston College, writes: “No aspect of the lifestyle divide that marked the 2000 Presidential election is, at first glance, more important than religion. . . . There is no escaping the political reality that if Democrats are to return to power, they will have to do better, much better, among religious voters. There are good reasons to think that they can. . . . To his credit, Sen. Joe Lieberman spoke directly to these issues in the 2000 campaign. . . . As perhaps the most religious person in the Presidential race, Lieberman repudiated the extreme secularism of the Democratic Party. . . . Democrats should strongly support the idea of ‘Faith-Based Initiatives,’ plans to use public funds to support religious charities.”

Another article, “The Marriage Gap,” by Anna Greenberg, suggested that the New Democrats ought to wrap themselves in the flag of “family values” to succeed, since only 44% of married voters supported Gore, compared with 57% of unmarried voters.

Wrote Greenberg, who is Vice President of Greenberg Quinlan Rosner Research, Inc. in Washington, D.C.: “The marriage gap is driven, at least in part, by differences between these voters on a range of issues that are properly known as ‘family values,’ in other words, concerns about ‘morals’ in our families, society, and the political arena. . . . There is no reason for progressive Democrats to shy away from addressing these issues—they are not antithetical to a progressive agenda, and they speak to the core values of the majority of the American public.”

Greenberg then suggests that New Democrats, to regain the initiative, should imitate the Christian Right, epitomized by Pat Robertson and Jerry Falwell (the founder, at the suggestion of Paul Weyrich, of the Moral Majority).

As recently as July 18, a DLC press release, entitled, "Faith-Based Initiative: Don't Just Say No," endorses President Bush's ludicrous proposal take down Federal social services and hand them over—virtually privatize them—at a time when the U.S. economy is the leading edge of a systemic economic breakdown. (Better the Democratic Party should adopt Lyndon H. LaRouche's New Bretton Woods policies, if it wants to survive.)

This concept of "It's the Culture, Stupid!," rather than the economic blowout, was also endorsed by "Dirty Dick" Morris, the infamously immoral political consultant who was Gore's accomplice in playing Rasputin to President Clinton, so that he would adopt DLC policies. In a recent interview, Morris told this author: "Yes . . . values are much more important than financial or economic issues, even amid the current economic slowdown. This is partly because voters realize that it is the Federal Reserve Board, not the President, that can control the economy. It is also because there are so many problems that an increase in income won't solve that degrade a person's quality of life—crime, drugs, education, environment, health care. These issues have values-based solutions and go well beyond the bread-and-butter issues with which the Democratic Party has been traditionally associated."

Thus, the battle lines are drawn between the FDR/JFK policies of LaRouche and the so-called New Democrats.

What Is the DLC?

The DLC was founded in 1985 by Al From, after the Democrats suffered a crushing defeat in the 1984 Presidential election. One of the DLC's chairmen was then-Sen. Al Gore, Jr., who was succeeded by Sen. Joe Lieberman. Within the last few months, the chairmanship went to Sen. Evan Bayh (D-Ind.), while Al From has, throughout, retained the title of Founder and Chief Executive Officer.

From had for two years been the Deputy Adviser on Inflation to President Jimmy Carter (1979-80), at a time when Carter's appointed Federal Reserve Chairman, Paul Volcker, raised interest rates to a usurious 20%. The idea was ostensibly to counter inflation, but in fact it advanced what Volcker had earlier called his policy of "controlled disintegration" of America's infrastructure and industry, as demanded by such bastions of the Anglo-American establishment as the New York Council on Foreign Relations.

Instead, as part of their "Third Way" policies, the DLC promotes the "Information Age" or "New Economy," despite the fact that within the past year, the Nasdaq index of high-tech stocks has plunged through the floor. Like their dialogue of the deaf "National Conversation," the DLC's "New Economy" recklessly ignores the fact that 785,000 jobs in the brick-and-mortar manufacturing sector have been lost due to outsourcing and the collapse of the globalized economy.

Not surprisingly, one of the heroes of the DLC is British Prime Minister Tony Blair, who also advocates "Third Way" policies of austerity and looting. In a press release on June 7, entitled, "Tony Does It Again," the DLC exults: "If Tony Blair's first term as Britain's Prime Minister was an overture, his second promises to be a symphony for advocates of Third Way politics—on both sides of the Atlantic."

Yet, had it not been for the incompetence of Blair's Conservative Party rival, William Hague, there is no question that Blair would have lost the election, given the disgust of British subjects at Blair's privatization and de-regulation of transport infrastructure (most notorious for its numerous train wrecks); at the collapse of the British socialized medical system (which has caused untold deaths and has led 20,000 doctors to say that they might quit); and at Blair's psychotic belief in building up "renewable energy" systems based on solar, wind, or water power, while letting Britain's nuclear plants (essential for modern industry) run out without replacement. In reality, if the DLC were to succeed with its latest stunt, the U.S. would become an even bigger rust bucket than Britain is today.

All you can say is, if the DLC is so "smart," how come they lost the House of Representatives and the Presidency? The answer is simple: They adopted the bankrupt and immoral Third Way policies proposed by the New Democrat leadership like Gore and Lieberman. Let's not be fooled again.



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It's Past Time To Repeal The 1997 Balanced Budget Act

by Richard Freeman

On July 11, Democratic Presidential pre-candidate Lyndon LaRouche called on the U.S. Congress to immediately repeal the Balanced Budget Act of 1997 (BBA), which is destroying America's hospital system, and is poised to destroy the U.S. economy as a whole. LaRouche described the BBA as a "bad idea whose time has gone."

The BBA stipulated that starting in fiscal year 2002 (which starts Oct. 1, 2001), the U.S. budget must be balanced or in surplus. Were the budget to be in deficit, then spending must be cut to bring it into balance. Since the U.S. general revenue budget had a deficit of \$103.4 billion in FY 1997, Congress immediately set about cutting the budget. Fascist austerity was applied in particular to the Federally funded medical assistance programs of Medicare and Medicaid, which the BBA specified were to be cut by a combined \$433 billion between FY 1998 and FY 2007. Since Medicare and Medicaid account for more than two-fifths of all payments made to hospitals, this was a direct attack on America's hospital system. As a result of the BBA, several hospitals have already either gutted services or closed.

Other U.S. budget programs which were to be cut, though not as severely as Medicare and Medicaid, were spared some of the scheduled budget cuts because of a development that emerged in 1999: U.S. budget revenues shot up. This phenomenon was almost entirely the result of the economy being whipped into a speculative frenzy, and the wild growth of the Internet-led "New Economy." These two non-productive sectors of the economy spurred upward, and increased the alleged "economic activity" to be taxed, which raised U.S. tax revenues.

The Bubble Has Popped

But, the puncturing of the interrelated financial and New Economy bubbles has now reduced tax revenues, particularly on stock options and capital gains. In addition, the U.S. physical economy, such as machine tools, steel, and farm equipment, is collapsing, which also reduces tax revenues. Further, in a move which is touted as "stimulating" the economy, in June the financier-controlled Bush Administration rammed through a package of tax cuts that will amount

to \$1.68 billion over ten years. The tax cuts will not stimulate the economy (and the bulk of them go to the wealthy families, which comprise the upper 3% of the U.S. population, by income class), but instead will contribute to destroying the economy. Yet, George W. Bush's handlers have committed him to the cuts, at all costs.

The cumulative effect of the bursting of the stock and Internet bubbles, the collapse of the real physical economy, and the imposition of the Bush tax cuts, has dramatically slashed U.S. tax revenues.

The Bush Administration is talking about dipping into the Social Security Trust Fund, to make up a revenue shortfall this year, and raiding the Medicare Trust Fund and Social Security next year, for the same purpose.

At a Senate Budget Committee hearing on June 27, William Dudley, chief economist for Goldman Sachs investment bank, testified that U.S. tax revenues could fall \$50-75 billion below White House projections for FY 2002. But the imminent explosion of the global economic-financial system, will cause a Federal loss of tax revenue that is a several-fold multiple of what Dudley projects.

With the Bush Administration already proposing raids on Social Security and further raids on Medicare, one can get an idea of the enormous budget cuts, and destruction of infrastructure and services, that Bush would implement under the strict enforcement powers of the BBA, when hundreds of billions of dollars of tax revenues are lost under an impending economic-financial crash. Not only would that pulverize the physical economy, but the BBA itself was deliberately written to forestall the use of government power and spending that could be used in a Franklin Roosevelt-style economic mobilization to end the depression.

Under these circumstances, LaRouche has said that the BBA must be scrapped, and must be replaced by a policy that would put the bankrupt U.S. and world financial system through bankruptcy reorganization, and proceed with a Eurasian Land-Bridge-centered world economic reconstruction, that in the United States would generate real growth and huge real-economy-based tax revenues. This would allow dealing with the Federal budget in a rational and successful way.

Gore's Dirty Role, Again

How was the BBA passed in the first place?

The BBA was sponsored by then-Senate Majority Leader Trent Lott (R-Miss.) and then-Speaker of the House Newt Gingrich (R-Ga.). But that is only part of the story. Critical support for the BBA, without which it would not have passed, came from Al Gore, then U.S. Vice President. This is the same Gore who pushed the fascist Welfare Reform Act of 1996, and whose henchmen are working overtime to shut down D.C. General Hospital.

We will look at the history of the BBA, and the draconian budget cuts it prescribed, especially for Medicare and Medicaid. Then, we will look at the explosive level of cuts that would have to be made, under the BBA, under conditions of economic-financial blowout.

History of the BBA

In 1974, Wall Street forces pushed through Congress the Budget Act of that year. A key shaper of the Act was Arthur Burns, former chairman of the U.S. Federal Reserve Board of Governors. Among its features was the creation of the Senate and House Budget Committees, so that Wall Street could place technocrats in the Senate and House to run the budget process.

In 1985, the Gramm-Rudman-Hollings Balanced Budget Act was rammed through Congress. The Act promised to balance the budget within a few years. It promised to treat the U.S. budget as one would a household budget, even though they are, at root, different processes. Following passage of the Act, though there was acute budget-cutting, between FY 1985 and FY 1993, the U.S. general revenue budget ran a deficit each year, and the cumulative deficit totalled \$2.22 trillion. Over that same period, the U.S. debt outstanding increased by the same \$2.22 trillion. Not an impressive track record for a budget-balancing campaign.

In 1995, Wall Street heavily organized, through such institutions as the Heritage Foundation and the *Wall Street Journal*, for a Balanced Budget Amendment to the U.S. Constitution. A Constitutional amendment can be proposed by either two-thirds of both Houses, or two-thirds of the states. A convention then works up the amendment, which must be ratified by three-fourths of the states, before it becomes part of the Constitution. (Because a Constitutional Convention, once called, can consider any amendment before it, it is only with great care than Americans usually approach such a subject.) In both 1995 and 1996, the amendment fell short of the necessary votes in the Senate.

Having stirred up its populist troops through the amendment fight, Wall Street used its Conservative Revolution apparatus in the Congress to sponsor the Balanced Budget Act in 1997. Conservative Revolutionaries Lott, Gingrich, and Sen. Phil Gramm (R-Tex.) led the sponsors. In this process, Gore was pivotal. Gore used the weight of the office of Vice President to push for the BBA, and to attack all

opponents to the BBA inside the Democratic Party.

According to several sources, in 1996, Gore used every filthy tactic he could against Labor Secretary Robert Reich and others who opposed the Welfare Reform Act. Gore got President Bill Clinton to endorse the Act. The Act, which passed in August 1996, put welfare recipients to work in slave-labor jobs.

Gore was a die-hard budget-slasher, and used the program of "Reinventing Government," of which he was in charge, to carry that policy out during 1993-2001.

Gore claimed that he was "moving the Democratic Party to the center," but in reality, he was attempting to destroy the Franklin D. Roosevelt coalition of labor, minorities, farmers, and technology-proud businessmen, and the legacy of FDR's American System principles and policies of nation-building and advancing the General Welfare, inside the Democratic Party.

In the warfare on behalf of the BBA, Gore worked through the Democratic Leadership Council (DLC), a Wall Street-controlled group inside the Democratic Party of which he was a leader (see p. 70).

On May 6, 1997, DLC head Al From sounded the tocsin: "The Balanced Budget deal . . . is an historic agreement critical to our country. Passing it in Congress with Democratic Party support is crucial to the future of our party."

On May 8, 1997, in a policy statement, the DLC made known its embrace of Wall Street: "The balanced budget agreement is crucial to the Democratic Party's political future. . . . Simply put, failure to pass the budget deal would put further deficit reduction in doubt."

In July 1997, both Houses of Congress passed the BBA; on July 29, President Clinton signed it into law.

In 2000, in his run for the Democratic Party Presidential nomination, Gore cited his role in passing the BBA as a key accomplishment.

In the Democratic Party Presidential primary in Arkansas, on the other hand, LaRouche captured 22.5% of the vote, which entitled him to approximately eight delegates to the Democratic National Convention in July. LaRouche represented the hope of mankind, as the only candidate from either major U.S. political party who spoke openly of the worldwide financial crisis and who had a solution that would work: replacing the bankrupt world financial system with a New Bretton Woods monetary system, pivoted around the Eurasian Land-Bridge, which would spark global economic reconstruction.

The Gore apparatus ripped up the LaRouche votes, and refused to allow his elected delegates to be seated at the convention. Gore's thuggish act ensured his defeat in the November Presidential election.

Today, Gore's henchmen, such as Donna Brazile, are mobilized to shut down the District of Columbia General Hospital, Washington's only public hospital, which has provided medical service to some 80,000 uninsured Washington-

nians. The hospital shutdown is a critical ingredient in implementing the genocidal policy of “Negro removal.” This flows from exactly the policy outlook that guided Gore’s rampage to pass the BBA.

The BBA in Action

The BBA forced deep budget cuts in two major programs that make substantial payments to hospitals: Medicare, the Federal program that provides medical assistance to the elderly and disabled; and Medicaid, the Federal-state medical assistance program for the poor and elderly.

For the five-year period from FY 1998 through FY 2002, the BBA rammed through cuts in Medicare and Medicaid of \$115.1 billion and \$10.4 billion, respectively. More cuts were slated for the five fiscal years after that, so that for the ten years through FY 2007, Medicare and Medicaid were scheduled to be axed by \$385.5 billion and \$47.8 billion, respectively. Of this sum of \$433.3 billion, approximately 65%—nearly \$300 billion—is for payments for the elderly and poor, mostly to hospitals, and some to nursing homes.

To a hospital system already crippled by genocidal health maintenance organization policies, the BBA has proved disastrous. In 1997, some 44% of community hospitals’ revenues came from two sources: 33% from Medicare, and 11% from Medicaid. Hundreds of hospitals serving a large number of elderly or poor, derive an ever-larger share of their revenues—50 to 80%—from Medicare and Medicaid. Many hospitals are not able to survive the cuts.

On May 28, 1999, a spokesman for the American Hospital Association, which represents 5,000 hospitals out of the roughly 6,500 in the United States, told *EIR*, “Given the reduced level of reimbursement, many hospitals which remain open are cutting back or eliminating services: obstetrics, care for the elderly, and so forth. *They are rationing care*” (emphasis added). This is outright medical triage.

Though the Congress subsequently voted to restore a portion of the funds, the cuts were still so large that they forced deep rationing.

The Looming Blowout

But the mechanism that is built in as the central principle of the BBA—that if the budget is not in balance, there must be cuts—will now unleash great destruction, under the impress of the implosion of the world and U.S. economic-financial systems. The world is overhung by \$400 trillion in speculative financial obligations, which cannot be sustained.

The Bush Administration’s Office of Management and Budget projected that over FY 2001-11, the U.S. budget would run a cumulative surplus of \$5.64 trillion. However, \$2.60 trillion of this alleged surplus is the surplus of the Social Security Trust Fund, which represents funds specially earmarked for Social Security, and should not be counted as part of the general revenue budget. Subtracting out the Social Security surplus, the remaining general revenue bud-

get surplus is projected to be \$3.04 trillion.

Almost the entirety of this \$3.04 trillion is to be consumed in paying out the Bush tax cut, and paying down the Federal debt.

But the projected surplus over the next ten years is based on fantasy. The Bush Administration projection is based on the assumption that over the next ten years, real GDP (that is, after inflation) will grow at a rate of 3.1% per year, that interest rates, as represented by ten-year U.S. Treasury notes, will be approximately 5.7% per year, and that there will be no fall-off in tax revenues, but instead a constant growth.

But even taking into account that GDP is a very poor measure of the economy, under an economic-financial collapse, real GDP will not grow at 3.1% per year, but will be sharply negative. As for interest rates, after Federal Reserve Chairman Alan Greenspan finishes lowering rates, and pumping huge amounts of liquidity into the financial system, in an insane attempt to save it, this will further feed the process of generating a Weimar-style hyperinflation. In response to that, Greenspan will have to send interest rates into the double-digit level. Finally, as for tax revenues, the bursting of the stock market bubble is wiping out a large amount of the stock options and capital gains; tax revenues derived from those sources are dropping, and will continue to drop.

The combined effect of these processes, is that tax revenues will plummet by hundreds of billions of dollars per year, with the tax revenue loss growing in succeeding years.

The so-called surplus, and all that is based upon it, will evaporate. The budget will plunge into deficit. Were Bush to continue with his tax cut, that will increase the size of the deficit.

Under these terms, the central principle of the BBA, of increasing budget cuts to balance the budget, will slash infrastructure and services needed for economic functioning and human existence so sharply, that the economy will collapse in a self-feeding spiral, further wiping out tax revenues.

This is why LaRouche, recognizing the dangerous policy-thinking embedded in the BBA, and that the BBA will stand in the way of adopting the emergency measures needed to end the crisis, has called for dumping the BBA now.

Check Out This Website:

www.larouchespeaks.com

States' Revenues Fall As Economy Plummet

by Mary Jane Freeman

June 30, the end of the fiscal year for 46 states, found many states' coffers tens to hundreds of millions of dollars short. Reality has struck. News of corporate profits crashing, unemployment claims soaring, and the markets falling translates into a disaster for state budgets. As *EIR*'s May 4 and June 15, 2001 issues detailed, the convergence of all these shutdown processes is wiping out revenues which states need to fund schools, health care, public safety, and infrastructure.

Already in fiscal year 2000-01, more than one-third of the states (17) reported a fall in expected revenues from sales, corporate, and/or personal income taxes. These tax sources account for 66% of states' General Revenue Funds. A state, on average, spends almost 70% of these revenues on education and health care for its citizens—roughly 48% on education and 21% on health care including Medicaid. According to the National Association of State Budget Officers' (NASBO) June 2001 "Fiscal Survey of States," these revenue shortfalls caused 11 states to cut their FY 2000-01 budgeted spending by a total of \$1.6 billion. But NASBO's report was issued prior to June 30, and since then, five more states reported that cuts were required due to shortfalls.

As the real economy began to plummet and these revenues dwindled, by December, many states began to impose hiring freezes and cuts in school and public safety budgets to balance their budgets by June 30. Others relied on raiding their "rainy day" surplus funds, or transferring "ending balances" from one year's end to the next. NASBO reports that these balances between FY 2000 and projected FY 2002 levels will dive by 50%, thus severely reducing states' cushions and threatening their bond ratings. (Balances are measured as a percent of expenditures, and were at 10.1% in FY 2000, 7.2% in FY 2001, and are expected to be 5.9% in FY 2002.)

These ending balances and rainy day surplus funds were largely achieved through taxation on the speculative and/or non-productive economy: the U.S. stock market bubble and the "New Economy." In California, for example, 18% of personal income tax revenues derive from the highly volatile capital gains tax. (NASBO projects that "taxable realized capital gains are projected to plummet by nearly one-third in 2001 and lose . . . ground in 2002.") The delusion that this "gold mine" of revenues would never end, was fool's gold.

Relying on this "gold mine," the ideological obsession by many governors and legislators to cut taxes, took over. Since 1994, with the Gingrich "Contract on America" scheme,

states have phased in tax cuts. FY 2001-02 state budgets, according to NASBO, include continued tax cuts amounting to a \$676.8 million decrease in revenues. Should this fiscal year's tax cuts be adhered to, then the eight consecutive years of such cuts will amount to nearly \$34 billion that the state coffers did not get. Moreover, President G.W. Bush's so-called tax relief package repealed the estate ("death") tax, which will also shrink state revenues by \$50-100 billion over the next ten years.

As the manufacturing sector collapse accelerates and the stock market and banking system blow, state revenues will plummet further. Specifically, school class sizes will grow; new teachers and policemen won't get hired; and infrastructure repairs or building will cease. The predicaments of the already-existing shortfalls in Florida and South Carolina exemplify the reality.

Will Schools Open This Fall?

Florida's budget plight is indicative, and points to what's to come. President Bush's brother Gov. Jeb Bush has fanatically stuck to the Gingrichite tax cut mania, and the result threatens schools. Florida schools open in mid-August, but as of now, 58 out of 67 counties have *not* finalized teacher contracts due to lack of funds. Vacant teaching positions have been left empty, busing cut down, and class sizes left to grow. Despite a \$782 million increase for education in the next budget, these earmarked funds cannot be used for salary increases which are badly needed. Florida teachers' salaries fall more than \$5,000 below the national average. Also, school districts face rising costs for health insurance, electricity, and diesel fuel. Other states where teacher and staff hiring and salary freezes exist, are Alabama, Connecticut, Missouri, Oklahoma, and Oregon.

The nation's energy crisis is also taking its toll on schools. "School classroom sacrifices" are being made now "to keep the lights on next Fall," reported the *Oregon Statesman Journal*. The article reports that in Nashville, Tennessee; Hamburg, New York; and Madison, Wisconsin, school districts face up to 70% increases in electricity and gas bills just since January. Their energy budgets evaporated long before the school year's end.

South Carolina highways rank as the second most deadly in the nation, according to a July 16 state Department of Transportation report. An average of three people per day die on its roads; nearly one-third of its primary and interstate roads are in poor to mediocre condition; state motorists spend \$500 million per year in vehicle repairs due to poor road conditions; and one out of every four bridges is deficient.

Yet, faced with \$500 million shortfall in this past fiscal year, and the continued slowing of the state's economy, the legislature rejected funding increases for the third year in a row. The budget tightening also means layoffs of state workers by Aug. 31.

Roads and bridges are just two of many infrastructure



State governments across the United States are faced with the harsh reality of the financial and economic collapse. The only solution is LaRouche's proposal for a New Bretton Woods to restart production.

responsibilities states share with Federal and local governments. Yet, it is infrastructure spending which most frequently gets put off or cut, when states face revenue shortfalls. Here again, schools often suffer. The American Society of Civil Engineers' "2001 Report Card for America's Infrastructure," reveals that 60,000 of America's 86,000 public schools report needing repairs, renovations, or modernization to reach what is considered to be a "good condition."

National Pattern of Shrinkage

Contraction and shortfalls are occurring all over.

- **Idaho:** June tax receipts were \$18-20 million short of expected revenues. Corporate taxes fell 63%, or were \$26 million short of the \$41 million expected! The plummeting computer chip market and rising unemployment claims impacted revenues.
- **Indiana:** A \$50 million shortfall from income tax col-

lections has prompted Gov. Frank O'Bannon to impose a 7% cut to every line item in every state program under his control. State Police must cut \$8 million, resulting in a hiring freeze, a halt on new vehicle purchases, and more in-house maintenance on equipment; home health-care programs for seniors and disabled will be cut; and the State Park Service will cut staff, leave vacancies unfilled, halt equipment purchases, and raise park fees.

- **Iowa:** A \$300 million revenue shortfall required cutting expenditures to the bone for five months. Almost 1,000 state jobs will be eliminated through layoffs, retirement, and unfilled vacancies. The public works department will lose inspectors, causing 1,600 state elevators, escalators, and moving sidewalks to go uninspected; public safety layoffs will reduce state trooper assistance in fires, auto accidents, etc.; and public health programs for substance abuse, maternal health care, and some programs for seniors will be cut.

- **Kentucky:** After having cut \$185 million from the FY 2000-01 budget when revenues fell short, Gov. Paul Patton has now announced that \$326 million will have to be shaved from the current FY 2001-02 budget. One definite cut will be a \$90 million which was to be used for teacher pay increases and training programs.

- **Missouri:** A \$400 million shortfall in FY 2000-01 required a state hiring and salary freeze, 500 job cuts, and halted the opening of a new prison, as no operating funds exist. The Bush tax package will "devastate the state budget," Missouri House Speaker Jim Kreider (D) said, forcing Missourians to decide whether to fund public education beyond a subsistence level.

- **Nebraska:** As of June 30, the state found it was \$57 million short of expected revenues due to waning sales and income tax collections. It also expects to lose \$17 million over the next two years due to Bush's repeal of estate taxes. Overall state revenue grew, but only at a 2.8% rate, which is its lowest since 1986. To cover the gap, the state drew down its reserve funds and Gov. Mike Johanns has issued a memo to all state agencies to halt discretionary spending. He will call a special session of the legislature to cut spending should the economy continue to collapse.

When Lyndon LaRouche replied on March 21, 2001 to Mississippi State Rep. Erik Fleming's question on how state legislators should deal with the impact of the financial crisis, he noted that "a 30% collapse across the board in the real economy" over the next 12 months was "probable." He insisted that the 1933 emergency actions "to redirect the direction of the economy" taken by President Franklin D. Roosevelt, are required. Directed credit must be issued by the Federal government to stimulate the local and state manufacturing, and the agricultural and infrastructural economic base. LaRouche's call to create a New Bretton Woods reorganization of the international economy, and launch an economic recovery should be adopted by state legislatures, now, before the economic blowout forces them to shut down government.

Hague Rules vs. U.S. In Death Penalty Case

by Marianna Wertz

In a first-of-its-kind ruling, the International Court of Justice (ICJ) at The Hague ruled on June 27, that the United States violated international law and breached its obligations to Germany, by allowing the execution, in March 1999, of Arizona death row inmates Karl and Walter LaGrand. This is the first such case publicly fought out between the United States and an ally—in the past, such disputes would have been settled behind closed doors.

The ruling confirms a movement in Europe, on moral grounds, against the use of capital punishment in the United States. As French Prime Minister Lionel Jospin told the June 21 Strasbourg First Global Conference Against the Death Penalty, the nations of Europe believe that “the fight for the universal abolition of the death penalty is essential for our civilization, which should not respond to crime with barbarism.”

The ICJ ruling came on the heels of broad European denunciations of the American capital punishment system, during President George W. Bush’s June European tour. European nations also played a significant role in the May 7 expulsion of the United States from the UN Human Rights Commission, in part because of the U.S. death penalty policy.

The LaGrand case specifically revolved around the provisions of the 1963 Vienna Convention on Consular Relations, which the United States signed and ratified in 1969. The Vienna Convention stipulates that participating nations must inform foreign nationals without delay, following their arrest, of their right to contact their nation’s consular officials. When the two German-born LaGrand brothers were arrested in 1982 in Arizona, for their involvement in a bank robbery and murder, they were not informed of this right. In fact, the German consulate was only made aware of the case in 1992, by the LaGrands themselves, who had learned of their rights from fellow prisoners. By that stage, the U.S. doctrine of “procedural default” precluded the LaGrands from challenging their convictions and sentences in court. Karl LaGrand was executed on Feb. 24, 1999.

According to the ICJ’s press release, on March 2, 1999, the day before the scheduled date of execution of Walter LaGrand, Germany brought the case to the ICJ. The next day, the ICJ issued an order with the effect of an interim injunction, stating that the United States should take all measures at its disposal to ensure that Walter LaGrand was not executed, pending a final decision of the court. That order was ignored:

The U.S. Solicitor General argued to the U.S. Supreme Court, that the ICJ order was “not binding”—a very ironic position, given U.S. armbreaking of Yugoslavia and other nations to submit to The Hague. Walter LaGrand was executed.

In his ruling, presiding ICJ judge Gilbert Guillaume called the right to consular advice “a genuine right of man.” But the ruling affects what is known as the “Thornburgh Doctrine,” called “administrative fascism” by Lyndon LaRouche. In December 1989, George Bush’s Attorney General, Richard Thornburgh, claimed the right to abduct and arrest Panamanian President Manuel Noriega, and to conduct searches and seizures on the territory of other nations without their approval, claims subsequently upheld by the U.S. Supreme Court. While the circumstances of the LaGrand case are not the same, the ICJ ruling calls into question America’s self-proclaimed “right” to ignore international law in all spheres.

Putin Opposes Death Penalty

On July 9, Russian President Vladimir Putin joined European voices on this issue, in a powerful statement to an international judicial conference in Moscow. Russia was compelled to give up capital punishment when it signed the European Convention on Human Rights, but there is still widespread support for the practice in Russia, particularly because of the high level of terrorism there. Unlike Bush, however, who played on Americans’ outrage at the terrorist Oklahoma bombing to justify the resumption of the Federal death penalty in the Timothy McVeigh case, Putin did just the opposite, as reported on ORT-TV, Channel One.

“We know that Russia has joined the 6th protocol of the European Convention on Human Rights,” Putin said. “At the same time, according to public polls, the majority of our citizens are in favor of the death penalty. I have to confess that I understand them. Russia is in a state of transition. Old values are ruined, while new values are assumed with great difficulty on the level of the population. In addition, Russia has been invaded by international terrorism, and a lot of our people perished. When you hear of some terrible cases, you want not just to expose the villain, but—I feel brave enough to tell this audience—sometimes I also feel I’d like to strangle this or that particular person with my own hands.

“However, I realize that these arguments are dictated not by reason but by emotions. As a person with a basic juridical education, received at St. Petersburg University, I know—as any lawyer knows—that strict punishment does not automatically exterminate crime. This would be too simple an approach. As a matter of fact, in some European countries, centuries ago, pocket theft was punished with death, but pickpockets were most successful in the execution squares.

“If we accept the thesis that we suffer most of all from the evil inside us,” Putin concluded, “then we have to conclude that making punishment more severe looks like a revenge from the state. Meanwhile, the state can’t appropriate God’s unique right of granting a life.”

Sparring Over The Budget Continues

The tug-of-war over tax cuts and the rapidly disappearing budget surplus picked up right where it had left off before the July 4 recess, with defense spending, in particular, caught in the middle. On July 11, Deputy Defense Secretary Paul Wolfowitz testified before the House Budget Committee to defend the Bush Administration's amended 2002 budget request. The following day, Mitchell Daniels, director of the Office of Management and Budget, appeared before the Senate Budget Committee, to assure the world that the bottom is not falling out of the U.S. economy, and therefore, the Federal budget.

Many of the same issues were raised in the two hearings. Declining Federal revenues headed the list, and related to that were the tax cut passed earlier this year, and its effect on the Medicare and Social Security trust funds. Republicans insisted that the trust funds will not be touched for other programs, and they are following the Bush Administration's lead in insisting that the economy will improve next year. Sen. Charles Grassley (R-Iowa) told reporters on July 11, "It's plain old wrong to mislead Americans into believing that we can't provide the kind of substantial tax relief that we did with strong bipartisan support and, at the same time, protect Medicare." However, Republicans are admitting that one of the reasons that tax receipts are down, is that the tax bill moved the corporate tax payment, normally due on Sept. 15, to Oct. 1, which is the beginning of the next fiscal year.

Specifically on the defense budget, Rep. John Spratt (D-S.C.), the ranking member on the House Budget Committee, doubted Wolfowitz's claims that much of the budget increase the

Pentagon is seeking can be covered by savings generated internally. He said that another round of base closures, which the Bush Administration is seeking, would take five to six years to generate any savings, and other Administration proposals, such as weakening the Davis-Bacon law regarding union labor on government construction projects, are politically difficult to implement.

The Senate Budget Committee hearing turned out to be a free-for-all between Chairman Kent Conrad (D-N.D.), on the one side, and Daniels and Sen. Pete Domenici (R-N.M.), on the other. Conrad told Mitchells and Domenici that the numbers he came up with, showing an impending raid on the Medicare trust fund, were based entirely on the GOP-passed budget resolution from earlier this year. In response, Domenici went so far as to suggest to Conrad that, since he's now committee chairman, he should go ahead and mark up an alternative budget resolution. Conrad replied that the appropriations process has gone too far to start all over again.

Appropriations Bills Are Going Ahead

Spending bills continued to wend their way through the appropriations process after the Congress returned from its July 4 recess. The House Appropriations Committee reported out the Commerce, Justice, State Department, and the Judiciary appropriations bill on July 11, and the full House passed the Agriculture appropriations bill on July 11 by a vote of 414 to 16. The House followed up on July 12 by appointing members of a conference committee on the fiscal 2001 supplemental appropriations bill.

On the Senate side, the bill for the Interior Department passed by voice vote on July 12, and the Senate Appropriations Committee reported out the Energy and Water Development, the Transportation, and the Legislative Branch bills the same day. The Transportation bill includes an amendment providing money for granting Mexican trucks wider access to American highways, but with tougher safety conditions. It's still weaker than the blanket prohibition that the House voted up on June 26, however. Senate Majority Leader Tom Daschle (D-S.D.) has promised to complete work on 9 of the 13 bills by the August recess.

Senate Moves Toward Bankruptcy Reform

In the Senate, the process of appointing members of a conference committee is normally done by unanimous consent. On July 9, however, Paul Wellstone (D-Minn.) blocked a unanimous consent request to go to conference on the bankruptcy reform bill, which had been passed in both the House and the Senate in March. Wellstone's objection forced the Senate to go to regular order, but he may have only delayed the inevitable.

Even though he's been almost a lone figure in doing so, Wellstone has used every avenue available to try to block progress on the bankruptcy bill. When the Senate took up the bill on July 12, Wellstone plainly stated, "What I am asking the Senate to do, today, is to step back from the brink and decline to go to conference" on the bill. He told the Senate that 50% of personal bankruptcy filers file because of medical bills, and a significant number of the remainder because of job loss. These people are not trying to

“game the system,” but will be treated by the bill, as if they were “deadbeats.” In this context, Wellstone noted that medical costs are going up and job losses are increasing. Therefore, “the timing of this bill could not be worse.”

The only other senator to express reservations about the bill was Hillary Clinton (D-N.Y.). She told the Senate that while she voted for the original bill, “I will absolutely not vote in favor of the final bankruptcy reform bill,” if at least minimal consumer protections are not left in it.

The bill easily passed through two cloture votes on July 12 and July 17, both by 88 to 10 tallies.

Campaign Finance Reform Stalls in the House

A procedural motion to bring to the House floor two competing campaign finance reform proposals died in a shower of sparks, by a vote of 203 to 228, on July 12, amid accusations from reformers that the motion was part of a GOP strategy to kill off reform altogether. The two bills, one sponsored by Marty Meehan (D-Mass.) and Christopher Shays (R-Conn.), and the much weaker alternative, sponsored by Bob Ney (R-Ohio) and Albert Wynn (D-Md.), had both been reported out of the House Administration Committee, which Ney chairs, but the Shays-Meehan bill was broken up into 13 amendments by the rule.

Republicans called this procedure “fair, open, and timely,” but Democrats were livid. Martin Frost (D-Tex.), the ranking member on the Rules Committee, called the rule “the height of cynicism” and “one of the most stupid proposals I have seen in my 23 years in this institution.” While expressing reservations about the Shays-Meehan bill, because of its ban

on soft-money fundraising, Frost suggested that the two bills deserved a full and open debate, but “because of the cynical maneuvering on the part of the Republican leadership, we may never get to that point.” And even if the rule were to pass, he warned, “the debate on this issue will be in such a highly charged atmosphere that it may well be impossible to have a rational debate.”

The reformers were unbowed in their efforts, however. While a spokesman for House Speaker Dennis Hastert (R-Ill.) told the *Washington Post* the next day that “this is dead,” Shays and Meehan were threatening parliamentary guerrilla warfare to try to force Hastert to change his mind. “It will happen in a nice and congenial way, or it could happen after a lot of conflict and disagreement,” Shays told the *Post*, “But it will happen.” Sen. John McCain (R-Ariz.), who has been lobbying House GOP members to support reform, told NBC’s Tim Russert, on July 15, “I’m confident we will have a fair vote on this.” He laid responsibility for the debacle at the feet of Hastert. He said that Hastert had promised a “fair vote,” if the reformers held off until after the July 4 recess, but “clearly, we didn’t get that.”

Bush’s Medicare Plan Gets Mixed Reception

On July 12, President Bush announced, in a Rose Garden ceremony, his proposed pharmacy “discount card” for Medicare beneficiaries. He said the discount plan is “the first necessary step to provide immediate help to seniors without destabilizing Medicare’s finances.” He also laid out his “principles” for the reform of Medicare, such as to “put Medicare on a sustainable financial footing for future

generations.” He called for combining the two parts of Medicare into one, under which many new plans are to be established.

Those who have long been involved in Medicare reform were generally supportive of the President’s plan. After the ceremony, Sen. John Breaux (D-La.) bragged that Bush’s discount card plan was included in the reform plan he’s co-sponsoring with Sen. Bill Frist (R-Tenn.). “This clearly does not solve the problem of prescription drugs,” he said, “but I think it’s an added step in the right direction.” He also warned that without “reform” which will “reduce the cost of Medicare . . . I think we are looking at some very desperate times for Medicare,” such as “potential bankruptcy.” Republicans generally adhere to Breaux’s view and, in the House, they are preparing a reform bill to be considered in the near future.

Democrats, otherwise, are highly critical of the Bush plan. Sen. Edward M. Kennedy (D-Mass.), speaking a couple of hours after the White House ceremony, told reporters that the Administration’s principles “fall far short of meeting the urgent and growing need for a real Medicare prescription drug benefit.” Moreover, he said, “the Administration is proposing a number of controversial changes to Medicare that offer new incentives for HMOs and could force America’s seniors into managed care.” Sen. John D. Rockefeller IV (D-W.V.) was even more blunt. “I find it offensive, as somebody who’s a professional policy person,” he said, “that a President could come up with something with this lack of depth.” Sen. Bob Graham (D-Fla.), who is sponsoring an alternative to the Breaux-Frist plan, added, “This will not fool the seniors of America as to what they need, which is a prescription drug benefit, under Medicare.”

Turn to Protectionism, Build the Land-Bridge

With the world financial system threatened with a hyperinflationary blowout, rational world leaders—who do *not*, so far, include the G-8 heads of state—are seeking an alternative. In a statement issued from his Presidential campaign on July 18, economist Lyndon LaRouche provided the answer: protectionist measures, combined with a move to ally with the nations now organizing the Eurasian Land-Bridge.

LaRouche, the world's most credible economic forecaster—who had forecast in April that Fed Chairman Greenspan's interest-rate cutting policy would fail as it has—outlined how to understand the current state of the global crisis:

“The key thing is to compare Argentina and Turkey. . . . Because in both cases, you have the figures which show that the attempt to do a bailout in both cases is totally hyperinflationary. So we're now getting a Weimar-style hyperinflationary type of action on a very short fuse, like the late part of 1923.”

“This thing is about to blow,” LaRouche went on. “Look at the figures on these countries, look at what's happening in Turkey, in Argentina, in other countries. You look at that, and see that the rate of growth of this unpayable debt—and it's a self-aggravating growth, it's a pyramided debt—it's just outside the system. You add to it all this soft stuff outside; and then you just lost up to, say, \$10 trillion in the U.S. markets alone, with the collapse of so-called financial values of various kinds of instruments—either lost on the books, or it's not yet been reflected on the books, but it's happened.

“It's all coming down. It's a systemic collapse; it is not a cyclical collapse. The whole system is doomed. And it's obvious, as the case of Malaysia several years ago typifies this, you have to go to measures which are typified by capital controls and exchange controls, into a protectionist mode. It's the only way you can bring this thing under control. And the purpose of a protectionist

mode is to get real production going, and to protect the institutions upon which the population *and* production depend. Anything else is only going to make it worse. Anything else is putting gasoline on the fire.

“The world is now in a hyperinflationary explosion, analogous on a world scale to what happened in Weimar Germany in the Summer and Fall of 1923.”

LaRouche noted that, in addition to adopting protectionist measures, nations and political groups within nations have to adopt the Eurasian Land-Bridge infrastructure reconstruction policy, which he has helped into existence. “That's the only alternative, and that should be said. That *is* the alternative.”

“The system cannot be saved, it's gone. We have to have a new monetary system, which will return to the standards of monetary discipline of the 1950s, under the old Bretton Woods agreement. And we're going to have to have a rewriting of a lot of this paper. Just write it off. We've got to get the economies going.”

LaRouche concluded: “So we have a crisis that's now in a hyperinflationary phase, which means you're on a short fuse. And the more people do to try to avoid and postpone the crisis, the worse they make it. In the meantime, you have a crisis of political confidence in the world. You have a government in Washington which, unlike the Clinton Administration with Bob Rubin in there, has no ability, no capacity to inspire any confidence that there's sanity in Washington.”

Indeed, neither the seemingly mindless Bush Administration, nor the official leadership of the Democratic Party, is showing any inclination to *recognize* the nature of the crisis, much less propose an adequate solution. This reality is demonstrated daily, from such events as the Genoa summit to legislative discussions in Washington. Those leaders who do comprehend the stakes for the future of civilization in this crisis, are visibly turning toward the solutions advanced by LaRouche, both within and outside the United States.

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Monday thru Sunday—
1:30 am, 11:30 am,
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Nightly after PSAs
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3 pm, 11 pm, 7 am
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SPNN Ch. 33
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Suburban Community
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- St. PAUL (S&W burbs)
AT&T Ch. 15
Tue & Fri—8 pm

MISSISSIPPI

- JACKSON
T/W Ch. 11/18
Mondays—3:30 am

MISSOURI

- ST. LOUIS—Ch. 22
Wed.-5 pm; Thu.-Noon

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- LINCOLN
Time Warner
Channels 80 & 99
Citizen Watchdog
Tue.—6 & 7 pm
Wed.—8 & 10 pm

NEVADA

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Sun-2:30 pm; Wed-7 pm
Saturdays—3 pm

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- MONTVALE/MAHWAH
Time Warner Ch. 27
Wednesdays—4 pm

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- W. MONROE
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- YORKTOWN—Ch. 71
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NEW YORK

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Thursdays—7 pm
- HORSEHEADS—Ch. 1
Mon., Fri.—4:30 pm
- HUDSON VALLEY
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- JOHNSTOWN—Ch. 7
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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.—7:30 pm (Ch. 78)
Sat.—8 pm (Ch. 13)
- TRI-LAKES
Adelphia Ch. 2
Sun: 7 am, 1 pm, 8 pm
UTICA—Ch. 3
Thursdays—6 pm
- WATERLOO—Ch. 2
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- WEBSTER—Ch. 12
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- W. MONROE
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- YONKERS—Ch. 71
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- YORKTOWN—Ch. 71
Thursdays—3 pm

ROCHESTER—Ch. 15

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