

EIR

Executive Intelligence Review

June 7, 2002 Vol. 29 No. 22

www.larouche.com \$10.00

Why Israel's Settlements Are a War Crime
U.S.-Russia Energy Deal: Who's Fooling Whom?
President-Elect Uribe Demands IMF Change Policy

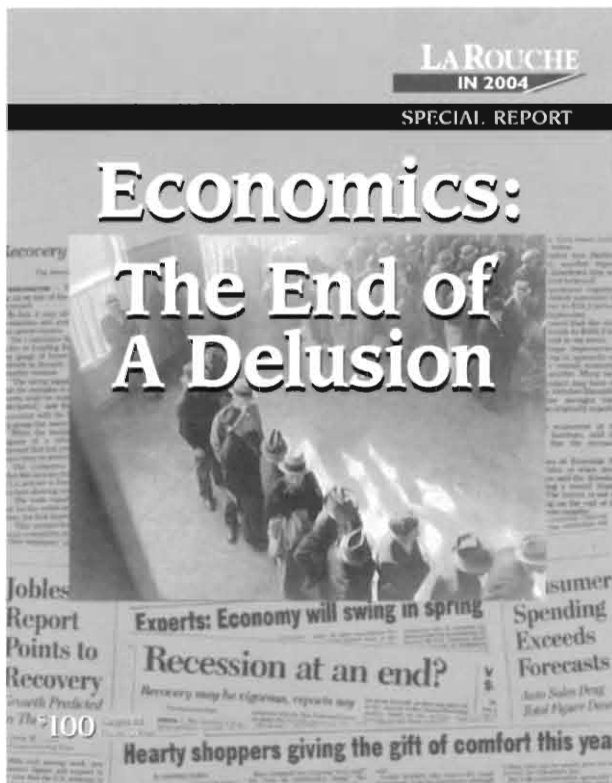
**Do We Fight To Kill,
Or To Win the Peace?**



Economy in Crisis:

Are You Ready Yet

To Listen to Lyndon LaRouche?



"On the time-scale of history, the terminal moment of our nation's recent follies has now arrived. Now, if our nation is to survive, we must acknowledge, that the leading trends in policy-influencing opinion, over the recent thirty-odd years, have been cumulatively disastrous in their net effect."
—Lyndon H. LaRouche, Jr.

This Special Report features LaRouche's overview of the principles of a "science-driven" economic recovery strategy from the current global depression; the "Triple Curve" collapse function of the U.S. and world economies, and why it is qualitatively worse than that of 1929-33; and what must be learned from President Franklin D. Roosevelt's 1933-45 recovery strategy.

Suggested contribution **\$100**

April 2002 L04SP-2002-2

LA ROUCHE IN 2004 *

For more information, call:

Toll-free 1-800-929-7566

Leesburg, VA 703-777-9451

or, toll-free, 1-888-347-3258

Northern Virginia 703-779-2150

Washington, D.C. 202-396-0398

Philadelphia, PA 610-734-7080

Pittsburgh, PA 412-884-3590

Baltimore, MD 410-247-4200

Norfolk, VA 757-531-2295

Houston, TX 713-541-2907

Chicago, IL 312-335-6100

Bloomington, IN 812-857-7056

Flint, MI 810-232-2449

Minneapolis, MN 763-591-9329

Lincoln, NE 402-946-3981

Mt. Vernon, SD 605-996-7022

Phoenix AZ 602-992-3276

Los Angeles, CA 323-259-1860

San Leandro, CA 510-352-3970

Seattle, WA 425-488-1045

Ridgefield Park, NJ 201-641-8858

Boston, MA 781-380-4000

Buffalo, NY 716-873-0651

Montreal, Canada 514-855-1699

CALL TOLL FREE:

1-800-929-7566

ON THE WEB:

www.larouchein2004.com

WRITE:

LaRouche in 2004

P.O. Box 730 Leesburg, VA

20178

Founder and Contributing Editor:

Lyndon H. LaRouche, Jr.

Editorial Board: *Lyndon H. LaRouche, Jr.,
Muriel Mirak-Weissbach, Antony Papert, Gerald
Rose, Dennis Small, Edward Spannaus, Nancy
Spannaus, Jeffrey Steinberg, William Wertz*

Editor: *Paul Gallagher*

Associate Editors: *Ronald Kokinda, Susan Welsh*

Managing Editor: *John Sigerson*

Science Editor: *Marjorie Mazel Hecht*

Special Projects: *Mark Burdman*

Book Editor: *Katherine Notley*

Photo Editor: *Stuart Lewis*

Circulation Manager: *Stanley Ezrol*

INTELLIGENCE DIRECTORS:

Counterintelligence: *Jeffrey Steinberg,*

Michele Steinberg

Economics: *Marcia Merry Baker,*

Lothar Komp

History: *Anton Chaitkin*

Ibero-America: *Dennis Small*

Law: *Edward Spannaus*

Russia and Eastern Europe:

Rachel Douglas

United States: *Debra Freeman, Suzanne Rose*

INTERNATIONAL BUREAUS:

Bogotá: *Javier Almaro*

Berlin: *Rainer Apel*

Buenos Aires: *Gerardo Terán*

Caracas: *David Ramonet*

Copenhagen: *Poul Rasmussen*

Houston: *Harley Schlanger*

Lima: *Sara Madueño*

Melbourne: *Robert Barwick*

Mexico City: *Marivilia Carrasco, Rubén Cota
Meza*

Milan: *Leonardo Servadio*

New Delhi: *Ramtanu Maitra*

Paris: *Christine Bierrer*

Rio de Janeiro: *Silvia Palacios*

Stockholm: *Michael Ericson*

United Nations, N.Y.C.: *Leni Rubinstein*

Washington, D.C.: *William Jones*

Wiesbaden: *Göran Haglund*

*EIR (ISSN 0273-6314) is published weekly (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)
396-0398. For subscriptions: (703) 777-9451, or toll-
free, 888-EIR-3258.*

*World Wide Web site: <http://www.larouchepub.com>
e-mail: eirms@larouchepub.com*

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

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

*In Mexico: EIR, Serapio Rendón No. 70 Int. 28, Col. San
Rafael, Del. Cuauhtémoc. México, DF 06470. Tels: 55-66-
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.*

*Copyright © 2002 EIR News Service. All rights reserved.
Reproduction in whole or in part without permission strictly
prohibited. Periodicals postage paid at Washington D.C.,
and at an additional mailing offices.*

*Domestic subscriptions: 3 months—\$125, 6 months—\$225,
1 year—\$396, Single issue—\$10*

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

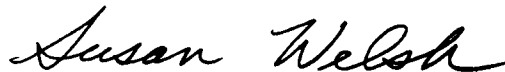
From the Associate Editor

Lyndon LaRouche's Memorial Day address, published in this issue, was quite an unusual speech: a very personal, inspirational discussion of what *courage* means, in a time of crisis, such as wartime. Many who listened, felt as though he were talking directly to them. Speaking from the vantage-point of the World War II generation, addressing the Baby Boomers and their offspring, he offered that sparkling sense of optimism and confident leadership which is otherwise so much lacking, in a world where people see no hope in the future, and young people, in particular, are consumed with rage.

Asked by a Democratic official about political prospects ahead, LaRouche gave this answer: "If the American people see, with a sense that this is the crisis, that this is the time to start moving, we can make earthquakes, political earthquakes throughout the country. And the good Democrats inside the Democratic Party, can take over the Democratic Party, and they'll find cooperation from any good Republicans they find loose on the landscape. We can change this. The world is ready to accept a certain kind of leadership initiative from the United States. And if we show the gumption to our people inside the United States, and to the world, that we're ready to take that step, you'll find that people who have been spitting at us, will suddenly come to like us, and cooperate with us."

LaRouche also addressed a wide range of issues of foreign and economic policy, notably including the Mideast crisis, where he elaborated on the fascist roots of Israel's Sharon government, tracing it back to the pro-Mussolini fascist Vladimir Jabotinsky, and demanding that the truth be told about Sharon's fascist policies today. It is not "anti-Semitic" to tell the truth about Sharon's war crimes!, he said.

This topic is the subject of heated debate both in Israel and in Germany (see *International*). The report of the Israeli Information Center for Human Rights in the Territories (B'tselem), analyzed in this issue by Dean Andromidas, presents a devastating picture of how Sharon is systematically creating apartheid-style "bantustans" in the West Bank and Gaza Strip, in specific violation of international law.



EIR Contents

Cover This Week

Douglas MacArthur and aides during World War II; right a modern "utopian" soldier.



48 The Lessons of Wartime for Statecraft Today

A Memorial Day address by Lyndon H. LaRouche, Jr. "Where do you find in yourself, not only the courage to conduct war, to participate in war, when necessary; but where do you find in yourself those qualities which enable you to look beyond the short term of next week, or your immediate community, and find that strength you need to think and act on the basis of what the consequences of your behavior will be, perhaps for the next generation or two yet to come?"

Photo and graphics credits: Cover, National Archives of the U.S.; Gush Shalom website/Kawthar Salam. Pages 5, 6, White House Photo/Paul Morse. Page 17, Courtesy of Barry Clausen. Page 23, FAO. Page 28, WHO. Page 31, EIRNS/Christopher Lewis. Page 34, Nordrhein-Westfalen website. Page 35, Bundesbildstelle. Page 37, Middle East Peace website www.fmeop.org. Page 43, PRN Photo. Page 49 (Israel), Gush Shalom website/Kawthar Salam. Pages 49 (LaRouche), 62 (Albright, Rice), 65, EIRNS/Stuart Lewis. Page 50 (upper left), Coast Guard Photo; (Wehrmacht), www.arttoday.com; (MacArthur), Library of Congress. Page 53, U.S. National Archives. Page 55, EIRNS/Steve Meyer. Page 57, EIRNS. Page 60, Senator Lieberman's website. Page 64, FDR Library.

Economics

4 What Did 'Energy Dialogue' at Bush-Putin Summit Mean?

The agreements reached in Moscow raise more questions than they answer. Who is fooling whom? Is Russia playing a deception game, or is the "liberal" faction there willing to make Russia the West's energy and raw materials supplier, at the expense of national sovereignty?

6 EU-Russia Summit Focus on Energy

8 Trade Falls as Economies Contract: The Fag End of the 'Free Trade' Era

10 Asia Debates the End of BIS Deregulation

Japanese policymakers are saying, "Enough is enough!"

12 Singapore: The 'Recovery' Continues

14 Business Briefs

Science & Technology

16 Does Technology Steal Jobs?

By Lyndon H. LaRouche, Jr.
“Unfortunately, many economists, and others who remain more or less illiterates respecting the rudiments of the science of physical economy, have been duped into adopting some of the residue of the Luddite myth, still today.”

International

32 Colombia’s Uribe Calls On IMF To Change Its Policies

In his first speech as President-elect, Alvaro Uribe Vélez emphasized that “many of the currents and doctrines regarding economic management that prevail today, must be revised, immediately.”

34 Germans, Israelis Fight for Right To Criticize Sharon

Is it anti-Semitic to attack Israeli Prime Minister Ariel Sharon? Leading Israelis and Germans are standing up to hysterical propaganda attack, and insisting that it is not.

36 Report: Settlements Are Israeli War Crimes

“Land Grab: Israel’s Settlement Policy in the West Bank,” is the new report by the Israeli Information Center for Human Rights in the Territories (B’tselem).

40 Nepal Plunges Into a Deep Crisis

42 Pope’s Trip: Again, Full of Surprises

The Pontiff’s visit to Azerbaijan and Bulgaria achieved “results beyond expectations, in the ecumenical dimensions, on the minorities questions, and on clearing up the Bulgarian question,” according to the Vatican spokesman.

46 International Intelligence

National

67 Council Wants Hospital at D.C. General Site

The City Council’s announcement puts it once again at odds with Mayor Anthony Williams and the D.C. Department of Health, both of which deny that a full-service hospital is needed, and both of which supported the shutdown of D.C. General last year, over the unanimous opposition of the Council. The Mayor wants to open up the area for high-rise real-estate development, at the expense of the city’s poor and middle-class citizens.

68 Congressional Closeup

70 National News

Departments

45 Australia Dossier

Australia’s Nazi Concentration Camps.

72 Editorial

Ashcroft Scraps Post-Cointelpro FBI Guidelines.

What Did ‘Energy Dialogue’ At Bush-Putin Summit Mean?

by Muriel Mirak-Weissbach

The summit meeting between U.S. President George W. Bush and Russian President Vladimir Putin on May 23-24, was hailed as “historic” for the strategic arms reduction agreement signed. But that agreement has little substance, militarily or otherwise. Both sides maintain a devastating nuclear capability, and some warheads “reduced” on the American side will be merely stockpiled, not destroyed.

The significance of the summit lies in the far-reaching “energy dialogue,” encapsulated in a joint statement issued following the talks on May 24. Even prior to the agreement, speculation had been rife in Russian and other international media, about supposed U.S. plans to build up Russia’s oil and gas production, to replace those from the Persian Gulf, in case of a crisis.

The statement begins, “Successful development of the global economy depends on timely and reliable energy delivery. In this context, we welcome the fact that the Russian Federation has confirmed its role as a major world energy provider. In order to strengthen our overall relationship and enhance global energy security and international strategic stability, we have agreed to launch a bilateral energy dialogue.” The aims are to:

- “Develop bilateral cooperation in the energy sphere on a mutually beneficial basis in accordance with our respective national energy policies.
- “Reduce volatility and enhance predictability of global energy markets and reliability of global energy supply.
- “Facilitate commercial cooperation in the energy sector, enhancing interaction between our companies in exploration, production, refining, transportation and marketing of energy, as well as in implementation of joint projects including those in third countries.
- “Encourage investment aimed at the further develop-

ment and modernization of the fuel and energy sector of Russia, including expansion of oil and gas production in Eastern Siberia, the Far East, and offshore areas.

- “Promote access to world markets for Russian energy, including through the commercial development and modernization of Russia’s port and transportation infrastructures, the electric power and gas sectors, and oil refining capabilities.
- “Foster science, technological, and business cooperation in the use of unconventional energy sources, and energy-efficient and environmentally clean technologies.
- “Cooperate in elaboration and development of new ecologically safer nuclear power technologies.”

The statement also cites the Caspian Sea and implicitly Central Asia: It says of the Caspian region, “We also welcome our commercial cooperation with the United States and in other countries where our companies, and their international partners’ experience, technology, and capital can be joined to provide the commercially reliable energy supplies which are essential to fostering prosperity and global stability.”

Who’s Fooling Whom?

So much for the text. What the agreement actually means, is still an open question. All any intelligent viewer could say, is: “Who in Hell—or, from Hell—is fooling whom?” Is Russia playing a deception game, waiting for America’s economic-financial and military-strategic problems to escalate further? Or, is the “liberal” faction in Russia willing to make Russia “the West’s energy and raw materials supplier,” with some nuclear weapons added as a “sweetener” for having lost great power status?

Newsweek, in its May 27 issue, addressed this as a matter of how to make the Great Game “look nice.” Saying the “real news” of the summit was that “Moscow and Washington aim



The strategic arms-reduction treaty Presidents Bush and Putin signed at this May 24 ceremony, was ceremony; their more important “agreement,” which raised serious questions for all of Central and South Asia and the Mideast, was the much-hyped “energy dialogue.”

to carve out a whole new relationship, particularly in Central Asia,” the magazine predicted the summit would yield a deal, whereby Russia would make up for shortfalls in oil supplies from the Gulf-Middle East region, in exchange for Western investments, and for integrating Central Asia into world markets. Articles on this theme also appeared in *Business Week*, the *New York Times*, the *Wall Street Journal*, *Forbes* magazine, Radio Free Europe/Radio Liberty, and the German daily *Frankfurter Allgemeine Zeitung*, among others.

During the summit, the Russian online publication Strana.ru published a piece by its “Russian Observer,” which outlined a nightmare scenario—at least for the oil producers of the Persian Gulf. It said the intent was to make Russia “an ally of the West in a vital Western economic security interest,” and the West an ally of Russia in the same terms. Author Ira Strauss, known for his anti-Arab views, called the energy dialogue the first step toward an eventual “Russia-West Oil and Gas Community”—which would spell “the end of OPEC,” the Organization of Petroleum Exporting Countries. Strauss cited Mikhail Khodorkovsky of the Russian oil firm Yukos, saying there are “limitless” opportunities for U.S.-Russia energy cooperation.

The scenario outlined in Strana.ru foresees a stage two, in which Russia would join the International Energy Agency (IEA), “a fair price is agreed upon for Russian oil, the West agrees to compensate Russia for financial losses when oil prices fall below this level, and Russia agrees to compete ruthlessly against OPEC to cut world oil prices as low as possible.” Among the “benefits” listed, we find also the notion that “desert sheikhdoms stop accumulating huge financial power. . . . And it lances the financial boil of Middle Eastern societies, which have become unhealthier, cartel-and-extortion societies through their oil wealth.”

The third stage “Oil-Gas Community” is envisioned by

the “Russian Observer” as “like the Coal and Steel Community that laid the foundations of the European Common Market, [and] could lay the foundations for a Euro-Atlantic-Eurasian common market.” The IEA, representing all the countries of the global “North,” is greatly strengthened against OPEC.

“IEA can set norms for energy policy, energy taxation, stabilization funds and reserves, investment and production among its members. And the UN can set global norms . . . and dictate to OPEC. UN regulations can undermine what is left of OPEC, outlawing its role as a cartel—an illegitimate form of inter-governmental organization.” The UN Security Council proclaims oil and gas to be a commodity of global economic and security interest and to be subject to global anti-trust regulation, as well as regulation motivated by environmental and other concerns. In low-population high-oil states such as the Gulf states . . . it undoes their nationalization of oil, placing the oil and gas fields under global ownership and authority.”

The Russian ‘Liberals’

The scenario outlined here would mean the triumph of “free trade,” explicitly wiping out the existing structure of oil production where nations still hold sway over their resources, and eventually establishing a one-worldist imperial control over raw materials, through a centralized agency. The key personality mentioned on the Russian side, is Mikhail Khodorkovsky. The chairman and CEO of Yukos, Khodorkovsky was featured in the *Wall Street Journal* on April 29, in an article entitled, “Yukos Chief Sees Russian Oil Firms Being Acquired Within a Few Years; Few To Be Independent After Spree by Western Giants.”

Khodorkovsky has, in fact, been a “frequent, welcome guest in London and Washington” in the recent period. He

this year opened the first overseas office of Yukos, in London, and recruited Lord David Owen to become a member of the board. At the London Russian Investment Forum on April 17-19, Khodorkovsky delivered a keynote, in which he celebrated Russia's oil potential, which, he said, exceeded that of the Gulf. He argued against PSAs (production-sharing agreements) and in favor of Russia's developing its oil on its own. Anders Åslund, at a pre-briefing for the Bush-Putin summit held at the New York Council on Foreign Relations, described Khodorkovsky as someone who travels to Washington every other month, to promote Yukos' interests, including Russia's reliability as an oil exporter. Khodorkovsky was a presence in hosting a delegation of U.S. "investors" (mostly Wall Street fund-manager types), who went to Moscow to meet with government and business figures in mid-May, in advance of the summit.

If the profile of Khodorkovsky points in the direction of a raw materials sell-out policy for Russia, it does not necessarily indicate that the Russian political elite, beginning with Putin, is on this course. Many questions remain open.

Could Russia ever replace the Persian Gulf as major oil and gas supplier for the West? Figures cited by the *Frankfurter Allgemeine Zeitung* on May 22, show that 60% of the world's known oil reserves are in the Persian Gulf, as against 12% in Russia. The United States currently gets 15% of its oil from the Gulf, and less than 1% from Russia. Russian oil is more expensive due to lack of transportation infrastructure: pipelines, port facilities, and so forth.

The propaganda machines for "Russia, the new oil giant" report that in February, it surpassed Saudi Arabia in oil production; however, it exports only half. The surge was due to Russia's forging ahead in exports while OPEC tried to support the oil price. Russia's restriction of oil exports this Winter, was lifted in May after Prime Minister Mikhail Kasyanov's meeting with the oil magnates. While export duties on oil are being raised, the ceiling per company on exports has been removed. In addition, the increase in Russian oil production reflects the coming on line of some investment programs, undertaken by the Russian oil companies with their Western partners in the post-1998-crash period, when investment became a bit more affordable. According to one source, Russia is now using, in the older Siberian fields, some productivity-boosting technologies applied in the North Sea a decade ago, which can dramatically increase production in such fields for two or three years.

Apart from the propaganda, two specific deals may be mentioned. In mid-April, BP announced that it was paying \$380 million to buy out the stakes of Access-Renova and Alfa Group in the Russian oil company Sidanco, increasing its ownership of Sidanco from 10% to 25%. At the end of the same month, TotalFinaElf announced it was negotiating with Anglo Siberian Oil for rights to develop the 900 million-barrel Yankor field in eastern Siberia. Exxon and Royal Dutch Shell signed on for big new investments in the Sakhalin projects, last year.



The two Presidents at St. Petersburg State University on May 25, striding into a question-and-answer session with students. The big question raised by the propaganda around "U.S.-Russian energy partnership," was, "Who's fooling whom?"

The Great Caspian Game

Perhaps the biggest question has to do with the thorny issue of Caspian Sea oil and other resources. The Caspian, whose oil reserves have been estimated at somewhere between 7.8 billion and a whopping 200 billion barrels, is on the drawing board of numerous Anglo-American think-tanks, which identify it as not only a raw materials-rich region, but a central pawn on the chessboard of the Great Game for geopolitical control over Central Asia and the Caucasus.

The legal regime which reigned over Caspian resources, until 1991, was defined by the 1920 and 1941 agreements between the Soviet Union and Iran, which were the only littoral states. After 1991, the two became five, as Azerbaijan, Turkmenistan, and Kazakhstan came into being. For 12 years, attempts to map out a new regime have failed, largely due to the influence of the United States on Azerbaijan, against Iran (see "U.S., Iran Strategies Compete in Central Asia," *EIR*, May 24, 2002).

The Caspian Sea summit meeting in Ashgabat in April marked, at the same time, the high point and the low point of this negotiating process: although it was an achievement in itself to hold such a summit, no agreement was reached. Among many examples of American hostility to such an agreement including Iran as an equal sovereign, in March Steven Mann, a State Department adviser, spoke of "the possi-

EU-Russia Summit Focus on Energy

President Vladimir Putin personally opened the European Union-Russia summit in Moscow May 28, and reiterated his proposal of 2001, for a long-term energy partnership between Russia and Western Europe.

The Russian President urged expanded EU investments in energy projects in Russia, in the larger context of securing oil and gas supplies to a Europe that will depend on increased imports. He reaffirmed Russia's commitment to provide secure supplies to Europe, also in case that supplies from other regions of the world came to a standstill. This was a reintroduction of the offer that Putin had made to Germany and Europe, during his visits to Berlin and

Essen, last September.

The EU-Russian Summit, which was scheduled to sign a deal on energy cooperation on May 29, featured prominent attendance, with the EU ministers on foreign affairs and security, energy, trade, and the EU Commission President, as well as the respective cabinet ministers from Russia.

In a background report to the summit, the EU Commission stated that "the EU has a vital interest in maintaining and enhancing Russia's role as a supplier of gas and oil, and to strengthen Russia as a secure reliable supplier by technology transfers and investments to upgrade the Russian energy infrastructure. The energy sector in Russia represents a major opportunity both for foreign investment and for export revenues. The need for new capital in the sector has been estimated at between \$460 and \$600 billion, to the year 2020."—*Rainer Apel*

bility of exploiting the resources and reserves of the Caspian Sea *before* setting up the legal regime," according to *Izvestia* (emphasis added).

The position of Russia in this regard, was not self-evident like that of America. In what has been dubbed by some Iranian press as a "schizophrenic Russian-Iranian nexus," the relations between Moscow and Tehran are indeed paradoxical. Russia has established excellent and improving economic, trade, and military-strategic relations, crowned by a summit between Presidents Mohammed Seyyed Khatami and Putin last year; and has maintained its commitment to cooperation with Iran to complete the Bushehr nuclear power plant, despite repeated U.S. pressure, most recently during Bush's visit. Yet, Russia has appeared to be playing both sides against the middle regarding the Caspian, and, more broadly, the raw materials factor in the Caucasus and Central Asia.

Following the Caspian Sea summit, it was announced that Russia and Kazakstan had signed a bilateral deal defining, between them, the borders of the sea. Iran cried foul play, and then embarked on a diplomatic initiative to try to regain some leverage over Azerbaijan. Further "bilateral" agreements may be reached to the disadvantage of Tehran.

And it is not just the Caspian Sea resources, but the pipelines which have become a bone of contention. U.S. policy has been to sabotage any and every pipeline project running through Russia or Iran. Now, the emphasis appears to have shifted more toward Iran, and again, the position of Moscow is not clear.

Before the Caspian summit, *Izvestia* reported on March 14, that "America is trying to use Georgia as the main route for the transit of energy from the Caspian Sea to the Black Sea." Immediately following the summit, the Georgian Embassy in Azerbaijan announced, "It has been decided that

another oil pipeline, called the 'Baku-Tblisi-Ceyhan,' will be constructed by the year 2004 . . . to transfer some 50 million tons of oil per year." The Iranian news agency IRNA said on April 27 that the idea was to bypass Iran. David Woodward of BP Azerbaijan was quoted, "The good news is that the pipeline is not going through Russia or Iran."

A Russian Double Game Is Dangerous

On May 28, Turkmenistan, Afghanistan, and Pakistan announced a meeting to discuss launching a pipeline across their countries (the old UNOCAL "Taliban" project), again an alternative to the route through Iran. And the pipeline project to transfer gas from Turkmenistan through Iran across Turkey into Europe, has been consistently sabotaged by Washington.

The United States' power to dictate energy policy matters seems to express its growing military presence in the region. Azerbaijan has agreed to landing rights for U.S. planes on its territory, and reportedly to U.S. support to defend its maritime borders from Iran. Georgia is also hosting U.S. military; America has established bases in Kyrgyzstan and Uzbekistan, and is inching its way in, via air-basing rights for "humanitarian" purposes, in Kazakstan and Turkmenistan. These are all resource rich regions, once the sphere of influence of the Soviet Union.

What emerges is a picture of a wild-eyed Anglo-American imperial predator, bent on establishing its control over the raw materials-rich areas of the globe, and preventing any independent state—Iran, or the Arab oil-producing giants—from maintaining sovereign control over resources. Russia's stance is the question mark in this picture. Rereading the text of the "energy dialogue" statement only reinforces suspicions that it may be playing a subtle, but very dangerous double game.

Trade Falls as Economies Contract: The Fag End of the 'Free Trade' Era

by Marcia Merry Baker and Gretchen Small

While the babble continues everywhere (except in private banking and business circles) to the effect that “the recovery is arriving,” economic activity in industrial and most Third World nations is contracting at a rate which shows up in the dramatic drop in goods traded, up through the first quarter of 2002.

For some nations, this has reached the point of an immediate, or near-term crisis of vital supplies, even food.

One situation makes the point: In Malawi, 7 million people are in dire need of food; more than 2 million have been declared by aid agencies to be facing starvation, unless they get immediate food relief. But there is a ghastly twist to this story of famine. In 2000, the Malawi government was ordered by the International Monetary Fund, to sell the nation’s 167,000 metric ton grain reserve for cash, in order to service its international debt. It did so. The IMF ordered Malawi to rely on “the markets” to acquire grain in the future. This no-food-reserves policy was a tenet of the free-trade era, whose creed was, “One World/One Market”—the slogan of the World Trade Organization (WTO) and its predecessor General Agreement on Tariffs and Trade (GATT). Now Malawi has had two disastrous harvests, due to drought and floods, and has no food reserves. Having serviced its international debt, it has no means to buy food on international markets. This catastrophe is not unique, and not confined to southern Africa.

In Mexico, a “model” free trade country, the economy is imploding, as the *maquiladora* system on the Mexico-U.S. border folds, because the United States market is drying up. The ultra-cheap labor camps called *maquiladoras* were imposed on the Mexican economy over the past 15 years, as the supposed way for Mexico to “participate” in the new globalized one-world market. Now that the free-trade system—which has drastically subverted Mexico’s productive capacity since the 1982 debt crisis, and particularly under North American Free Trade Agreement (NAFTA)—is itself crashing, chaos looms.

From country to country, the particulars differ, but the process is the same. We are at the end-phase of what has been euphemistically called the “free trade,” “post-industrial,” and “New Economy” globalization era. These slogans merely covered all along for what was a swindle-process of economic looting and decline. National leaders are now confronted by

the inevitable consequences, and the need for working out the kind of New Bretton Woods emergency arrangements for nation-rebuilding, put forward by Lyndon LaRouche and collaborators in many nations.

The agencies which have enforced the “free trade model”—the IMF, World Bank, and the WTO—are issuing decrees, like King Canute, that trade must expand again, and that no nation must dare to take protectionist measures. But the free-trade game is over.

Largest Drop in Two Decades

The annual trade survey released on May 2 by the WTO states that world exports in 2001 fell by the largest year-to-year decline in 20 years. Exports dropped 4% in value in 2001 from the year before; and 1% in volume. The drop of \$6 trillion in value hit all three major merchandise product groups—agricultural, mining, and manufacturing.

The rate of fall in trade is also increasing. In the fourth quarter of 2001, the volume of world exports had fallen to 6% below the same period the previous year. The nations with the largest export decline, were those trading intensively in information technology—East Asia and the United States.

Look at the U.S. import and export statistics. The gigantic annual deficit of over \$400 billions in goods trade in recent years, is well known. In fact, the last year in which the United States ran a positive foreign merchandise trade balance was in 1975! The balance that year was \$9.1 billion. By 1984, the U.S. trade deficit had grown to \$112.5 billion and has never since gone under \$100 billion per year.

However, at some point, the era of “dollar tribute,” in which this gigantic deficit was more than covered by a net flow exceeding \$500 billion annually of investments into the United States from the rest of the world, was bound to end. That point is at hand.

Recent months of 2002 have seen a drop in the volume of U.S. imports and exports alike. The United States no longer commands the purchasing power to be the “importer of last resort,” or to maintain its deficit. From January to March this year, compared to the same time period in 2000, the value of U.S. goods imports fell from \$292.547 billion, to \$272.763 billion. The value of exports, in the same January-March period, dropped from \$185.142 billion in 2000, down to

\$164.960 billion this year. This is the downward spiral.

What about the so-called “recovery uptick” during March, when the monthly U.S. trade deficit narrowed? It was just that—the short upward bounce of a ball bouncing downstairs. It showed up because the monthly value of imports rose, when crude oil posted the largest one-month rise in price in the 12 years since Desert Storm. The monthly value of exports rose, because the U.S. posted a big sale of commercial aircraft. As for the overall trend, the downward spiral continues.

Since late April, the value of the dollar itself—the currency of the free-trade era—has been declining. As of the end of May, the dollar had fallen by 8% or so against the euro, yen, and Swiss franc, over the course of one month, reaching eight-month lows against those currencies. The flow of foreign funds *into* the United States—what supported the U.S. goods import dependence—is drying up.

For example, for the first two months of 2002, foreign investors purchased \$11 billion of American exchange stocks, compared to the \$33 billion they bought during the first two months of 2001—a fall of two-thirds.

Another reading of the decline of the dollar, is the rising price of gold. On May 30, gold reached over \$326 an ounce, the highest in two years.

Mexico’s Maquiladora Model Collapses

The situation in Mexico is dire. Mexico’s exports, which are 90% dependent on American markets, fell by 5% in 2001 over 2000, and its imports by 4%, a steeper drop than that experienced by the other countries in Ibero-America. The pace reflects the “turnaround” factor. Over the last ten years, Mexico’s trade grew more rapidly than that of the rest of the region; but now, as the U.S. market is failing, Mexico’s rate of fall in exports is that much more rapid.

The sequence is this: In 2000, Mexico’s trade still grew, by 12% over 1999. In the first half of 2001, it grew by 6%. Then the collapse hit: down 5.6% by the end of 2001, and down 6.7% in first quarter of 2002.

Given that Mexico’s economy, under NAFTA, was distorted to channel all resources into export-related activity, the effect is devastating. Industrial production as a whole in Mexico has fallen by a huge 27% from its level of August 2000. In the first quarter of 2002, industrial production fell by 7.6%, even more than the terrible 4.7% contraction of the fourth quarter of 2001.

The fall in overall industrial production in March 2002



“Free trade” recovery delusion becomes denial, and denial becomes manic-depressive. An unintentionally ironic combination of headlines on the same Wichita Eagle front page.

was the fourth month of contraction in a row, the longest period of consecutive decline since 1982 in Mexico.

The level of collapse of *maquiladora* production—which exists solely as an appendage of the free-trade system—is astounding: down 19.1% in the first quarter of 2002, after having fallen 19.6% in the fourth quarter of 2001. March 2002 figures were 20.4% below those of the year before.

First came the reduction in the size of purchase orders for the *maquiladoras*. Then, the cancellation of those orders. Now, the *maquiladoras* themselves are shutting down: Whereas there were 3,700 *maquiladoras* registered in the country at the close of 2000, at the end of 2001, there were 3,540. At the end of April 2002, the number had fallen to 3,316. Employment in the sector fell by 17% between 2000 and 2001: from 1.3 million to 1.08 million.

It should be kept in mind that at its peak, total *maquiladora* employment was almost at the level of the number of workers in Mexico’s manufacturing sector proper. As a consequence, the dislocation in such leading centers as Monterrey is terrible. There, both the national industries, such as steel, ceramics, and general manufacturing, are devastated, and the vast zones of *maquiladoras* are now folding up.

Deluded *maquiladora* “industry” analysts are putting forth two strategies to counter the collapse, both on a par with the myth of “the recovery coming soon.” Some say that the “high cost of Mexican labor and services” must be cut, so as to compete with Chinese or Central American labor. And others say that Mexico must concentrate on producing “high-tech” *maquiladora* products geared to the U.S. defense build-up.

Asia Debates the End Of BIS Deregulation

by Kathy Wolfe

As they come to realize that the U.S. “recovery” is a fraud, Asian policymakers have begun a “sea change” debate on how to roll back the last two decades of Anglo-American deregulation. This is part of the recognition that, like it or not, free trade is dead, and government intervention is coming back worldwide.

Asian officials are openly stating that the post-1982 global financial deregulation championed by the U.S. Federal Reserve, Bank of England, and the Basel, Switzerland-based Bank for International Settlements (BIS), is the *cause* of today’s physical economic and financial breakdown in the United States, Asia, and the world. Thus the “remedy” is not more deregulation, but rather, a re-examination of the premises of this decayed system.

A May 7 editorial in Tokyo’s *Nihon Keizai* news, entitled “Japan Needs To Rethink ‘Big Bang’ Measures,” says that the sweeping financial deregulation called “Big Bang” was the actual cause of Japan’s financial system’s ruin today. Big Bang was demanded by the Federal Reserve and the then-President George H.W. Bush’s Treasury in the 1990s, backed by greedy Japanese financiers. It removed Japanese government guidance from the markets, and turned most regulation over to the BIS. This allowed speculative Enron-style lending, derivatives, and interest-rate swings for the first time in Japan’s history.

Nikkei news service reports that Tokyo’s recent strong moves to crack down on short-selling by Wall Street of Japanese corporate and bank paper, imply a much broader policy change: A decision has been reached, Nikkei writes, that “Japan may have embarked on its Big Bang financial reforms too quickly.” It quotes former Prime Minister Ryutaro Hashimoto saying, “I wouldn’t have gone ahead with the Big Bang financial reforms, if I had known banks were in such dire straits.” Hashimoto, who as Finance Minister in 1991 coined the term “financial AIDS” to warn Asian elites that the deregulation hitting the United States was a deadly disease, was driven from office in a made-up scandal to discredit his independence of mind. He was later installed as Prime Minister, a broken man, forced to implement the very global deregulation “AIDS” against which he had warned.

Enron: The Last Straw

“This kind of candid remark is not what people expect from a former Prime Minister,” Nikkei noted. (It certainly was

shocking.) “Japan may have put the cart before the horse,” and the banks never should have been deregulated in the first place.

Similarly, Nikkei revealed on May 4 that Finance Minister Masajuro Shiokawa and Bank of Japan (BOJ) Governor Masaru Hayami rejected a proposal by U.S. Treasury Secretary Paul O’Neill and Fed Chairman Alan Greenspan in late April, that Japan introduce a bad-loan resolution system modelled on the U.S. Resolution Trust Corp. The RTC administered free-market “shock therapy” to the \$1.2 billion U.S. savings and loan sector after deregulation in 1982, shutting down the S&Ls altogether. It cost taxpayers \$800 billion, and thousands of Americans lost their homes when the S&Ls, the home lenders, collapsed.

A former BOJ official told *EIR* on May 25, that it is now generally recognized in Tokyo that non-performing loans “are not the cause of Japan’s current deflationary spiral, but the result of deflation,” and the deflation in turn was caused by the deregulation. “Japan has been in the midst of deflation and on the brink of depression since the last half of 1997,” directly as a result of the action “by the Hashimoto Cabinet and BOJ who allowed the ‘market’ to push many financial institutions to collapse, in the name of ‘Big Bang’ deregulation, as demanded by the ‘Washington Consensus,’ ” he said.

“Big Bang,” one former Vice Minister of Finance said, “produced the ‘Wimbledon effect,’ in which the courts are in Tokyo, but most of the players are foreign.” Removing government oversight and suddenly allowing broad speculation, so weakened Japanese financial and industrial corporations that major foreign takeovers and other foreign expansion in Japan resulted.

The turning point came, the BOJ man said, “when the Enron scandal was revealed”—a year after U.S. Presidential pre-candidate Lyndon LaRouche had warned that Enron was bankrupt. This “pulled the rug out from under the Bush Administration and Greenspan,” who had been demanding that Japan implement a 1982 S&L shock therapy-style cheap sell-off of bad Japanese bank loans. President Bush, in a February speech in Tokyo, recommended this as “letting the loans go free into the markets.”

“This would have caused a worse-than-1929 crash and allowed our banks and companies to be sold off cheap to Wall Street,” the BOJ man said. “U.S. hedge funds would have enjoyed bulk sales” of Japanese paper. But once it was made public that Enron, Arthur Andersen, and, by extension, numerous U.S. companies had been seriously undermined by this “free-market” deregulation, Tokyo felt able to protest having to do the same.

‘BIS vs. National Banking’

Numerous similar discussions of this or that bad aspect of deregulation are also taking place in South Korea and China. A May 14 *Asia Times* column by New York investment banker Henry C.K. Liu, entitled “The BIS vs. National

Banks,” lays out a detailed theoretical argument against the last two decades’ deregulation. “The globalization of finance, accelerated by ‘big bangs’ in major financial markets,” along with the “use of new instruments, such as securitization and derivatives,” he writes, have destroyed the national banking systems, the government systems, of most countries, which were based on a certain base of regulation, creating chaos.

“National banking systems are suddenly thrown into the rigid arms of the BIS,” whose rules are “designed to serve the needs of highly sophisticated global financial markets, regardless of the developmental needs of their national economies,” Liu writes. “Many national banking systems came into existence to support mercantilist or national industrial policy goals, such as rapid industrialization, rural electrification, regional development, flood management, etc. . . . Both the pre-war and postwar German and Japan economic miracles were clear examples.”

But “with financial globalization, these banking structures of national policy have been forced to transform, into components of a globalized private banking system . . . controlled and directed from the money center banks in New York.” The result is to force national banking systems to put all their loans under BIS guidelines. (The BIS is the “central bankers’ central bank,” owned by the Federal Reserve, Bank of England, and other privately owned central banks. Thus, it is accountable to no government, only to private megabanks.)

In turn, Liu writes, “BIS regulations serve only the single purpose of strengthening the international private banking system, even at the peril of national economies. . . . They operate to strengthen what U.S. Federal Reserve Chairman Alan Greenspan calls ‘U.S. financial hegemony in the name of private profit.’ . . . Reversing the logic that a sound banking system should lead to full employment and developmental growth, BIS regulations demand high unemployment and developmental degradation.”

Echoing the idea that Enron demonstrates the fraud of the whole system, Liu comments that the deregulated United States is not the fine model it claims to be. “Even blue-chip global giants such as GE, J.P. Morgan Chase, and CitiGroup have overhanging dark clouds of undisclosed off-balance-sheet risk exposure,” he writes. Yet, “banks in emerging markets are penalized with disproportionate risk premiums (made to pay 10% and above interest rates) when they fail to meet arbitrary BIS . . . requirements,” while CitiGroup-type “Large Complex Bank Organizations” in New York and London “with astronomical risk exposures in derivatives, enjoy exemption” from the BIS requirements.

Echoing Japanese hints that deregulation has been the cause of Japan’s ten-year disease, and is no cure, Liu ends by warning that Japan and other nations must not accept the BIS demands to write off all non-performing loans, shock therapy-style. “Japan is singled out” by other Group of Seven nations as being bankrupt, he writes, “yet Japan has the largest savings

surplus in the world and the largest foreign-exchange reserves. There is increasing evidence that the Japanese bank system crisis is not the cause, but merely the symptom of its economic malaise, which has resulted from . . . BIS regulations.” The BIS and International Monetary Fund, he warns, are creating the “macro-economic conditions” which will turn all non-performing loans “into a total loss.”

Morgan, Plaza Accords Criticized

In South Korea and China, speculative activity by the House of Morgan, and even the 1985 Plaza Accords which deregulated the Japanese yen, are also being criticized. “Morgan Stanley Suspected of Misconduct” was the lead item in the May 28 *Korea Times*, reporting that Seoul’s Financial Supervisory Service is investigating Morgan Stanley for “dubious practices in the Seoul securities market”—in addition to U.S. Securities and Exchange Commission investigations already made public. Morgan Stanley analysts gave out insider information illegally to foreign fund investors a week earlier, on their plan to downgrade the value of Hyundai Securities stocks by 15%, the *Korea Times* says.

Morgan and other foreign brokerages “have allegedly been using their analysts’ stock research to profit illegally via ‘pump and dump’ schemes,” in which securities firms use false publicity to drive up a stock, while Morgan insiders are secretly short-selling the stock (betting it will fall). Afterwards, Morgan urges institutional investors to sell their shares, cashing in on the short-bet. “Most of 18 foreign securities firms have been found to have overlooked their analysts’ information-leaking practices,” the *Korea Times* reports.

This investigation is remarkably like the Japanese investigations of Goldman Sachs and Morgan Stanley, et al., which began in March, and led to the re-regulation of short-selling in Tokyo, a very large “bear trap” sprung by the Japanese authorities.

Japan’s Finance Ministry meanwhile has also officially “expressed dissatisfaction” with the ratings by Moody’s, Standard & Poor’s, and London’s Fitch IBCA of Japanese government bonds. Haruhiko Kuroda, vice minister for international affairs, wrote in April to the raters demanding to know their reasons for prior downgrades. On May 23, Kuroda said he now has responses from the firms, but they “lack specific explanations of the risk that Japan would default on its obligations.” “Japan would never default,” Nikkei writes, and Kuroda “blasted the three agencies—Moody’s, Fitch, and Standard & Poor’s—for lack of method in the downgrades they have already made.” “Your explanations remain short of specific, quantitative explanations about default risk and international comparisons. . . . You should provide objective reasons,” Kuroda said.

In China, meanwhile, Japanese Prof. Mamoru Ishida, teaching at Hannan University, warned Beijing in a May 28 *Japan Times* commentary, to avoid at all costs the currency deregulation which Japan underwent at U.S. insistence in the

1985 Plaza Accords.

“The United States suffers from the largest trade deficit with China among its trading partners,” he wrote. “At a session of the U.S. Senate Banking Committee, a senator suggested a Plaza Accords-like agreement with China. I hope that Chinese officials will take note of this episode, which showed the U.S. could apply strong pressure” for China to revalue the renminbi (RMB) currency, just as Japan’s yen was nearly doubled in value by the Plaza Accords overnight.

Ishida warned that “China could repeat Japan’s mistakes in economic policy,” when, during its high-growth years, “the yen became increasingly undervalued . . . [and] Japan’s trade surplus grew beyond an internationally tolerable level, leading to the 1985 Plaza Accords.”

The increase of value of the yen to the dollar was supposed to reduce Japan’s trade surplus, but did not. This has only happened recently—and painfully—“through Japan’s deindustrialization and closure of many factories,” he wrote.

Now, “it would be enough if U.S. officials whispered suggestive remarks in the market to drive up the RMB as it did with the yen in the late 1980s and the early 1990s. It would be naive to think that China could control market speculation since it regulates capital transactions,” Professor Ishida wrote.

Singapore: The ‘Recovery’ Continues

by Martin Chew Wooi Keat

In April, United Overseas Bank of Singapore laid off another 100 employees. Unlike the last time, when UOB fired 435 employees, giving them until lunchtime to pack and get out, this time the dismissed staff was given a more dignified exit: The bank extended the privilege until the end of the day. Those who had a lot to carry were allowed to return the following day. However, by doing so, they forfeited the free cab ride home.

Singapore’s Gross Domestic Product, which was collapsing at a 6% pace in the third quarter of 2001, contracted another 2.6% during the first quarter of 2002. This decline was the best showing in nine months, but it was slightly below market expectations (i.e., did not contract as much as expected). The goods-producing industries contracted by another 6.1% during the same period, largely due to a manufacturing decline as a result of sluggish demand for electronics. Economists now project that the Singapore economy will turn in flat growth at best in the second quarter, but they wishfully add that “stronger numbers” (i.e., “recovery”) are expected to emerge in the second half.

As the Singapore economy continues to “recover,” 21% of last year’s graduates were still jobless after six months, while 53% only received, at most, a single job offer. The unemployment rate is currently around 5-6%, with more than 100,000 unemployed, in a labor force of around 2 million.

Singapore’s predicament today is the direct result of allowing its economy to be transformed by foreign investment into an appendage of the “New Economy.” While this made Singapore look like the fiercest of the “Asian Tigers” during the hot-money boom of the mid-1990s, it also took a full hit when the bubble burst. In 1980, for instance, computers and data processing equipment contributed to only 1.75% of Singapore’s manufacturing employment, and 2.5% in terms of manufacturing value. By 1999, this rose to 13.5% of manufacturing employment and 24.5% of manufacturing value.

Petroleum and textiles moved in the opposite direction. In 1980, oil refining contributed to 1.25% of the manufacturing employment, but 18% of manufacturing value. By 1999, refining provided for just 1% of manufacturing employment, and had shrunk to 4.5% of manufacturing value.

For textiles, in 1980 it was 13% of manufacturing employment, and 5% of manufacturing value. This took a sharp drop

For previews and information on LaRouche publications:

Visit EIR's Internet Website!

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

<http://www.larouchepub.com>

e-mail: larouche@larouchepub.com

by 1999, to only 3% of the manufacturing work force, and 1% of manufacturing value.

If semiconductors and communications equipment are added up together with computers and data processing equipment, then in 1999, these electronic sectors absorbed 31% of the manufacturing work force, and contributed 40.5% to manufacturing value. In 1999, North America absorbed \$31 billion (nearly one-third) of Singapore's total exports of \$107 billion, out of which \$16 billion were electronics.

The relative stagnation of the petroleum refining sector, compared to the electronics sector, reflects the policy of the Singapore government to shift industry focus from physical, capital-intensive sectors to "knowledge-based," New-Economy sectors. Average simple refining margins in Singapore fell to a *negative* 81¢ a barrel last year, compared to a 23¢ profit in 2000.

However, with the bursting of the New Economy bubble, exports of Singapore's electronic products fell 18% in March from a year ago, while non-electronic products declined by 16%. In terms of markets, exports to the United States fell 23% in April from a year ago. Exports to the European Union were down by 22%, and those to Japan slumped by 14%.

Low chip prices caused over \$100 million in losses for Singapore's Chartered Semiconductor Manufacturing, the world's third-largest contract maker of computer chips, during the first quarter of 2002, after a net loss of \$127.2 million in the fourth quarter of 2001.

New Debt

To keep operating, Singapore's corporations have been resorting to loans. Singapore's corporate debt rose by a whopping 43%, to \$39.3 billion, last year, according to the Monetary Authority of Singapore. Issuances denominated in foreign currencies amounted to 69% of the total, while the rest was in local currency.

Corporate Singapore is able to raise such loans to sustain itself because of its role as the capital flight center of Southeast Asia. Singapore's role in this capacity was in fact built up by the Anglo-American financial oligarchy (see **Table 1**).

As the depression worsens, Singapore is turning into a land of debtors—where many people can no longer be described as asset-rich and cash-poor, but rather asset-poor and cash-poor. This is because much of the money is tied up in property, and as values have shrunk, their property is worth less than the loan used to buy it. They are the new class of Singaporeans—*negative asset* owners. And their ranks are not confined to those who bought private housing. Many, in fact, are buyers of Singapore's Housing Development Board (HDB) apartments. On March 31, 2001, the Singapore HDB had the staggering sum of \$60 billion in outstanding mortgage loans. Singapore is a small country with perhaps 2.8 million people living in public housing. Assuming the \$60 billion

TABLE 1

Foreign Direct Investment Into Singapore (Millions Singapore \$)

Year	Manufacturing	Commerce, Financial, Services
1994	4,725	6,515
1995	3,483	5,677
1996	2,441	9,184
1997	5,877	8,989
1998	2,513	9,728

Source: International Monetary Fund 2001 report, "Singapore: Selected Issues."

was evenly spread, every HDB dweller would, in effect, be \$21,430 in debt to HDB.

Faced with a plunge in demand for public housing, the HDB announced in January that it has stopped building new apartments, and is trying to clear some 17,500 unsold apartments. "Until the supply is brought back down to a reasonable level, it's not prudent for us to build new flats," Minister for National Development Mah Bow Tan told reporters.

Global Collapse

Many countries in Southeast Asia imitated the Singapore model of allowing their national economies to be shaped by foreign investors, into a mecca of consumer electronics and financial speculation (two-thirds of Singapore's work force is in the service sector). There is growing realization across Asia, however, of the systemic nature of the present crisis. Concerns have been raised on the deflationary impact of a weaker dollar on the rest of the world, and the specter of a dollar collapse bringing the entire global economy down with it.

The *Singapore Straits Times* ran an article by Lim Say Boon, director of the Overseas Chinese Bank Corp. Investment Research, stating: "The United States is, by conscious policy or through market forces, exporting its economic weakness to the rest of the world. And the struggling Japanese economy is an obvious weak link in the global economy. . . . The Fed Funds rate has already been cut to a 40-year low [and even so] the Fed has run out—or has come pretty close to running out—of monetary ammunition in its fight. . . . Too rapid a weakening in the U.S. dollar will do two things: One, it will further weaken the U.S. appetite for imports, endangering the recovery in our export growth. Two, it will make economies with U.S. dollar-pegged currencies such as the [Malaysian] ringgit very hard acts to follow." The article further pondered: "Indeed, it may be asked whether Asian economies—already so dependent on the U.S. as an export destination—can handle even a gradual decline in the value of the U.S. dollar."

Business Briefs

Economic Reporting

BIS Buries the Recovery Illusion

On May 27, the Bank for International Settlements (BIS) published its latest quarterly review on "International banking and financial market developments." The accompanying BIS press release this time starts off with the headline: "Waning Confidence in Strong Recovery."

The BIS notes: "The early months of 2002 dissipated the earlier ebullient mood that had built up in financial markets during the fourth quarter. From the start of the year to the first week of May, stock prices declined and U.S. long rates edged lower with the waning of confidence in a strong economic recovery."

"In Europe, rising oil prices and new wage negotiations raised the spectre of inflation, pushing up long rates. In equity markets, investors' hopes were dashed by a lack of evidence that corporate earnings were recovering with the economy as a whole. Share prices were depressed further by continued skepticism about corporate disclosure and accounting practices, by new reports about stock analysts' biased recommendations, and by a sudden aversion to corporations that relied heavily on short-term debt."

Gold

Banks Face A Derivatives Crash

So states Switzerland's weekly *Weltwoche* in its latest edition. The article, headlined "The Fever Rises, and Rises and Rises," notes that the price of gold has always been the "fever thermometer" for financial markets. The more precarious the situation turns on financial markets, the higher rises the gold price. On top of inflation worries and the Middle East conflict, there has been a loss of confidence in the U.S. recovery and the

dollar. Aggressive gold purchases by the central banks of China, Russia, and Japan, in order to reduce the dollar dependency of their currency reserves, have also contributed to the rise.

The high gold price spells big trouble for some of the largest banks. J.P. Morgan Chase in particular, but also UBS, Deutsche Bank, and Citigroup, for years have borrowed large quantities of gold from central banks. Betting on a steadily falling gold price, they sold the gold and invested the money into high-yield securities. When the gold borrowing contract matured, the banks were able to buy the needed gold at usually a much lower price, thereby increasing the profit of the whole operation. For many years, this gold carry trade worked extremely well. Similar methods were used by the gold producers as well. Any further rise of the gold price would now hurt the mentioned banks very badly, due to their huge amount of outstanding gold borrowings. At one point, they will have to close their contracts by buying gold at a much higher price than expected. These purchases would drive the gold price still higher.

Once the gold price surpasses the \$330 level, a chain reaction will probably set in. The situation is even more precarious, "as the banks are also exposed to complex financial derivatives as part of their gold trades." The banks could therefore run into another disaster like "the collapse of the LTCM [Long Term Capital Management] hedge fund in 1998."

Auto

'Grey-Market' Cars Coming Into U.S.

DaimlerChrysler is alarmed by "grey market" sales of Canadian-built cars into the United States, reported the *Toronto Globe and Mail* on May 24. "Independent exporters buy Canadian vehicles—which can be as much as 25% cheaper than the same vehicle being sold to Americans—and ship them south of the border. The low value of the Ca-

nadian dollar against the U.S. currency helps boost the profit for exporters. U.S. dealers are charging \$41,995 (U.S.) for a fully loaded model. The suggested retail price in Canada is \$51,550 (Canadian). But if prices in the two countries were the same, Canadian dealers would be charging \$64,773, based on Friday's close of \$1.5424 (Can) for the U.S. dollar—leaving lots of profit margin for anyone able to ship Canadian-bound Ford Thunderbirds south of the border."

Over 200,000 vehicles yearly, sold originally in Canada, are being bought by brokers, who then export them to the U.S. market. DaimlerChrysler, in an attempt to stop this practice, has announced that it will not honor its warranties, as of the 2003 model year, on cars and trucks originally sold in Canada which end up in the United States.

Canada

Auto Workers' 'Future on the Line'

Buzz Hargrove, Canadian Auto Workers Union President, wrote a full-page commentary in the May 24 *Toronto Globe and Mail*, saying that after several plant closures and 15,000 auto jobs lost, auto executives, industry analysts and municipal officials are calling for a new Canadian auto strategy. In late May, Ontario Industry Ministry Jim Flaherty convened a special roundtable on the future of the auto industry, while the Canadian government will also feature such a forum in June.

In 1999, Canada assembled 3.1 million new vehicles, which ranked Canada fourth in the world in automotive output. By 2001, Canadian output shrank by 20%, says Hargrove. Canada now ranks seventh in the world, and is expected to fall to ninth place by 2005 (surpassed by Mexico and China).

"With the announced or anticipated closure of three or more assembly plants, and a likely downturn in North American vehicle demand (once zero-percent sales incentives are lifted), things can only get worse," pre-

JAPAN'S real economy is continuing to fall. Total machine-tool orders in April fell 26% from a year before, reported the Machine Tool Association on May 25. Domestic demand and exports both fell sharply. Meanwhile, five mid-sized construction contractors posted net losses totalling \$1.3 billion for the quarter. One, Haseko Corp., is on the verge of closing down.

DEFLATION hits China. Industrial goods prices were cut by 3.1% in April, after a 4% drop in March, the National Bureau of Statistics reported in late May. One of the reasons for the price cuts, is the effect of cheaper imported goods due to China joining the World Trade Organization. The falling industrial prices have cut profits at state-owned enterprises by 20% from January-April. Consumer prices also fell by 1.3% in April, the biggest consumer price deflation in 2002.

SAVINGS in China soared to 8.67 trillion yuan (\$1.05 trillion) by the end of April. Private savings were more than 53% of all deposits at institutions. Dai Xianglong, People's Bank of China governor, called on China's banks to develop better means to use these funds.

U.S. BANKS hold huge amounts of debt of the two Federal real-estate mortgage companies, known as Fannie Mae and Freddie Mac; nearly half of all banks hold debts from these companies alone equal to one to five times their total capital. These debts are not guaranteed by the government, and are far larger than the U.S. Treasury could legally buy up, should a real-estate market crisis hit.

BANKS have rationed credit to Germany's productive *Mittelstand* industrial firms, far below the sector's requirement, squeezing these firms into a production standstill, says a study by Barclay's Capital in Frankfurt.

dicts Hargrove. The Canadian trade unionist is therefore seeking a new policy that will guarantee that the automotive industry invests in Canada. The new policy should feature, as in the recent past, both a carrot and a stick, as he explains: "Recent trends in auto investment heighten the concern. Of 16 new assembly plants built or announced in North America since 1990, Canada received one. We used to have a 'stick' to motivate auto investment here—the Auto Pact, which the World Trade Organization declared illegal, and the Liberal government dismantled. For a while, we also enjoyed a 'carrot': During the mid-1990s, we were the low-cost producer in North America, thanks to our competitive wages, our Medicare system, and the Canadian dollar."

Budgets

Illinois, Iowa in Emergency Sessions

The legislatures of Illinois and Iowa were in emergency sessions over the Memorial Day holiday weekend, as the state revenue plunge continued to worsen nationally. Refusing to admit the economic depression, many governors and state legislators are meeting in emergency sessions to argue over which limb to amputate, now, hoping to save the body for the non-existent recovery, "around the corner."

Illinois Gov. George Ryan cancelled barbeques to hold a session on Memorial Day, and make his last-ditch Fiscal Year 2003 budget proposal, which must be passed by May 31, or else a long, hot Summer session will result. Speaking for 36 minutes, he proposed 2,700 more state job cuts through layoffs, attrition, and early retirement, along with hiking taxes on cigarettes, real estate transfers, and riverboat casinos. The plan includes privatizing prison food services, closing one prison, and laying off 400 more correction officers. For the first time in 50 years, the state took in less tax revenue, year-over-year, in this fiscal year ending June 30, leav-

ing the state with a \$1.3 billion hole, and growing.

Iowa's lawmakers met in emergency session to plug this fiscal year's budget before June 30. The \$500 million shortfall has already led to extensive state job layoffs and severe cuts in human service programs. The state's revenue analyst, Michael Lipsman, told the *Des Moines Register* that, if you add together all the downward revisions of the budget this year, it is the "biggest single-year swing in state revenue since the 1930s."

Fraud

SEC Now Probes Halliburton, Others

The Securities and Exchange Commission is investigating accounting fraud at Halliburton Corp., and at Deloitte and Touche.

Halliburton, the world's second-largest provider of services to oil and natural gas companies, said the SEC has launched a preliminary investigation of its practice of counting cost overruns on disputed construction projects, as revenue, even before customers had agreed to pay for the overruns. Halliburton expects to receive a formal request for documents or a subpoena, in the next few days. The change in policy was adopted in 1998, (under CEO Dick Cheney), when the company's shares fell 43% and it posted a \$14.7 million net loss, amid falling oil and gas prices.

The SEC is also investigating Deloitte and Touche, the firm that audited Adelphia Communications' books, and appears to have been the auditor for entities controlled by the Rigas family (Rigas was the former CEO of Adelphia), which received \$2.3 billion from Adelphia. Deloitte, it seems, never informed Adelphia's audit committee that the family was using the company's credit lines to buy Adelphia stock.

Deloitte also faces a trial in Britain, brought by bondholders seeking \$300 million in penalties, for its role as auditor for Barings Bank, which collapsed in 1995.

Does Technology Steal Jobs?

The Luddites and Malthusians of times past have died, but their pernicious ideology lives on. An analysis by Lyndon H. LaRouche, Jr.

May 21, 2002

Technology does not “steal jobs.” Yet, still today, one sometimes hears the defense of that myth from surprising sources. Therefore, I supply a fresh, up-to-date overview of the essential history of that delusion. This may also clarify some other important issues posed by the onrushing collapse of the present world monetary-financial system.

The celebrated Cambridge University trio of students, Babbage, Herschel,¹ and Peacock, wrote a paper of extraordinary importance for the political history of modern science. This paper, which is sometimes known by the short title of “D-ism and Dot-age,” effectively ridiculed the backwardness of science in early Nineteenth-Century Benthamite England. This inferiority of England’s science to that of continental Europe and also the U.S.A. during those decades, continued to be a leading concern of the collaborators Herschel and Babbage. It was this shared concern, which among its other outcomes, led Babbage to develop the conceptual design of the principles of the operator-programmable, mid-Twentieth-Century electronic digital computer.

It was partly in reaction to the impact of the argument by Herschel and Babbage on Britain’s economic backwardness, that mid-Nineteenth-Century Britain put aside the anti-science cult called “Luddism.” This shift, in favor of at least a degree of technological progress, was expressed by the establishment of the delphic dogma of the British Association for

1. The son of England’s leading scientist, the astronomer William Herschel, and, later, a leading astronomer in his own right.

the Advancement of Science (BAAS) and the echoed launching of the American Association for the Advancement of Science (AAAS).²

It was against that strategic background, including the U.S. defeat of the Anglo-French-sponsored Confederacy, that the British monarchy began mobilizing technologically for what became both new strategic operations against the U.S.A., and the future two World Wars on the continent of Europe. The strategic ironies of the present-day U.S. lunge toward global perpetual war, are, as I shall show, in significant part, a reflection of same issues posed by the “geopolitical” heritage of that part of the history of England which led into the establishment of the BAAS.

Nonetheless, the threatened resurgence of something like “Luddism” continued to suppurate in Britain.

It was during the 1790s, during the time under chief ideologue Jeremy Bentham, when Britain was a scientific backwater of European civilization, that the British monarchy produced the English translation of a book, on the subject of population control, by the Venetian-school Italian, Giammaria Ortes. The doctrine which the British East India Company’s Reverend Malthus copied from that book, became known, therefore, as the “Malthusian” dogma of Prime Minister William Pitt the Younger. This, and the cult of Darwinism

2. It is to be noted, as the influence of Kelvin and written declarations of J. Clerk Maxwell, and London’s asset Hermann Helmholtz attest, that BAAS and related policy “borrowed” much of the fruits of Nineteenth-Century German science, but never accepted the core of the method which produced those benefits.



An anti-logging demonstration by the eco-terrorist group Earth First!, in Eureka, California, during the 1990s; and the group's "how-to" manual for destroying industrial machinery.

derived from it, became part of the dogma of the British East India Company's Haileybury School's economists, Adam Smith, Malthus, Ricardo, et al.

For a time, to aid in enforcing that Malthusian backwardness, the Benthamites deployed the terrorist Luddite "machine breakers." Ever since, the sophistry has spread among susceptible circles of trade-unionists and socialists, that "technology steals jobs." The Luddites of times past died, but the myth lived on. The impact of that continuing myth, later surfaced under different rubrics, including the neo-feudalist "guild socialism" of Oxford's John Ruskin, and of such avowed British fascists from among the George Bernard Shaw and H.G. Wells circles, as the utopian so-called "Distributists" G.K. Chesterton and Hilaire Belloc.

Unfortunately, many economists, and others who remain more or less illiterates respecting the rudiments of the science of physical economy, have been duped into adopting some of the residue of the Luddite myth, still today. As I summarize the relevant point here, the proof of the absurdity of that myth, is elementary, but there are also some other important points to be considered as indispensable, for studying that topic in a present-day context.

The myth resurfaced among the circles of H.G. Wells and Bertrand Russell during the decades preceding World War II. The form of the Malthusian myth associated with the utopians Wells and Russell, gained increasing hegemony in intellectually polluted science centers of the world during the post-1945 decades, leading to the virtual hegemony of Malthusian cults, not only among the generation entering universities from the mid-1960s, onward, but as leading strategic policies

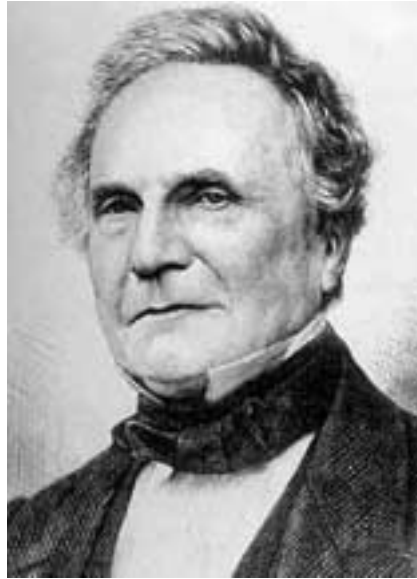
of the U.S. government, under the Kissinger-managed Nixon Administration, and the Wellsian-utopian Zbigniew Brzezinski's control over the Carter candidacy and Administration.³

1. What Is True About Economies?

Among reasonable people, the definition of truth is the modern Socratic notion, that *truth is that which can be demonstrated to be universally true, at least in such a fair approximation as Kepler's original (1609) account of his discovery of a universal physical principle of gravitation*. Therefore, all attempt to prove the generality of an alleged principle, such as the assertion that "technology steals jobs," is already shown to be false, merely by examining the fallacy of composition inhering axiomatically in the method employed to build an apparent statistical case for the pro-Malthusian and kindred "ecological" arguments still today.

This definition of all truthful notions of universal principle, is a crucial consideration emphasized in Bernhard Riemann's 1854 habilitation dissertation, in which he included two warnings relevant to the matter under discussion here. First, in his concluding point, he states that nothing can be

3. Henry Kissinger's "National Security Study Memorandum 200: Implications of Worldwide Population Growth for U.S. Security and Overseas Interests," Dec. 10, 1974 (later declassified), branded the growth of populations in selected Third World countries as a threat to U.S. national security. See excerpts in *EIR*, June 9, 1995. See also the State Department's *Global 2000 Report to the President*, 1980 (excerpts in *EIR*, March 10, 1981).



John Herschel (left) and Charles Babbage, who ridiculed the backwardness of science in early-Nineteenth-Century England.

proven true by mathematics at the blackboard; truth in mathematics is a question of physics, not mathematics.⁴ In the course of that same dissertation, he emphasized, second, that physical proof of a universal principle, requires the evidence of a unique class of experiments.

Typical of the continued development of that Keplerian, Riemannian, etc. generality of the experimental class of universal physical principles, is Vladimir Vernadsky's experimental partition of the physical universe among three phase-spaces: the abiotic; the anti-entropic domain of living processes and their fossil effects (the Biosphere); and the anti-entropic domain of human cognitive processes and the physical effects (e.g., "fossils") uniquely products of such activity (the Noösphere). Real economies are to be subsumed under the definition of the Noösphere.⁵

Implicitly, as my own work has emphasized this point, Vernadsky's definition of the Noösphere goes to a point just short of what I have shown, that economic processes could never be understood, until it is recognized that the notion of universal physical principles must be extended to include valid universal conceptions of Classical artistic composition. This latter set of artistic principles includes the principles of *bel canto*-based, well-tempered counterpoint of J.S. Bach, and such as those notions of the respectively tragic and sublime, as efficiently universal physical principles of Classical drama and poetry.

Any adducible principle, including principles of Classical

4. This was also the essential argument of Kepler, in his 1609 report of the original discovery of a universal physical principle of gravitation.

5. Cf. Lyndon H. LaRouche, Jr. *The Economics of the Noösphere* (Washington, D.C.: EIR News Service, 2001).

*artistic composition, which can be demonstrated to have a uniquely defined efficient effect on society's increased physical power over the Noösphere, is also a universal physical principle of the Noösphere, that by virtue of its physical effects. The cognitive principle of truthful, anti-symbolic ambiguity, called irony, the same principle of cognitive intention expressed in Kepler's discovery of a principle of universal gravitation, is what distinguishes Classical artistic composition from all other, and defines the pivotal physical feature of the quality of such art as expressing physical principles of the Noösphere.*⁶

The minimal experimental base for general statements respecting economic processes, is the study of the integral entirety of a national economy from the standpoint of physical economy, rather than that of financial accounting meth-

ods. However, that is not sufficient. Even studies premised on the notions of physical economy, would be more or less fatally flawed, if the interacting physical economies of the world at large, were not taken adequately into account in composing the proposition applied to study of any particular national economy. Errors of both types fall under the classification of "fallacies of composition" of the evidence considered. That much said, the general outline of the required procedure, is as follows.

Any competent definition of the universal principles of a physical economy, arises out of an experimentally oriented reflection on the notion of measuring changes in *the potential relative population-density* of an economy which is considered as approximately a functionally unified whole.⁷ This must be measured in terms of a functionally definable net increase in physical output per capita and per square kilometer of surface-area. This must be measured relative to a correlated improvement in the demographic characteristics internal to the population, the latter considered as a whole. In such measurements, it is required that there be no lowering of demographic characteristics in any significant portion of that population as a whole.

The emphasis of the measurement must be on the rate of change of that potential relative population-density, rather than a comparison of fixed rates. This must be defined within the framework of a long-range cycle, and must take into account the functionally defined shifts in relations between the society and the Biosphere. The requirement is, for a net in-

6. Ibid.

7. Lyndon H. LaRouche, Jr. *Now, Are You Ready to Learn Economics?* (Washington, D.C.: EIR News Service, 2000).

crease in the rate of increase of potential relative population-density, taking into account the interdependency of society and Biosphere.

This requirement, for measuring performance by a function of change, rather than relative values of what are apparently current ratios, is demonstrated by re-examining the momentary situation expressed in short-term estimates, from the standpoint of medium- to long-range cycles, in which the impact of the past upon the present is expressed, and also of the past and present, combined, upon the future. The ability of the present and future combined, to change the quality of outcome of what had been mistakenly thought to have been buried with the past, is the ironical fact which rips apart all pedantic studies of history, economy included, and exposes the notion of simple sense-certainty of the here and now, as a bad joke.

The issue of method posed by such longer-range studies, is a reflection of the same principled problem which Kepler faced in adducing a universal function underlying the determination of short-term orbital motion. The partial and local must be defined from the starting-point of reference to their place within the determining characteristics of the process as a whole.

This quality of potential expressed in long-range economic cycles, is specific to humanity; it is willful in its human-specific, functionally *anti-entropic* characteristics; and, it does not exist among any lower living species. *Within the bounds of a Riemannian mathematical physics, this anti-entropic quality is typified by the quality of change of a given manifold, by the addition of an applied original discovery of an experimentally valid universal physical principle.*⁸

That latter consideration poses the notion of the nature of the function expressed as the transmission of discoveries of such universal principles (and the technologies derived from them). This leads immediately to a still-higher consideration. What is the means by which to promote the development of the ability to generate, replicate, and transmit those non-deductive ideas typified by experimentally valid discoveries of universal physical principles? A Classical humanist mode in education, as opposed to the mind-destroying educational policies presently rampant in U.S. schools and universities, and in today's "Flagellant"-like epidemic of socially induced video-games schizophrenia, is an example of the problem to be addressed for remedial action.

This means, that industrial progress requires an increase in the number of persons so employed, and also an upgrading of the average skill levels and standard of living of the households of the persons so employed. Other points exposing the

8. In other words, rather than linear "activity analysis," we must progress to methods of approximation which imply a truly non-linear, e.g., Riemannian function, expressed by the question, "Tensors, anyone?" Tensors applicable to domains of the power of $n+1$ experimentally defined universal physical principles of action.

fraud of the Malthusian theses will be touched upon in this report. At the present moment, the following points should be read as relevant to that conclusion.

This means, that a higher standard of living should be defined functionally, in terms of those physical and related changes which foster the increase of that human cognitive potential in the individual, family household, and community affairs, of society.

To realize the potential which cognitive discoveries represent for increasing potential relative population-density, we must, in effect, constantly change the Biosphere. Look at this matter within a context which takes us one step beyond Vernadsky's definition of the Noösphere.

This means improving nature in ways which raise the level of the Biosphere, such as causing deserts to bloom, placing water distribution under human management, increasing useful development of forests, fish farming, and so on. In these and other ways, we are helping the Biosphere to reach levels of anti-entropic development it could not achieve without human intervention. This includes applied foresight into managing our relationship to such matters as depletion of fossils of the Biosphere, such as atmosphere and water, such that we are efficiently offsetting our tendency to deplete those needed fossil reserves.

This also means, adding an accumulation of "fossils" of human cognitive activity, such as artefacts of man-needed technologies not otherwise available within the bounds of functions of the pre-existing Biosphere as such. Basic economic infrastructure developed and maintained by government, is an example of this. Physical capital-intensity of investment in production, is another example of such man-generated fossils of the Noösphere.

The combination of such man-made improvements in the Biosphere and Noösphere, represents man's physical-economic relationship to his total environment. It is the ratio of man's level of scientific and technological development, to the results of such man-managed relationship to the man-altered Biosphere and Noösphere, which delimit, and otherwise determine the possible rate of improvement of the potential relative population-density of our species. The efforts required to maintain and improve that relationship, constitute the determinants of the potential productivity of the society, and, therefore, define the true costs of production for the society as a whole.

The individual place of employment is to be assessed solely in terms of its functional relationship to that relatively universal set of bounding conditions.

The determination of the outcome of the employment of the individual operative, is properly defined in those relatively universal terms of reference.

When this matter is examined competently, it is clear that technology, as such, does not "steal jobs"; technological progress as such requires a change in employment, from lower to higher quality of employment opportunities generally. Any

different ultimate effect is not the result of technology, but of bad policy, or of bad management, of national governments, banking institutions, or firms.

Specifically, any increase in productivity effected through technological progress, results in an increase of the per-capita margin of anti-entropy in the physical-economic process as a whole, and therefore a potential increase in both the rate and quality of average employment available. If that progress does not occur, we must find the causes for that failure, in either general defects in prevalent popular culture, or the need to correct the prevalent mismanagement of important groups of enterprises, or of the society as a whole.

To achieve that growth, it is necessary to expand the labor-force, so as to assimilate efficiently a more complex division of labor, which means increasing the size of the population, by either expanding the number of births, increasing functional qualities of life-expectancies, or a combination of both, while raising the functional standard of living as development of the cognitive powers of the population requires this.

2. The Kautsky-Plekhanov Syndrome

There were two generic forms of systemic failures commonplace among so-called Marxist movements of the Twentieth Century. First, was that mechanistic misconception of social processes, which was associated with the quasi-Hegelian doctrine of “historical objectivity,” typified by Karl Kautsky, G. Plekhanov, et al. This was opposed to the so-called “voluntarist” conception of history, the latter counterposed, among socialists, to Plekhanov’s views, by V.I. Lenin and some others. The second, was the specific role attributed to the working-class by the apostles of “historical objectivity,” the working-class portrayed as the cattle-like species which was presumed to secrete the juices of the transition to socialism.

The “historically objective” school based itself on a variant of the neo-Cathar thesis of Physiocrat François Quesnay. It accepted, as all empiricist and kindred currents did, the fatalistic notion of history, otherwise featured by G.W.F. Hegel, that the evolution of society is determined by mysterious forces operating mystically, “either from under the floorboards of, or outside the real universe.” Marxists have often embraced this mystical faith in “objective history,” as the process by which the capitalist “phase of” development of a working-class would, in due course, make the latter the virtual inheritor of history. It were then assumed to be the duty of a patiently waiting working-class political movement, to prepare for the day of “proletarian rapture,” which would be delivered as soon as something akin to Hegel’s world-spirit might sound the relevant tocsin.

Lenin’s break with Plekhanov et al., is fascinating, not only because his allegedly un-Marxist, “voluntarist” doctrine was borne out in the fact of the 1917 revolutionary process in Russia. It is also significant still today, because of the way in which Lenin, who was poorly developed from the standpoint of scientific method generally, nonetheless captured the essence of scientific practice, in his commitment to a “voluntarist” approach to the shaping of history.

By voluntarism, one should not intend to suggest that merely arbitrary changes can be made in history. The argument is, simply, the same argument made by any competent scientific discoverer, that any valid principle, once discovered, can succeed, under the conditions in which its application is made feasible. Lenin’s coup d’état of 1917 succeeded, despite all of the established Russian reform parties, and virtually despite the Bolshevik party, too. It succeeded, because, as he had foreseen and understood, no competing, existing or foreseeable party of Russia, was then prepared to take the one course of action which would save Russia from virtual Hell: pull Russia unilaterally out of the hopeless war which had already been lost.⁹ It was the systemic failure of all those parties which, in effect, left the possibility of a continued existence of Russia to the only leadership on the ground, Lenin’s, which was able to provide any basis at all for the continued existence of Russia during the generation ahead.

Relatively speaking, Lenin was right. However, although Lenin emphasized Soviet Russia’s need to adopt American methods, he, like the Marxists generally, otherwise missed the points essential for the continued viable existence of Russia in the longer term, the lesson of the American Revolution, to which I shall turn a bit later in this report. In short, that portion of the history of Russia, and the case of Lenin, are typical of real history, which almost invariably mocks all utopian systems of thought, “orthodox Marxism” included.

More recently, over more than forty years of recent history, there has been an almost global collapse of the “idea of socialism” in its more or less traditional “Marxist” form. This demoralization of socialists generally, emerged over the course of the interval of the Khrushchev leadership in the Soviet Union. However, if we examine matters more closely, we must recognize that the relevant errors of the socialist movement, were chiefly reflections of the same ideological decadence which had been spread, up to the present moment, from the so-called British and French “Enlightenment” of the Eighteenth Century.

It was Marx’s and others’ error, of situating their definition of socialism as a proposed alternative and successor to the British empiricist’s definition of “capitalism;” and that, within the bounds of British economic mythology, which led more and more of the Soviet leadership, in particular, back to

9. Notable is Lenin’s overriding L. Trotsky et al. on the matter of the Brest-Litovsk peace.



V.I. Lenin, though poorly developed from the standpoint of scientific method generally, nonetheless captured the essence of scientific practice, in his commitment to a “voluntarist” approach to the shaping of history.

intellectual convergence upon radically empiricist currents of British liberal ideology. By defining “socialism,” from the start, as the historically fated outcome of developments from within British political-economy, the failures of socialist doctrine, so induced, produced the subsequent failures which led socialist ideologues back to reconciliation with their adopted Benthamite liberal roots.

It was, as I have emphasized above, Marx’s refusal to accept the lessons of the exceptional role of the American Revolution in world history, which, combined with his mistaken enthusiasms for the Enlightenment, typify the errors, and resulting practical failures, incurred by Marxian and related socialist doctrines.

It is notable, on this account, that the defects in the economic and related doctrines of Karl Marx, reflect the influence of the axiomatic Romanticism of that “Enlightenment,” as opposed to the Classical humanist influences expressed in Benjamin Franklin’s role, in shaping the American Revolution’s character and policies according to the anti-Locke conceptions of Gottfried Leibniz et al.

In economics, Marx’s errors, such as his failure to grasp the actual significance of Minister Jean-Baptiste Colbert, and

his misreading of the schema of Quesnay, together with his misguided enthusiasm for the alleged “scientific” qualities of the related influences of British East India Company ideologues such as Adam Smith, Jeremy Bentham, and David Ricardo, are of crucial significance. His exclusion of the actual development of the modern sovereign nation-state economy, accounts for his tendency toward those mystical aberrations to which I refer under the rubric of “historical objectivity.”

The characteristics of the recent decades’ degeneration of the modern economies of the United States and Europe, from relatively successful producer societies, to decadent, degenerating consumer societies, since the assassination of U.S. President Kennedy, also illuminates the relevant, axiomatic features of Marx’s credulity respecting the Eighteenth and Nineteenth centuries’ British political-economy.

In the Bigger Picture

As I have indicated above, Lenin missed the larger point, but proceeded by a slightly different route than Marx before him. In the main, he was a practicing Marxist, but he also took a detour of somewhat crucial historical significance for today.

As measured in demographic results, the emergence of modern European civilization, during the Fifteenth-Century Renaissance, has been the greatest leap forward in the known history of mankind.

Since that Renaissance, the characteristic defects in inherited from earlier periods of that civilization, have always been, chiefly, reflections of the cultural heritage of ancient imperial Rome and Babylon earlier. That is the Roman cultural heritage which has sought to destroy modern civilization in its infancy, as during the Venice-directed Habsburg-led religious warfare of the 1511-1648 interval. It is that heritage, which is expressed, again, subsequent to 1648, by the effort led by the Anglo-Dutch liberalism of Venice’s Paolo Sarpi, to parasitize those impulses of modern civilization which it could not yet prevent. The recurring tendency has been, periodically, to turn the clock of progress backward, in a way which parodies the way in which the Rome emerging from the period of the Second Punic War. The result has become, during the recent thirty-odd years, a parody of the decadent, parasitical form of consumer society known as imperial Rome.

Contrary to the Marxists generally, and also Lenin in particular, the British economy under the control of the Anglo-Dutch India companies, was not a national agro-industrial economy which also happened, as an afterthought, to adopt a Romantic form of imperialism as a supplementary feature. To restate this crucial point, review the issues of that observation, very briefly, as follows.

In what passed for “orthodox Marxism,” the doctrine was the following. It was supposed that the so-called “capitalist” economy of the British isles, was a lawful “stage” of historical

political-economic development. It was argued, that this national economy acquired the added attribute of imperialism.

The truth was exactly the reverse.

From the time of George I and Walpole's liberalism, the British economy of Adam Smith et al., came into existence as, and was always primarily an imperial parasite in more or less conscious imitation of the Roman Empire. It was, predominantly, a consumer society with sundry, subordinated, domestic agro-industrial features. Until a shift which occurred during the Twentieth Century, the United Kingdom's domestic policy was carefully managed under what remained, in fact, a strongly protectionist screen against unwanted intrusions. Yet, then as now, the objective was always a lust for "invisible earnings" from abroad, chiefly those pilfered by "Artful Dodger" Adam Smith's "invisible hand."¹⁰ On this latter point, Rosa Luxemburg's emphasis on the characteristic role of international loans, as that of Herbert Feis, was right, relative to Lenin and the Social Democrats.

In fact, the British Eighteenth-Century economy was an outgrowth of the preceding, centuries-long role of Venice as the leading imperial maritime power of the Mediterranean region, Europe included. In its effort to reverse the revolutionary successes of the Fifteenth-Century Renaissance, Venice's ruling rentier-financier class used its Habsburg assets, based in Austria and Spain, to drown Europe in religious warfare, as the characteristic feature of the 1511-1648 interval. In this process, over the course of the Seventeenth and early Eighteenth centuries, the Venetians developed the Netherlands and England as bases of a neo-Venetian imperial maritime power, the Dutch and British India companies of William of Orange and Lord Shelburne typify the neo-Venetian form of the Dutch and British monarchies, with the Dutch being subordinated to the British during the course of the early Eighteenth Century.

Thus, contrary to the Marxist and kindred myths, from the beginning, these monarchies and their political-economic systems were imperialist in character. The domestic aspects of those economies were developed as the always subordinated instruments of the imperial rentier-financier power. Their consciously adopted model, especially for the British monarchy, was the ancient Roman Empire as it developed out of the processes unleashed in the course and aftermath of the Second Punic War. The Eighteenth-Century control of the British monarchy by the East India Company, as best typified by the role of Shelburne, expresses the essential features of the British monarchy, from both its roots under the bloody tyranny of William of Orange and with the seating of the Hanoverian dynasty in 1714.

10. The important component of the change, was the effect of the dominant role of the U.S. in the British Empire's economy over the course of two World Wars and their late Twentieth-Century aftermath. The disgusting case of the first government of Prime Minister Harold Wilson, typifies that continuing process of degeneration.

One can not understand anything essential about modern European history, without recognizing the distinction between that revolutionary impulse expressed by the Fifteenth-Century Renaissance, and the emergence of what became, in effect, Anglo-Dutch liberalism. This liberal regime's relationship to the impact of the Classical Renaissance, mimicked the parasitical relationship of imperial Rome to the Classical legacy best expressed by Platonic Greece.

Since the Congress of Vienna, the British Empire and that feudal tradition associated with the legacy of the Holy Alliance, have been both bloody rivals, and, also, as John Quincy Adams knew, and the U.S. Civil War illustrates, the mortal enemy of the system defined by the U.S. Declaration of Independence and Federal Constitution.

Thus, world history since the death of U.S. President Franklin Roosevelt, has been shaped chiefly by the effort of a neo-Romantic, essentially parasitical, dominant political-economic class, a class whose interests and methods are a continuation of the Venetian imperial maritime legacy. The maritime wars between the British and Netherlands, and Britain's insistence on its role as the world's only maritime superpower, up through the aftermath of World War I, expresses the Venetian character of the London oligarchy. Since the successful 1901 assassination of U.S. President William McKinley, the continuing strategic outlook of the English-speaking imperial financier oligarchy, has been the emphasis, initially, on maritime, and then also aerial supremacy, as leading strategic instruments of intended global imperial rule.

Since 1901, the continued commitment of the Anglo-American financier oligarchy, has been the effort to use, but also contain and destroy the continuing impulse of the American System of political-economy, while bringing the entire world, step by step, under the "eternal" rule of an English-speaking parody of ancient imperial Rome. The death of Franklin Roosevelt, was taken as the opportunity to bring such a world empire into being, step-wise.

The Takeover

That characteristic impulse and trend of the 1945-2002 interval, has passed through two successive phases.

In the first phase, from the death of Franklin Roosevelt, until the aftermath of the assassination of President Kennedy, the post-Roosevelt U.S., together with Europe, remained a producer society, but controlled increasingly by a class which sat upon and exploited the productive forces it required for building up and maintaining its power, as had the British monarchy during certain phases of its existence.

In the second phase, from about the beginning of the neo-feudalist U.S. Indo-China war, a precipitous, now thirty-seven-year shift from a producer society, to a consumer society, was imposed upon both the Americas and Europe. These impulses were a reflection of the already characteristic feature of economy under the British monarchy, from the accession



“Technology, as such, does not ‘steal jobs’; technological progress as such requires a change in employment, from lower to higher quality of employment opportunities generally. Any different ultimate effect is not the result of technology, but of bad policy, or of bad management, of national governments, banking institutions, or firms.” Here, jobs are provided, but at the lowest possible technological level, as peasants in Bangladesh carry loads of earth in baskets in an attempt to restore canals destroyed by flooding.

of George I to the present day.¹¹

Here, in that second phase, we see the hand of the Luddite myth. The recurring, pro-Malthusian impulse of the system of the British monarchy, has always been to prevent that Classical impulse of the Fifteenth-Century Renaissance, on which the superior power of modern European civilization depended, from securing governing power in its own name and interest. The British monarchy’s targeted foe, was the interest expressed, typically, by the American System of political-economy.

The natural outgrowth of that struggle to subdue the Classical impulse, has always been expressed, since the struggle for independence of the United States by hatred directed against what today’s fascists and kindred types denounce as “American exceptionalism.” The liberal form of economy built up under the British monarchy already had that Romantic characteristic. Marx was the victim of his British indoctrination to that effect, a weakness in Marx which was repeatedly reinforced in him by Frederick Engels’ interventions against Marx’s recurring leaning toward the economics of Friedrich List, earlier, and Henry C. Carey, later.

The Malthusian and related Luddite eruptions within British ideology, must be so situated within that context. (I must

here refer, once again, to the wildly gnostic mysticism underlying “free trade” dogma, as has been unavoidable in numerous locations published earlier. Yet, since the disease of “free trade” persists, so must the relevant medication.)

Within that context, the quasi-Darwinian idea of a pulsation of “objective” evolutionary forces of history, as a specifically empiricist trait assimilated into Marx’s own writings, has its principal specific origin in the founding of modern empiricism by Venice’s Paolo Sarpi. Within Sarpi’s neo-Ockhamite dogma, there is embedded the type of neo-manichean mysticism spread throughout Europe, by such influences as the still-active Cathar legacy within significant circles of France today. It was this same hybrid of Cathar-empiricist legacies, which produced the *laissez-faire* mysticism of Quesnay, and which permeated the thinking of all of those British East India Company empiricists who influenced the thinking of Marx, and, more emphatically, Frederick “Opposable Thumb” Engels, on both the origins of political-economy and the nature of scientific method.

The common religious fanaticism shared among the empiricists and related Enlightenment figures such as neo-Cathar Quesnay, is the implicit, or stated assumption, that everything known to man, but one, is located within the bounds of sense-certainty. The exception is an agency external to the sense-perceived universe, which exerts an arbitrary influence on the throw of the dice, by means of which some men are magically made rich, and others rendered destitute, or, simply, dead.

11. Marx’s view of the economy under that British monarchy’s rule, often missed the recurring impulse of that monarchy, to suffocate the baby and enthrone the afterbirth.

The gnostic versions of this presume, that a magical relationship can be established between the believer and that supernatural, arbitrary influence, lurking, so to speak, under the floorboards of the universe.

Such are the pseudo-Christian, gnostic beliefs of those lunatic heathen, known as “Christian Zionists,” who insist, that by acting to bring about a Battle of Armageddon, they can force God, as if by magic spells, to bring on what those gnostics term “The Rapture.” The popularity of gambling in U.S. churches, and other circles, reflects the same heathen quality of gnostic superstition. The popularity of the dogmas of “free trade” and “new economy,” are systemically consistent with the gnostic characteristics of the “Christian Zionist” variety of contemporary heathen.

This was the gnostic religious dogma of the Cathars. It was the gnostic dogma of Thomas Hobbes, John Locke, Bernard Mandeville, and British East India Company ideologues such as Adam Smith, Jeremy Bentham, and David Ricardo. It was the essence of that doctrine of *laissez-faire* which the British copied from the Physiocrats under the name of “free trade.” This same gnostic superstition was widely imitated among so-called Marxists, as the underlying axiomatic assumption of the empiricist doctrine of historical determinism, as the “anti-voluntarist” superstition called “historical objectivity.”

Such was the specific influence of the Eighteenth-Century, British and French Enlightenment on Marx and the Marxists. Such was the origin of the dogma of “historical objectivity” adopted by Kautsky and Plekhanov, among others, and influential among non-Marxist trade-unionists ideologically infected from similar sources.

For related reasons, the socialists, in general, never understood capitalism. Their first error, on this account, was their acceptance of the delusion to which I have referred above, that the development of modern national economy developed first under the British monarchy. They assumed, therefore, that the successful form of modern society was rooted in that misanthropic perversion which Marx was induced to call by the name of “capitalism.”

It did not occur to Marx, or to the socialists generally, that the first modern nation-state economies appeared during the Fifteenth Century, first in Louis XI’s France, and, after that, Henry VII’s England. Similarly, Marx et al. refused to face the fact, that the first science of political-economy was developed by Gottfried Leibniz, over the interval 1671-1716, and that the first successful form of modern, post-1648 national economy was developed, largely, under the influence of Leibniz’s work spread into North America. The result of Leibniz’s and related influences on North America, was what U.S. Treasury Secretary Alexander Hamilton, among others, described as the American System of political-economy, and what List and Carey treated as national economy.

For reason of the influence of British ideology, on Marx and others, the predominantly mythical image of British “cap-

italism,” also spread among the socialists generally. Most socialists, especially those rooted in ideas of “historical objectivity,” were never able to understand several most crucial of the problematic, systemic features of real modern economies, including both the U.S. economy and the problems of the Soviet system.

3. Modern National Economy

A systemically viable form of the economy of a modern nation-state republic, has three economic pillars.

The first of these, is the economic function of the state, expressed in the state’s unique responsibility for developing and maintaining both “hard” and “soft” aspects of basic economic infrastructure. The second is the role of the technologically innovative private entrepreneur, who relies directly, or indirectly, on discoveries of experimentally valid universal principles, and also depends upon the state’s regulation, fostering, and protection of those functions. The third is the production and injection of those scientific and related discoveries on which the continued, long-range viability of the national economy depends.

These three principles, are bound together by a single, twofold principle of constitutional law: the interdependent conceptions of perfect national sovereignty and the ancient Platonic/Christian principle called *agapē* in the Classical Greek, and identified in modern English-language usage by the terms “general welfare” or “common good.” The system of national credit-creation, inhering in the principle of perfect sovereignty, performs a crucial function in the organizing of economic growth, and recoveries from the follies of economic depressions.

These elements, so combined, constitute a national economy, absolutely distinct from either socialist or British ideological definitions of “capitalist” economies. These combined elements typify the American System of national economy, as Alexander Hamilton, the Careys, and Friedrich List described it. To understand the exceptional economic and related potential of such a form of national economy, relative to all others. we must often focus upon the functional interconnection among those component aspects.

These features were already axiomatically characteristic of France under Louis XI and the England of Henry VII and Sir Thomas More. Those precedents have been obscured from general and even academic opinion, that more or less successfully, by the bloody spectacle of the Habsburg-centered, feudal reaction, in conducting the virtual “new dark age” of simmering or actual religious wars, which dominated the 1511-1648 interval of European history. Thus, the usual vision of the internal characteristics of modern European history, does not reach earlier than the 1648 Treaty of Westphalia. Many erroneous assumptions prevalent even among professionals

today, are based on short-sighted opinions of that, or even much more impoverished views of modern history.

The modern sovereign nation-state economy, is the first known form of society in which the mass of the population was not degraded juridically, in law and practice, to the status of human cattle. The doctrine of John Locke is typical of the notions of law invoked in defense of the institution of slavery and kindred forms of degradation of the mass of the population to human cattle-like conditions. The contemporary profascist doctrine of “shareholder value” by avowed “textualist” U.S. Justice Antonin Scalia, is a radically positivist reading of Locke, copied out of the Preamble to the Constitution of the Confederate States of America, and carried to a dictionary nominalist’s extreme.

The principle of the sovereign nation-state republic could not be restated too often these days. The presently imperilled United States will not outlive the present world monetary-financial crisis, unless we restore the principle, that the moral authority of the government to rule, is conditional upon that sovereign’s efficient promotion of the general welfare of all of the living population and its posterity.

This principle defines the modern sovereign nation-state as the first known form of society in which the first, controlling self-interest of the government, is to meet the requirements of maintaining and uplifting the demographic characteristics of the population as a whole. In all other forms of society, including a society ordered according to Scalia’s perverted conception, that of “shareholder value,” the majority of the population is degraded, juridically, and in practice, to the condition of human cattle, to be disposed of at the pleasure of those who hold title to the greater portion of “shareholder interest.”

Contrast the sovereign nation-state with the situation of the so-called citizens of the Roman Empire.

The Roman Empire was ruled by the popular opinion of the citizens, but the citizens were nothing better than human cattle. Earlier, we have the case of the judicial murder of Socrates, by the democratic party of Athens, which warns us against reliance on current fads in popular opinion. Democracy is, therefore, not the standard of a republic. Rather, the *willful* realization of the general welfare of the people must rule. In effect, the individual citizen of the sovereign nation-state republic, is bound by obligations to the entire population, and to the future population, not merely his own “democratic” preference.

The apparently paradoxical implications of that argument, is that the ruling principle of law and policy of a true republic is the principle of *truthfulness*. Without a principle of truthfulness, there can be no true law of a sovereign republic. Without a ruling, Socratic standard of truth, a would-be republic degenerates into something like the ultimately self-doomed, evil Empire of Rome, as the U.S. and its population have been degenerating, morally and economically, during

the recent thirty-odd years. It is exactly that specific sort of moral rot, which is the efficient agency of the immediate threat of self-destruction of our nation.

This standard of truth has two phases. One of these might be identified as “the bottom line.” *What is the result which defines a truthful performance by the nation?* The second is represented by the choice of policy, that intention, by means of which the required outcome is efficiently ordered. *By the standard represented by long-range economic cycles, what policies will achieve a general increase of the potential relative population-density of the whole population and its posterity?*

That, however, does not signify a hedonistic standard, such as the hedonistic standard (the so-called hedonistic principle) defined by the utterly depraved Jeremy Bentham, or the hedonistic standard expressed by the utterly depraved “Quality Adjustment Index” of today’s U.S. government and Federal Reserve System. It does involve tangible results, but, like all experimentally valid notions of universal physical principles, these are defined as means to an end, not as an end in and of themselves. The “bottom line” is both the cognitive quality of moral development of the character of the individual person, and the provision of physical conditions and means consistent with the promotion and expression of that moral development.

‘Agapē’ as an Economic Principle

The perpetuation and improvement of the general welfare, signifies the production and development of individual persons qualified, motivated, and situated, to increase the power of the human species in and over the universe we are implicitly entrusted to manage and develop.

This is a concept associated with the use of the term *agapē* by Plato, as that same meaning is underlined by the Christian Apostle Paul in *I Corinthians* 13, in Paul’s condemnation of the substitution of a set of “single issue” rules of behavior for goodness. That term, *agapē*, is what is echoed by the terms general welfare, or common good. The essential interest of every person is *to do good*, in that specific sense, as Cotton Mather and Benjamin Franklin emphasized that notion. That notion of *agapē*, so expressed, is the moral essence of the founding of the American System of political-economy, the American System of national economy. That is the quality which the enemies of the founding of our republic hate, and seek to extirpate even from the memory of future humanity.

The notion of *agapē* arose in the dialogues of Plato as a complement to the Socratic notion of the immortality of the human soul, as that notion was later placed famously at the center of the German Eighteenth-Century Classical renaissance, by Moses Mendelssohn.

The term *agapē*, sometimes translated as *caritas* or *charity*, signifies love of the soul of the other, and also one’s own. This notion is inseparable from what modern European

civilization came to recognize as the process of discovery of universal physical principles, and the related process of generating those experiences of beauty associated with Classical principles of artistic composition and performance. This cognitive development of the human individual, and of the powers of that individual, is what we love. It is the realization of that kind of potential, within ourselves and within others, which we should love. It is, therefore, the uplifting of the meanest and most deprived persons in terms of those potentials of their nature, which has a special power to move us to the tears of joy implied in *I Corinthians* 13.

These represent efficient physical principles. It is through the development of the cognitive powers associated with experimentally valid universal physical principles, that mankind's existence in the universe, is not only increased, but the continuation of humanity defended against the forces of attrition. It is through the development of the individual character through forms best typified by principles of Classical artistic composition, that persons are organized around the discovery, development, and use of those universal physical principles upon which the maintenance and improvement of potential relative population-density depend absolutely.

Such are the interchangeable proper meanings of *agapē*, *love*, the *general welfare*, and the *common good*.

To grasp the sense of sheer horror, of the presence of evil, which a Luddite or Malthusian sentiment should evoke in any moral human being, look at the horrid implications of the denial of access, by a child or adolescent in modern society, to a Classical humanist mode of education.

"Classical humanist education," should be freely translated as "the only policy of an education fit for human beings." This means, that education is focussed upon that principle which distinguishes a person from all other forms of life. This is the principle of cognition, as distinct from mere deductive learning of text; this is the principle of hypothesis, by means of which individual human minds have been able to accomplish what no other form of life can do: discover an experimentally valid universal physical principle.

Without the social realization of the fruits of that principle, the human species could never have achieved a total population of much more than several millions ape-like individuals, on the entirety of this planet, under the variable conditions existing on this planet during the recent two million years. The growth of the human population has been the combined effect of both the discovery and the transmission of such discoveries of principle, not only among contemporaries, but over successive generations. It is that combined process of individual discovery and transmission of experimentally valid universal principles, which is the crucial feature of all valid aspects of the development and persistence of human cultures.

Thus, the strategic economic necessity for education,

can be efficiently served only by a policy of education which is based on the replication of individual cognitive acts of valid hypothesizing, among the members of society, especially in the educational experience of the new members of society. That is the basis for defining a Classical humanist education, as distinct from the animal-like educational policies practiced increasingly in schools and universities under the influence of the change of the economies of Europe and the Americas, from producer societies, to decadent consumer societies.

The subsuming feature of a Classical humanist education, is not simply the transmission of particular knowledge of principles, but, rather, the development of the personal moral character of the pupil. By "moral character," we Classical humanists signify a controlling sense of the different notion of individual self-interest, which separates the bestial impulses of sense-certainty from the location of the sense of personal identity in a notion of being a cognitive, social individual.

I have often illustrated that point of distinction, by pointing to the image of a pupil reenacting a discovery of universal principle by Archimedes. The pupil is not only reenacting the cognitive form of the mental act of hypothesizing used by Archimedes; the pupil is bringing that act to life within the pupil's own living mental processes. Repeated experiences of this quality, afford the pupil a sense of a relatively immortal quality of historical identity of the human individual. Archimedes is not a dead man; he is a good neighbor, a wise living uncle, a living presence inside oneself.

Thus, do we identify important discoveries of principle by the personal names of known original, or putatively original discoverers. Thus, the notion of efficient truth, in physical science and other matters, becomes, for the student in a Classical humanist education, a comprehensible notion of moral value. It is upon the fostering of this in the young, that we best produce new generations of adult populations capable of being true, sane, morally responsible citizens of a true republic.

This sense of cognitive connections to past and future generations, and from one current of culture to another, presents the developing young individual with a notion of the meaning of being human, of being a cognitive being, rather than just another beast putting its snout into subjects of sense-certainty. It is the love of being human, defined in this way, which affords the educated young citizen an efficient, practical comprehension of the standard for defining a notion of the general welfare.

It is that notion of the general welfare, which defines the required economic and related policies of a nation.

The Entrepreneur

The term "entrepreneur" should be read here and now in a way consistent with the German use of *Mittelstand*. This

distinguishes the entrepreneur from the impersonal joint-stock corporation. This entrepreneur is not primarily motivated by the desire to earn an income; he, or she seeks to carry out a chosen mission in a way which he or she believes will also provide the income and other resources needed both to conduct that mission, and hopefully to pass the same kind of opportunity to others who may succeed him. That is the fundamental moral difference between the true entrepreneur and today's image of the predatory stockholder of a "shareholder interest."

It is that quality of entrepreneur which represents an essential characteristic of a modern national economy of the type the U.S. was founded to become. Since such entrepreneurs are essential for durable forms of progress of the economy as a whole, and since they are individually vulnerable to attacks by predators and other aversive circumstances, it is the moral obligation, and self-interest of the nation to provide such individual entrepreneurs, such as our progressive farmers, a certain protection. We therefore oblige the stock-corporation to imitate the entrepreneur, and regulate the environment of such corporations to that intended effect.

To such included purposes, and for the general welfare otherwise, the state is obliged to provide the basic economic infrastructure, which represents the economic environment, including the maintenance of the Biosphere, on which the effective functioning of the entrepreneurs depends.

Since, however, all economic progress depends upon relatively high rates of scientific and technological progress, all successful national economies are also, more or less emphatically, science-driver economies. It is from the fostering of scientific progress, that the spill-over of the development of technologies into the work of the entrepreneur occurs. Here, again, the function of Classical humanist education comes to the fore. Without the equivalent of the effect of a Classical humanist mode in education, significant progress were not likely; without a general development of the population in that same way, the ability of the general population to sustain scientific and technological progress would tend to be marginal.

In the totality of the division of productive labor within a national economy, the greater portion must be assigned either to the economic activity of government, or to private investment in forms of public utilities which are regulated by the national, regional or community governments. This portion of the total economic output pertains chiefly, by its nature to economic measures necessary to maintenance of the productive potential of the land-area as a whole, or the population as a whole. These tasks are, by their nature, ill-suited for private ownership.

This basic economic infrastructure is the foundation on which private ownership of an individual enterprise sits, as the superstructure of a building sits upon its foundations.

There are admissible exceptions to that rule of division of

responsibility, but the exceptions should be made in cases and ways in which the purpose of the rule is served.

The essential character of the relationship between those public and private forms of enterprise is most simply illustrated, by reducing the functional relationship to the pedagogical form of an hypothetical case.

Given two virtually identical entrepreneurships, in two different national economies, or differently maintained regions of the same economy. Let the technologies, skills, and efficiencies, and qualities of products in the compared cases be virtually the same. Let the same management direct both, according to consistent policies and practices. There will often be even very significant differences between the productivities of the compared enterprises. The principal cause of those differences will be the combined effect of a different state of development of basic economic infrastructure, and differences in policies of practice of government in the respective areas. Transportation, power, education, popular artistic and related culture, and health-care, are typical of the major factors determining those differences.

For that and related reasons, there is a corresponding proper division of assigned economic responsibility of government and private enterprise, for maintaining and improving the average productive powers of labor of the national economy. The constitutional regulatory functions of good government, under the principle of the general welfare, obliges the stockholder-owned corporation to meet the same general standard of policy typical of the healthy entrepreneurship.

That stated, now ask yourself: Why is that division of responsibility desirable, even necessary for a healthy national economy? The answer for this lies where the typical Marxist, or anarcho-syndicalist, would frantically deny it to exist. This difference in opinion is, in fact, the chief social reason that socialist economies tend to relative failures of performance.

The quality of the technologically successful entrepreneur, is a reflection of the development of his or her cognitive powers in a way akin to the practice of a creatively productive scientist, or physician. When this principle, common to those various cases, is not recognized, the result will tend to be akin to the murderous folly produced by increasingly mechanized standards which the unfolding of the foolish HMO act has produced, in creating what is in fact a cruel malpractice of medicine by accountants and financial officers. In the case of medicine, it is the treatment of the patient, not an accountant's standardized definition of disease and allowed treatments, which is the standard for ethical practice. *The principle which underlies these various types of cases, is the fact, that those kinds of developed cognitive powers, by means of which experimentally valid universal physical principles are discovered, is a sovereign act of the individual mind, an action whose expression is perfectly opaque to the*

sense-perceptual powers of an observer, or instrument substituted for an observer. The qualifying distinction of the indicated type of entrepreneur, such as the machine-tool design specialist, is of that nature.

This argument does not imply that creative professionalism and the like does not occur within the government-directed infrastructure program. The point is, that the relative freedom of expression afforded the class of creative entrepreneurs, is precious for its unique contribution to the progress of the economy as a whole. Not accidentally, such entrepreneurships may have been impelled to take up that career out of frustration with the cumbersome, bureaucratized practices of the public-stock-owned, or “Wall Street”-controlled enterprise.

This function of the entrepreneur is not limited to the distinguishable entrepreneur himself. It is the quality which that entrepreneur will often foster among his or her employees, especially the most trusted ones. It is the proliferation of that quality of creative performance within the pores of the private sector of the economy, which was the famous source of the former “miracles” of production of the U.S. economy, and of, for example, German industry, or the strongest features of entrepreneurship in regions of Italy today.

The principle here is what I have identified, above, as the “voluntarist” principle, against which the “orthodox Marxists” railed, as do the foolish followers of Adam Smith, to the present day. The object is to foster the development of as high a percentile of “voluntarist” personalities as possible within the pores of the social process. This mission features the development of the small entrepreneurship, usually of not more than 100-200 employees, often of a few, as in the case of the high-technology family farm, as the cutting edge of progress in the economy.

This is not only a needed economic policy. It is also social-political policy. A healthy republic requires not only well-educated young minds. It requires a population with cognitively active minds. To achieve that effect, this social-political policy must be fostered in the daily, weekly workplace, a location in which much of the daily life and energy of the adult citizen is occupied.



“In the case of medicine, it is the treatment of the patient, not an accountant’s standardized definition of disease and allowed treatments, which is the standard for ethical practice.” Here, a medical team deliberates on the treatment of a cancer patient.

Now, to sum up the argument against the Luddites, before turning to the concluding arguments of this report.

The source of all increases in the productive powers of labor, is the combined effect of introducing experimentally valid universal physical principles, and the cultural development which fosters cooperation in the utilization of those principles and the technologies derived from them. The ability to expand the application of existing technologies, and to introduce new ones, requires medium- to long-term advances in investment, after which the benefit is harvested gradually. The source of the credit for such investment in that future harvest, must come ultimately from a crucial margin of new credit, outside any current deposits of monetary wealth. This can come only from the sovereign debt-capacity of the nation-state, which through its monopoly on the emission of currency and power to commit itself to such issues in advance, is able to strike the balance between present and future investments and harvests, which fosters what is called “full employment.”

This margin of state-created credit, since the state incurs a debt in this way, must have reasonable security, on the average, in the future harvest. Therefore, science-driver programs and expansion in the area of basic economic infrastructure, are the preferred choices for stimulating a growth of total employment.

This system works, if there is an increase in the average physically defined productive powers of labor, under which condition the debt-credit role of the nation-state is not counterinflationary. Thus, what are called “labor-saving” technologies, create more jobs than they supersede, if the nation approaches this matter intelligently.

However, the typical Luddite is usually a person of a serf mentality, who thinks, as a cow might think, I do what my father did before me. To the Luddite, a change in quality of occupation, is a threat to his estimation of his self-interest as a cow might define the security of her employment at the dairy. The bestialized person abhors change in his or her habituated, cattle-like behavior.

Economy, Education, and Utopia

For both economic and social-political reasons, a healthy national economy requires a universal standard of public and higher education of the Classical humanist form. The student’s accumulation of experience of the act of original discovery of experimentally valid universal physical principles, is necessary for fostering those qualities of citizenship which are indispensable for the healthy functioning of a democratic republic. The study of the history of Classical principles of artistic composition in the same way, must be included, or the matriculated populations will tend to be morally, intellectually, and politically defective, on that account. This Classical-humanist reexperiencing of science and Classical art, provides the foundation for a rational comprehension of history from a cognitive standpoint. The matured young individual so educated, will meet the requirements of a qualified citizen of a republic.

These qualities, fostered in education, and in the generality of economic practice, are necessary for strategic reasons, as well as economic and political affairs of the nation. The task-orientation of a population so educated and employed, is indispensable for producing and maintaining the quality of citizen capable of resisting the kind of decadence which has rotted out transatlantic civilization since the retirement of President Eisenhower and assassination of President Kennedy.

Knowledge and practice can not, and must not be separated. We must have a science-driver form of national economy, not only to meet our material requirements, but to give an appropriate form of task-orientation to the mental life of our citizenry.

However, powerful transatlantic financial and related interests have been operating for decades on the basis of a directly contrary intention. The pro-Malthusian turn launched on behalf of “post-industrial society” during the second half of the 1960s, and the launching of the popular “ecology” movement at the beginning of the 1970s, are the root of the transformation of the U.S. and other economies from the growing post-war producer societies of the 1945-1965 inter-

val, into the bankrupt world monetary-financial system of today.

Look at the “new Luddism” of the past thirty-five years, in light of what I had written above, on the relationship between education and economy.

Looking back at the 1961-1965 convulsions, in the U.S.A., Europe, and elsewhere, preceding the U.S. deep plunge into the Indo-China war, we see a massive destruction of the minds of the university students of the 1968 generation, a destruction based on sundry expressions of rabidly existentialist follies and a general economic-cultural paradigm-shift toward what has become, for today’s adolescents, a “no-future” society. The characteristic feature of this cultural paradigm-shift, was an axiomatic change in the moral character of the U.S. and of European nations, from producer societies, to the decadence of consumer society.

The lack of a productive orientation for the two younger adult generations, the “Baby Boomers” and their progeny, has fostered a widespread and deepening moral and intellectual decadence, akin to that which plunged imperial Rome into a self-imposed Dark Age of European culture.

Not only is a science-driven producer society needed for the present economic requirements of humanity at large. Without a task-orientation of that type as the adopted form of national practice and goals, there will be a failure in the moral development of national populations, out of which such horrors as a plunge into a prolonged dark age of neo-Romantic universal fascism, were presently likely.

Precisely such a new dark age, has been the stated goal of utopians such as H.G. Wells, Bertrand Russell, and their numerous confederates, then, and among presently influential strategic utopians still today.¹² In order to bring about a world empire which eliminates the existence of sovereign nation-states, the population of powerful nation-states must be sufficiently ruined and “dumbed down,” to accept what is in fact the status of a bred and culled human herd, as Wells proposed in 1928.

The British had done that to their own population, during the age of Walpole, and in the Benthamites’ response to the threat from British sympathizers of the American Revolution. This had been the depraved state of British culture to which Babbage, Herschel, and Peacock had referred early during the Nineteenth Century. At the close of World War I, especially after the revival of the U.S. under President Franklin Roosevelt, this was already the relevant intention of certain very influential circles in Britain.

Near the beginning of the Twentieth Century, the Fabian circles, known as the Coefficients and Round Table, gathered around Lord Milner, Halford Mackinder, Wells, et al., represented circles associated with the Prince of Wales and later

12. H.G. Wells, *The Open Conspiracy: Blueprints for a World Revolution* (London: Victor Gollancz, 1928).

Edward VII, which had reacted with fear and loathing to President Lincoln's victory over the Anglo-French asset, the Confederacy. That fear increased with the spread of the influence of the American System of political-economy into Germany, Russia, Japan, and elsewhere, during the closing years of the 1870s. Britain saw the building prospect of a trans-Eurasian system of economic development based on American principles, as a mortal form of systemic threat to the supremacy of the British Empire as a neo-Venetian form of imperial maritime power. The British intention was to organize a fratricidal war among the principal powers of Eurasia, as a "geopolitical" strategy for stopping the spread of the American System's growing global influence. As we know, the trick succeeded.

Several preliminary steps in building toward that war, are notable here. The war began with British monarchy's takeover of the Emperor of Japan, launching the successive Japan wars against China, Korea, and Russia, during the 1894-1905 interval. Meanwhile, the successful 1901 assassination of U.S. President William McKinley, shifted the power in the U.S. to the pro-Confederacy circles typified by the Presidencies of Theodore Roosevelt and Ku Klux Klan fanatic Woodrow Wilson, and brought the United States into alliance with Britain for the coming World War. To "finish the job" which Versailles left uncompleted, the British monarchy, acting with the support of those New York banking circles which had been associated with Theodore Roosevelt and Wilson, put Adolf Hitler into power in Germany.

The British, in helping Hitler's armaments program, had intended that Germany would invade the Soviet Union, and that British and French forces would attack and occupy Germany from its rear, once German forces were bogged down in the Soviet Union. However, when London learned that Hitler was thinking of striking westward first, before attacking the Soviet Union, London dumped King Edward VIII and made concessions to the U.S.A., bringing the United States into the commitment to prepare for the coming war with Hitler.

Once Franklin Roosevelt was dead, London and its U.S. assets set the utopian strategy of Wells and Russell into motion, with the militarily unnecessary nuclear bombing of Hiroshima and Nagasaki. However, until President Truman could concoct the pretext for discharging General Douglas MacArthur, and as long as Dwight Eisenhower remained President, the growing utopian faction within U.S. military and related circles could not unleash the changes they intended to bring about.

The essential intent, as set forth by Wells, in the prefatory portion of a 1913 book, was the development and use of radioactive weapons as a force so terrible, that nations would surrender to world government, rather than be forced to fight a new major war. It was Russell who played the leading role in orchestrating the nuclear weapons-development programs of

the 1940s, and it was Russell who defined the policy of "preventive nuclear warfare" which was put into motion with the 1945 bombings of Hiroshima and Nagasaki. It was the combination of air-power with sea-power, and the integrating of both with nuclear arsenals, which constituted the core of the military side of the Russell-led continuation of the Wells-Russell proposal for world government, as described by Wells in his 1928 *The Open Conspiracy*.

Following Eisenhower's retirement, the utopians gave us the "Bay of Pigs," the attempted 1962 assassination of France's President Charles de Gaulle, the Cuba missiles crisis of 1962, and the 1963 assassination of President Kennedy, which marked the typical footsteps toward putting U.S. policy under the apparently irreversible control of the utopian cause. The roles of John J. McCloy, Henry A. Kissinger, and Zbigniew Brzezinski, in dominating U.S. policy-directions during the interval from the Warren Commission Report until the retirement of President Jimmy Carter, merely typify the process which has led the U.S. to the present, self-inflicted global catastrophe of presently doomed world monetary-financial system.

Look at the minds of present two younger, post-World War II generations of adults. The connection among economy, education, and utopianism, is clearly demonstrated.

4. In Conclusion: Where the Empire Is Headed

With the 1989-1991 dissolution of Soviet power, the utopian-influenced circles of Prime Minister Margaret Thatcher and President François Mitterrand launched the demand that this development of 1989 be taken as the occasion for virtually destroying a Germany which, according to them, must not be reunified. The United States did not concur with all of the features of this Anglo-French savagery, but a compromise was reached, in which many of the intentions of Thatcher and Mitterrand were interwoven with policies intended to be ultimately disastrous for both Germany and the emerging nation-states of Eastern Europe, Russia most emphatically included.

At the same time, leading circles in the U.S. and under the British monarchy, saw in these developments the opportunity to proceed rapidly toward establishing a form of world government, run by the relevant English-speaking powers, which would be an eternal empire, modelled upon the Roman Empire, but world-wide. That is the current state of the world, especially since Sept. 11, 2001. However, there is something else to be considered. The first Roman Empire was formed during a time that Rome was at the height of its powers. The new Empire being attempted presently, finds the English-speaking powers—the U.S.A., Canada, the United Kingdom,

Australia, and New Zealand—at virtually the bottom of their descent into the worst global monetary-financial crisis since the 1648 Treaty of Westphalia. The irony of it all, is that the conditions under which the consolidation of the new empire is being attempted, are conditions created chiefly by more than three decades of lunatic utopians’ efforts to destroy the institutions upon which the former power of the U.S.A., western Europe, and Japan had depended up to and slightly beyond the mid-1960s.

Since the Baby Boomers came of college age, back during the mid-1960s, we now have two-plus generations, which, with a crucial minority of exceptions, were better described as two-plus successive degenerations. They were destroyed, culturally and otherwise, each generation to a greater degree than the next, looted of their natural human potential to assimilate both a Classical humanist development of their creative powers, and matching productive potentialities. The current younger adults and adolescents, are fairly described as either the “punk generation,” or, simply, the “no-future generation.”

This has been compounded by the correlated effects of transforming the leading economies of the United States and Germany, among others, from producer societies, into increasingly decadent consumer societies. This is a process accompanied by both willful destruction of vital productive capacities, and the looting, through attrition, of essential basic economic infrastructure.

This is what the Benthamites did to the English population, to produce the rot to which Babbage, Herschel, and Peacock referred. This is producing presently, a rot matched by the proliferation of armies of lunatics, more like the Flagellants of the Fourteenth-Century New Dark Age, than the pitiful, butchered wretches of Wellington’s “Peterloo” and the Luddite lunacies.

Typical is the case of the hordes of victims of a socially-induced form of mass schizophrenia, the violence-prone video-games addicts typified by the slaughters at Columbine and Erfurt. These pre-trained “point-and-shoot” cannon-fodder are on the production-line to become the ground meat processed as the neo-Roman legionnaires of a global, perpetual “Clash of Civilizations” war. Because of the characteristics of a socially-induced mass-schizophrenia generated by such methods, they are as likely to butcher one another as their designated targets, a phenomenon which can not long be concealed under the dubious euphemism of “friendly fire.”

The utopian policies underlying these patterns reflect, chiefly, two things to be emphasized as the conclusion of this report. First, they reflect the intention of utopians of the Wells-Russell genre, to create utopias in which populations are bred, trained, and culled, to serve as willing human cattle for their feudal-like masters. Drugs and video-game-induced mass-schizophrenia, complemented by what are termed euphemistically psychotropic drugs, will keep the human cattle



The red-light district in Frankfurt, Germany, located conveniently next to the banking center. The economies of the United States and Germany, among others, have been transformed from producer societies, into increasingly decadent consumer societies.

dumb and manageable. Second, they reflect that the would-be masters of such utopias are intellectually, culturally incapable of maintaining the empire over which they intend to reign.

When the Benthamites did what they did to the hapless population of the United Kingdom, powerful civilizations were rising from the rubble created by the Jacobin Terror, by Napoleon Bonaparte’s fascist legions, and by the Congress of Vienna. England was forced to adapt to the reality of developments in the world at large. Today, by lurching toward consolidating a global imperial system, the utopian tyrants’ nations doom themselves, by seeking to crush, one after another, each and all of those cultures from which the challenge might come to cause a regeneration within what are threatening to become the self-doomed cultures of the English-speaking world.

There is no possible way the utopians could win, but, unless they are stopped, the entire world will lose.

What happens, therefore, is up to you.

Colombia's Uribe Calls On IMF To Change Its Policies

by Javier Almario

In his first speech as Colombia's President-elect, Alvaro Uribe Vélez invited the International Monetary Fund (IMF) and other multilateral financial organizations to "change course" and "reorient their policies," because "Colombian democracy, and the democracies of the world, need social fairness, and to achieve social fairness, many of the currents and doctrines regarding economic management that prevail today, must be revised, immediately." Uribe's words bring to mind those of former Army commander and Presidential candidate Harold Bedoya, who urged the international financial organizations to take into account that Colombia is in a state of war, and to abandon its demands for the rigorous application of globalist dogmas.

Uribe, candidate of the Colombia First Movement, a dissident faction of the Liberal Party, won the May 26 Presidential elections in the first round, with 53% of the vote—unprecedented since the 1991 Constitution imposed a system of multiple rounds in Presidential elections. The elections were held in the midst of terror and social and political chaos, caused by the narco-terrorist FARC and other illegal groups which are trying to split the country and subject it to a terrible tyranny. Before the elections, the FARC had threatened every city, starting with the three largest: the capital, Bogotá; Medellín; and Cali, with total destruction if Uribe proved the winner. In various towns, FARC terrorists collected all the citizen identification cards to prevent people from voting; and on election day, another 45,000 voters in 11 townships were prevented from going to the polls, because the FARC had attacked their voting sites.

Uribe himself barely survived a FARC assassination attempt, when his campaign car was bombed in the city of Barranquilla. He was saved by the armor on his car, but several others died in that attack. Numerous other attempts on

his life were intercepted in time by alert security.

Such threats were perhaps the most important factor in the voter abstention rate of a bit more than 50%, the highest in recent years. However, the FARC were unable to achieve their goal of a 75% abstention rate, which would have been used to argue the illegitimacy of the elections.

International Sabotage

It is important to remember the obscene embrace between New York Stock Exchange President Richard Grasso and the FARC chieftains in 1999, the better to understand that the FARC has, as their main allies in their campaign of terror, the international banks, the United Nations, and their mouthpieces. Non-governmental organizations, *Newsweek*, the Colombian daily *El Tiempo*, and the UN all sharply criticized Uribe throughout his campaign, for his proposals to return security to Colombia's citizens, including a doubling of the armed forces. *Newsweek* urged that Uribe be stopped at all costs, issuing a not very subtle threat that the only way to do so would be by an assassin's bullet.

Officials of the IMF and other financial organizations have publicly rejected Uribe's security proposals as "too costly," and stated that negotiating a pact with the FARC would be "cheaper." A key person pushing this line within the Uribe camp itself, is Rudolf Hommes. Hommes is the former Finance Minister who had destroyed the Colombian economy by opening it up to the globalization policies of then-President César Gaviria (1991-94); he is today a senior partner of the Wall Street investment firm of Violy, Byorum and Partners (along with former Acting Assistant Secretary of State Peter Romero), the very firm which played a central role organizing the shocking public support for the FARC given by Grasso and America Online founder Jim Kimsey.

Immediately following the surprise of his first statement calling for a change in policy, the President-elect promised that he would back Colombia's pact with the IMF, leading IMF and World Bank officials to affirm their "satisfaction" with his "clarification" of his first statement. Uribe insisted, however, that in reaffirming the IMF agreement when it expires in December, "there will be only one condition: We do not cut social spending. On the contrary, due to the situation of poverty in Colombia, we need to increase our social investment."

Uribe is fully aware that, given the current levels of insecurity in Colombia, the worst thing that could happen would be a social explosion like that ripping apart Argentina, thanks to the rigid application of IMF prescriptions there. One of the points the IMF has insisted on for Colombia in recent years, is a cutback in spending on the elderly, and a pension reform.

In his post-election statements, Uribe also criticized the monetarist management of Colombia's central bank, the Banco de la República, and this has the globalists even more worried, out of fear that the new President will try to modify the central bank's "independence." Said Uribe, "I issue an urgent call for everyone, including the Bank of the Republic, to understand that they have to change many aspects of their script, because we have 9 million citizens living in misery, 57% in poverty, 18% unemployment, and six and a half million unemployed."

During his campaign, Uribe pledged to protect agriculture by shutting off food imports, because "we cannot permit our national agricultural producers to take their products to market, only to find them supersaturated with imported products." Uribe's words "have me greatly worried," declared Mauro Leos, an official with the risk-assessment firm Moody's, responsible for evaluating Colombia. Private discussions, and the suspicion that Uribe inclines toward some form of protectionism, have international usurers on at least a yellow alert.

If Uribe truly wants to change the script, he will have to join, in one way or another, with the international movement of Lyndon LaRouche, to call for the creation of a new monetary system as occurred at Bretton Woods, at the end of World War II.

Rejection of Narco-Terrorism

Uribe's election in the first round is due in large part to his promise to bring about security, legitimate authority, and the organized protection of the state against narco-terrorism. His victory represents the citizens' rejection of the so-called "peace dialogues" that preceding governments have advanced with the narco-terrorists—starting in 1980 when the M-19 gang seized the embassy of the Dominican Republic—and which have only served to provide them with a propaganda outlet and to increase their power.

In the department of Caquetá, where the FARC was presumed to have had the most influence and which is contiguous to the now-disbanded "demilitarized zone" that the FARC

had occupied for nearly four years, Uribe took 75% of the vote against candidate Horacio Serpa, who had favored continuing peace talks with the FARC. Clearly, the voters had had it with the "peace dialogue" that treasonous President Andrés Pastrana had conducted with the FARC, starting with the surrender of 43,000 square kilometers of national territory to them. That territory, absurdly dubbed a "demilitarized zone," was not only used by the FARC to stockpile its weaponry, imprison kidnap victims, and train its ranks in everything from assassination to explosives handling, but gave the FARC undisturbed space to plan its war against the nation.

During Pastrana's infamous "peace dialogue," the FARC carried out 1,600 acts of terrorism, dynamited Colombia's oil pipelines 480 times, blew up 100 electricity towers, carried out 403 mass kidnappings, kidnapped at least 10,000 people who were held in concentration camps in the DMZ, assassinated at least 2,600 civilians, and destroyed 250 of the 1,098 townships in Colombia with explosives, heavy weapons, and heavy machinery.

Ever since the FARC lost its DMZ on Feb. 20 of this year, the narco-terrorist group has partially changed its tactic of deploying forces of 1,000 or larger to ambush or engage the police and Army, which required great mobilizations of personnel and logistics. Now, the terrorists are targetting bridges, electricity, and water works. The FARC this year alone has dynamited 34 bridges, meaning a reduction of 15% in vehicular traffic on the nation's highways. This can be added to the 60 other bridges that were destroyed by the FARC in 2000 and 2001. These bridges represent 5% of the 2,100 bridges that join together Colombia's highway grid. The FARC also attacked the Chingaza Dam, which provides water to nearly 10 million inhabitants of Bogotá, poisoned the aqueduct of Pitalito, and dynamited the aqueduct of Pasto.

Under pressure of assassination threats on the one hand, and intense pressure from the international banks and the United Nations on the other, Uribe has announced that he will attempt to initiate peace talks with the FARC, ELN, and AUC paramilitaries, this time under UN supervision. A meeting with UN Secretary General Kofi Annan has been tentatively set for June 20, when Uribe plans a visit to the United States. So far, however, Uribe is insisting on a cease-fire as a precondition to peace negotiations, something the FARC has repeatedly rejected.

The FARC has responded, in an arrogant communiqué, with its own precondition, demanding that the new Uribe government surrender a new DMZ to the FARC, to "facilitate" the talks—this time, encompassing the cocaine-producing departments of Caquetá and Putumayo, in the south of the country.

How Uribe responds—not only to the FARC's bloody provocations, but to the FARC-allied Wall Street crowd which would "reform" Colombia's economy into an Argentine-style disaster—will determine how long the President-elect's popular mandate will last.

Germans, Israelis Fight for Right to Criticize Sharon

by Rainer Apel

For many years Yamal Karsli, a Syrian-born German, who has lived in Germany for more than 20 years, was a member of the Green Party, and, since 1995, also a member of the parliament in the state of North Rhine-Westphalia (N.R.W.). He has focussed his political work on such issues as the integration of immigrants, and he has also been strongly critical of Israel's policies toward the Palestinians. No one ever bothered, throughout all these years, to think there was anything wrong with his exercise of free speech, whatever else they may have thought about its content.

But after the Israeli-Palestinian conflict dramatically escalated in the recent weeks under Israeli Prime Minister Ariel Sharon, with the Green Party leadership remaining more or less indifferent to the Middle East crisis, Karsli decided to leave the Green Party in early May. He has retained his seat in the state parliament of North Rhine-Westphalia, but decided to join the Free Democratic Party (FDP), whose chairman in N.R.W., is Jürgen Möllemann, who also has been a harsh critic of Sharon. Möllemann, the national FDP vice chairman, is the head of the German-Arab Society, of which Karsli is also a member. From the moment that Karsli joined the FDP, Green Party heavyweight Foreign Minister Joschka

Fischer, and other Green leaders launched a vicious propaganda campaign against the FDP, alleging that it is a "haven for anti-Semites."

In a parallel escalation, Michel Friedman, the vice president of the Council of Jews in Germany, has repeatedly made the blanket slander that any Germans who criticize Sharon and the Israeli Defense Forces' policies are "anti-Semites." Now he has demanded that not only should Karsli be expelled from the FDP, but that the FDP should also expel Möllemann, unless he retract his views on Sharon. To which Möllemann responded by charging Friedman with "megalomania" and "using the language of hate." Möllemann reiterated his own view that there "is a moral obligation to criticize Sharon for his war-mongering policy."

Heavy-Handed Intimidation

The hysteria crescendoed on May 17, when Green Party leader Claudia Roth filed a lawsuit against Möllemann for allegedly "promoting incitement to hate." This referred to his remarks the day before, when Möllemann had charged that Friedman's "hateful polemics provoke the growth of anti-Semitism." At the same time, in Israel, police on May 21 raided the home of Dr. Bernhard Blanke, the director of the Israeli branch of the FDP-linked Friedrich Naumann Foundation, who is known for being a critic of Sharon, as well. The trumped-up charge brought against Blanke was that the police had "leads" intimating that Blanke might have planned to supply Palestinian terrorists with information on Israeli military targets. The frame-up was such a ham-handed publicity stunt, however, that even Foreign Minister Fischer had to intervene, and the lurid accusations were dropped. All of this was, naturally, not unrelated to the scheduled visit of FDP Chairman Guido Westerwelle to Israel, during the last week of May, for which meetings had been scheduled with Sharon and other Israeli leaders, as well as with Palestinian Authority President Yasser Arafat.

On May 22, Möllemann announced



Jamal Karsli (left) and Jürgen Möllemann are both under fire in Germany for daring to voice public criticism of Israel's Ariel Sharon.



German Foreign Minister Joschka Fischer (left) with Israeli Prime Minister Ariel Sharon. Fischer, a Green party leader, made himself into Sharon's mouthpiece, by denouncing the Free Democratic Party as "a haven for anti-Semites."

that Karsli had withdrawn his application to join the FDP, but would remain associated with the FDP caucus in the N.R.W. state parliament. Möllemann stated that he had received more than 14,000 supportive e-mails within a few days, and that he would not refrain from his criticism of Friedman and Sharon. On May 23, numerous German dailies decided to publish Karsli and Möllemann's statements, which reviewed the entire controversy and explicitly attacked the intolerance of "political correctness" in Germany. The "war of nerves" will continue, but Möllemann and Karsli have not backed down on the core issue: that German criticism of Israeli policies cannot be suppressed by slandering the critic as an "anti-Semite."

Avneri: 'Germans Have the Right To Criticize Israel'

While all of this escalation between the German supporters and critics of Sharon was going on, the government-owned Deutschland Radio (DLR) made a very important intervention on May 27, which forced the public's attention back to the fact that Sharon's policy has also met fierce opposition inside Israel. DLR interviewed leading Israeli peace activist Uri Avneri, whose first remark was that, in his view, Germans should have the same right as other people to criticize Israel's policy, and that it was wrong to disqualify any criticism of Israel as being "anti-Semitic." "Sometimes I have the impression that our Jewish friends in Germany are exaggerating. They are totally one-sided in taking the side of the Israeli government of Mr. Sharon, which means against the Israeli peace movement, against a part of public opinion in Israel which opposes Sharon's present policy. This is not a position

for Israel, but rather a position for Sharon, for the Israeli government.

"To endorse any policy only because it is pursued by the present government of Israel, is amoral, in my view. Either this government is good or bad; you can have different opinions on that. Israel is a very differentiated country. We have many opinions, there. A few days ago, we had a giant rally of 70,000 Israelis in Tel Aviv, against the policy of this government, against the occupation of the Palestinian territories, against the military operations against the Palestinians. This, too, is Israel, and in my view, it is the real Israel, the true Israel.

"Mr. Sharon is pursuing other objectives than peace, and as long as he is in power, there will not be a single step toward peace. In reality, he wants Israel to annex the Palestinian territories—at least continue the occupation. This is a clear policy. There will never be a Palestinian state, as long as Mr. Sharon is in power, and without a Palestinian state, there will not be peace."

If things don't change, Avneri warned, what there will be is a non-stop spiral of terrorism and counter-terrorism, with no end in sight.

Electronic Intelligence Weekly

EIW

An online almanac from the publishers of **EIR**

Electronic Intelligence Weekly

gives subscribers online the same economic analysis that has made *EIR* one of the most valued publications for policymakers, and established LaRouche as the most authoritative economic forecaster in the world.



EIR Contributing Editor, Lyndon H. LaRouche, Jr.

Issued every Monday, *EIW* includes:

- Lyndon LaRouche's economic and strategic analyses;
- Charting of the world economic crisis;
- Critical developments ignored by "mainstream" media.

\$360 per year Two-month trial, **\$60**

For more information:

Call **1-888-347-3258** (toll-free)

VISIT ONLINE:

www.larouchepub.com/eiw

Report: Settlements Are Israeli War Crimes

by Dean Andromidas

The Israeli military has started to enclose the eight major Palestinian cities in the West Bank with barbed wire and earthen walls, allowing each only one entrance, and creating a system of ghettos, like the Jewish ghetto created—and then destroyed—by the Nazis in Warsaw. Only those Palestinians with special passes issued by the Shin Beth intelligence service will be allowed to leave and return to these ghettos. The cities, where the vast majority of the Palestinian population resides, include Hebron, Bethlehem, Ramallah, Jericho, Nablus, Jenin, Tulkarm, and Qalqilya.

Trucks carrying goods will not be allowed to travel directly from one to another, but will have to be unloaded at special stations and their cargo transferred to trucks from the destination city. This also will be the case for international relief organizations. The new regulations will affect tens of thousands of Palestinians who live in one city and work in another, such as medical personnel and teachers, not to mention students and people wishing to visit friends and relatives. These ghettos will cause the death rate to rise, as those who require medical assistance will not be able to go to hospitals in other cities.

Nigel Roberts of the World Bank attacked these new measures, saying, “The closures have already had a devastating effect on the economy, and this will contribute to the impoverishment of the Palestinians and all the negative consequences that go with that.”

The Israeli government claims the system is supposed to prevent “Palestinian terror,” by severely restricting the movement of “unauthorized” Palestinians who might enter Israel in order to blow themselves up. But, in reality, the purpose has nothing to do with the current security situation. Just like that of the Nazis in 1940, when they conceived the establishment of the Warsaw Ghetto, Sharon wants to herd the unwanted Palestinians into their ghettos—and thence into Jordan.

This justification echoes the policy of SS Gen. Jürgen Stroop, who wrote in his May 1943 report, “The Warsaw Ghetto Is No More,” that the establishment of the ghetto was justified in order to prevent Jews from “crossing the frontiers without permission and illegally,” and that this method was “suitable for dispelling the dangers which emanate repeatedly from the Jews.” Stroop led the Nazi extermination of the Warsaw Ghetto in 1943.

Ya’acoub Shahin, Palestinian Authority spokesman in

Bethlehem, said, “This must be the penultimate step before the appearance of real Nazi-like concentration camps. The question is, should the world wait until this happens? Their goal is simply to make life unbearable for the average Palestinian citizen, so much so that he will be forced to contemplate emigrating from his homeland.” But, he added, “I assure you that this won’t happen, because this is our motherland.”

It is not to be suggested that Sharon will construct concentration camps with gas chambers and ovens. But, he does plan to drive the Palestinians into Jordan, the country that Sharon calls the “Palestinian state.” He will not use boxcars to transport them, if only because there are no railway connections; but, he warn that he will launch a new regional war to force the Palestinians to flee.

Sharon’s policy involves a Class A war crime, but one which only culminates a criminal process, of which he has been the leading proponent: the establishment of Jewish settlements on the occupied territories. The Israeli human rights organization, B’tselem (the Israeli Information Center for Human Rights in the Territories) has published an important report: “Land Grab: Israel’s Settlement Policy in the West Bank.”¹ Compiled by Yehezkel Lein, it details the method by which Israel has seized almost 60% of the territory of the West Bank, where over 2 million Palestinians live. This 60% is off-limits to any Palestinian, and constitutes the territory that Sharon never intends to turn over to the Palestinians. The only Prime Minister who was seriously prepared to turn that territory over, was Yitzhak Rabin, who was assassinated on Nov. 4, 1995, on the eve of making such a decision.

The report demonstrates that the intent of the settlement policy was not only to annex the vast majority of the territories into Israel, but to accomplish that through systematically confining the Palestinian population in bantustan-like cantons which do not extend beyond the municipal boundaries of the major Palestinian cities and towns.

A War Crime by No Other Name

The B’tselem report spells out Israel’s violation of international laws recognized by the United States and the rest of the international community. For almost four decades, Israel has been in violation of these laws—the same laws that sent Yugoslav President Slobodan Milosevic to the international court in The Hague.

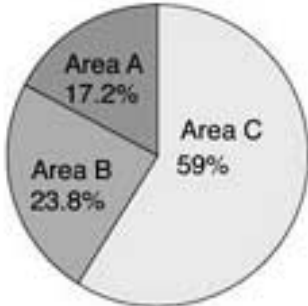
The settlements violate two fundamental instruments of international law: The Hague Convention on the Laws and Customs of War on Land, with its attached regulations, of 1907; and the Fourth Geneva Convention Relative to Civilian Persons in Time of War, of 1949. The Hague Convention was drafted largely as a result of the international outrage generated by Great Britain’s brutal prosecution of the Boer War against the Afrikaners of South Africa. The Geneva Convention was drafted to ensure that the horrors of World

1. The full report, including a detailed map, is available at www.btselem.org.

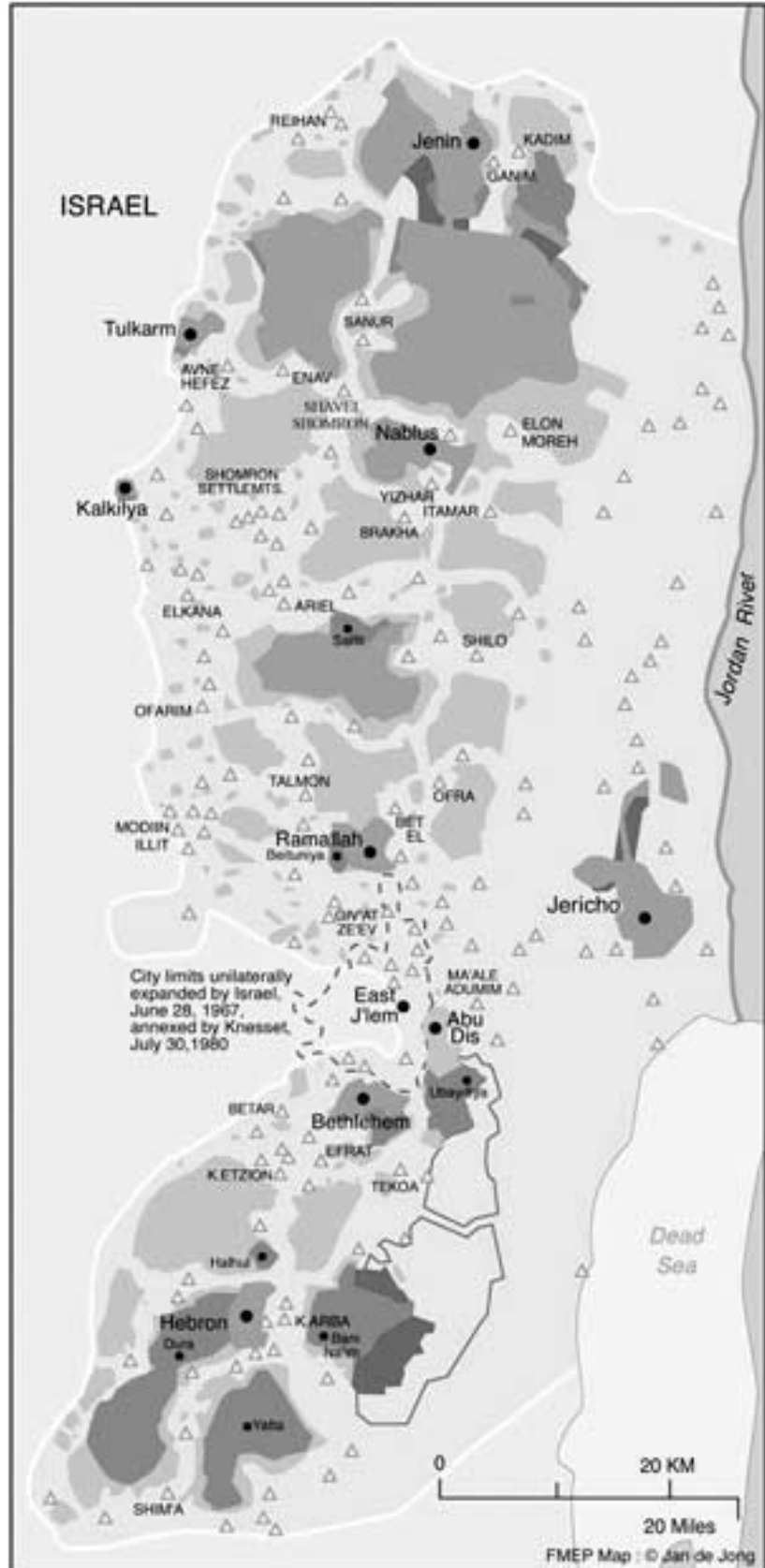
The Division of the West Bank



- Palestinian Self-Rule (Area A; Full Civil and Security Control)
- Palestinian Self-Rule (Area B; Full Civil Control, Joint Isr. / Pal. Security Control)
- Area C; Israeli Civil and Security Control



The Palestinian cities and towns of Areas A and B appear as ifbantustans, which are now being turned into strictly-controlled ghettos. The lightest areas, those of Israeli settlement and settlement-council control, dominate the West Bank as a whole.



War II would not be repeated.

Article 49 of the Fourth Geneva Convention forbids the “forcible transfer” of protected persons within the territory of occupation, while “The Occupying Power shall not deport or transfer parts of its own civilian population into the territory it occupies.” The International Red Cross has rendered the most widely accepted interpretation of this section: “It is intended to prevent a practice adopted during the Second World War by certain Powers, which transferred portions of their own population to occupied territory for political and racial reasons, or in order, as they claimed, to colonize those territories.”

The Hague Convention states: “The occupying State shall be regarded only as administrator and usufructuary of public buildings, real estate, forest and agricultural estates belonging to the hostile state, and situated in the occupied country. It must safeguard the capital of these properties and administer them in accordance to the rules of usufruct.” The terms “administer” and “usufruct” by definition forbid the occupying state “*inter alia*, to change the character and nature” of these properties. In other words, its use must clearly be limited by the “temporary” nature of occupation.

The objective of these regulations is to protect the local population, that it not be harmed by another population settling on their land, seizing their land, extracting natural resources, and harming their economic development.

The B’tselem document shows how the settlement policy violates fundamental rights as defined in the Universal Declaration of Human Rights, as drafted in two international conventions adopted by the United Nations in 1966: The International Covenant on Civil and Political Rights and the International Covenant on Economic, Social, and Cultural Rights. Both were signed and ratified by Israel. The two UN committees responsible for interpreting these conventions have stated that they also apply to Israel in regards to its occupation of the West Bank and Gaza Strip.

The settlement policy violates especially the Right of Self-Determination. This first article, common to both covenants, states: “All peoples have the right to self-determination. By virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development.” Secondly, “All peoples may, for their own ends, freely dispose of their natural wealth. . . . In no case may a people be deprived of its own means of subsistence.”

Article 12 of the International Covenant on Civil and Political Rights guarantees a person “the right to freedom of movement, without restrictions in his country.”

These and other internationally recognized inalienable rights are being grossly violated as a result of the closure and Israeli military operations, which constitute “collective punishment”—also a war crime.

The very nature of the Israeli settlement project, for almost 40 years, has been a gross violation which the world has done virtually nothing to rectify.

Decades-Long Land-Grab

The territorial extent of the settlement enterprise detailed in the B’tselem report, demonstrates the dramatic and crushing effect it has on the Palestinian population. Although the settlements are built on only 1.7% of the territory of the West Bank, another 6.8% is designated for settlement in the Israeli national plan for Jewish settlement; beyond that, another 35.1% is land that falls under the jurisdiction of the Jewish local and regional councils, bringing this jurisdiction to a total of 41.9%. This unoccupied land is currently either designated as “state land”—meaning it is controlled by the State of Israel—or purchased “privately” from Palestinians.

To this day, no Palestinian is allowed access to this 41.9% of the land. Under the Oslo Accords, all of this land lies in so-called “Area C,” which is under total Israeli military and civil control, and covers almost 60% of the West Bank. Palestinians have been denied access to this area for decades, and Sharon wants them never to have access. Thus, he speaks of the establishment of a Palestinian state on 41% of the West Bank; this is the territory where Palestinians reside. Under the Oslo accords, this 41%, dispersed and non-contiguous bantustans, comprises the so-called “Area A” under full Palestinian civil and security control, and “Area B,” under Palestinian civil control and Israeli security control.

The Israeli redeployments required in the Oslo Accords have not been carried out, because they would bite into the 60%, of which 41.9% is already considered “redeemed” for the “land of Israel” and parcelled out to the settlements and the regional councils. Since the assassination of Rabin, no Prime Minister has contemplated a second and third withdrawal. The Labor Party’s Prime Minister Ehud Barak, despite all his talk of wanting a peace agreement, refused, as a matter of policy, to even consider the second and third withdrawal, without a final settlement.

Though most of the 41.9% does not have Israeli settlers on it, infrastructure development has gone on continuously—infrastructure aimed at expanding the settlement enterprise further. According to the report, this territory can be divided into four lengthwise strips of territory.

Land and Water

The first is an eastern strip, which includes the Jordan Valley, the shores of the Dead Sea, and the eastern slopes of the West Bank ridge. Although its 5,400 Jewish settlers live within municipal boundaries covering 76,000 dunams of land (7,600 hectares), the regional councils control another 120,000 hectares. This is the area Israel wants to maintain for “security reasons.” Given the peace treaty with Jordan, the security threat is not defined. But, the area is potentially the richest in the region. Its northern half lies on the so-called “mountain aquifer,” and under the Oslo Accords Israel is allowed to pump 40 million cubic liters per annum for the use of the 5,400 settlers—40% of the water that is renewed annually, equivalent to 75% of the total consumption of the

entire Palestinian population of the West Bank! The settlements in the region are agricultural, because, with these water resources, the region is extremely fertile.

Moreover, this is precisely the region where region-wide water development projects can be constructed, that would include Jordan, Israel, Syria, and a Palestinian state, as specified in the LaRouche "Oasis Plan." Although the southern part of the region is a desert, the Dead Sea has tremendous industrial and commercial potential.

The second region is a mountain strip where some 34,000 settlers live within municipal boundaries of 62,000 dunams (6,200 hectares), but the area's four regional councils control another 409,000 dunams. This area was settled under the initiative of Sharon during the various Likud governments. Its main purpose was to ensure that Palestinian-populated areas would not enjoy any contiguity. Many of the settlements here lie along Highway 60, the West Bank's major north-south transport artery.

The third region is the Western Hills strip, which stretches north-south across an area between the Western Border and the Mountain Strip, and the Green Line (the 1967 border). Here, 85,000 Jewish settlers live within municipal boundaries of 110,000 dunams, and a further 264,000 come under the jurisdiction of three regional councils. These settlements serve to blur the Green Line; in many cases, the settlements straddle both sides of the border. These settlements have become bedroom communities for Tel Aviv and other Israeli cities, as has the fourth area around Jerusalem, where 247,000 Jewish settlers live on 130,000 dunams while another 90,000 is controlled by three regional councils.

Much of the territory had been used by Palestinians for agricultural and other purposes, and was seized under various stratagems. The municipal boundaries of Palestinian towns and cities were all redemarcated under the Israeli military occupation, in order to ensure that these communities could not expand; this is what formed the boundaries between Areas B and C. The Israeli Army sent bulldozers to raze any offending building.

Stealing the Land for Redemption

Israel has used such curiosities as "Ottoman Land Law" to steal land, or has cited Jordanian law for the same purpose. There have been notorious fraudulent "land scams," including that of the 1980s with Sharon and his international financier friends, such as Henry Kissinger, at its center. None of these stratagems has been recognized by any international body or other nation; yet Israel asserts that it has "documented," through this sham process, its "title" to 41.9% of the West Bank.

Much of the Israeli infrastructure activity is paid for through the military budget. The other institutions involved are the settlement division of the World Zionist Organization (WZO) and the Jewish Agency, whose aim is to maintain the illusion of the "voluntary" nature of the settlement; but these

agencies' budgets are transferred from the Ministry of Agriculture. Channelling money through the WZO is a way of transferring hundreds of millions of dollars into the settlements, without accounting for it; recall that Israel gets \$3 billion in U.S. military and economic aid annually, none of which can legally be spent on building settlements.

Prime Minister Sharon has been the central figure in building the settlements. Since entering politics in 1977, every ministerial post he has held has furthered his drive to expand the settlement enterprise. In the first Likud government in 1977, as Agriculture Minister, he implemented the "Sharon plan," overturning the more moderate "Alon plan," which had avoided setting up settlements in Palestinian-populated areas. Sharon built settlements in the midst of Palestinian population centers, in order to ensure the cantonization of the West Bank.

This only intensified when he became Defense Minister in the early 1980s. At the end of the 1980s, Sharon became Housing Minister, and he used the famous \$10 billion of U.S. loan guarantees to expand the settlements tremendously. As National Infrastructure Minister in Benjamin Netanyahu's government of 1996-99, he pursued the same drive.

Though treated as an integral part of Israel, the settlements are "Israel with a difference." They receive vastly more resources than any community within the borders of Israel. In fact, the majority of settlers find themselves in settlements for economic, not ideological reasons. The radical settler groups such as Gush Emunim are a minority, and are considered fanatics by many Israelis. In some settlements, over half the population comprises poor, newly arrived Russian immigrants who have been directed to the settlements by the Israeli absorption administrations to live in subsidized housing. Residents of the settlements receive tax deductions, school aid, and other benefits not enjoyed by most Israelis.

The B'tselem report concludes with the recommendation that: all new construction within the settlements be stopped, including building new settlements; construction of new bypass roads and expropriation of land for that purpose be frozen; West Bank areas controlled by the regional councils be returned to the Palestinians; the settlement planning councils be abolished; and the incentives that encourage Israeli citizens to move to the settlements be reversed, so as to entice them to leave them.

To reach us on the Web:

www.larouchepub.com

Nepal Plunges Into A Deep Crisis

by Ramtanu Maitra

On May 27, Nepal's monarch, King Gyanendra, extended the state of emergency and dissolved the duly-elected Parliament. According to the press communiqué issued by the palace, the King's action was based on recommendations by the Council of Ministers in view of the "grave crisis that has arisen with regard to the sovereignty, integrity, and security of the Kingdom of Nepal."

Addressing the party workers, ruling Nepali Congress party president and former Prime Minister G.P. Koirala said the dissolution of the House of Representatives smacks of a "grand conspiracy." Koirala, widely known as "GP," blamed Prime Minister Sher Bahadur Deuba as an accomplice, but stopped short of naming the King as the conspirator. Subsequently, GP expelled Deuba from the party. It is likely that Deuba will grab a part of the party and identify it as the pro-King Nepali Congress party.

While there is no doubt that Nepal has plunged headlong into a "grave crisis," it is important to know how the present crisis came about. The greatest problem, however, is that the situation is spinning out of control in an extremely unsettled region. If the "conspiracy theory" turns out to be correct, Nepal may drag both India and China onto the scene, souring their relations.

An Orchestrated Crisis

The recent crisis developed following Prime Minister Deuba's high-profile visits to the United States and Britain. Prime Minister Deuba's meeting with U.S. President George Bush was described in Nepal as a "historic moment." It was historic because Deuba became the first Nepali chief executive in 40 years to meet a U.S. President. That the historic event took place is also an indicator of Washington's growing interest in Nepal, particularly at a time when the country is in the midst of an orchestrated crisis.

Deuba, during his week-long trip to the United States in early May, also met with U.S. Secretary of State Colin Powell. Last year, Powell had visited Nepal, addressed a section of its army, and pledged \$20 million as a military aid package to fight the growing menace from Maoist guerrillas in Nepal. Although the package will take more time to materialize, the government in Kathmandu, at this point, seems keen to tune into the Bush Administration's pledge to fight terrorism around the world in the wake of the Sept. 11 attacks in New York and on the Pentagon. It is whispered that Deuba had

also sought American military help to curb the Maoists. But, Washington, aware of New Delhi's sensitivity on the subject, did not oblige; instead, it sent a few observers to look into the situation.

From Washington, Deuba went to London, where the Nepali situation is intensely monitored. Eager to help, London sent in British Chief of Staff Gen. Sir Michael Boyce on a four-day visit to Nepal. Boyce, who was on the subcontinent ostensibly to cool Indian and Pakistani tempers, held separate talks with Prime Minister Deuba and Nepali Chief of Army Staff Gen. Prajwalla Shamsher Jang Bahadur Rana. A team of senior British officers who accompanied Boyce, drew up the list of requirements for the Royal Nepal Army (RNA), which has been fighting the Maoists since November. General Boyce's meeting with Deuba took place exactly a week before the Parliament was dissolved.

Boyce's visit comes shortly after the visit of Indian Chief of Army Staff Gen. Sunderajan Padmanabhan. Padmanabhan, who was also in the United States in early May, has firmly backed the RNA-led operations to restore peace and stability in the Kingdom.

During his four-day official visit, General Padmanabhan made several gestures to boost RNA morale. After visiting the western and far-western RNA commands, where the Maoists are most active, General Padmanabhan indicated that India would supply weapons and other materials to Nepal. He also urged former soldiers of the Indian Army's Gurkha Battalion to support the RNA's moves to restore peace and stability.

Setting for Conspiracy

Since GP refrained from naming the mastermind behind the "grand conspiracy," one could only follow the events to figure out why Nepal is in such a crisis. The serious threat began to emerge in the mid-1990s, when the Maoists began carrying out "actions." The Maoists, who influence almost 50 of Nepal's 75 districts today, did not come out of nowhere. The Maoist movement gathered momentum only because the monarchy neglected its population in the 1970s and 1980s, and the political democratic system failed during the last decade. During the last three decades, Nepal has become poorer, and rural Nepal has become the land of the destitute.

Nepal's poverty was aggravated primarily by the actions—and inactions—of two primary forces. One force was represented by a slew of non-governmental organizations (NGOs), which influence policy matters from inside Nepal. Financed by foreign foundations, think-tanks, and some governments from time to time, these NGOs pursue relentlessly their objective to keep Nepal rural and environmentally pristine.

The second force was represented by the monarchy. Nepal's monarchy had long wanted to turn Kathmandu into a "pleasure city" for foreigners, keeping rural Nepal a haven for urbanized foreign tourists. The weak democratic political

system, characterized by bickering political groupings eager to “enjoy” power, did nothing to alleviate the worsening economic situation. As a result, these groups have lost the mandate they had received from the people in 1990.

The emergence of the Maoist movement occurred in this milieu. Led by Pushpa Kumar Dahal (“Comrade Prachanda”) and Dr. Baburam Bhattarai, the Nepal Communist Party (Maoist) fired the first salvo of the “people’s war” on Feb. 12, 1996. The people’s war campaign to establish a Maoist-style dictatorship of the proletariat in Nepal followed a meeting on July 1, 1995 among the Indian Communist Party (Marxist-Leninist), the People’s War Group, and the NCP (Maoist). Since then, the six-year-old people’s war has claimed more than 3,000 lives, a large number of them police and army personnel. The insurgency began in five mountain districts—Rolpa, Rukum, and Jajarkot in the mid-west, Gorkha in the west, and Sindhuli in the east. Subsequently, it has spread throughout the country.

No “grand conspiracy” in Nepal can exclude Britain. The British links to the Maoist movement are not a secret, and, in fact, are well established. The NCP (Maoist) makes it clear that it draws its inspiration from the London-based Revolutionary Internationalist Movement (RIM) Committee and Peru’s narco-terrorist Sendero Luminoso (Shining Path). It has also developed links to the RIM chapter in the United States, based in Chicago. RIM, as are all terrorist networks that function out of London, is also heavily controlled by British intelligence.

More alarming, perhaps, for Kathmandu, is the fact that many of the Maoist-affected areas are inhabited by a large number of well-trained retired Indian and British Army Gurkha soldiers. Some people in government suspect that some of these retirees, who receive pensions from London, along with retirees and deserters from the RNA itself, are providing crucial training and combat manpower to the Maoist insurgents.

In an interview with Li Onesto of the Revolutionary Worker’s Party of Chicago some time back, Prachanda made a point of revealing his links to RIM. “In the whole process of this final preparation,” he said, “there is consistent international involvement. First and foremost, there was the RIM Committee. There was important ideological and political exchange. From the RIM Committee, we got the experience of the PCP [Communist Party of Peru; i.e., Shining Path], the two-line struggle there, and also the experience in Turkey, the experience in Iran, and the experience in the Philippines. We learned from the experience in Bangladesh and from some experience in Sri Lanka. And there was a South Asian conference that we participated in. At the same time, we were also having direct and continuous debate with the Indian communists, mainly the People’s War (PW) and Maoist Communist Center (MCC) groups. And this helped in one way or another. It helped us to understand the whole process of people’s war.”

The chief adversary to the Maoists in Nepal is the monar-

chy, now headed by King Gyanendra. As late as 1990, Nepal was an absolute monarchy, headed by King Birendra, who was killed in a bloody palace coup in May 2001.

In 1990, King Birendra, facing prolonged street demonstrations orchestrated by the banned political parties, gave up absolute power and ushered in a constitutional monarchy, working in tandem with the elected House of Representatives. While the democrats got the responsibility of running the country, the monarchy retained its control over the RNA. King Birendra, considered by all as a kind and patient individual, kept the Maoists at bay and never used his military to annihilate them.

The second crisis hit Nepal in May 2001, when a vicious palace coup killed King Birendra, Queen Aishwarya, Crown Prince Dipendra, and a half-dozen other close members of the royal family. The massacre propelled King Birendra’s brother, Gyanendra, onto Nepal’s throne. King Gyanendra, who is yet to be accepted by the majority of Nepal’s population as the legitimate King, used to own casinos in Kathmandu and a large number of industrial facilities elsewhere in the country. Despite his love for lucre, Gyanendra is also a die-hard conservationist, working for the World Wildlife Fund (WWF). He heads the British-Nepal Society and the King Mahendra Trust for Nature Conservation.

Historically, all members of Nepal’s royal household had close ties to Buckingham Palace. But King Gyanendra’s additional association with Prince Philip through the WWF, makes him almost an adjunct to Buckingham Palace.

The Big Picture

More than a year ago, Stratfor, one of the briefing papers of the American intelligence community, indicated why the West is increasingly concerned about Nepal. It pointed out that bordering only India and China, Nepal offers a geopolitical advantage to whichever takes the upper hand there. Such a situation would be especially dangerous to India, because Nepal’s border is 185 miles from New Delhi, Stratfor pointed out. Though major conflict is unlikely in even the distant future, Indian strategists appreciate the military advantage China would gain from having control over Nepal. Attacking from Nepal would represent a deadly threat to the Indian capital. Nepal’s developing crisis has political, security, social, and economic dimensions, Stratfor analyzed.

“Whether the future Nepal government becomes Maoist or communist, the government will likely lean toward Beijing, and will allow for establishment of Chinese surveillance and listening posts. The other worry of the West is that China’s presence in Nepal would also complicate positions of the U.S. Navy in the Indian Ocean. With early warning, surveillance, intelligence, and navigation systems in Nepal, Beijing would keep a vast part of Asia and military forces there under constant electronic watch,” Stratfor concluded.

It is a moot point whether the Bush Administration is guided by this analysis on Nepal’s geostrategic importance,

or is interested to become an enforcer in a highly unstable area. But it is evident that a section of Indian policymakers have a similar analysis. Within the Indian Army, and within a section of India's political spectrum, particularly within the ruling coalition government in New Delhi, exists a fear that with the Maoists in control, China will have a strong presence in Nepal. That would position China's forces close to New Delhi and other vital Indian centers. It would also help Beijing gain geostrategic leverage over, not only India, but also larger areas, from Central Asia through Southeast Asia.

Some of this thinking in India stems from the Cold War days. During that period, Nepal was caught in the Sino-Indian rivalry. Kathmandu played the perfect role of a buffer state, without accomplishing much. King Gyanendra has announced that he would visit New Delhi and Beijing soon. It is likely that King Gyanendra is planning to go back to the balancing game which Kathmandu had played throughout the 1970s and 1980s.

Nepal had maintained a position of non-alignment in foreign affairs, carefully balancing its relationships with China, the Soviet Union, the United States, and India. A 1956 treaty with China recognized Chinese suzerainty over Tibet, and officially terminated the century-old Tibetan tribute to Nepal. All Nepalese troops left Tibet in 1957. The Sino-Nepalese border treaty of 1961 defined Nepal's Himalayan frontier.

India's geographical proximity, cultural affinity, and substantial economic links to Nepal render it the most influential foreign power inside Nepal, but India's military and political interference in Nepal's affairs had been a constant source of worry for Kathmandu. In 1969, Nepal cancelled an arms agreement with India, ordered the Indians to withdraw their military mission from Kathmandu, and dismantled their listening posts from the Tibet-Nepal border. In 1989, the Indian government closed its borders with Nepal, depriving Kathmandu of all economic traffic and bringing Nepal's economy to a standstill. With strong anti-India sentiments riding high in Kathmandu, Nepal developed closer ties with China in the 1990s. It is no secret that a strong anti-India sentiment is rooted inside Nepal and the Maoists are exploiting that successfully.

At the same time, India has reason to be worried about developments within Nepal. In recent years, proliferation of narcotics from Myanmar and Pakistan, and laundering of vast sums of illicit money earned through drug-trafficking, have posed security problems along the Nepal-India border. Pakistan's Inter-Services Intelligence (ISI), known for its anti-India covert operations, now functions within Nepal. The Indian Airlines hijacking in late December 2000 originated from Kathmandu and was organized by the Pakistanis, along with the Taliban of Afghanistan. Last year, a Pakistani Embassy official was sent back home following a raid on his house. The official was found in possession of RDX explosives and other incriminating materials. Kathmandu indicated that the Pakistani official was supplying the Maoists with explosives.

Pope's Trip: Again, Full of Surprises

by Claudio Celani

Pope John Paul II, at 82, surprised the world again with his May 22-26 trip to Azerbaijan and Bulgaria. The Pope was able to achieve "results beyond expectations, in the ecumenical dimensions, on the minorities questions, and on clearing up the Bulgarian question," Vatican spokesman Joaquín Navarro Valls commented.

In Azerbaijan, an Islamic country with a total of only 120 Catholics, the Pope praised its tolerance as being Islam's true teachings—allowing this tiny minority of Roman Catholics to practice their religion in full freedom. In Bulgaria, a step forward was made toward the desired reconciliation with the Moscow Orthodox Patriarchate, when "the Orthodox Metropolitan of Sofia [Bulgaria's capital] decided to participate in the Mass celebrated by the Pope. This is of enormous historical importance, if you consider that he is subordinate to the Moscow Patriarchate," which has opposed a meeting with the Pope, Navarro Valls explained. Despite his evident physical frailty, the Pope "has incorporated his physical limits in the pastoral instrument. The people have understood that, and he has opened many hearts," concluded the Vatican spokesman.

But the biggest surprise was John Paul's statement, unexpected by everyone, on the alleged involvement of Bulgarian communist authorities in the assassination attempt against him on May 13, 1981. Although it is the Carlist and imperialist factions within and around the Catholic Church who now, and for some years, have publicly wished this Pope out of the way, nonetheless the dominant story of his near-assassination has been that the Soviet leadership had ordered it.

"I never believed in the Bulgarian Connection," said the Pope, and his comment was included in a joint release issued by the Vatican and the Bulgarian government, now cleared at the highest level from the infamous allegations.

The Pope probably knows the whole truth, since he visited and spoke with his would-be assassin, Mehmet Ali Agca, in prison, and pardoned him. His official statement, however, also has implications for the present strategic situation. If one goes back to the real connections of Mehmet Ali Agca, one finds the same utopian "perpetual war" faction in the West, which is currently pursuing the Clash of Civilizations "policy of Sept. 11," a policy to which the Pope has made himself clearly and passionately opposed.

History of the 'Bulgarian Connection'

Former Italian Prime Minister Giulio Andreotti, a close friend of the Vatican who was Foreign Minister at the time

the Pope was nearly killed, dedicated a chapter of his 1988 book about the Soviet Union to the “Bulgarian Connection.” He wrote: “From the investigation and the trial, not many elements of evaluation emerged to understand the motive, seek out the possible collaborations, go back to possible string pullers. . . . Presenting everything in the light of a desperate Islamic fanaticism . . . it seems that no effective research had been made on the nature of the numerous travels made by the culprit; on the origin of the financial means at his disposal; on his Romantic escape from Turkish prison, dressed—apparently—as an Army officer.”

One year later, Andreotti continued, “Ali Agca introduced a Bulgarian responsibility, exposing a protection—and even worse—by the Bulgarian embassy in Rome, through an alleged familiarity with the head of the Bulgarian Airline in Fiumicino, Mr. Sergei Ivanov Antonov. . . . Antonov was arrested, and a worldwide media and political campaign started about a so-called Bulgarian Connection. Particularly in the United States, the echo was loud, and not only through newspapers and radio stations, because New York Sen. Alfonse D’Amato came to Rome and, on his return, gave a speech to his Capitol Hill colleagues, presenting the ‘Bulgarian Connection’ as demonstrated and certain.”

In his second trial for the assassination attempt, Agca said that he had gotten the “assignment” to kill the Pope from one Bekir Celenk, a Turkish drug and arms dealer managing a hotel casino in Sofia. Celenk died in a Turkish prison awaiting extradition to Italy. Andreotti described the arguments of the Italian prosecutors, entirely constructed by assigning geopolitical motives to the Polish communist government, the Soviet Russian government behind it, and the likely use of Bulgaria for dirty operations. But as for evidence, “the fragility of the evidence emerged in all its impressive crudity. . . . People had the feeling of machinations started by unknown parties, into which, unfortunately, the prosecutors who prepared the trial had fallen.”

In a 1991 presentation in Rome, Andreotti added a precious detail, speaking of “a foreigner close to Western secret services, who lived in the flat below Sergei Antonov’s flat.” This was Father Felix Morlion, a Belgian Dominican whose apartment—and not Antonov’s—corresponded exactly to the diagrams drawn by Agca when he “fingered” Antonov. Morlion came to Italy from the United States, and built up an “information center,” called Pro Deo. Antonov was acquitted on the basis of insufficient evidence, but the media campaign on the Bulgarian Connection did not stop. Andreotti concluded:



Pope John Paul II, defying the illness which has some media watching expectantly for his “retirement,” continued to advance the dialogue of religions in his latest trip to Azerbaijan and Bulgaria. He also pulled a significant one-sentence surprise.

“I declare the un-bizarre suspicion that those secret forces which operate to hinder [U.S.-Russian] agreements, had played this card, fooling Italian justice.”

The Cover-Up

A third investigation on the Agca case, started by prosecutor Rosario Priore in 1985 and concluded in 1998, revealed that the same people who had launched the media campaign, were responsible for suggesting to Agca, everything he said to the Italian prosecutors. The main operative in this respect was Claire Sterling, an American intelligence-connected journalist living in Rome, who published in the August/September 1982 issue of *Reader’s Digest*, the first sensational “investigative report” on the Bulgarian Connection. Sterling, however, as prosecutor Priore has proven, based her article on a draft written for her by Paul Henze, a member of the Anglo-American intelligence community and the key figure in the whole Agca case.

Henze can be described as a member of the “invisible government” of the United States, belonging to the utopian faction characterized by ideologues such as Zbigniew Brzezinski and Samuel Huntington. Henze was CIA station chief in Turkey from 1974-77, when Brzezinski, the real head of the Carter Administration, called him onto the National Security Council as an expert on Turkey and Iran. When Ronald Reagan took office, Henze left the National Security Council (NSC) and joined the Rand Corp. Already in September 1981, long before Agca said anything about his alleged Bulgarian masters, Henze gave a speech at a conference of the European-American Institute for Security Research in Naples, in which

he put forth that the attempted murder of the Pope was connected with “Soviet-directed terrorism” in Italy and Turkey. One year later, both Henze and Sterling were featured in a major NBC-TV broadcast which launched the Bulgarian Connection theory for the United States public.

Henze himself, as coordinator of the “stay behind” network in Turkey (intelligence slang for Anglo-American military-intelligence networks perpetuated in European countries after the end of World War II), had overseen the training and the “special operations” conducted by right-wing Turkish elements, including Agca’s Grey Wolves organization. The “stay behind” network in Turkey was organized under the Division for Special War Operations, and was called “Contra-Guerrilla”—which should remind one of Iran-Contra. These Turkish Contras’ assignment was to launch terrorist actions against Turkish communist and pro-Kurdish elements.

The existence of NATO “stay behind” networks, created in 1949 and trained by the British Army, was only revealed officially in 1991 in Italy—not accidentally, by Giulio Andreotti. The Italian “stay behind” section was called Gladio (“by the sword”). In 1978, former Prime Minister Aldo Moro, writing from the prison where he was being held by Red Brigades terrorists, had mentioned—without using the specific word—such structures. And a few days after Agca’s assassination attempt, May 31, 1981, the Italian weekly *Europeo* had tied Agca’s escape from the Turkish prison in 1979, to the “Contra-Guerrilla.” Current Turkish Prime Minister Bulent Ecevit, who only learned of the Division for Special War Operations from his own military as his first Prime Ministership was coming to an end in 1977, told a Turkish journalist: “I am convinced that the Contra-Guerrilla has played a decisive role in the military coups in 1971 and 1980. Also the massacre of May 1977 must be attributed to the Contras.”

The Afghansi Connection

In Turkey’s capital, Ankara, people will say, in private, who is behind the Contra-Guerrilla: the CIA station chief in Ankara, who, in 1977, was Paul Henze. The CIA as such, however, was not involved in the Agca operation. When Henze and Sterling launched the Bulgarian Connection cover story, the CIA wrote two successive reports which denied its credibility. Though CIA director William Casey and deputy Robert Gates put the CIA staff under pressure, open dissent against the Bulgarian Connection broke out in the Agency.

Under the Brzezinski-Carter government, when Paul Henze worked at the NSC, U.S. policy in Asia developed the training and arming of Islamic fundamentalist guerrillas, who were sent to fight against the Red Army occupation of Afghanistan. This is the operation out of which Osama bin Laden was created. Ali Agca was part of that network. His superior was Abdullah Catli, number two in the Grey Wolves terrorist organization. Catli could travel undisturbed in Germany, France, and the United States, where once he was arrested and soon released, although he was accompanied by famous Italian neo-fascist Stefano delle Chiaie, at the top of the Inter-

pol list of fugitives. Catli, who also worked for the Turkish secret service MIT, died in a spectacular car accident in Turkey in 1996, when a giant truck cut across the road and smashed his armored Mercedes. In the car with this wanted drug and weapons smuggler and murderer, was the former Istanbul deputy chief of police, Husein Kocadag, and a member of Parliament.

The accident prompted the formation of a parliamentary investigating committee, where the past of Catli and his gang (including Agca) as members of the Contra-Guerrilla, and as agents of several Western intelligence agencies, was revealed. Interestingly, in 1985 Catli had been extradited from France to Italy in order to testify at the second Agca trial in Rome, to claim that his protégé Agca had turned from a neo-fascist into a “commie.”

Targetting the Pope

The election of Karol Wojtyla to the Papacy in 1978, and his visit to his homeland Poland as Pope in 1979, had unleashed a patriotic awakening of that country, which culminated with the mass strikes of 1980 and the establishment of Solidarnosc as the first independent anti-communist organization in the socialist bloc. But the idea of Pope Wojtyla leading a revolution in Poland which would challenge the Kremlin and provoke Moscow to react, is false. When Solidarnosc called for a general strike in March 1981—a move which could have had uncalculable consequences—Wojtyla sent a telegram to Cardinal Wyszynski, the Primate of Poland, saying: “From all parts of Poland, voices of large masses of workers are heard, who express their willingness to work and not to strike.”

In reality, Wojtyla, a vigorous opponent of communism, was also a staunch adversary of the Western brand of materialism, neo-liberalism. He made this clear from the beginning of his pontificate, in his speech at the United Nations in September 1979. He showed that he interpreted the concept of “human rights,” not in the Aristotelian sense of freedom of expression, but rather in the Platonic sense, as the right for all men to have access to the resources of the planet, food, work, and education. He indicated a third way between Western neo-liberalism and Eastern materialism, very much in line with what his predecessor Paul VI had done in his encyclical *Populorum Progressio* (“On the Progress of Peoples”).

The Pope’s encyclicals have never detoured from this direction. Even when illness struck him, he never ceased preaching for a dialogue of civilizations, taking his stance against Anglo-American policy in the war against Iraq in 1991, the practice of retaliation of the Sharon government against Palestinian civilians, and the policy of the Bush Presidency in the aftermath of Sept. 11. His statements in Bulgaria should be an occasion to repair the 20 years’ media manipulation with the Bulgarian Connection story, and to have them dedicate at least a fraction of that effort to publishing the real version. This will help the fight for peace in the world.

Australia's Nazi Concentration Camps

Resistance is mounting to the psychological and physical torture pervasive in the refugee "detention centers."

In 1933, Hitler used the pretext of the Nazi-rigged, Feb. 27 fire at the Reichstag (parliament), to ram through his *Notverordnung* (Emergency Decree) the next day, which established his dictatorship; only then, could he build his concentration camps, beginning with Dachau in March.

Australia's march into fascism is proceeding a bit differently: They first built their camps, and are only now attempting to pass their *Notverordnung* (see *EIR*, May 3).

The seven existing camps (more are being built) are presently being used to house refugees, usually desperate "boat people": individuals and families fleeing Afghanistan and Iraq, who gave their pitiful savings to a people-smuggler who packed them into decrepit ships for the dangerous journey from Indonesia. Since the federal election of November 2001, the country's "refugee policy" has dominated Australian political debate. Beginning in August last year, the incumbent Liberal/National party coalition government of Prime Minister John Howard, orchestrated the highly publicized "Tampa incident," in which the Australian Navy turned back one vessel of boat people, and rode to victory over the Australian Labor Party (ALP) in an extremely close election. Even more chilling, former ambassador to Cambodia, Tony Kevin, has charged that the government very likely deliberately let a refugee boat sink in mid-October, with a loss of 353 lives.

The seven camps, several of them in remote parts of the Australian continent, hold some 4,000 inmates behind layers of razor wire, often in 100°F

heat. The camps are privately run by the Australasian Correctional Management company (ACM), a division of the notorious Wackenhut Corp. in the United States. Although Canberra has tried to enforce a strict news embargo on any information from the camps, as word of the conditions has begun to leak out, a horrified opposition has arisen, both against the camps, and the inhuman policy of indefinite detention upon which they are based.

Inmates are held for years under torturous conditions, including no medical treatment. For instance, UNICEF's Ambassador for Children, former Australian federal court Justice Marcus Einfeld, in mid-May stated that "I do not much like historical parallels, but some SS guards did little different in the name of the Third Reich." In addition to his position with the UN Children's Fund, Einfeld is the chairman of the Alliance of Health Professionals Concerned About the Health of Asylum Seekers and Their Children, comprised of 29 Australian medical organizations, including all of the country's major doctors and nurses organizations. The Alliance has called for the emergency release of all children and families from the camps, and has just issued a 77-page report with numerous case studies and medical analyses, which proved the terrible effects on physical and mental health from long-term, mandatory detention.

Almost simultaneously, the Australian Catholic Commission for Justice, Development and Peace released its own, 61-page report in which it found that detainees were suffering

far more serious trauma than had yet been admitted, and catalogued an astounding 264 incidents of self-harm by desperate, often mentally ill inmates over the past eight months, 29 of which involved children. Bespeaking the desperation which is common in the camps, including hunger strikes in which parents and children sew their lips shut in protest, is the testimony the commission heard from one 17-year-old: "I saw an Afghani guy cut his own throat in my compound. He was working with me in the kitchen that day, and after work he went outside and cut himself everywhere. It was really bad. Even the [ACM] officers started crying." Other inmates have hurled themselves onto the razor wire.

Dr. Dominic Meaney, who worked at the Woomera camp in the South Australian desert, recently blasted the ACM for refusing to immunize inmates against serious illnesses, such as polio, the highly infectious hepatitis B, and tetanus, pertussis, and diphtheria, despite the fact that an extremely high 5% of the inmates tested positive for hepatitis B. That disease, Meaney noted, could be spread by "one drop of blood in a swimming pool."

The ACM did not inoculate inmates, because it would have cost \$40,000. Dr. Paul Hemming, the president of the Royal Australia College of General Practitioners, and a member of the Einfeld Alliance, also blasted the ACM policy—which is actually the government's—as "outrageous." Furthermore, noted Hemming, "The cost of vaccinating refugees and asylum seekers is minuscule compared to the cost of treating them on an individual basis should they become ill on their release—let alone the cost of treating an outbreak of a disease such as hepatitis in the broader community."

International Intelligence

Mideast Water Crisis Will Worsen

A Knesset (Parliament) inquiry into the water crisis in Israel handed in a 300-page report on May 28, whose recommendations were the transfer of responsibility for the nation's water to the Prime Minister's office, the establishment of an independent water authority, and the declaration of a state of water emergency for the next two years, that would limit the use of water. The report, which was one year in the making, states that in the coming three years, the water crisis will worsen, and that there could be a lack of potable water, which could have a wide-ranging impact on the economy.

According to the report, the crisis is the result of years of ignoring the mounting indicators, as well as tardiness in establishing alternative water resources. Without naming specific people, it charges that Treasury officials, among others, deliberately obstructed attempts to adapt the water infrastructure to the changing needs of the country, and that the Treasury transferred some 600 million shekels earmarked for water infrastructure, into other projects. One member said that he would seek an investigation of the Treasury by the Attorney General.

German Expert on Iraq Strike Plans

Former Assistant German Defense Minister Lothar Rühl pointed to assessments by Turkish military figures, of a U.S. strike against Iraq. Rühl wrote in the Swiss financial daily, *Neue Zürcher Zeitung* on May 24, that the general staff of Turkey firmly expects an American strike against Baghdad. The Turks are concerned with its political consequences for the wider region.

A direct military participation of the Turkish military will not occur, but the Turks will not be able to resist U.S. demands for using airbases and airspace of Turkey for the operation. And, because there are well-founded fears that the situation in the Kurd-

ish regions of northern Iraq will get out of control, in the wake of such a military operation, the Turks would then have to intervene militarily, to prevent the creation of a Kurdish state there.

Rühl wrote that his Turkish sources do not expect a replay of the 1991 Desert Storm scenario; instead, they see the most likely mode of operation in a combination of surprise actions that aim at paralyzing the political and military command of Iraq, to completely disrupt the regime's functioning through the administrative structure, the security apparatus, the media, and the ruling Ba'ath party.

In particular, radio and TV will be paralyzed, as well as everything that is based on the supply of electricity. "Strategic control of space" and "information warfare" will be practiced on an in-depth scale. Political and technical chaos will result, and special forces with air support will try to knock out political and military command centers. The Turkish military thinks that pockets of resistance would continue to challenge the U.S. inside Iraq; another big question is the political consequences in neighboring Iran, which will affect Turkish-Iranian relations. Ankara does not like the idea of a war, but sees it as inevitable, Rühl wrote.

Archives of Jewish Terror, Circa 1947

The Israeli daily *Ha'aretz* on May 24 reported figures on Jewish terrorism in 1947 during the clashes between Jews and Arabs, as well as the British, who controlled Palestine under the Mandate. The figures are drawn from a report written as an internal State Department memo by Richard Parker, former Ambassador to Algeria, and Ned Walker, former ambassador to Egypt and Israel. The document writes of events between March 1 and Nov. 22, 1947.

Columnist Akiva Elder writes that retired U.S. diplomat Phil Wilcox commented, he was "struck by how much the role of the Jewish terrorists, principally from the Irgun (Etzel) and the Stern Gang (Lehi), sounded like Islamic Jihad and the Popular Front for

the Liberation of Palestine, and how much the Zionist leadership sounded like Arafat, in its unwillingness to cooperate with the British in apprehending them."

The documentation begins on March 1, 1947, the day that the Irgun blew up the British officers' club in Jerusalem. Elder lists terrorist attacks, in a few months, mainly by these two organizations, but also by Hagannah: revenge hanging of British sergeants; British police killed defusing a Zionist bomb; an engineer killed in terror train-derrailing; killings of Arabs in bombings and shootings; the assassination of an Arab labor official; and numerous other bombings and shootings of Arab and British civilians and officers.

Between Nov. 30, 1947 and Jan. 10, 1948, 295 Arabs and 263 Jews were killed. That works out to 15 a day, in the prelude to the first Arab-Israeli war in 1948.

Stern Gang leader Yitzhak Shamir eventually became Prime Minister of Israel, and made Ariel Sharon his Defense Minister. It was the Stern Gang which holds the record for killing the greatest number of people in the history of Middle East terror attacks. The Stern Gang bombing of the King David Hotel in Jerusalem on July 22, 1946 killed 91 people including Jews, Arabs and British.

NASA Finds Ice Oceans on Mars

Oceans of ice were found by the Mars Observer Mission. According to Dr. David Whitehouse, BBC Online science editor, NASA was to make an announcement on May 30 that the mission has found evidence of vast quantities of water ice under the surface of the Martian South Pole. Their findings will also appear in "a major scientific journal."

The Mars Observer, now celebrating its first anniversary, was able to measure evidence of water ice in large areas located south of 60° south latitude, using two independent instruments: the gamma-ray spectrometer and the neutron spectrometer. According to BBC's sources, the ice crystals

are less than one meter below the Martian surface, and were the ice able to melt, it would be able to cover the planet with an ocean at least 500 meters deep.

According to the release, "Researchers were amazed at the strength of the signal of the ice. They had expected to take a year to gather enough evidence but managed to do so in just a few weeks." They "suspect the same to be true of the northern hemisphere, but cannot make the appropriate observations until later this year, due to the Martian Winter in the North."

This would go a long way to explaining the extensive geological evidence of water erosion, and other signs of vast amounts of water being present in the Martian past. It also gives further fuel to the burning question of whether life exists on Mars. Again according to Dr. Whitehouse, "Insiders suggest that, partly as a result of this finding, NASA may commit itself to a manned landing within 20 years."

WTO Will Spread Unemployment in China

China's urban unemployment rate will rise 2% per year in the first four years of membership in the WTO, according to a just-released "green book" by the Chinese Academy of Social Sciences. The report is called "China's Population and Labor Issues." Some 4 million city-dwellers each year will lose their jobs, the report says. But agriculture will be even harder hit: Up to 10 million farmers are expected to lose their jobs. Ultimately, however—10 years after joining the WTO!—2-3 million job "opportunities" would be created each year. The flood of foreign agricultural products and China's weak agricultural competitiveness, is the reason for the millions of "redundant" rural workers.

The report says that the effect of the "international market" on China, has "shattered to pieces the original pattern of employment in the former industries and trades," and this shattering will be greatest as China joins the WTO. The only benefits of WTO entry the report sees over the coming decade, is devel-

opment of labor-intensive, tertiary industries and small enterprises. But in the coming three to four years, WTO entry will break up China's employment pattern and sharply increase unemployment.

Cardoso: Renew Economic Infrastructure

South America's economic integration and infrastructure development is the way to respond to U.S. and other protectionist moves, said Brazil's President Fernando Henrique Cardoso at the opening session of the Initiative for the Integration of South America's Regional Integration (IIRSA) conference, in Brasilia on May 26.

Contrasting with some of his earlier criticisms of U.S. protectionist tendencies, Cardoso told businessmen and representatives of 12 South American governments that "an intensification of interrelationships in our own region" best responds to the "uncertainties" of the world situation. Even more than regional trade agreements, which he described as "complex," Cardoso proposed "physical integration" to "take a leap forward, not backward. . . . We must advance among ourselves, if we are not able to move forward with the rest of the planet."

IIRSA was founded in August 2000, at the meeting of South American Presidents in Brasilia. Its discussion of independent development, exemplified by Peruvian President Alberto Fujimori's stunning speech, shook the Anglo-American oligarchy. Cardoso had proposed the group, to replicate Brazil's own "Avanza Brasil" infrastructure program in other Ibero-American countries. IIRSA study groups identified 123 projects in the fields of energy, telecommunications, and transportation, some of which are close to completion.

The IIRSA plan is based on a concept of creating "axes of development," taken from the Avanza Brasil program. The Andean Development Corporation (CAF), and the Plata Basin Financial Development Fund (Fonplata) work with IIRSA's program.

INTER-KOREAN talks will forge ahead. Despite efforts in Washington to say Pyongyang has killed the inter-Korean "Sunshine" talks, officials from the two Koreas are slated to meet June 11 at North Korea's Mount Kumgang to restart the large-scale visit of South Koreans to the famous mountain site. A Seoul Unification Ministry official said "overall South-North relations have not deteriorated and the resumption of dialogue looks to be positive."

FROZEN BUDGETS are set for more and more German states. Hesse, Saarland, and Thuringia—announced steps on May 28, because of drastically sinking tax revenues. Berlin, Schleswig-Holstein, Hamburg, Bremen, Lower Saxony, had already decreed budget freezes. Every single euro assigned for spending, will be up for review, before being authorized.

CANDIDATES for Afghanistan's *loya jirga* assembly have been killed. The UN says that eight candidates standing for election to June's *loya jirga* in Afghanistan have been killed over the past weeks.

INDICTMENTS were handed down in Israel on May 27 in a Jewish attempted terror bombing. Indicted was Noam Federman, one of the founders of the terror group Kach. The indictments are over an attempt to bomb a Palestinian girls' school and hospital in Jerusalem, and include earlier cases in which Federman was involved. Further indictments are expected against three more suspects.

FAMINE is sweeping southern Africa, surpassing the food emergency in Afghanistan, according to the UN World Food Program. The source of the famine is attributed to drought, economic crises, and, allegedly, to farmland redistribution in Zimbabwe.

MEMORIAL DAY ADDRESS

The Lessons of Wartime For Statecraft Today

by Lyndon H. LaRouche, Jr.

Mr. LaRouche delivered a Memorial Day webcast on May 28, sponsored by his Presidential Campaign Committee LaRouche, in 2004. He spoke by video-conference to audiences in Washington, New York, and internationally over the Internet. What follows is his opening speech, and a selection from the discussion period.

In these times, I'd like to speak on the question of the lessons to be learned from looking at the human side, the human experience, of war. And despite the fact that the Congress has monkeyed so much with the date of Memorial Day, let us consider this Memorial Day Week, and let us celebrate it accordingly.

Now, let me begin with the question of where do you find in yourself, not only the courage to conduct war, to participate in war, when necessary; but where do you find in yourself those qualities which enable you to look beyond the short term of next week, or your immediate community, and find that strength you need to think and act on the basis of what the consequences of your behavior will be, perhaps for the next generation or two yet to come? We need that kind of courage today, that kind of intellect among our own citizens, so that they can begin to think clearly, in the way that the present crisis demands of us. To think clearly, as a similar but different challenge was presented to people who fought and died in two wars in the last century, the two world wars of the last century.

To find that source of strength, I ask you to look inside yourself, and look at the history of your family, what you know of your family, and what you know about the nation

beyond your immediate family. And think about the fact that you live and you die, as the people before you did, and you think about not only what you're getting out of living now; but you're thinking about *how you look, how the way you behave, how the way you respond to the present crisis, looks in the eyes of those who died, and who can not act any more, but are looking at you, within your own mind, and saying: "Are you capable of doing what needs to be done, as we did in our time?"*

Now, in my own case—to start with my own case, as it will help, perhaps, for you to look at your own—I go back about 200 years; that is, in terms of my experience in my family. My parents were born in the 1890s, my grandparents were born in the 1860s. At our family table, we went back, with one character, who was a great-great-grandfather, was rather famous in his time, he was a leader of the Abolitionist movement, and got in some trouble on that account. And he was rather famous, and he kept appearing at the family dinner table—what he said on such-and-such occasion was remembered, and spoken of, again and again. And every family has something like that. My history goes back 200 years.

Now, in terms of the family history of the nation, it goes back further. My first ancestors came respectively to North America from France and England in about the 1670s. Some to Pennsylvania, some to Quebec. Other ancestors came from Scotland and Ireland in the 1860s; one is a Scottish soldier—great-grandfather was a Scottish soldier, a professional saberman, who came over to join the Civil War in the First Rhode Island Cavalry; his brother was a famous sea captain for the White Star Line; and in the same group, we have some Irish



The “utopian” soldier, representing the post-1960s increasing dominance of the utopian faction in militaries of the U.S., NATO, and Israel. LaRouche insists, “The purpose of war is not to kill people! The purpose of war is to win the peace!”

who came in, Condons and whatnot, from Ireland, and they came in at about the same time. We also had, on the French side from Quebec, a certain trace of American Indian ancestry—so, if I go on the warpath once in a while, you’ll understand why. But, such is the nature.

So that we all have our own particular type of roots, in our own family history, and in this nation, and in their own nation, if it’s a different one. And we think of ourselves as mortal beings, who live for a time, with a succession of families, and within a nation. We think of ourselves as worth being remembered. We remember those who went before us, and their faces are still in our mind as part of our conscience. And that generally is the model for the healthy development of any child, or young person, in society. The family, neighborhood grouping, the roots of the family, back two, three, or more generations, a sense of where the family came from, and where the nation came from; what was important to those who went before us. These kinds of things.

So, instead of thinking about what makes us *feel good*, today, we say, “What would make us feel good when we’re dead? What can we go to our grave, thinking we did, that was good? That we did something necessary; that we had the courage to do something necessary.” We all die, sooner or later. And that, essentially, is our history. But, other people die in war. And there’s a slight difference between dying in general, and dying in war. And I think it’s appropriate to think about that comparison today: that we are all in a similar situation; some have experienced war, some not. But war is a part of experience, and many people in the United States died in the course of two world wars.

Death in Wartime

For example, we talk of heroes who died in battle. But most people who died in war did not die in battle; they died in what Clausewitz, in his writings, called “friction.” Jeep accidents, illnesses. For example, in my experience, there was an area in northern Burma, in which soldiers in that area, ran into a disease called, generically, “bush typhus,” or in Japanese, *tsutsaka-mushi*—which Japanese soldiers had brought into that area, from other parts of Asia. And at that time, we had no cure for it. So, these soldiers, many of whom I saw dying, were simply lying in a hospital barracks, quietly dying, with no cure in sight. They did not return home to their families.

There was a case in one ward in the same hospital, in which there were three people who had died, or were dying, of a plane accident—I believe it was a C-46, of the type that was flying at that time, from Myitkyina [Burma] to China—they crashed on takeoff. They survived, but they inhaled a lot of kerosene or gasoline, and they were dying of the effects of that on their lung system, and so forth. They were certainly semi-comatose, moving. And day after day, they would lie, being cared for, in beds, side by side, by the wall, in that barracks. And across the aisle from that, was a fellow of Hispanic background, a Mexican-American, who was dying because he had been shot by a British MP, while visiting the village. And they were there, day by day—we watched them, living and dying. And one morning, they were simply gone. They’d died overnight, all four of them.

Jeep accidents and so forth. And that’s the way most people, who died in war, died. Not in battle, but as a result of



U.S. Marines land at Iwo Jima, February 1945.



Gen. Douglas MacArthur was not out to kill the Japanese, but to win the war.



The Nazi Wehrmacht, marching to war.

friction. That was part of our experience.

So we had two world wars. And let's look briefly at the two world wars. Let's just take a glimpse of some film clips from motion-picture shots made of American soldiers in World War I; and after that, take a look at some shots from Germany, during the period that Germany was going into World War II—just to get a sense, a memory of the *feel* of what this was like. The images are obvious to you. These are just old films from that period. This was the kind of war, but many people died.

Now, this image of soldiers going over the top, to charge, over the top to charge, into machine-gun fire, against barbed wire, and so forth. This was a significant part of the American experience. This was one of the ways people died. But they also died, in France, not only in the trenches, trench war, but they died in frictional incidents of war. But they didn't come back. And there were families that were waiting for them. They never had the chance to receive their return. And that's also part of the American experience.

This went on—again, the German phenomenon. The

march to war. You see the mobilization, the march to war. It worries you, because you see people like that, marching like that, marching to war. You think what goes on in their minds as they do that. You see the horrors of Nazi Germany, with the SS troops marching; the other troops marching, marching to war, a war which would end up with the virtual destruction of Germany. Marching to war. And that was just the German side in World War II.

Winning the Peace

Look at the case of the war in Asia, in order to learn a lesson: Now, MacArthur was a great general, probably one of the greatest in American history. He did the most for the United States, as a commander. He fought a war in the Pacific, under what seemed to be desperate circumstances; he brought it to a successful conclusion, even before Hiroshima. He fought a couple of heavy battles, or ordered a couple of heavy battles, serious ones, major ones, bloody slugfests, but he fought *no unnecessary battles*. He moved past islands, occupied by Japanese troops, and didn't attempt to get them out of there. Why waste lives, taking islands? We have them isolated. We control the seas; we control the air around them. Why bother? We'll come back later. No need to fight a war on those beaches; no need to go into those islands. So MacArthur had a sense of economy of war.

MacArthur was not fighting war to *kill people*. The object of the American soldier in World War II was not to kill people—maybe some people had that idea—it wasn't killing. The purpose of war-fighting was to *win the war*. The purpose was to *win the peace*, not to kill everybody you wish to hate, but to win. To win what? To win war. What's war? Winning the peace. That was MacArthur's policy. *We didn't need to invade Japan*. We never needed to invade Japan. In my opinion, MacArthur never intended to. Certainly MacArthur was the kind of general who would never have done the silly thing of dropping nuclear weapons on Hiroshima and Nagasaki.

Why did we need to invade Japan? Why is the myth that we needed to invade Japan told? It's a big lie.

Japan is a country which is an island-country without adequate raw materials, and similar resources in its own territory; Japan lives as an economy, as a modern economy, by imports from other parts of the world, including Asia. Therefore, the American strategy, the MacArthur's strategy for the Pacific war, through World War II, was not to kill Japanese. The American strategy was to bring Japan to *surrender*, to peaceful surrender. By what? By building a net, a blockade net; a naval and aerial blockade, which would prevent Japan from getting the materials it needed to maintain its economy, and therefore, its war machine.

It was also known during that time, which many of you may not know, that the Emperor of Japan, in the course of early 1945, had entered into diplomatic negotiations for peace. His channel for negotiations was the Vatican. It was the office of a Cardinal Montini, who was later Pope Paul VI, and some friends of mine were involved in those negotiations, at that time. So, the United States knew it had an offer of negotiations of peace from the Emperor of Japan. Why should we invade Japan? Why didn't the peace come? Well, partly because the British and Americans didn't want it to come—after Roosevelt was dead. Partly because some people wanted *vengeance*, not peace. But MacArthur and others understood that the problem the Emperor had—the Emperor wanted peace, but he had some generals who didn't want to surrender, and therefore, the U.S. policy was to squeeze, maintain a tight blockade—aerial and naval blockade—which was almost totally effective, and Japan would have to surrender, and the generals would have to bend their knee to the will of the Emperor. And peace would come.

In point of fact, that peace that did come, after Hiroshima and Nagasaki, was the same peace, which the Emperor had negotiated, through the Vatican channels, before then. So there was never a need for U.S. troops to have a forced invasion of those islands of Japan. MacArthur was not out to kill Japanese. MacArthur was out to *win war*, by using the strategic and logistical might of the United States, mobilized to bring about a condition, in which the Japanese people and institutions would accept peace as the alternative to war. That was the way we used to fight wars.

Now, there's a principle involved, and you may smell what I'm getting at here about present military policies, which, frankly, are immoral and insane. And I would hope that our country would stop it, because it's *stupid, immoral, insane*.

The Concept of Strategic Defense

We used to have a different military policy. Before they got rid of MacArthur, and before Eisenhower retired as President, we used to have a different kind of military tradition in the United States—different than what we have today, different than what was shown in Vietnam, different than what is being shown right now. What was that policy? The policy



David Scharnhorst (left) and Lazare Carnot developed the Classical military conception of strategic defense—the opposite of today's utopianism.

was developed in the 18th Century, and there are two figures from the 18th Century who are most important for anyone who wants to understand this to study today. One was the greatest military genius of France—not Napoleon, who was somewhat of a bandit, more than a military genius—but a major-general, Lazare Carnot, who was also a famous scientist.

Lazare Carnot, who was already a military genius, was given the command of the French forces in 1792. At that point, France was being invaded by every army in Europe. The intent of those armies was to divide, cut France up into individual pieces, and chop it up. Lazare Carnot was given the command, a hopeless command at that point. He turned a hopeless command into a total victory, within two years. He reformed the armies of France. He made a scientific mobilization of the type that Franklin Roosevelt probably knew about, and would have been happy to imitate, and France's military forces on the continent of Europe, became invincible. Every invading army was defeated. France's integrity was defended. Unfortunately, Napoleon spoiled the whole show later on.

In this same period, there was another leading military figure in Germany: Gerhardt Scharnhorst. Scharnhorst was a product of an education given to him at the school of a famous fellow, Wilhelm Schaumburg-Lippe. The school, the educational program of the school, was provided by one of the great geniuses of the 18th Century: Moses Mendelssohn, the famous Moses Mendelssohn who designed the program of teaching at the military school which produced one of the greatest military minds of Germany—Gerhardt Scharnhorst. The same group of Scharnhorst, when faced with the point that Napoleon was sending the Grand Armée, which was sort of like the predecessor of the Hitler Waffen-SS, into Russia. The German Prussians, influenced by Scharnhorst, developed a plan which was based on some work by a fellow who was a cousin—or in-law cousin—of Friedrich Schiller; and on the basis of the study of Schiller's history of the Netherlands war,

and the Thirty Years War, the Prussian command devised a program, which they presented to the Tsar of Russia, a policy of strategic defense, which resulted in the entrapment and destruction of Napoleon.

The Citizen-Army

This concept of strategic defense, is consistent with the idea of the citizen-army. One of the things that came out of France under Lazare Carnot, that came out of Germany under the influence of Scharnhorst: the idea of the citizen-reserve army. We, in World War II, were not the best fighters in World War II—the Americans. The Germans were much more effective as soldiers than the Americans, soldier for soldier. And this has been studied extensively. Because they had a training program, in depth, and a reserve program, which was based on the Scharnhorst program. We put together a military force in the United States, after years of negligence of the necessary steps to build a standing reserve, effective reserve, and to build a military force that could cope with these kinds of problems.

So we went into World War II like a bunch of military slobs, generally. I saw it myself, so I have eye-witness testimony. But what we won the war with, and what our best commanders understood, was to use the economic might, which had been built up again, under President Franklin Roosevelt, to give us the logistical, and strategic-logistical capabilities to win war by logistics. And the United States won World War II with logistics—not with kill-power. We don't have logistics today. We have kill-power. We don't have a war-winning capability. We have a perpetual war-fighting capability, until it just quits when it gets tired. And that's the big issue.

We emerged from World War II, not only as the greatest power on the planet, but the *only* power on the planet. No other nation represented a power in world terms; just the United States. We had no need to invade Japan. We controlled everything. We controlled their environment. We controlled their skies. We controlled the seas around them. We didn't need to invade. We were prepared—at least some of us—to make peace with Japan. So why should we fight war? Why should we invade?

There's a famous fellow—Machiavelli, who most people misunderstand these days—who laid down a policy, a military policy, in his works on the books of Livy, and pointed out the reasons why, when an enemy is defeated, *you never go in for the kill*. Because the enemy may start killing again, in desperation. You never close in—bayonet to bayonet, or otherwise—on a defeated enemy. What you do, is you use the power you have, to create the conditions under which the enemy will accept a *peaceful solution* to the conflict. Which is the way we should approach our problems today. We should not be the world policeman, like Roman Legions, or the Nazi Waffen-SS, running around the world and killing people we say are the rogue states, or might have weapons of mass destruction, or might have terrorists among them. That policy is

idiocy, is criminality. We knew how to do things better before: Build up two things—a strategic defense, in depth, which is largely economic power, physical-economic power. Increase the productive powers of labor of your people, as Roosevelt did during the 1930s in the recovery. Build up your educational system. Open plants. Create new productive jobs, not consumer-society jobs, but production-society jobs. Farms that function. Machine-tool shops that work. Stop being a consumer society, which we've degenerated into, and go back to becoming a producer society.

We have the ability in the United States today, as a nation, to secure, to establish our security, planet-wide, virtually without firing a shot in military fire, in any part of this planet. All we need to do, is to learn the lessons of history of past centuries, including the Roosevelt history, and lay down a plan of reconstruction of a rotting, collapsing world economy, and say: We're going to do our part in revising an economy that has failed.

Leadership: The Case of Jeanne d'Arc

Now back to the individual. The individual must have the courage, the personal courage, to actually exert a command position in warfare. Soldiers go along, as long as they trust their officers and leaders, but it's the commanders who must have the courage which inspires the soldiers in confidence to work with the leader. We need people who are leaders in the true sense, not leaders in the sense of "Do as I tell you or I'll shoot you." But leaders in whom, the people that follow them, have confidence. Leaders who inspire confidence in their people. Not like the politicians we tend to elect nowadays, but actual leaders.

We have some examples of leaders in modern history, at the birth of modern history, for example, the 15th Century. Jeanne d'Arc, a farm-girl, who was seized by the commitment, a mission, to force a King, who was a no-good King, to become a real King of France. And to reestablish France in its dignity as a nation. And she succeeded. But because of betrayal by that very King himself, Jeanne was tortured by the English Inquisition, and burned alive, after torture by the English Inquisition. She refused to capitulate. And by her refusal to capitulate, in accepting the risk of being burned alive, she made possible, not only the existence of France as the first modern nation-state—that under Louis XI—but inspired circles in the Catholic Church to conduct reforms which we saw in the 15th-Century Renaissance. This little peasant girl, who had a sense of a mission in life, who used her life to do a good, *because it had to be done*, inspired people around her, and by her courage, inspired a nation, and more than just that nation, to establish the first, true modern nation-state in European civilization.

The example of France under Jeanne d'Arc, the example of Louis XI, was used, in England, to free England from a tyranny, the tyranny known as that of Richard III. And Henry VII of England, established in England, the second modern



A World War I poster. Jeanne d'Arc's courage made possible the birth of France as the first modern nation-state.

nation-state on this planet.

Now along came an attempt by the enemies of the nation-state, the Venetians, to destroy England, to destroy England's character as a nation-state, and to do that, they sent agents into England, to corrupt a rather foolish heir of Henry VII—Henry VIII; you know, the usual sexual thing; you had the religious adviser, Zorzi, marriage counsellor, they tormented Henry VIII with the promise of a woman, Anne Boleyn, who was nothing but a prostitute, virtually, and the stupid King became corrupt, and England was being destroyed.

Now, what killed Thomas More, was not the fact that he objected to the divorce of the King to marry Anne Boleyn; what killed him, was the fact that he stood against this corruption of what had been accomplished by Henry VII. England had been the second nation-state founded. It was being built as a great economy from the rubble that it had been, under the previous Plantagenet rule. It was being destroyed. He gave his life, on the chopping block, in order to inspire people such as William Shakespeare, who was one of his great followers intellectually, and others, to keep alive in England, that which

the Venetians had attempted to destroy, with the case of Henry VIII, and others. And it's because of that courage of Thomas More, in England, and because of the influence, in particular, of Shakespeare and people like him, and his associates, that there was founded in North America, beginning with the Massachusetts Bay Colony in particular, a conception of a new kind of nation-state built on this continent, at a time that Europe was so corrupt, so torn by religious wars—from 1511 to 1648, Europe was torn apart by religious warfare—of the type that some people would like to start around the world today. And during that time, people in Europe said, let us go to North America. Let us build the foundations of a new nation, in this continent. And the Winthrops, and the Mathers, in Massachusetts, typify that great venture.

Then came Penn with Logan. And others came, as things became terrible in Europe. More and more people looked to North America as a place to build a republic, in the legacy of France's Louis XI, the legacy of Jeanne d'Arc, the legacy of Henry VII, the legacy of Thomas More: to build that in this, that republic in this nation. And great Europeans, despairing of the possibility of building a republic in Europe under these conditions, turned in the 18th Century to the English colonies of North America, especially to the circles of Benjamin Franklin personally, to assist us, in building up the foundations for creating this republic, which is therefore an historic exception, in the modern history of mankind. This was the first true republic established in modern mankind, and it was established on the basis of these foundations, contributed to us, largely, by Europe.

And without the courage of the people who did it, people like Jeanne d'Arc, and Thomas More, this could not have happened. So therefore, the highest standing—I'm not recommending to people that they go out and be burned alive, or have their heads chopped off, I'm not particularly fond of that sort of entertainment, as some people are—but rather, I'm saying that you have to find in yourself some element of the quality of courage, the quality of insight into the future, the future that you leave behind, after your mortal life is ended, and say that what I am, in the history of mankind, is, as I view my parents, grandparents, and great-grandparents, and so forth before me: I view myself as a passing mortal individual, but I want my life, while it's going on, to *mean* something. And therefore, I will spend my life *wisely*. If I have to die on the battlefield, I will spend my life *wisely*, for a meaningful purpose, for my nation and for mankind.

Now people who think that way, and can find their roots in family and history and also in the future, that way, have the courage to face gladly, the kind of challenges which we as a nation face today. And one would wish that as I speak, that those who died, or whose families made the sacrifice of their death, during two world wars of the past century, could be with us today, to hear me say this, and to see you hear this, that they might believe that in this nation, there's something that still lives, *that made their sacrifice worthwhile*.

Ideas as a Source of Courage

And there's the source from which you find your strength also you find another source you have to call upon. It's called ideas. Some people believe, that what's important is what they know from experience. Experience is sense perception, what I can see, what I can taste, what I can touch. What I feel in my neighborhood, my community, my personal, immediate, physical sense of self-interest. Some people think that way. That's a foolish way of thinking. Because you don't understand then, the difference between man and animal. Think of all the people you know, who say that mankind is just another monkey, or just another ape. Now, I admit that we've elected some politicians who might lend themselves to that view. But man is *not* an ape. Man has a quality which no animal has. Look, if man were a higher ape, whether on high stuff or not, the human species, in the past 2 million years, would never have reached a level above several million individuals. We now have *billions* of people. How do we get billions of people, out of a being which, as an ape, is only capable of maintaining a miserable bunch of monkeys, so to speak, at about a few million members, planet-wide? How'd we get that? Because mankind has a quality which no monkey has. So don't monkey around with mankind! Mankind is capable of discovering universal principles which cannot be smelled, tasted, seen with the senses, but which the mind is able to define, and we're able to prove experimentally.

This is what we mean, when we say in Christianity, Islam, or Judaism, that man and woman are made equally in the image of the Creator of the Universe. Because we each have within us, that power to discover truth, the truth of universal principles which no monkey, no lower form of life, can do. And through this power, we are able to change man's relations with nature; we're able to change ourselves, to improve and develop ourselves. We're able to transmit these discoveries to our children, over successive generations. We're able to build societies where there were nothing but jungles. *This is why man is sacred.* This is why every human life is special and sacred. This is why every human being, man or woman, is equal, in this quality, which need but be developed and expressed.

What gives you the power to deal with great crises, is to recognize that; to think in terms of principles that you can discover, and prove, as Kepler discovered the law of gravity, universal gravitation, in a book he published in 1609. You can discover these principles; you say, that if I can learn an idea, discover, re-discover an idea, or contribute a new discovery of principle; and if I can pass along these discoveries which I've taken in part from people before me—if I can pass them to the next generation, if I can enrich these discoveries with something I contribute myself, then I live forever, as a human being. Because in the time I occupied mortal life, I picked up the heritage of ideas from the culture, people before me; I picked it up from other cultures than my own, I put these together in part, I transmitted these to young people, as good

teachers transmit these discoveries to children, and when I die, these ideas, which I've helped to make possible, these achievements, will be transmitted to those who come after me. And therefore, the greatest thing about being human, is to be truly a person who acts in a way, which justifies the characterization of a being, man and woman equally, made in the image of the Creator of the Universe. Given the power to transform this Universe, capable of transmitting these discoveries from one generation to another, to build the human race from its initial imperfection as a beast-like creature with this quality, into something much better.

And therefore, if I can do something, with my life, which helps that process, then my life really means something. And I can go out of this life wearing a smile, because I have won. I have won the battle for the meaning of a personal life.

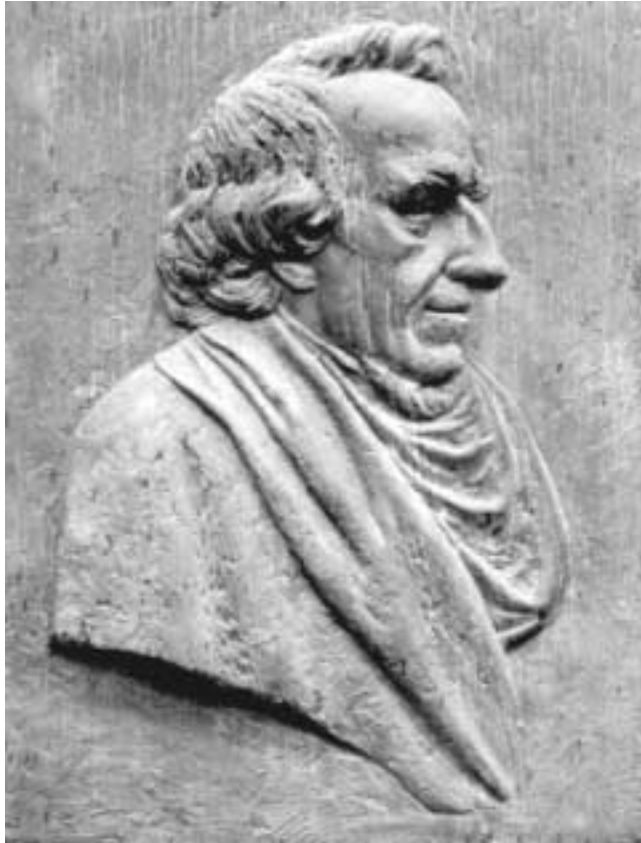
Therefore, when it comes to war, or things like war, the person on the other side is a human being, made in the image of the Creator of the Universe as we are, of the same nature and the same true, fundamental interest, if they but know it. Therefore, the function of war, is to defend this heritage, this cultural heritage, that we have been given, but to invite others to share it with us. Invite them to enter into fraternity with us. And say, stop being a fool. We will defend—if you go crazy, like a madman, and do something evil—we're going to stop you, if we have to. But we will rejoice, when you become human and accept the conditions of fraternity and peace. And that's the proper object of warfare: to defend what must be defended, so that it can be preserved for humanity, to preserve the dignity and the lives of our people, the purpose of our culture. But it is not to conquer or destroy like a beast trying to destroy another beast. We do not eat man.

The purpose is to bring the human race together, as a community of sovereign nation-states, each perfectly sovereign, but united by an understanding of certain common principles, by which we can live together, but not only merely live together—not merely get along and not kill—but live together in the sense that we are busy living our lives, making a contribution which is not shameful in the eyes of those who came before us. We're contributing something to the future. And therefore, when you are future-oriented in that way, you have a source of courage which no other human being has, who lacks that sense of the future.

The Yiddish Renaissance and Its Enemies

Now let's look at something awful. Let's look, just briefly, at a glimpse of what's going on in Israel and Palestine today. What we have is a short [film] of what is happening in Palestine and Israel now. Let me speak very frankly, because these are frank times, people are being killed, and you don't use soft words to describe hard reality.

A long time ago, in Russia, there was a bad man. His name was Colonel Zubatov. He was the head of a secret police organization which was disbanded, essentially, in that form, after 1905. It was called the Okhrana. This fellow Zubatov



The German-Jewish philosopher Moses Mendelssohn, known in his day as the “Socrates of Berlin.”

recruited an individual called Vladimir Jabotinsky. Jabotinsky became an agent of the Okhrana, which was a British Intelligence-affiliated Russian intelligence organization at the time. A police state.

The main target of the Okhrana at that time were the Jews of Russia. Now the leading organization among the Jews of Eastern Europe, of Russia in particular, was called the Bund, which was based in the northern parts of what was then called Russia. It's known in the United States as the Workmen's Circle organization.

These people represented a formation called the Yiddish Renaissance, which was an extension among Jews of Eastern Europe, of the tradition of Moses Mendelssohn, of the German Jewish tradition of Moses Mendelssohn. And modern European Jewry, in all its achievements, and there were many, was actually largely a result of a revolution in the standards of the Jew, effected through the influence of Moses Mendelssohn, one of the greatest intellectual figures of the 18th Century.

It was through Moses Mendelssohn and his family and friends, that Jews were first allowed to be treated as human beings in Austria. This was by Joseph II of Austria, the Emperor. And similar status of the Jew was finally—the Jew was

elevated to a condition in Germany of full dignity. And from that point on, under the influence of Moses Mendelssohn's program, we have some of the greatest music ever composed, because Mozart, Beethoven, other great composers, the circles of the Bach family, were all part of this same tradition, this so-called Classical tradition, which was linked to this Jewish circle of Moses Mendelssohn.

For example, Schubert—some of the songs of the Jewish service, were composed with the aid of Franz Schubert. Mozart was closely allied with the Mendelssohn family. Beethoven was subsidized, in part, by Itzig, from Leipzig, a part of the extended Mendelssohn family. The great contribution of German Jewish physicians, scientists, and others, like Heinrich Heine and others, to the culture of Europe, and civilization as a whole, as well as Germany, came from these people. And we had in Eastern Europe, what was called the Yiddish Renaissance.

The same tradition, with the famous, famous name like Sholem Aleichem, famous in the United States in particular. Many of the people who came here, who were Jews from Europe, came from Germany, originally, and later came in great numbers from the Yiddish Renaissance masses of Europe. Even into the 1960s, in the mobilization around Martin Luther King, for civil rights in the United States, the Jewish unit, the Jewish element, in the fight for civil rights of African-Americans, came largely from the legacy of the Yiddish Renaissance, of the immigrants of the Yiddish Renaissance, into the United States.

The Heirs of Jabotinsky

So, here's the great tradition against which the Okhrana was fighting, Zubatov was fighting, and Jabotinsky was an agent. Jabotinsky then, as an agent, went to Paris, where he worked for one of the worst Okhrana agents in the world, the fellow who wrote and published the so-called “Protocols of the Elders of Zion.” He then became involved, among other things, in a British Intelligence operation called the Young Turks, in Turkey. He was the publisher of the magazine, of the official magazine, of the Young Turk movement. He went to Italy, where he became a close associate of Benito Mussolini, declared himself a fascist, like Mussolini. His organization in Italy became an integral part of the fascist military organization in Italy. He—when Hitler was first elected to office, or nominated to office in Germany—he offered to support Hitler if Hitler would drop the anti-Semitism. This guy Jabotinsky, the Jabotinsky movement, is a fascist movement.

This movement went, along with others, into Israel, in the settlements in Israel, and became the terrorist wing of Israel which is associated with this terrorist Menachem Begin. Remember Menachem Begin? The fellow who bombed the King David Hotel, and there was the British Governor of this region, or this area, sitting up in his bathtub, and they bombed the hotel. The hotel did not fall down completely, but there's



The fascist Vladimir Zhabotinsky, who spawned what today is the Likud party in Israel.

this fellow sitting up in his bathtub, with the building fallen down around him.

So these guys were really killers. What happened is, in the course of developments from about 1967 through about ten years later, the traditional Zionists, like Nahum Goldmann, the founder of Zionism, of that type, these types were pushed out of the dominant position of power, and a group called the Likud, which incorporated the ideas and aspirations and moods of these fascists, declared fascists, became more and more a power in Israel.

Ariel Sharon represents that fascist movement. What you're seeing, or what you could have seen, on the screen, is a copy of an operation which the Nazis of Germany ran against the Jewish ghetto of Warsaw in 1943, which is now being conducted by the fascist Sharon against the Jewish ghettos, or these Palestinian ghettos of the Middle East, Israel and Palestine. And people are saying, if you're against Sharon, you're an anti-Semite. These people are liars. They are moral degenerates. It's not forgivable. For someone who says, "I'm Jewish, I'm fighting for the Jewish people," to do what the Jabotinsky movement did, as an avowed fascist movement, a Jabotinsky who was turned down by Hitler, because Hitler wouldn't give up the anti-Semitism. And to perpetrate a crime, which the Israeli Defense Forces know, is an actual copy of the operation which the Nazis ran against the Jewish ghetto of Warsaw, against the Palestinian people. This is a crime against humanity. *This is genocide.* And when someone says, "If you call this genocide, you're an anti-Semite," they're sick.

But the problem here is this: How many people in the United States, for example, will defend Sharon, will defend what the Israelis are doing, while other Israelis are risking their lives opposing this, saying this is wrong? Remember,

the Sharon government came to power indirectly, through the terrorist assassination of Prime Minister Rabin of Israel, who recognized that this kind of thing must not happen. You have a terrorist government, a government that came to power through terrorism, the murder of a Prime Minister of Israel, and the crime has never been exculpated. You have in effect a criminal, fascist government in charge in Israel. Period. Don't talk about democracy, the President's misinformed. He should send Condoleezza Rice back to school to learn something, eh? Get some better advice.

So this is the kind of problem we face. But worse is, that not only are people in the United States expressing mass sympathy for this thing, including some of the worst anti-Semites in the United States, who are called the Christian Zionists. You want to find a real racist, anti-Semite, in the United States? Find yourself a Christian Zionist. You'll find among them, the typical Ku Klux Klan types, who also happen to be anti-Semites. These are the guys, the Pat Robertsons, the Falwells, and so forth, who're implicitly fascist themselves. And many Americans have fallen for it.

Worse than that, we have a military policy which is wrong. We don't have a strategic defense policy. We don't have an economy which is geared up to provide the sinews of strategic defense. We do not have a peace policy for the world. We—if I were President of the United States today—we would be bringing the world together, and it would be successful. Because the world wants it. The United States still has an authority and a legacy. If it became itself once again and said, we must have a solution to this worldwide financial-economic crisis, we must have peace and cooperation on this planet, nations all over the world, peoples all over the world, would rejoice and join us. We have that kind of power. So why aren't we using it?

There Never Was a Recovery

Now, we come to the final point. What's the situation? Let's just go through this [**Figure 1**—I've gone through it before—again, but it's important to put what I'm about to say, in this context I've just given you.

Now this is old news to many of you, but just to walk through this, because certain things have happened recently which will make these things much more significant for you than perhaps before. Some years ago, back in 1995, as I reported earlier, I was at a Vatican conference on the question of health care, and, as a participant, I gave them this paper, in which, to try to illustrate what was wrong with the world economy—which of course has something to do with our health-care situation today—that this was the nature of the problem.

We have a system now, since 1966, a degeneration in the U.S. economy, a degeneration from what used to be the world's greatest producer society, into a decaying, decadent, consumer society. We don't produce any more, or we produce less and less. We import from abroad, and we can't afford to pay for it. And we're able to import less and less, now. So

FIGURE 1

A Typical Collapse Function

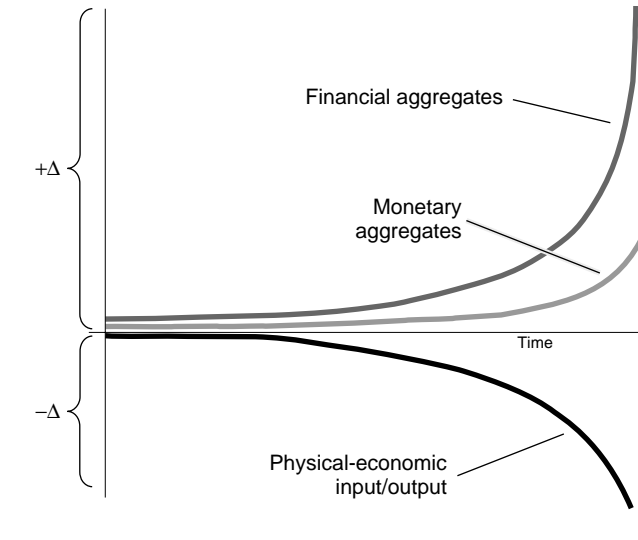
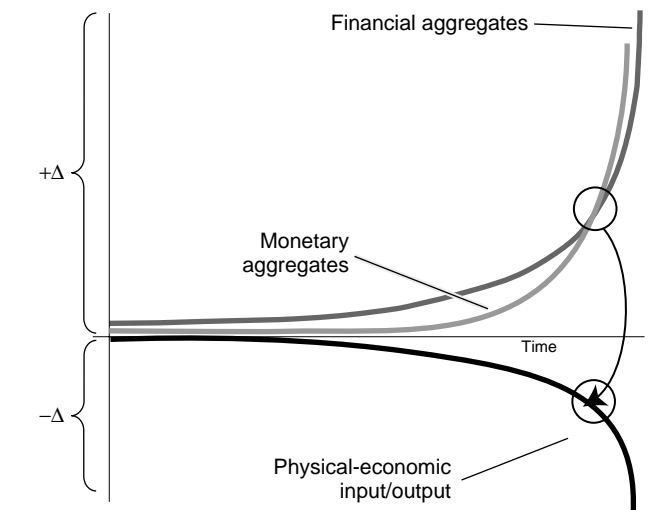


FIGURE 2

The Collapse Reaches a Critical Point of Instability



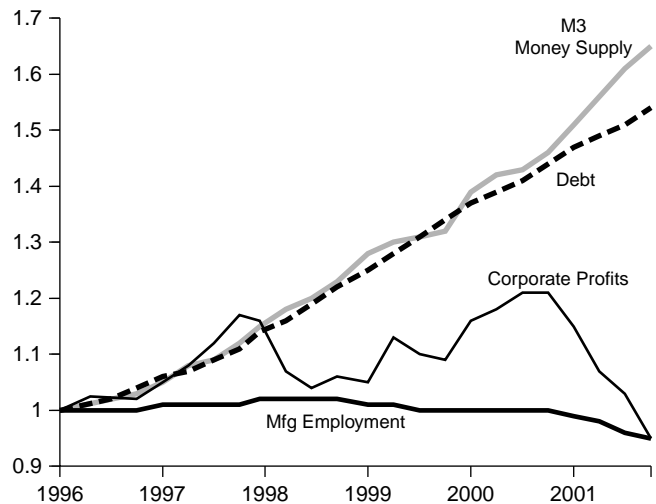
what kind of a system do we have? The financial aggregates—that is the rate of growth of stock-market assets and similar kinds of nominal assets, paper assets—were rising at a very high rate. In order to keep this market going, there was a monetary emission, that is, printing of money or similar things, from the Federal Reserve and others, which was being poured into the markets, to push this bubble of financial paper. But, while they were doing that, the way this thing was being done, is the growth of financial aggregates and monetary aggregates was based on looting, actually cannibalizing our pre-existing economy. So that, per capita, the real, physical output of the United States, per capita, was collapsing. Farms, industries, so forth. Runaway shops, all this sort of thing. Now that’s the picture. Take the next one.

Now in this case [Figure 2], this is the point reached in about the year 2000. And what this represents is that, you had a point at which the rate of increase of money printing required to maintain the financial markets, was greater in amount, than the amount of financial aggregate they were saving. At this point, there was an acceleration, a steep acceleration, in collapse of the physical economy. Now this happened about the Summer of the year 2000, in real terms. People didn’t pay much attention, or didn’t wish to pay much attention, because the financial aggregates were still going up. Until the full impact of the collapse of the so-called New Economy, occurred, people didn’t pay much attention to it. But that happened then.

In this [Figure 3], these are actual figures, or based on actual government figures. So what you see here is the cross-over point. You see, the employment is down, manufacturing employment—that’s *real* employment; the farmers would show a more disastrous effect—corporate profits fluctuating; the debt rising, the debt level rising, but the U.S. money supply

FIGURE 3

The U.S. Economy’s Collapse Function Since 1996



Source: EIRNS.

is being increased more rapidly than the financial markets are rising. So at that point, you’ve hit a point which has a historical precedent, a very important one: Germany 1923. Germany was doing a similar kind of thing then, to prop up the Reichsmark while it was trying to pay off the so-called war reparations debt. Up until the Spring of 1923, there was inflation, but not a chaotic or hyperinflationary bubble. Suddenly, in

June-July of 1923, the bubble exploded. And by that time, later in November, the German Reichsmark was bankrupt. So what happened here, what you're seeing here, is something similar to what happened in Germany in 1923.

Now, you see on the markets today, if you pay attention to what the reports are from around the world: Since Enron collapsed, it is now apparent, that every time you were told there was a recovery in sight, or signs of a recovery, in the international markets or the U.S. economy, it was faked. *The figures have all been faked.* And right now, especially this week, the figures on the amount of this fakery, are beginning to come tumbling out. *There never was a recovery.* There never was a genuine uptick. And it happened just already today—the day starts out, the market's going up. But then you find out the reason the profits are increased, they said, without mentioning expenses. And the firm had the biggest loss ever. In that kind of fakery. So people today in the United States are faced with the fact: There is no recovery, there never *was* a recovery, and under this system, there never *will* be a recovery. The world is going into the biggest depression in modern history, at least since the 17th Century. Right now.

And the gold price was up to, what? About \$5 in one day. That's not an increase in the value of gold; that's a decrease in the value of the U.S. dollar. We are now in a depression that is worse than what you were in—if you were living then—in 1929-1933. It's happening. It is presently irreversible. Anything they try to do to prevent it will only make things worse. But there are solutions.

There Are Solutions

Now, here's where the hard thing comes. What is the solution? If you look at the history of the United States and the world, from 1945 to 1965, that is the so-called post-war recovery period. And you look at the United States in 1966, to the present, you'll see—that's why I used these figures, '66—because the economy we had, in the post-war reconstruction in the United States, Europe, Japan, and to some degree South and Central America—that was a real recovery. A success. There were a lot of problems with it, a lot of injustices. But, in terms of economic figures as such, it was a success. It was real. There was actually an increase in the productive powers of labor. More was produced, more was available. Consumption standards improved. That sort of thing.

But, 1966 on: It stopped. We began to slide down, and the rate of downslide accelerated. It was accelerated at a fast rate under Nixon. 1971: Nixon took the dollar off the gold-reserve system. Created a floating-exchange-rate system. The U.S. economy has never recovered from the effects of that.

Then came along Brzezinski. Don't blame Carter; Carter was President—but he was only the President. Brzezinski ran the show. Under Brzezinski's dictatorship, from 1977 to 1981, the destruction of basic economic infrastructure and regulation in the United States caused the greatest destruction

of the U.S. economy in all history, in total amount. That destruction has continued, with Garn-St Germain, with Kemp-Roth, and with other arrangements. It continued—we looted Europe, we looted Russia in particular after 1989-1991, and we got by with a lot, because we were able to loot countries. We looted Europe. Europe became, when the Soviet power collapsed, Europe became less powerful, because now it was at the mercy of the Anglo-American interests. And the looting of Germany, and of continental Europe, really took off at that point. Russia was looted beyond belief. Poland has been looted beyond belief. The Poles would be happy to have communist Poland back today. The same thing is most of Eastern Europe, the same thing. Around the world. Look at Japan. Japan is about ready to blow. There is a healthy industrial economy inside Japan, but the entire financial system, which has supported the United States, is about to collapse. Look at the ASEAN countries, other countries.

The collapse is fully under way. We are now in a world-wide collapse which has been caused by a change in the world system, from a system with imperfections, but which nonetheless worked—the post-Roosevelt system. The system was actually built by Roosevelt. From 1945 to '65, we had an economy, a real one. With policies that actually worked. Since 1966, we've gone step by step into an economy that doesn't work. Now it's collapsed. The amount of debt which is outstanding today, could never be paid. We are sitting on top of a real-estate bubble collapse in the United States today, the Fannie Mae/Freddie Mac bubble is about to blow. What day it's going to blow, I don't know. But it's going to blow. People are going to find that houses which they have listed as mortgages at a half million or so, plus or minus, in the Washington, D.C. area, or the New York area, these shacks will probably be lucky to go for \$100,000 redeemable value. People are going to be wiped out. Jobs are going to be wiped out. Firms are going to be closed down.

What is the government going to do? It's going to happen. Well, if you had a Franklin Roosevelt in there, you'd know what to do. You'd freeze what you had to freeze, you'd put the country through bankruptcy reorganization and restore the fixed-exchange-rate monetary system, and believe me, we could get it through quick, right now. You would put regulation worldwide. Regulation of trade. A new tariff system, a protectionist system. You would make sure that people were not fired. We'd keep banks from closing their doors, even if they're bankrupt, to keep the trade going. We would keep people employed, and the government would turn around and start a large-scale, mass-employment program based on infrastructure to stimulate the re-growth of the entire economy. We would do that in cooperation with nations around the world, which are now desperate. And if the United States said we're willing to do it—for example, if I were President right now, every one of them would say, "Yes." They'd agree with everything I say. They wouldn't even know half of the things I'm talking about, but they would agree with

it, nonetheless, because in a time like this, they're looking for leadership. They want credible leadership, that knows what it's talking about, and is willing to act, and is trustworthy, in the sense that it will act. And if they find that, they're going to say, "Okay, we're working with you." And we'll sit down and we'll discuss the details of what we're going to do. And then do it.

A Mobilization of Courage

So what we need now, is a mobilization of courage, from among not too courageous leaders around the world, and from the people who will push them. We can get out of this mess; we've dealt with messes before. Organizing and reorganizing a financial system or monetary system is not the greatest thing in the world; it's a tough thing. It would take us 25 years, to repair the damage to the world, and the United States in particular, done by the changes of the past years. We can do it. We'll do it with methods which are not dissimilar, entirely, from what Franklin Roosevelt did, beginning in 1933. It worked then, the post-war version of Roosevelt, which was a diluted version, also worked. It'll work again. We rebuilt Europe with people like Jean Monnet and so forth in the post-war period; we can do it again. We can work with Russia and we can rebuild Russia. We have tremendous potential markets in China, in Southeast Asia, India, and so forth. If we build the system which they need, to do the development which they need, and they represent, therefore, the markets we need, for the products we can produce, that they need. And if we have a 25-year credit program among nations to do that, we can pull this nation and the world, out of the mess.

We have to decide, however, what kind of a world we want to build. Not a world in which we tell everybody how to run their government. Not a world in which we tell you you're a rogue state; you're not a rogue state; or you're a rogue state tomorrow, but not today, or whatever. We need a world in which we agree that there are several simple principles: that every people has the right to be self-governed by a perfectly sovereign form of nation-state republic; that the policy of the United States is that which Secretary of State at the time, John Quincy Adams, said to the nations of South America and to the world: As soon as the United States has enough muscle to do it, we're going to kick the British and the Habsburgs out of the Americas, and we're going to establish a community of principle among perfectly sovereign nation-states. We have to say the same thing today to the world. The world we want, is not a world of our design, it's not a world in which we become the dictator or the emperor; what we need, is a world which is composed of perfectly sovereign nation-states, which in their own mutual interests, will cooperate and will establish principles, a community of principles of agreement.

Right now, we've got a big job. Rebuild the world economy, make the world a safe place to live in, economically. I think we can succeed. I'm willing to do it. Who else is?

Thank you.

Dialogue with LaRouche

The following is a selection from the questions and answers following Mr. LaRouche's speech. The moderator is LaRouche in 2004 campaign spokeswoman Debra Hanania-Freeman.

We Can Make a Political Earthquake

A staff member on the Democratic Congressional campaign committee: Mr. LaRouche, Joe Lieberman has emerged as the leading Democratic contender for the Presidential nomination in 2004. Over the past few weeks, Senator Lieberman has emerged with a strident defense of the "New Economy." It's very hard for those of us who are preparing for the mid-term elections to explain why it is that the leading Democratic contender for the Presidential nomination is doing that. It has left us somewhat outside the circle of reality. Do you have any idea what Lieberman is doing, and why he is doing it?

LaRouche: Lieberman is a very strange animal. He's a very intelligent person, and I don't think he has quite as many short circuits as McCain does, but his ties to McCain are intricate and extremely exotic. We have to look at this—you know, Arizona has some very strange things in it, apart from gila monsters. And it has organized-crime connections, like the Joe Bonano connection, who used to be a drug pusher, sitting up for the mob, in Canada, tied with Sam Bronfman. And, there was a big scandal up there in the 1950s about Bonano and drugs, and John Foster Dulles, the Secretary of State, and so forth, which caused the fall of the government up there, the Canadian government. So the thing is rotten.

You have the Emprise thing—the murder of the [investigative reporter Don] Bolles in Arizona. You have scandals about Indian reservations gambling concessions; you have big questions raised about John Irwin III there, the biggest landowner, or one of the biggest landowners in the state, the grandson of a former governor of the state, and also a member of the IBM family, of the Watson family, who runs some very nasty operations under his American Family Foundation and other things. This is a very messy thing.

Now, when you look at this closely, you find that John McCain says he's a Bull Moose, and all we're getting is a lot of flap, eh? He says he is a Republican, or he's not a Republican, or whatnot. And Lieberman and McCain are almost like twins. So you have a faction: McCain says he's a loyal Republican; Lieberman says he's a loyal Democrat, but we find both of them are hybrids—we don't know what party they belong to, when you look at their issues and you look at their connections. And some of their connections really worry me. They really worry me from a standpoint of ethics, shall we say.

But also, Lieberman is something else. In a case like this,



“The Lieberman problem is very simple: Lieberman has to go. Let him sit in the Senate; if Connecticut wants to support him, let ‘em support him. But he should not run the Democratic Party! We have to take over the Democratic Party!”

you have to look at a person by their policy, and what their hands and feet do. And Joe is bad. For example, Joe’s intelligent enough to know what he’s doing, and that’s bad. Because what he’s doing, is, he’s a supporter of a fascist movement in the United States. This fascist movement is associated with people like Wolfowitz and so forth; it’s associated with Samuel P. Huntington, with Zbigniew Brzezinski, and people like that. It’s a movement which, in the post-war period, proposed a military reform, called the “utopian” reform, which is based on the model, in fact, of the Nazi international Waffen-SS: That is, to produce a professional army, no longer a citizen army, but a professional army, which would do the enforcing, like the Roman legions, or the Waffen-SS, for the command. And this is well known.

As soon as they could get rid of MacArthur, which they did fairly quickly, in the post-war period, then they got rid of Eisenhower, when he retired from office. And you know what happened when Eisenhower retired: All the cats and dogs, and squirrels and gila monsters, and so forth, that had been hiding in the cages, came loose in 1961. Eisenhower steps out of office. All over the world: assassinations, coups d’état, all sorts of things, usually pointing toward Allen Dulles, as one of the perpetrators in these things, or Colonel Lansdale.

We had an assassination movement against de Gaulle in France in 1962. We had a very suspicious overthrow of the Macmillan government in England, in the so-called Profumo scandal, in the same period. We had the early ouster of Adenauer, in Germany. We had other assassinations. We had the Kennedy assassination, Mattei assassination. And certainly by 1965, with the ouster of Erhard in Germany, by another kind of coup d’état, you had a change in the world. The United States had gone into the Indochina War, which is the kind of war—the no-win, perpetual war, prescribed by the Brzezinski-Kissinger-Huntington and so forth types. The world had changed.

In the middle of the 1960s, we stopped being a producer society, by recruiting our youth into what was called “post-

industrial society,” or, sometimes it was known as the “rock-drug-sex counterculture,” and this strictly concentrated upon the most vulnerable part of the youth: the university-educated youth. If you corrupt the students in the leading universities of a country, by this kind of a program, you will do grave damage to the existence of the nation as a whole, because these are the guys who are going to move into the secondary positions in professions and in management. And if you destroy the people who are going to run the country, by tradition, you are going to ruin the country. And it worked. It worked just fine.

We destroyed the country with the aid of the Baby Boomer generation, those that came into maturity, or semi-maturity, or immaturity (whatever the case may be), in the middle of the 1960s. We destroyed them: We put them on drugs; we made them crazy; we told them industrial society was no good; and we used the threat of the draft over their heads to scare them, bring out their native cowardice, and get them into the kinds of things they did.

So we destroyed the United States. We became a consumer society. In 1966-1967, we shut down a lot of the space program, which was the major technology-driver for the United States at that time. By 1969, we could no longer have built the space shot! We had destroyed so much of the industry essential to the space shot, we couldn’t have replicated the man on the Moon.

That’s what we did to ourselves.

So we became a consumer society, which, as I’ve described it before: It’s like Rome, like ancient Rome. During the period of the Second Punic War and afterward, Rome underwent a change in character, from a Roman society into a consumer society, an imperial consumer society: extensive use of slavery; they turned the people into pigs, the citizens to bread and circuses; that is, mass entertainment very much like our television entertainment today, but they didn’t have television screens, so they used stadiums, to get Christians to eat lions, or something, eh? That sort of thing. And this kind of mass entertainment destroyed the morality of the Roman people, who no longer worked for a living; they lived on bread and circuses, on entertainment and dole. They destroyed the civilization. Rome lived by looting other countries!

How do you think the United States lived, over the period from 1966? We destroyed our industries, and with the help of the floating-exchange-rate system, and reforms introduced under Carter, we became the greatest looter of other nations on this planet. The United States has been living—like the Romans—by looting countries that are afraid not to concede to its demands. That’s how currencies were rigged. That’s how runs on currencies were created. That’s how the Latin American debt was created: by stealing, by fraud! Fraud, practiced largely by the United States, with the help of Britain. They make a run on a currency; the IMF would come in like the shock troops, like the Nazi SS, tell the country to devalue its currency, but increase its debts, to make up for the devalua-

tion. And they looted South America.

What they did to Africa, since 1966, is unconscionable. We have mass murder and genocide all over Africa, run by the British, United States, and certain Israeli operations, including Barrick Gold, which is an investment of the father of the present President of the United States! Genocide all over Africa.

We're doing the same thing in other parts of the world. We've been looting the world. We looted Japan, with the "Big Bang." We got the Japanese to print currency to bail out our financial markets, and they're going bankrupt as a result of it. And the Japanese are afraid to say no. We're destroying the world with this system. And we're trying to set up a *military* system, based on an American people who are uneducated, highly opinionated, but ignorant, with no particular skills for any kind of skilled work; we've lost the skills; the jobs have run overseas; the farm area is a disaster area, psychologically and morally, because of what's been done to the farmers. Industrial centers in the United States have been destroyed; and the people in them have been largely destroyed. We don't have families any more; we don't even have latchkey children—our children are being destroyed by the social system which is being developed. We took away people's health care; we stole it from them. We're condemning them to death because we want to get rid of excess population—the best way to do it, is to cut back, through the HMO program—you'll increase the death rate quite nicely. The shutting down of D.C. General Hospital is a typical example of this kind of process.

So, you have a policy, centered in the Democratic Leadership Council, which Joe Lieberman represents, as Al Gore did, and this crew is behind this policy. They're behind the so-called New Economy policy, which has just blown out. This country is no longer the nation that produced a Martin Luther King. It's a different kind of a nation. And Lieberman represents that. So what we're dealing with here is, you're dealing with the inertia of a guy who was an ambitious, *savagely* ambitious person, completely untrustworthy and slimy, controlled by you know not whom; this guy is running for the top position in the Democratic Party in the United States. Ever since Jeffords resigned from the Republican Party, the Congress doesn't work, because you have an alliance in the Congress, typified by the McCain-Lieberman alliance, with Daschle going along with it, and the Congress can't get through a decent piece of legislation. Oh, a couple of things get through there, if the President of the United States wants them, at the time. But you have a system that doesn't work.

So, the Lieberman problem is very simple: Lieberman has to go. Let him sit in the Senate; if Connecticut wants to support him, let 'em support him. But he should not run the Democratic Party! *We* have to take over the Democratic Party! Because there are a lot of good people in there, but they believe that they have to go along with the leaders. Well, I don't know, I don't want to bring the guillotine in, or something like that, but I think we do have to have some change of leadership

around there. And people like the questioner, knows what I mean. We have to get our gumption up. And the people *will* support us. Don't kid yourself. They *will support us*. The American people—now that it's clear to them, that this whole "recovery" was a fraud, a big financial fraud: Don't trust an accountant; never believe an accountant! You gave up on lawyers; now you can give up on accountants too!

So, in this kind of situation, I think the American people, if they sense there's a movement—and I know the American people from a long time. I knew their grandpappies. I know what's inside them. And if the American people see, with a sense that this is the crisis, that this is the time to start moving, we can make earthquakes, political earthquakes throughout the country. And the good Democrats inside the Democratic Party, can take over the Democratic Party, and they'll find cooperation from any good Republicans they find loose on the landscape. We can change this. The world is ready to accept a certain kind of leadership initiative from the United States. And if we show the gumption to our people inside the United States, and to the world, that we're ready to take that step, you'll find that people who have been spitting at us, will suddenly come to like us, and cooperate with us.

How To Get Peace in the Balkans

U.S. correspondent for the Macedonian daily *Vecer*: I would like to ask Mr. LaRouche to turn his attention on the issue of war and peace, actually, the security in the Balkans: because over the past ten years, we had three wars in the Balkans—in Bosnia, in Croatia, and in Kosovo, and in Macedonia last year.

So, we do have three peace agreements there, but we do not have peace, in the sense that there will be no more extremism there, and attacks. So, last week, we did have a Kosovo Parliament resolution which does not recognize the border agreement between two sovereign nations as Serbia and Macedonia are. Do you think that the role of the international community, the role of the United States and NATO, which are involved, deeply involved in this crisis in the Balkans, and soldiers are there also—do you think that they're trying to stabilize the region, or they're doing just the opposite?

LaRouche: The policy involves someone who's very close to Brzezinski: Madeleine Albright, who also has a connection to Condoleezza Rice, of course, who is now the President's teacher, or something, schoolmarm. And they all have this common feature, through the teacher of Condoleezza Rice, Josef Korbel, who's the father of Madeleine Albright. They all have a common feature, and if you look at the common feature, then you understand exactly what's going on.

These people are followers of a policy which was pulled together in 1928 around a book by H.G. Wells, called *The Open Conspiracy*. The Open Conspiracy, which was joined immediately by Bertrand Russell, has been the basis, the center, of the creation internationally, of a proposal for a new Roman Empire, a new kind of Roman Empire, which you can



U.S. destabilization of the Balkans is the work of the policy grouping that traces itself to utopian lunatic H.G. Wells (right). Former Secretary of State Madeleine Albright (left) is a professed Wellsian, and National Security Adviser Condoleezza Rice (center) was trained by Josef Korbel, Albright's father.

find detailed in *The Open Conspiracy*, what the issues are. It was this group, Russell and Wells—Wells, from 1913, was the first political figure, then as an official of the Fabian Society, and an intelligence operative for the British government at the time, wrote a book in which he added a preface—the book was fiction, but the preface was not—and what he proposed was that radioactive weapons, which were now possible, and he referred to Frederick Soddy's proposal on radium, radium bombs—that these should be used as a weapon so terrible, that governments would give up their sovereignty to world government, in order to avoid national wars.

This was the continued policy of Wells and of Russell. It was Russell and Wells and their group, including the Unification of the Sciences group of the United States, the development of cybernetics, the development of all these things, by the same group. The development of the drug programs of the United States; all these things came from this group. To destroy the sovereign nation-state, to create, in effect, a new world government, a new Roman Empire, of a new style, in which an elite, typified by Wells and Russell themselves, would actually run the world as an elite.

Now, this was the kind of thing you would see in a film that was done in the 1930s, composed by Wells, called "The Shape of Things to Come," in which this kind of world empire, post-war world empire, was proposed, with super-weapons.

Now, what this means is, in designing a new Roman Empire: It means that you declare certain areas of the world, as border areas, or what the Romans called "*limes*," the boundaries. What has been designated, is to take the former Yugoslavia, with some adjoining states, and destroy it, to turn it into a no-man's land, a *limes*. Now, what they've done, is they've gone in, and run, after the conclusion of the Desert Storm operation—the reason the United States pulled out of

Iraq in Desert Storm, is because they wanted to get the Balkan wars started. That's why it happened. You want to know why they stopped the war in Iraq? They wanted to get the Balkan wars started. And Powell, who was then in charge of the operation, said no. We can not overextend ourselves. So they decided to go into the Balkan wars.

So the Balkan war is the intention to *destroy the Balkans*—a *limes* principle. Just as the declaration by Brzezinski, who is also a follower of this H.G. Wells philosophy—he's a fascist, just like the rest of them—is to destroy Islam, and to make Islam a *limes* area; by declaring Islam as an outlaw, a free-fire zone, you can destroy and control the countries which border on Islam. You can control Central Asia. You can destroy China, and one of the long-term objectives of this, is to destroy China. But the way you do it, is the way the Romans did it, with their *limes* policy—the Roman Empire—is you use military forces, as legionnaires of the professional army of the type described by Huntington and company; use that kind of army, which is our special warfare army, deployed in every part of the world, using naval power and air power, over the territory—just the way navies used to be used in the old days—and troops going in, hit-and-run troops, operations, guerrilla warfare, and so forth, playing one side against the other.

So the intention here, on the part of this faction in Britain, and in the United States, a faction typified by Madeleine Albright, her father Josef Korbel, and Brzezinski, is to destroy the Balkans.

So, what happened is, as you know, the Kosovo destabilization, in the case of Albania—was organized by the British, and by Madeleine Albright, to create precisely the problems which Macedonia faces now.

And the best thing I can say—practically, of course, my

attitude about this is obvious. What I think should be done is obvious. My answer is that we should be developing the Balkans, with large-scale projects, because the Balkans is an essential part of the underbelly of Europe as a whole. If you wish to develop Europe effectively, if you wish to develop the connections, the trade connections, the economic connections, to the Middle East and other parts of Asia, you develop the Balkans. [Freeman interrupts here.]

Greetings From a Malvinas War Hero

Freeman: We have on the phone right now, Col. Mohamad Alí Seineldín, who is a distinguished military hero [applause], who led his nation's troops during the Malvinas War. He is speaking to us today from a prison in Argentina.

Colonel Seineldín: My great brother, friend of humanity, my good friend, Lyndon LaRouche.

This is Col. Mohamad Alí Seineldín, speaking to you from the military prison camp, of Campo de Mayo, in the Republic of Argentina. Who sends you a very warm embrace, and my tremendous joy in being able to share in your orders, this hard, but marvelous struggle, for the good of humanity, and for a better world.

You can be absolutely certain that from Ibero-America, together with our common friends Marivilia Carrasco, Lorenzo Carrasco, Gerardo Terán, and many others, we are struggling for a triumph of your ideas, and your projects, which are now being accepted, and propagated throughout all circles.

One of the most evident facts of this is the integration we have achieved between Argentina and Brazil, which is advancing with a lot of strength, and a lot of faith. And the other one is the acceptance, without a doubt, of your economic proposal, which is the only lifesaver for those nations of Ibero-America that are currently being destroyed.

Finally, so as not to extend myself too much, be aware of the fact that we are working with the message, your message, for unity. Either we hang together, or we will be hung together. The alternative we face in this crucial moment: Either we continue with the destruction of the world that has been carried out by the international establishment, the Bushes, Soroses, the Kissingers, etc.—or, we raise the standard of the reconstruction of the world with the gentleman, and patriarch, Lyndon LaRouche.

I pray to God and to Mary of Mercy, for the good that you represent to triumph, and we can save humanity, and the human species from the danger which it faces today.

For God and the great Ibero-American Fatherland, Mohamad Alí Seineldín, former colonel. [applause]

Freeman: Colonel Seineldín, we look forward to the day when we can host you here in Washington.

Seineldín: With my entire pleasure, I am looking forward to that opportunity, and thank you very much for having given me the opportunity to speak to Mr. Lyndon LaRouche.

LaRouche: Thank you very much, Colonel Seineldín.



Malvinas War hero, former Col. Mohamad Alí Seineldín delivered his greetings to the webcast, from his prison cell in the military Campo de Mayo Prison in Argentina.

Freeman: Lyn, would you like to say anything?

LaRouche: Well, it speaks for itself. What can I say? Can you top this?

Freeman: That was certainly a treat.

Before I take our next question, Lyn, before I interrupted you, do you have anything that you want to go back to, on that previous question, or shall we move ahead?

LaRouche: Just one final point. It's that, what is needed is a contrary policy to the present policy. I think Europeans would tend to support it, without U.S. pressure to the contrary. And that is the idea, that there should be a development project with the idea that the whole region below the Danube, to the Mediterranean, and to the Black Sea, should be a *development area* with large-scale projects, linked with the idea that this is a natural underbelly of Europe, and therefore it should be developed, with its economic potential, as the underbelly, and I think the nonsense would stop. I think the military nonsense could be controlled. There are forces who would very much love to control this mess, but the United States and Britain won't let them. If the United States and Britain would let these forces act, the mess would be cleaned up. You would have stability, and if there was a commitment to an economic development program, it would work. And that's what the area needs.

Stop Fascism in Amreica

Freeman: Okay. The next question is one that has been submitted by **the youth committee of the Congressional Black Caucus Foundation**. That question is as follows: "Mr. LaRouche, we are rapidly approaching the Summer, and we are doing so in a period not only of economic collapse, but also of social collapse. There are almost no jobs available for inner-city youth, and we are faced with large numbers of idle youth, during hot weather, under very bad conditions. We are



Franklin D. Roosevelt in Seattle, 1932. “If we do not decide to change the present economic system, back to the kind of model that Franklin Roosevelt represented, over 1933, through the continuation of his policies, in partial form, through 1965, there is no hope for the United States.”

extremely concerned as to what the plight of American cities will be during these Summer months, particularly given the fact that we fear that current Attorney General John Ashcroft, and the people around him, will use this situation to consolidate top-down control.

We are not convinced, that the situation in America’s cities will not become the equivalent of the kind of treatment that is currently being meted out to Palestinians in the Middle East.

We are not sure, whether or not Homeland Security, or the policy that you’ve referred to as the U.S. Northcom operation, is relevant to this or not, but, either way, we believe that we face a significant problem this Summer. Do you have any thoughts on this?

LaRouche: It’s all true.

First of all—but you have to look at this historically; you have to look at this in a strategic, historic way, not just an “issue” way. Because it’s much bigger than any issue in the particular sense.

What the U.S. government is tending to do now, under present economic and strategic policies, particularly since the reaction to Sept. 11, especially since the beginning of this year, the United States is embarked on a course which cannot be maintained, unless the United States becomes a fascist state, in the full sense of the term “Nazi.” The elements are there. The tendencies are there.

You had, for example, in Germany, you had the comparison of 1931 to 1932, before 1933, you had these movements which were all moving already in a direction toward establishing a totalitarian state. The British, and certain people in New York, decided to make Hitler, and his movement, the choice. Hitler was bankrupt, he was about ready to fold up, in December of 1932. And money from New York, from Harriman, that

great Democrat, and his circles, through the British circles, went to bail out the Nazi Party, and kept it alive, and through those same influences, with von Papen and others, they got the President of Germany to put Hitler into the Chancellery on Jan. 30, in ’33, just shortly before the time that Roosevelt was going to be inaugurated in the United States.

Now, if that had not happened, Germany would have adopted the same policy, or similar policies, to those of Franklin Roosevelt, for recovery. In that case, no war would have ever occurred. No Nazism would have ever occurred.

Now, we’re facing a similar situation in the United States itself. If this were to continue, unabated, the United States would become a fascist, terror state in the full sense of the word. And

the Homeland Defense, and other measures, would be instruments used to bring that into place. Ashcroft has already made moves in that direction, whether he understands it or not.

The irony of the situation is this: The United States is now embarked, under the current President—I don’t think he knows what’s happening to him, but he’s going along with it, because, I guess, Condoleezza tells him it’s all right—but he’s embarked on the Roman model, to set up a Roman Empire, based on English-speaking interests who rule the world as a Roman Empire. The problem here is, that when the Roman Empire was established, Rome was at the height of its power in the Mediterranean region. This empire is attempting to be established at a time that the United States is at its weakest internally, worldwide. It is ready to collapse.

We are in an economic crisis, a monetary-financial crisis, *which can mean a total collapse*. A physical collapse. The United States is trying to run wars all over the world. It does not have the capability of mobilizing for wars all over the world! It has nuclear bombs, thermonuclear bombs; it has bombers, which are aging somewhat. It is producing some new hardware in factories which need a bailout, because Bush’s friends have interests, stock, in those factories. But for the economy itself, there is no basis, there is no war economy. So, the idea that the United States could repeat the Hitler war-economy model—it’s not true. The United States is in worse condition, today, as an economy, than Germany was in the beginning of the 1930s. It can not do what the Nazis did.

So, under these conditions, with the breakdown of the system, and more and more of the world not only frightened, but *hating* the United States, and these policies, we’re at a point where nothing is a foregone conclusion.

If we decide, if enough people around the world decide, this is not going to happen, it will not happen. But if we *don’t*

decide that, it will happen. If we do not decide to *change* the present economic system, back to the kind of model that Franklin Roosevelt represented, over 1933, through the continuation of his policies, in partial form, through 1965, *there is no hope for the United States*. Nor is there any hope for any of these problems. We are not going to solve any of these problems unless we have a change in the general economic policy of the United States—a fundamental swing, away from the policies of the past 35 years, to the policies more in keeping with the Roosevelt Administration, and post-war reconstruction. Without that, there's not a chance for the United States. That's why I spoke of courage today. Because there is no middle ground. There is no compromise. You can not compromise with Satan, when Hell's under siege. And that's the problem.

We have to move forth *positively*, not just negatively. Not against things that are bad—that won't work. You've got to move for things that are good; you must, in a time of crisis, not run around screaming how bad it is: You must inspire confidence by coming forth with programs which actually will give you the new kind of system which will deal with the problems. And that's what's needed.

We must take over the Democratic Party right now!

And as many Republicans who want to come along, they're welcome.

Freeman: On that note, before I take the next question, I'd like to just introduce someone whom I think everybody may already know, but we have Nancy Spannaus, who is the editor of *New Federalist*, but who also is seeking the Democratic nomination for Senate from the state of Virginia.

I think Nancy is accepting volunteer labor, and I know that she has a table out back, which I would invite all of you to visit. . . .

Ecumenicism versus the Roman Pantheon

Lyn, the next question, which is kind of a statement and a question—it was submitted by **Monsignor H—, who is the director emeritus of Boys Town in Omaha, Nebraska**. He writes:

“Dear Lyn,

“It is useful in times like these to have a life span, as you and I do, and as does our beloved friend Pope John Paul II, of just short of a century. It also helps to be punching a time clock that reads Eternity, rather than any particular day or hour, so then, you are looking at any event with a vision of the eternal, rather than just reacting to things.



LaRouche Democrat Nancy Spannaus campaigning for Virginia's U.S. Senate seat during a support rally for Palestinian rights, in Washington.

“It also helps to have a lot of guts. Look at the Holy Father: He's apologized for everything from the Crusades to the Inquisition, and for the abuse of any child—whether by abortion, starvation, or sex. We should be spreading *his* example; his apologies have been some of the most important additions to the moral authority of the Roman Catholic Church.

“Look around and see that all our major institutions, from the White House to St. Peter's, are under attack; then ask, as I do, and as the Bishops meeting in Dallas next week must do: Who benefits from this mob mentality, screaming against the institution of the Catholic Church: ‘Crucify him! Crucify him!’?”

“Now, you know that I am no newcomer to uncovering cover-ups. In 1973, after observing the goings-on of a new assistant assigned to me one week before, I went to the then-Archbishop and told him to do something about this guy. Anyone who could face up to what was going on could see it. But it was only last year, after decades of blinders-wearing bureaucracies, that anyone took this guy on. Today, he is sitting in a jail cell in Lincoln, Nebraska. I was ready to deal with it after one week. And, of course, you know that when I went to Boys Town, and had to have a 24-hour-a-day police guard, because I was cleaning up that mess, some people chose to use me for target practice. On one hand, you can roll up your sleeves, wade into the pig pen and clean it up; or on the other hand, you start letting the wildlife manage the humans.

“In Wisconsin this week, the TV news was going after some priest's, allegedly, miserable sins. He died 12 years ago and the TV news went out to the cemetery and broadcast pictures of his grave! I'd say they're really working hard to dig something up.

“So, in light of our combined ages, experiences and cour-

age, I think a couple of things are worth bringing up before those young fellows meet in Dallas next week.

“One, is the interesting article that appeared in *EIR* magazine about some really big sinners on the Pentagon side of the Beltway—in what some people have been calling the ‘Robert Hanssen diocese,’ sometimes known as Utopia.

“The other, is some things that Mother Teresa spoke to some of us about, which we should think about at a time like this. Among one of the useful things I did, was to have introduced one of your ‘female officer corps’ to Mother Teresa while that saint was still walking this Earth. Many of us had recognized the difference in quality of religious vocations when the ‘60s rolled around. It was quite a bit different than what we had dealt with before, and we’re seeing some of the fruits and nuts of it now.

“Your lieutenant talked with Mother Teresa, as she also did with me, about how at the very beginning of these roaring ‘60s, while these kids were still wearing beards and beads, you developed an inoculation so that they could walk through Sodom and its sister cities and not be infected or afraid. Mother Teresa spoke of what you taught these kids as being like the sign of the Cross drawn with the living ashes of repentance, which would allow these young people to spread to others your inoculation against the moral decay surrounding them. This is preparation to live in eternal reality, instead of, what they call these days, ‘virtual reality.’ This is how these young people continue to fend off the ravages of the terrible disease ‘baby boomeritis’ and lead their generation today.

“When Mother Teresa talked about how you did this, one could not forget it, since she was very funny, very blunt, and often very embarrassing.

“I’m bringing these things up right now, because I think we older fellows might be able to give some younger ones, who are preparing for their meeting in Dallas, some good advice. They sure could use it.”

You got any advice, Lyn?

LaRouche: Well, I would just say that there is a comment on this thing, because of the problem he refers to, is: There’s a movement which is centered around the British royal family, to create a world religion; to dissolve existing religious, into a world religion, as a part of an empire.

Now, recall that the way that the Romans set up their control, they set up this system of Pontifex Maximus, in which the emperor was the head of the religion. You had some people who had similar ideas in later times. You had, for example, Louis XIV of France, who made himself the Sun-King; he made himself the head of an organized religion. And the French religion was then to worship the Sun-King.

You had the case of Napoleon Bonaparte, who imitated Louis XIV, and made himself again a Sun-King. He was the first fascist, so you get the idea.

So, what is afoot today is the attempt to destroy what might be called traditional religious bodies, and to grind them up, as in a blender, and come out with a kind of soup. For

example, the typical form of this, which is typical in the United States, you have a pro-fascist group, associated with the Hanssen case in Northern Virginia—Robert Hanssen, the FBI man with a funny sex life. And this group is closely affiliated around the so-called single-issuism, with the right-wing thunderboys like Robertson and Falwell.

So what you have, is you have the extreme, almost Satanic quality of fundamentalist, complete fakers and frauds and so forth, “Diamond Pat” Robertson—these guys are in bed, politically, in what originally was called the Christian Coalition (they then discreetly changed that) with these so-called Catholics, who have exactly the same fundamental politics, but they have it in a different variety. What you’ve got then, is a pantheonic formation. You have different religious cults, but they’re all controlled by a mother cult, a world religion. And this is no good. This is the substitute for ecumenicism. And I say, sometimes I think every priest wants to dictate catechism, and not enough of them are missionaries, who want to nourish and save souls, and help people save themselves.

The missionary impulse, which I think is the recommended one, is, we should look at every human being as made in the image of the Creator, and we should try to, as a good missionary does, try to say what we have to say, to that person on that basis. And view every person as precious. And if they believe that man is made in the image of the Creator, and has certain responsibilities thereby, we already have a pretty good start. We don’t need any pantheon. We don’t need some world dictator, specifying what are and what are not approved religions. We simply have to have an ecumenical fraternity, of the type that Moses Mendelssohn, who was an Orthodox Jew to the day he died, represented in his time. And which actually Philo Judaeus, earlier, represented for Jews. We need that ecumenical view, of mankind, particularly Jews, Muslims, and Christians, who have to set the example, for the believers in this common principle of God and man.

And whatever differences we have, fine. But let us deal with each other only on that basis. And this kind of corruption that we’re being subjected to now, would fade away. We start to get into single-issue debates, and fights over this, and agreements on this, and so forth—this is when the enemy comes in. And you’d think Mephistopheles has come in, and taken over the whole joint, the whole operation. And everybody’s a Faust.

So, I think this is an important issue. I think more people should be aware of it. You saw the protests against the Middle East atrocities. Most of the basic churches, the established churches, religious bodies in the United States, protested against it. But only the nuts, who were for Sharon, were heard by the press. The honest Christians, the honest Muslims, the honest Jews, were not heard. Only the nuts were heard. And that’s frightening.

And that’s what I think is the message that should go to Dallas.

Council Wants Hospital At D.C. General Site

by Edward Spannaus

The Council of the District of Columbia will require that a full-service hospital be built on the site of the present D.C. General Hospital, and will make that a condition for any redevelopment of the 67-acre site. This was announced by the Chairman of the Council, Linda Cropp, at the beginning of a hearing held on May 28 on the Draft Master Plan for Public Reservation 13 (the D.C. General site) which has been submitted to the Council for approval. (See *EIR*, May 31, p. 45.)

The announcement of the Council's position puts the them once again at odds with Mayor Anthony Williams and the D.C. Department of Health, both of which deny that a new hospital is needed, and both of which supported the shutdown of D.C. General last year, over the unanimous opposition of the Council.

Cropp's announcement signifies that the battleground has now shifted, from the fight over whether there should be a hospital, to the question of what kind of a hospital it should be. The privateers who took over the District's public health system last year, Doctors Community Healthcare Corp. (DCHC)—who have been investigated and sued in a number of jurisdictions for fraudulent practices and even racketeering—are angling to build a private hospital (120-200 beds) on the site, which would only compound the injury that was done when the District's public-health safety net was torn away last year. Others have proposed a new public hospital, to be affiliated with a major teaching hospital (as D.C. General had been), or even with the National Institutes of Health.

The most far-reaching proposal is that published in the May 31 issue of *EIR*, by Democratic Presidential candidate Lyndon LaRouche, for the reconstituting of D.C. General as an adjunct of the U.S. Surgeon General and the Public Health Service, as the spear-point of a national health-care security program.

LaRouche Proposal Presented

LaRouche's proposal was presented to the D.C. Council hearing, in testimony by Lynne Speed, representing the LaRouche National Medical Task Force and the Coalition to restore D.C. General Hospital, and by *EIR*'s Edward Spannaus.

Speed's testimony cited the damage to the general welfare caused by Mayor Williams and D.C. Congressional Delegate Eleanor Holmes Norton in closing the only public hospital in the District, and summarized the LaRouche proposal, with the

full text of LaRouche's "The Case for D.C. General Hospital" appended to her testimony. Speed requested that the Council 1) withhold approval of any plans for Reservation 13 unless and until a full-service public hospital were guaranteed for that site; and 2) petition the U.S. Congress to take Federal responsibility for funding and provision of such a hospital, given the unique situation of the capital of the nation.

Spannaus said that everything that the LaRouche movement had said would follow the shutdown, is now happening—with both the real-estate land grab, and the rising death toll and tens of thousands of people, many of them uninsured, formerly served by D.C. General thrown on the scrapheap. He then showed that the D.C. General site was always intended for public health purposes, going back to George Washington and the L'Enfant Plan—the 1791 design for the nation's capital by architect Charles L'Enfant. President Washington was insistent that the public reservations were a perpetual trust for the Republic, and must never be diverted for private purposes. Spannaus urged the Council to dump the Master Plan, go back to an earlier 1977 Master Plan for an upgraded D.C. General Hospital consistent with the L'Enfant Plan, and to ask Congress to exercise its Federal responsibility for the hospital as LaRouche has proposed.

Many other witnesses also called for a full-service public hospital, pointing out that D.C. General was a world-class hospital, and that a new hospital on that site should be the anchor for health care for the entire city.

The Council's Desperation

Council Chair Cropp and other members left open the question of whether the new hospital would be public or private, with Council member David Catania saying, for example, that he would not be opposed to a privately operated hospital "with a public purpose," including treatment of the indigent who used to be served by D.C. General.

Some Council members also said that if a hospital is built on part of the site, other parts of the site could be used for other purposes; some say they are even considering selling part of the site to private developers. Sources close to the Council report that the Council believes, because of the District's precarious financial situation, and the unwillingness of Congress to take any action, that the only means of obtaining financing for a new hospital would be through DCHC.

This is an indication of the desperation of the Council to get a new hospital by any means possible, since last year, during the fight over the privatization plan, the financial *bona fides* of DCHC were a major issue. Councilman Catania, for example, assembled a package of materials entitled, "The Case Against Contracting with DCHC," citing as among his leading concerns, that DCHC "is deeply in debt and unprofitable," and that it "has a reputation for its inability to complete deals and for 11th-hour demands in negotiations."

LaRouche's proposal, for Federal financing of a reconstituted public hospital, points the only way out of this impasse.

Senate Dems Counter GOP Welfare Reform Bill

On May 23, Paul Wellstone (D-Minn.) and other Democratic senators proposed a welfare reform package, to be taken up by the Senate Finance Committee. Wellstone called the bill passed by the House on May 16 “harsh and punitive,” because it “undercuts the efforts of some of the best performing states which want flexibility to be able to provide people with training and education so that they can get out of poverty, so they can support their children.” He described it as a “one-size-fits-all effort” which seems to have as its goal to keep people busy for 40 hours per week. “It now falls to the Senate,” he said, “to write a TANF [Temporary Assistance to Needy Families] reauthorization bill that demonstrates genuine compassion and focuses on real reform by providing families with services and the supports they need to move out of welfare and out of poverty.”

Wellstone’s package has five parts. The first would increase funding for education and training. The second would increase access to child care, transportation, wage subsidies, and job training. Wellstone said that \$11.25 billion is needed for child-care over the next five years, whereas the House bill provides only about \$1 billion. The third part would provide support for families struggling against domestic violence, mental illness, substance abuse, and similar types of problems. The fourth would ensure that TANF recipients enjoy the same workplace protections that others have, and the fifth would reverse the cutoff of benefits to legal immigrants that was part of the 1996 legislation.

Edward M. Kennedy (D-Mass.) said, “Americans want to work, but we cannot throw workers into low-wage, dead-end jobs and expect them to support their families. We cannot force workers into jobs for which they have

no skills and expect them to succeed.” While welfare roles have declined since the 1996 reform, “over 31 million Americans, including 12 million children, continue to live in poverty.” But Democrats in Congress are not challenging the underlying premise of the 1996 bill; that poverty is the result of people’s behavior, rather than of failure of national economic policy.

Debt Limit Poisons Debate on Supplemental

The question of whether to increase the statutory debt limit by \$750 billion, took over the House debate on the FY 2002 supplemental appropriations bill. The debate, over May 22-24, was characterized by charges and countercharges of fiscal irresponsibility. The source of the bitterness was not the bill, but what happened to it once it was taken up by the Rules Committee.

The bill went into the Rules Committee as a \$29.4 billion (later revised downwards to \$28.8 billion) straight appropriations bill to address military and homeland security requirements, plus \$5.5 billion for disaster recovery for New York City. It left the committee with the debt limit provision and a provision “deeming” the FY 2003 budget resolution to be a conference report on the presumption that the Senate will not pass a budget resolution.

Democrats were livid when the rule came out. Rep. Martin Frost (D-Tex.) said that the rule “uses a war on terrorism as cover to take care of as many political problems as they can think of.” Democrats charged that the rule was designed so that Republicans would not have to go on record as supporting the debt limit increase.

The rule narrowly passed by a vote of 216 to 209, and the bill passed by a vote of 280 to 138. The debate was

bitter. At one point, when Republicans objected to their assertions being questioned by Democrats, David Obey (D-Wisc.) said that it appeared the GOP tactic was to make “erroneous statements that have nothing whatsoever to do with the truth, and then refuse to debate the issue by yielding time.”

The Senate has agreed to take up its version of the supplemental on June 3.

Minimum Wage Increase Backed by Democrats

On May 22, Majority Leader Tom Daschle (D-S.D.) sought unanimous consent for the Senate to take up an increase in the minimum wage by June 24. The bill, sponsored by Edward Kennedy (D-Mass.), would increase the minimum wage by \$1.50 per hour over two years from the current \$5.15 per hour.

Kennedy told the Senate that it has been six years since the last increase in the minimum wage, and the purchasing power of the minimum wage has fallen by 12% during that time. “The current minimum wage,” he said, “does not provide enough income to allow full-time workers to afford adequate housing in any area of the country.” Daschle added, “How ironic it would be if in the same Congress that passed tax breaks for those at the very top, tax breaks worth \$50,000 a year to those in the top 1%, we could not do something to address the needs of those at the lowest end of the income scale.”

Daschle’s suggestion was objected to by someone who has spared no effort to provide breaks to those at the highest income levels—Sen. Phil Gramm (R-Tex.). Gramm claimed that the number of children in poverty has declined by 20% in the last six years, without an increase in the mini-

mum wage. He said the trade bill is “more important to working people making low incomes than any minimum wage law that has ever been adopted by any legislative body in history.” He also said that the minimum wage, “by setting artificially high wages, . . . prevents people from getting their foot on the first rung of the economic ladder.”

Kennedy accused Gramm of treating his bill as if it were an amendment to the trade bill. “As I understand his comments,” Kennedy said, Gramm “is prepared to debate it, but he is going to object to any consideration to give the Senate . . . an opportunity to act on it before the July recess.”

Daschle Wants Panel To Investigate Sept. 11

On May 24, Senate Majority Leader Tom Daschle (D-S.D.) told reporters that he hopes to move legislation to establish a commission to investigate intelligence failures leading to the Sept. 11 attacks, sometime after the Memorial Day recess. He said that the most recent news of a Minnesota-based FBI agent claiming that there was a lot of information sent to FBI headquarters that was ignored, is yet another example of the need for a commission.

The question is: How many Republicans will support establishing a commission? The GOP leadership in both Houses is opposed, but Sen. John McCain (R-Ariz.) joined with Sen. Joe Lieberman (D-Conn.) to co-sponsor the bill. Daschle said, “If we can get the requisite number of Republicans to get this legislation through the Senate, I intend to do it.”

Meanwhile, a joint investigation by the Intelligence Committees of the House and Senate is moving ahead. Less than an hour after Daschle made

his remarks, Bob Graham (D-Fla.) and Porter Goss (R-Fla.), the chairmen of the Senate and House Intelligence Committees, respectively, announced that they plan to begin hearings on June 4 and continue them through the Summer. The hearings will be closed at first, but Graham said he expects the first open hearing during the last week of June. According to Graham, the 23 staff members involved in the investigation have already conducted 175 interviews and collected 30,000 documents.

Neither Graham nor Goss were put off by Daschle’s announcement. Graham said, “We are going to carry out our responsibility to do overview of the intelligence community.” Goss added, “We are not in any way being deflected from our main mission.”

Border Security Bill Raises Constitutional Concerns

On May 22, the House passed, by a vote of 327 to 101, a bill to strengthen border security against possible terrorist attacks. While the bill, in the form of an authorization for the U.S. Customs Service, addresses the full operations and organization of the Customs Service, it has two provisions that caused problems for Democrats. One would give immunity from liability to Customs officers for searches of persons “carried out in good faith.” Another would allow Customs to search mail going out of the country, an authority they now do not have.

Charles Rangel (D-N.Y.) warned that the first provision was a violation of the Fourth Amendment to the U.S. Constitution. “In our fight against terrorism,” he said, “we must make certain that we do not do damage to the principles of civil rights and certainly not do damage to the Constitutional rights of American citizens.” The

Democratic substitute, which would have overturned both provisions, was defeated by a vote of 231 to 197.

Bioterrorism Bill Ready For Bush’s Signature

On May 23, the Senate passed, by voice vote, the conference report on a bill originally co-sponsored by Edward M. Kennedy (D-Mass.) and Bill Frist (R-Tenn.), and in the House by Billy Tauzin (R-La.) and John Dingell (D-Mich.).

The bill, which passed the House on a 425 to 1 vote the day before, provides for improved coordination and communications among Federal, state, and local public health officials; provides grants for education and training of emergency services personnel and bioterrorism preparedness for hospitals; tightens controls on biological agents used in research; strengthens the Food and Drug Administration’s ability to protect against biological agents being introduced into the food supply; and enhances security of drinking water systems.

The bill arises from recognition, in the aftermath of the Sept. 11 attacks and the anthrax scare that followed, that the public health system is woefully unprepared to deal with any kind of major disease outbreak. Rep. John Shimkus (R-Ill.) noted that the anthrax attacks, “though small in scale . . . strained the public health system and raised concern that the nation is insufficiently prepared to respond to bioterrorist attacks.” In the Senate, Kennedy said, “Too many hospitals, crippled by savage cutbacks in their funding under Medicare and Medicaid, cannot make the investments needed to prepare for bioterrorism.”

The bill is intended to address these concerns, but provides only \$4.6 billion in funding.

National News

Democrat 'Centrists' Promote John McCain

Sen. Joseph Lieberman's Democratic Leadership Council (DLC), carries two articles in the current issue of its magazine *Blueprint*, by right-wing ideologues: Marshall Wittmann, of the Hudson Institute and its Bull Moose Party project; and Tod Lindberg, of the Hoover Institution, recent editorial page editor of the *Washington Times*. Both DLC pieces praise Republican Sen. John McCain (Ariz.) as the new Teddy Roosevelt. They portray "TR," at some length, as a progressive hero, against the reactionary President William McKinley.

The Lindberg piece praises McCain's "rogue state rollback" policy, and Attorney General John Ashcroft's "Freedom Corps" (which includes the blockwatch and mass FBI-informants programs). It demands overwhelming government "energy" in the nation's "new task" of fighting terrorism.

The Hudson Institute is a "conservative think-tank" sponsored by the Pulliam family of Indiana. Eugene Pulliam (grandfather of Dan Quayle) was a newspaper-man promoter of Teddy Roosevelt and J.P. Morgan against the McKinley wing of the Republican party.

At the end of his piece boosting McCain, who is now being promoted as a "Bull Moose" Presidential third candidate, Wittmann warns President Bush, "The war has brought out his [Bush's] inner TR, but he needs to leave his inner McKinley behind."

401(k)s and the Illusion of Wealth

"In the long economic expansions of the 1980s and 90s, the wealth of middle Americans seemed to rise," writes *New York Times* financial columnist Louis Uchitelle. "Their stock portfolios and home ownership gave them the appearance of growing richer. But

now it turns out that net worth went down, not up."

According to a study by New York University economist Edward N. Wolff, the main culprit is shrinking pensions, but rising debt associated with mortgages and home equity loans also took their toll.

"I think the 401(k) is a real scam," says Wolff. He says that people look at the balances in their "401(k)" private pension plans, and think they've made a lot of money, not realizing that their company-paid pensions are disappearing. But had they put their money in those company-paid pensions, they would still be better off, than by investing their money in a 401(k).

By Wolff's calculations, the median wealth for households in which the major breadwinner is between 47 and 64 years old, has declined by 13.5% from 1983 to 1998, the last year for which data are available.

Internet Kills Game Player, 21

A young "Sony Online" video-game player committed suicide last Thanksgiving in Hudson, Wisconsin while playing a game called "EverQuest," to which he was addicted. This is a gaming "guild," which has 430,000 registered players worldwide, large numbers of whom play 20 hours per week or more. The virtual-reality game is nicknamed "EverCrack" by players, because of its addictive potential.

The incident was made public only on May 25 by the boy's mother, who founded a group called Online Gamers Anonymous. Shawn Woolsey was found sitting before his computer screen next to a .22 caliber rifle, with which police say he shot himself. The police said that he had been playing the game for nine days straight. His apartment was cluttered with pizza boxes and chicken bones.

EverQuest is one of the most popular "Massively Multiplayer Online Role-Playing Games." The game especially attracts teenagers, who, according to doctors, are

"depressed and insecure." The players form teams or "guilds" worldwide "in a never-ending journey to earn points and slay monsters." Peer pressure is a key element, which dissuades an individual from logging off, because it may hurt the guild's chances of winning. If a player wants to quit a session without losing points, the process can take hours.

The vice-president of Sony Online responded to the suicide, saying the game is just another form of "entertainment."

Outrage Over Suicide Bomber Video Game

The newest killer-video game to hit the market in Great Britain, is called "Kaboom!" Players assume the role of a suicide bomber, and try to kill as many people as possible. The London *Sunday Telegraph* wrote on May 26: "'Kaboom!' has been copied onto thousands of computers across Britain, and is circulating freely on the Internet. Players move their suicide bomber along a busy street, to get as close as possible to the maximum number of innocent civilians. At the opportune moment, they click on their mouse, and the terrorist opens his coat, to reveal grenades strapped to his body, then explodes in a shower of bloody limbs. Scoring is broken down into tallies of dead or injured men, women, and children. Players are already posting their scores on the Internet, with comments such as: 'Seven dead with one blast was my best. Fantasy fulfillment at its best.' Other suggestions include: 'Let's get more realistic. Bring some police and buses in. I wish you could kill more people.'"

The game's author is an anonymous 23-year-old from Houston, who uses the alias "Fabulous999," who says, on his website: "You'll start in Israel, and work your way across Europe, and end up in America. Each country will have missions, such as injure three women or kill two children without injuring any adults."

According to the *Sunday Telegraph*, "Kaboom!" first appeared, on the website

CALIFORNIA'S housing bubble is still inflating. According to the Association of Realtors on May 28, the median price of an existing single-family home in the state jumped 26.1% in April, compared to a year ago, to a record \$321,950. In the San Francisco Bay Area (but excluding Napa and Sonoma Counties), only 23% of people could afford the median price of \$530,000 for an existing single-family home—the highest in the country—according to a CAR survey done in April.

A U.S. SOLDIER was arrested on May 25 for attempting to bomb a power plant. In an odd story, coming amid so many terror alerts, a soldier from Fort Stewart was arrested by Jacksonville, Florida police. Dressed totally in black, he had armed himself, and then planted explosives at a Florida Power and Light plant, but he was stopped while speeding away from the plant. Sgt. Derek Peterson, 27, is being held on \$5 million bond.

PAKISTANI immigrants being detained over alleged Florida bomb threats argued that an FBI informant, identified only as “Mohammad,” had incited them, according to Associated Press. Imran Mandhai, 19, and Shueyb Mossa Jokhan, 24, were ordered held without bail on May 28 by a Fort Lauderdale magistrate, who had reviewed transcripts of conversations the two had had with the informant in March-April 2001, in which they discussed possible bombings of electrical transformers, a National Guard armory, and attacks on Jewish residents in south Florida.

HOMELESSNESS is rising in the Washington, D.C. area, compared to last year, especially among the fully employed, and among children, according to the Metropolitan Council of Governments. Homelessness is now evenly divided between the city and its (mostly “wealthy”) suburbs. Rising housing costs, the ongoing economic depression, and fragmented services for people suffering mental illness and addiction, were cited as reasons.

newsgrounds.com. It has registered more than 750,000 “views.” Tom Fulp, the creator of the newsgroups site, and of games such as “Assassin” and “Club a Seal,” refuses to remove “Kaboom!” insisting that “newsgroups will continue to protect the freedom to make extreme games.”

There have been various denunciations, including from British Jewish community leader Lord Janner, who called it “grotesque, unacceptable, and uncivilized.” Fiona Macaulay, a spokeswoman for the Board of Deputies of British Jews, called it “obscene,” adding, “We will be investigating if it contravenes legislation covering incitement to violence, and reporting the site to Internet watchdog agencies.”

Death Agony of Energy Pirates

As *EIR* repeatedly observed, the “energy-pirate” trading business which exploded out of nowhere with the advent of gas and electricity deregulation in the United States, producing Fortune 500 leaders out of unknown companies, was not viable without high and rising energy prices; and even then, it was not nearly as profitable as claimed.

When the decisions were made in mid-2001 to take certain energy-regulatory steps which checked the rise of energy prices, in order to undercut LaRouche’s leadership of the growing public outrage, one effect was to blow out the pirates. Enron, which had apparently bet the farm on its ability to keep prices high through market manipulation, was the first to go. Following Enron down the slippery slope toward oblivion are the remaining pirates, including AES, Dynegy, Reliant Resources, CMS Energy, and Mirant.

The market capitalization of AES has fallen from a peak of \$27.3 billion to \$3.6 billion; Dynegy, which nine months ago was priming itself to buy up failing Enron, has seen its capitalization fall from \$18.9 billion to \$3.6 billion; Reliant Resources from \$10.7 billion to \$2.9 billion (and parent Reli-

ant Energy from \$14.8 billion to \$5.3 billion); Mirant from \$16 billion to \$4 billion; and Williams from \$21.9 billion to \$8.8 billion. The recent management shake-ups at Dynegy, Reliant, and CMS Energy are indicative of this continuing collapse.

Dynegy’s Chairman and CEO Charles Watson was forced to resign on May 27, amid a Securities and Exchange Commission inquiry into something called Project Alpha, an off-balance-sheet entity which Dynegy created to conceal debt. There are also charges that it engaged in sham energy trades in order to falsely boost its revenue.

Virginia Governor Endorses Republican

Virginia’s Governor, Democrat Mark Warner, effectively endorsed Republican John Warner’s Senate re-election, on the “Ask the Governor” program on Washington’s WTOP radio station on May 28.

Asked why there is no party opposition to the Republican Senator, Mark Warner answered: “John Warner is a tough challenge; he represents well Virginia, and fights very, very hard on a number of critical issues. That being said, no one has stepped forward who I believe is going to mount a credible campaign.” Asked if anyone would have a chance, Mark Warner said, “It’s a very uphill battle. To take on an incumbent Senator, or Congressman, unless you put in a lot of groundwork and build a base. It’s always a challenge to take on an incumbent, even more if you’re trying to start five months out with no name recognition.”

Governor Warner’s cross-party “endorsement” came on the eve of the Democratic Party’s final opportunity to nominate a candidate, and with LaRouche Democrat Nancy Spannaus actively seeking the party’s nomination against Senator Warner. It tends to confirm rumors that Governor Warner has made a deal (as did his predecessor, Democrat Doug Wilder) with the Senator—and doesn’t want anyone to run against him.

Ashcroft Scraps Post-Cointelpro FBI Guidelines

On May 30, Attorney General John Ashcroft and his hand-picked FBI Director, Robert Mueller, announced wholesale revision of the guidelines for FBI investigations, throwing out virtually all of the reforms which had been made in the wake of the exposures of the FBI's Cointelpro operations and the widespread violations of constitutional rights which were rampant in the 1950s and '60s. No one should be surprised.

Lyndon LaRouche warned you, when Ashcroft's nomination was before the Senate in January 2001, that under crisis conditions, Ashcroft would be used to force through dictatorial measures comparable to the 1933 Nazi emergency laws, the *Notverordnungen*.

Predictably, Ashcroft used the Sept. 11 attacks as the pretext to ram "anti-terrorism" laws through Congress, which gave the FBI and Department of Justice vastly expanded powers of surveillance, detention, and prosecution—including powers which the Justice Department had been seeking for years, but which Congress had, up to that point, refused to grant.

Hundreds of people, mostly of Middle Eastern origin, were rounded up and detained, without access to a lawyer, and subject to secret court proceedings. It is estimated that about 1,200 people have been detained, although no one knows the precise number, or how many are still being held, or how many have been deported. "These are hundreds of people who have essentially disappeared. They were tried in secret detention hearings, held in detention centers, then put on planes. No one knows what happened," said a senior civil liberties lawyer recently.

Now, Ashcroft and the Justice Department apparatus have taken the process yet one step further, scrapping the guidelines over FBI investigations which have been in effect, in one form or another, since 1976. Under the revised guidelines, FBI agents will be free to monitor religious and political organizations, among other activities protected by the First Amendment.

In the wake of the Church and Pike Committee hearings in the 1970s on abuses by U.S. intelligence agencies, guidelines were adopted which, at least in principle, barred the FBI or other agencies from monitoring

such activities unless there was reason to believe that Federal laws were being violated, or were about to be violated. Under the changes announced on May 30, all such restrictions have apparently been lifted.

Ashcroft said that, from the first moments after the Sept. 11 attacks, "we learned . . . that we must begin a concerted effort to free the field agents, the brave men and women on the front lines, from the bureaucratic, organizational, and operational restrictions and structures that had hindered them from doing their jobs effectively." FBI agents "are frustrated because many of our own internal restrictions have hampered our ability to fight terrorism," Ashcroft said. He falsely claimed that the guidelines drawn up in the 1970s, "provide limitations and guidance over and above all the requirements and safeguards imposed by the Constitution, so that these are additional restrictions other than constitutional ones."

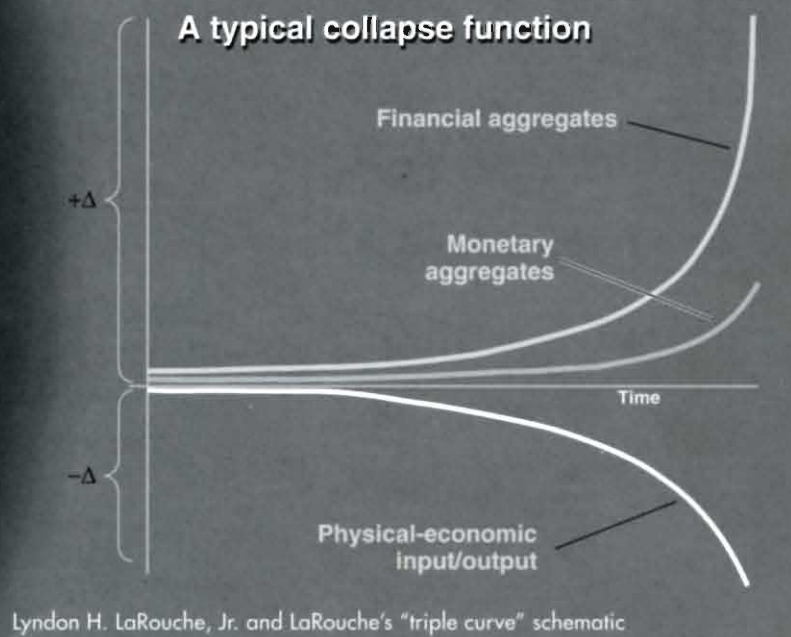
The fact of the matter, is that the guidelines were promulgated because Congress and the courts had found massive constitutional violations by the FBI and other agencies. On top of all this, Ashcroft announced that the new guidelines will not only pertain to terrorism investigations, but also to criminal intelligence and racketeering investigations.

All this is not merely a throw-back to the 1960s. Ashcroft's latest actions take place under conditions of global financial collapse, the crumbling of the Bush Administration's policies in all directions, and the establishment of the U.S. Northern Command (US-NORTHCOM), which Lyndon LaRouche described as "a preparation for the Pentagon to cross the Potomac one morning, to place the Attorney General and his minions in power, reducing the President himself to a ceremonial, or even lesser figure in the configuration."

It is worth recalling, that the mid-1970s Congressional investigations of FBI and CIA abuses, were preceded by extensive but largely forgotten Congressional investigations of military surveillance operations directed against U.S. citizens and organizations in the 1960s and early '70s.

You should have listened to LaRouche.

LaRouche And EIR Have Been Right,



A recent trading day at the New York Stock Exchange.

While Others Have Ignored Reality

The politicians who continue the present posture of stubbornly ignoring the reality of the onrushing financial and economic crisis, will soon be crushed, and swept aside politically, by the reality they ignore. Then, the present writer's objective authority as a policy-shaper, is unique, not only inside the United States, but world-wide. To parody James Carville's delicious book, "They have been wrong, and EIR has been right."

—Lyndon LaRouche, Nov. 1, 1996

Subscribe now to
**EIR's
Electronic
Intelligence
Weekly**

See subscription blank on
the inside back cover