

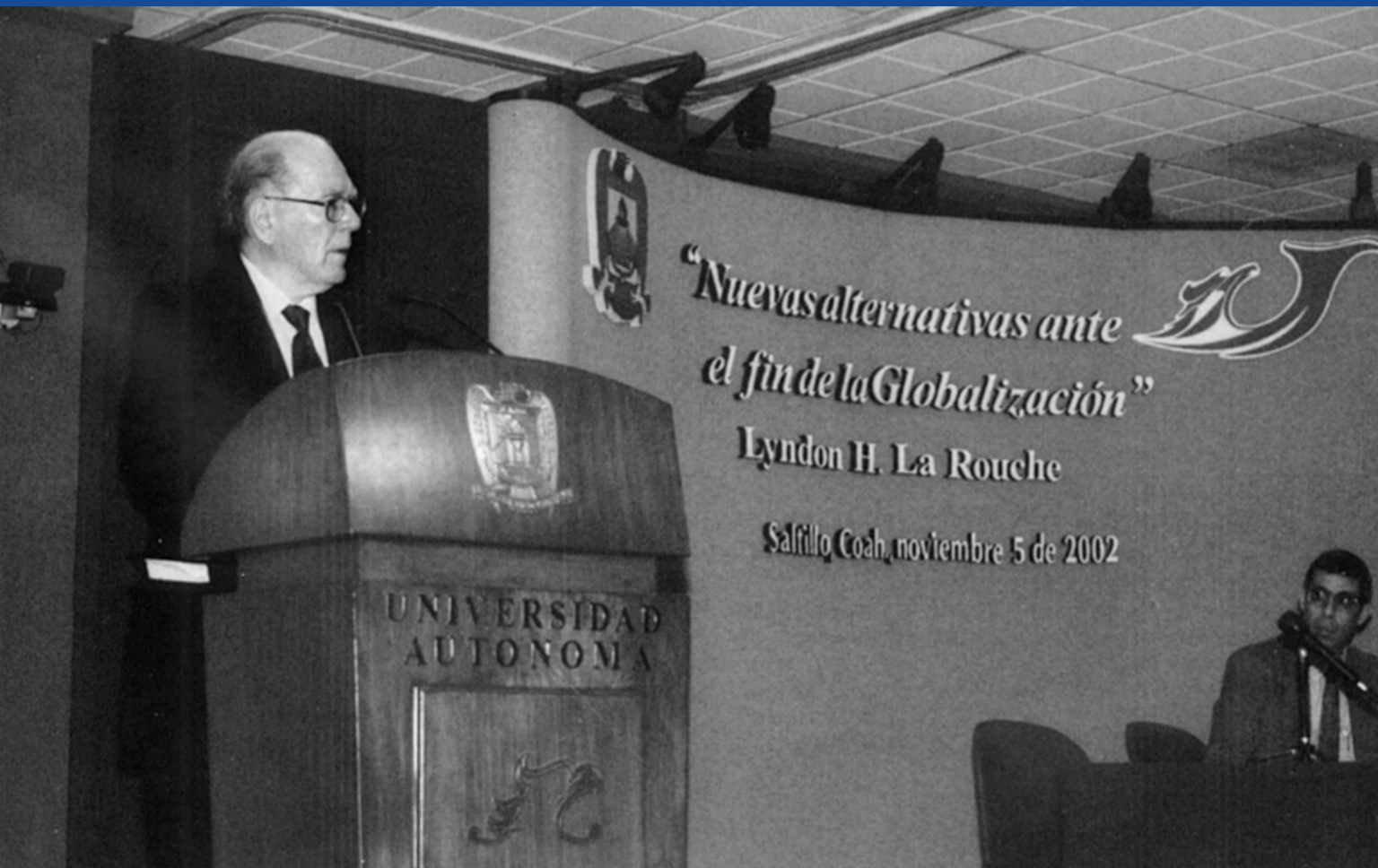
# EIR

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Bankrupt U.S. States Need 'Super-TVA'  
LaRouche: 'The Next Generations'  
Wall Street Triggers a 'Health-Care Enron' Disaster

## LaRouche in Mexico: 'The IMF Will Lose'



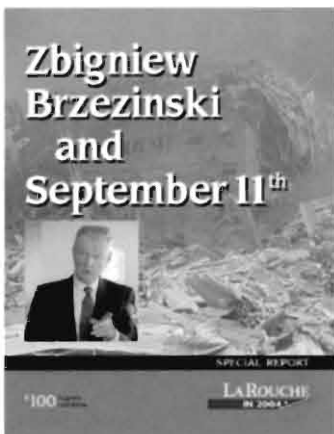
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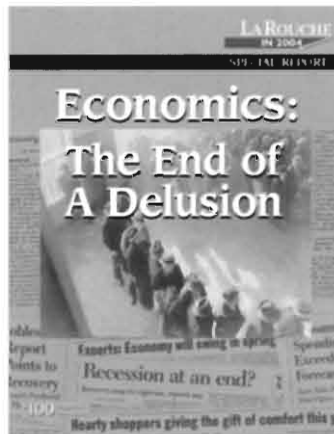
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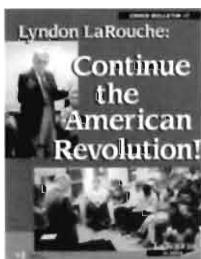
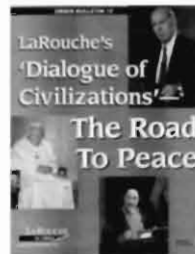
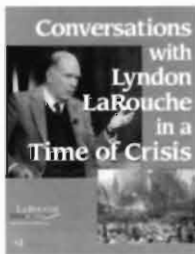
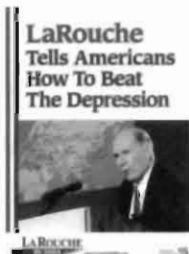
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## From the Associate Editor

**T**he post-Election Day financial/economic catastrophe, of which *EIR* and Lyndon LaRouche warned, is coming on fast, and there is no place to hide. Argentina defaulted on an \$805 million debt payment on Nov. 14, and even Fed Chairman Alan Greenspan conceded, in a rare, unguarded moment on Nov. 13, that the enormous U.S. current account deficit “cannot exist indefinitely”—in direct contradiction to his previous idiotic claims.

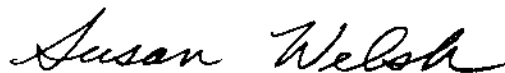
In this issue, we document the horrific pace of events:

- The crisis in U.S. state budgets is exploding, with schools, libraries, and health-care programs shutting down, while states wrestle with the largest deficits in history;
- A Wall Street-sponsored scam for looting hospitals and other health-care institutions, through National Century Financial Enterprises, is triggering bankruptcies nationwide, while also sending tremors through the bond markets;
- Japanese bankers are desperately, foolishly, trying to stay afloat, by resorting to the gambling casino of “credit derivatives”;
- Germany confronts enormous tax revenue shortfalls, and strikes and protests as the Schröder government’s budget axe cuts deeper and deeper;
- Mexico’s President Fox presented his Fiscal 2003 budget to Congress, featuring draconian austerity measures, precisely as demanded by the International Monetary Fund.

The good news is, there’s a solution! It’s simple, in one sense: Just call in LaRouche! The man knows what to do! His “Super-TVA” plan to generate Federal financing for priority national infrastructure projects, on the model of President Franklin D. Roosevelt’s highly successful Tennessee Valley Authority, is exactly what is needed, in the context of global financial reorganization. Hearings must begin on this immediately, at every level of government.

“Calling in LaRouche” takes courage—certainly, those who do so will incur the wrath of Wall Street and the “Wolfowitz cabal”! But see our *National Economy* section for the happy results in Mexico, for those leaders in the state of Coahuila who decided to do just that.

In our *Feature*, LaRouche continues his profound discussion of the requirements for leadership, with an eye to the next generation.



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## Bankrupt States Need LaRouche's 'Super-TVA'

by Paul Gallagher

As Argentina's economic collapse went into a second and greater default on Nov. 14, it was worth remembering that the country's economy was shattered when, in late 2001, the revenue sources of Argentina's provinces were shut down, on International Monetary Fund orders, to attempt to pay debt. The same depression process—state governments losing their revenues and governors being forced into disastrous economic cuts which only make their revenues fall further—is now at the center of the economic crises gripping South America's other two biggest economies, Brazil and Mexico. Germany's states, and its capital city Berlin, are collapsing under debt, raising taxes and laying off their employees, driving the decline of the underlying German economy. And in the United States, too, this worst economic depression has announced its deadly presence by the sudden disappearance of government revenues at all levels, but most dramatically in the states. But in the United States, governors are so far *choosing* suicidally to gouge their own states' economies—although they have an immediate alternative to fight for, given them by the “FDR-style” example of 1930s government credit and recovery measures, and by 2004 Presidential pre-candidate Lyndon LaRouche's “Super-TVA” strategy (see box).

The news began to come out immediately after Election Day, that the tax revenue meltdown of the American states was far worse than previously admitted. Whereas the 50 states had a combined revenue deficit of about \$40 billion, terrible enough, in Fiscal Year 2002 (which ended, for most of them, on June 30), the announced deficits for FY 2003—only four months old—already add up to at least another \$50 billion across the country! Twenty-one states have already admitted larger deficits than the ones with which they painfully closed last year after cutting programs—especially medical insurance—and using up their reserves. And so far, 12 states have announced anticipated budget deficits, totalling \$30 billion, for Fiscal Year 2004.

### A Warning From Two Years Ago

Candidate LaRouche had publicly warned state legislatures, after a meeting with legislators back in February 2001, that they should expect to be hit with revenue declines on the order of 30% in the next few years. Few believed him then. Now, a number of states—see California's revenue graph, for example—already confront tax revenues which are 10-15% lower than they were at that time: simple proof that the U.S. economy has been and is shrinking, not “recovering.”

In a period of three days, Nov. 11-13, some 14 states put out new and worse budget-disaster announcements. More importantly, the estimates of these revenue holes now change almost daily—always for the worse. In Connecticut, for example, Gov. John Rowland and Democratic leaders went into a Nov. 14 meeting to discuss the state's estimated \$450 million deficit, and came out of it announcing that the deficit was \$500 million!—with a further \$1.5 billion hold projected for the next fiscal year. In both Maryland and Virginia, budget-deficit estimates are jumping up by about 15% each month so far this fiscal year. A self-feeding process is setting in, in which austerity and layoffs must be calculated to reduce further tax revenues, which have already plunged due to the collapse of income from the stock market and the bankruptcies and downsizing of businesses.

Merely apply the same, relatively honest process of estimation to shrunken revenues of the FY 2003 Federal budget, and one will see, as LaRouche estimated after Election Day, a national budget deficit of \$250 billion or more, on top of FY 2002's \$179 billion. That is why Congress again refused to enact a budget in its “lame-duck” post-election session, even though the budget year is two months old.

As it was in the case of Franklin Delano Roosevelt's recovery policy, this death spiral of government revenues can only be reversed by assertion of government power to create directed credit for infrastructure and jobs. This is LaRouche's

# LaRouche Calls For 'Super-TVA'

*This statement was released Nov. 9 by the candidate's political committee, LaRouche in 2004.*

Democratic Presidential pre-candidate Lyndon LaRouche is launching a major drive, to force through an FDR-style "Super-TVA" of crucial mass-employment programs now indispensable for halting the economic disaster now hitting the United States.

LaRouche explained, that the system is now plunging into a collapse. A comprehensive change in national and state economic policies, is now a matter of life or death for our economy. We must shift from the Wal-Mart to reality. Reality means infrastructure building as the leading edge of a revival of durable goods production.

LaRouche outlined an emergency program of infrastructure building in energy production and distribution, water management, and mass transit rail-network programs, chiefly on the state level, but with backing by the Federal government. These are the immediate emergency measures to halt a presently spiralling, and accelerating collapse in state economies of many of our states. These emergency actions to be begun now, are part of a larger package which LaRouche described as a "Super-TVA."

He explained: A new Federal credit-generating mechanism, even bigger than the project-oriented TVA which Franklin Delano Roosevelt launched, is the only kind of program that can deal with the disaster which confronts us now.

Every single state is bankrupt. California is facing a

\$24 billion deficit this year, and even if there were a so-called recovery, the 2003 deficit is projected to be over \$20 billion. Texas's deficit is between \$10-15 billion this year, and there are similar budget blowouts in all 50 states.

After 30 years of New Economy insanity, it's going to take a generation 30 years to rebuild the real economy to levels which existed prior to the 1971-1981 wave of destruction of much of the nation's basic economic infrastructure and industrial and farm sectors. We have already entered the worst systemic economic and financial disaster in modern history. What is required right now, states' demand for action by the Bush Administration, to set up a "Super-TVA" Federal agency, that will fund the urgently needed emergency infrastructure-building needed to avert an already-ongoing general collapse of the national economy.

This new mechanism, should not pour funds into the repayment of old state debts, but into major, urgently needed infrastructure projects—real development corridors. The existing state debts will have to be restructured, and the states will have to totally rethink how to deal with their budgets. But the Super-TVA's funding of large-scale infrastructure projects will create the productive jobs, and the expanded tax revenue base, that is required to actually solve the crisis.

This "Super-TVA," will be a tightly administered, effective Federal authority, disbursing low-interest, long-term credits into the states to launch these projects. To make this happen, we require emergency legislation, which repeals all of the deregulation laws of the past 30 years.

The election is over, it's time to focus on the reality of economic collapse. We need a new political agenda, defined by the Super-TVA. Let's get moving now.

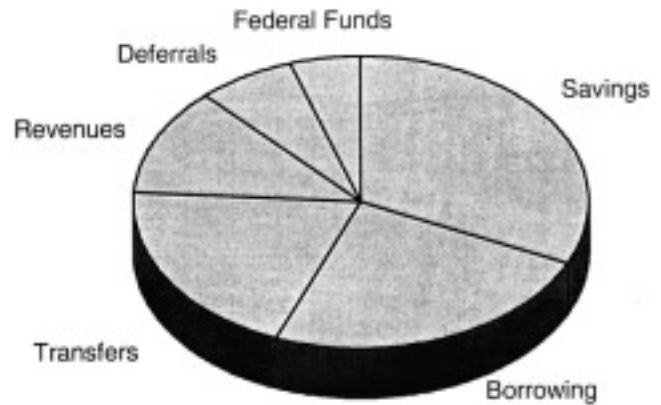
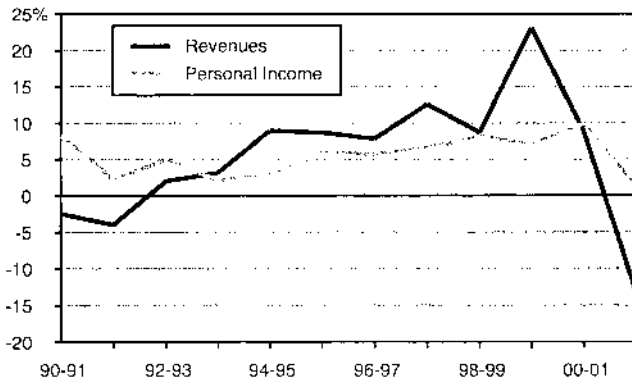
emergency proposal for a "Super-TVA" for reconstructing infrastructure and regulating public utilities—modelled on the most successful single infrastructure and economic development program in history til now. The proposal was launched as LaRouche moved to take leadership in a broken Democratic Party.

## 'Worst in Anyone's Memory'

In Oklahoma, school districts have begun to pay their employees with bank warrants rather than funds, and a superintendent in the city of Lawton says, "These [state] cuts are by far the worst in anyone's memory." In Virginia, public libraries which were built during the Great Depression, are being closed down in this depression, as one round of billion-dollar cuts after another is announced by Gov. Mark Warner. In Georgia, the state's comptroller finds that revenues have fallen by an astonishing 16% from one year to the next. In

New York, where the state budget is \$8 billion, perhaps \$10 billion short, and New York City's additional revenue hole has suddenly grown to \$6 billion, associates of New York City Mayor Michael Bloomberg are telling the press, "a gigantic tax hike is inevitable"; thousands of employees will be fired, health care and senior citizen centers closed, transit fares and bridge tolls increased. In Connecticut, Governor Rowland threatens to lay off 3,000 state workers immediately, unless they agree to cuts in their salaries and benefits which equal \$23,000 *taken from each of the 45,000 state employees* over two years. In California, 7,000 state employees have already lost their jobs. In Virginia, 3,700 jobs have been terminated and 1,800 more employees are being laid off. In Iowa, 50,000 state workers are told they will be "furloughed"—briefly laid off—for periods during the year. No such pattern of events has been seen in the United States since the Great Depression.

*Annual Percent Change in General Fund Revenues and California Personal Income*



*More than any other state, California's economy—one-sixth of the country's—desperately needs LaRouche's "Super-TVA" implemented fast. Its revenue growth turned into a plunge already in 2001, as its citizens' income fell (left). It hemorrhaged more than \$7 billion buying superinflated electric power, and needs urgently to build new power plants and bring its whole grid under state ownership and regulation. It's proposed "solution" (right) is a combination of \$8 billion in new cuts ("savings") and impossible fantasies of revenues, Federal aid and borrowing increasing. It's LaRouche's policy or disaster.*

The announcements of severe layoffs of state employees which came first in California, and are a rarity in the United States, have been coming fast since Election Day. Long before that, the states' contributions to the safety of the poorest 20-40% of the population, including the indigent elderly, had been cut everywhere. New Jersey gives one brutal example: Its state health insurance program was cut by \$43 million, resulting in the termination of coverage for 44,000 adults, 26,000 of whom were receiving the state insurance because they had serious health problems making it unlikely they could get private insurance; this will cause many preventable and early deaths. State as well as Federal contributions to the Medicare and Medicaid health insurance programs have been cut more or less drastically in virtually every state, resulting in many groups of physicians simply withdrawing care from those elderly or poor patients. Mental health and anti-drug program centers are being closed everywhere.

But the sign of how deep the crisis has become, is that cuts in education budgets—which had already been hitting higher educational institutions—are now being proposed for the basic "K-12" elementary and secondary schools, always sacrosanct from the budget axe for both political and necessary cultural reasons. A recent report by the U.S. Senate Committee on Health, Education, Labor, and Pensions found that total state K-12 education expenditures, projected for Fiscal 2003, are \$6.7 billion below what is necessary to accommodate the normal ongoing increases in the population of elementary and secondary school students.

### The California Example

There are dozens of states which already have budget deficits in excess of \$1 billion per year. In the case of middle-sized states like Michigan or Connecticut, this requires either cutting large chunks out of the state's economy—or generat-

ing new jobs and revenue by turning to national banking and directed credit creation for infrastructure, which must be done through acting on the Presidency and Congress, and requires LaRouche's leadership.

Then there are the largest states, whose budget holes are measured in the tens of billions—Texas, \$10 billion; New York, at least \$8 billion; and California, at least \$23 and perhaps nearer to \$30 billion.

No state shows more clearly than California the urgent necessity of a solution which comes from the Federal level to the states, and which assists and regulates the creation of modern new, hard economic infrastructure, to generate skilled public, and matching private employment and revenue. California is in the midst of two successive fiscal years with revenue deficits in excess of \$20 billion each, having seen first the aerospace industry shrink drastically, and then the Silicon Valley and related "New Economy" go down. It was bled of \$7-8 billion in 2001 subsidizing the purchase of electrical power which had been jacked up to superinflated prices by Enron and the other energy pirate companies; it has been unable to borrow that, or other major money back on the bond market; it lost all regulation and control of electrical power production within its borders, during the deregulation fiasco. The state continues to suffer an absolute shortage of electrical power capacity, even with falling total electricity usage.

California Gov. Gray Davis and legislative leaders are now deluding themselves with a budget "solution" (see chart) which is a complete fantasy. It schedules another \$8 billion in brutal spending cuts; then assumes an *increase* in state revenues during Fiscal 2003; and an equally illusory increase in ordinary Federal aid to the state—with the Federal deficit ballooning into the hundreds of billions. At the same time, California's ambitious plans for statewide high-speed rail-



roads, are being based on the assumption of private funding.

California urgently needs to re-regulate electric power, bring the plants under state control, and build new power and transmission infrastructure. It can't do this without Federal credit directed to the purpose, and shielded from being diverted back to up the state's large bonded debt: LaRouche's "Super-TVA" policy.

### Leadership and LaRouche's Policy

It is no accident that 10 of the 24 state governors who were eligible to seek re-election on Nov. 5, decided not to; and that of those who did seek it, seven were defeated. Suicidally, the National Governors Association held an immediate post-election, closed-door seminar in Austin, Texas, Nov. 15-17, to *teach budget-cutting* to the "baby governors" just elected. One of them, Democrat Jennifer Granholm of Michigan, faces a typical deficit for the just-started fiscal year—about \$1.5 billion in the hole, out of a state general fund of only \$9 billion. She immediately dashed the hopes of Michiganders who—in a deep fiscal collapse with public hospitals closing and schools going to four-day weeks—had elected her to replace a conservative Republican. "We are going to cut," Granholm told National Public Radio, "and it may be painful for the first couple of years, but we will get this budget in balance."

Rather than leadership in the crisis, this is the organized brainwashing of potential leadership, to cause disaster. The "fiscal fascist" think-tank, the American Legislative Exchange Council (ALEC), is being deployed to train governors to think only of downsizing and privatizing government. As California, Virginia, and many other states have already proven, this austerity brings pain and destroys lives, but can never restore "budget balance" when the economic source of revenue is being killed.

Another terrible path being seized upon, by the newly elected Governors Robert Ehrlich of Maryland and Mitt Romney of Massachusetts, among others, is the eager solicitation of casino-gambling centers, slot machines at race tracks, and other forms of mass gambling mania such as New Jersey, Connecticut, and others have already tried. These literally ill-gotten revenues have tapered off after a few years, even in the most-addicted states such as Mississippi, and studies show clearly their terrible social consequence in mass bankruptcies and psychological disorders among the citizens.

The state governors have only one way out: They must, and will be forced immediately to demand action from the President and Congress to "create revenue." Democrats gained governorships, including in key formerly industrial states such as Pennsylvania, Ohio, and Michigan; and the party's constituencies now demand that they give up the Joe Lieberman-style imitation of conservative Republicans, and act for economic recovery, so this pressure must hit the White House in the post-election period. Presidential candidate LaRouche's Super-TVA idea is the only national policy on the table, that will work.

# Latest Greenspan-Fed Rate Cut Will Backfire

by Richard Freeman

On Nov. 6, Federal Reserve Board chairman Alan Greenspan led the Fed's Federal Open Market Committee (FOMC) in cutting two pivotal interest rates. It was a desperation move that Greenspan knows will largely fail—but will have far-reaching impact on the U.S. and world economy.

The FOMC unanimously decided to cut the Federal funds rate from 1.75% to 1.25%, a half-percent cut where a quarter-percent had been expected. The Federal funds rate is the rate at which banks trade overnight surplus funds; it is now at its lowest level since July 1961. The Fed also cut the discount rate (at which banks borrow directly from the Fed) to 0.75%, also a half-percent cut, to what appears to be its lowest level in 75 years.

### Implication of a 'Negative Rate'

The Federal Reserve is desperate, because the bankrupt financial system and the physical economy are not responding to traditional monetary policy, and things are getting worse. It may also be that a catastrophe has already occurred in the credit markets, such as a derivatives blowout requiring an emergency credit infusion, which the Fed and the media are blacking out.

The FOMC had already talked of the consequences of such a very-low-interest-rate policy, which it called the "zero bound" policy constraint," at its meeting of Jan. 29-30, 2002. The minutes of that meeting, and a discussion that an unnamed senior Fed official held with the March 25 *Financial Times* of London, indicated that the Fed realizes a "zero bound" policy probably wouldn't work, and could end up creating paralysis—but on Nov. 6, it took the action anyway.

By lowering the discount rate to 0.75%, the Fed has lowered it below the official 12-month inflation rate level of 1.50%, which is the Consumer Price Index, published by the Department of Labor's Bureau of Labor Statistics (BLS). This situation gives rise to a "negative interest rate." The real inflation rate, as determined by *EIR's* economic staff, is at least twice the official BLS rate. But, even taking the BLS's posted 1.50% inflation rate: This means that, were a commercial bank to borrow money for a year from the discount window of the Federal Reserve, when the time came for the bank to pay back the loan, *after the principal amount of the loan is adjusted for inflation*, it would pay



A “zero-bound” policy on interest rates? Even “what, me worry?” Alan Greenspan is worried about this desperation move, because his own staff studies in early 2002 told him it would not work. From the same studies, it’s clear that Greenspan’s becoming “zero-bound,” shows that he knows the economy’s failing.

less combined principal and interest than the principal it originally borrowed.<sup>1</sup> This is a mechanism for the Fed to flood the system with money.

### Interest Rates Approach Zero

As mentioned, the minutes from the FOMC’s Jan. 29-30 meeting reveal that: “At this meeting, members discussed staff background analyses of the implications for *the conduct of policy if the economy were to deteriorate substantially in a period when nominal short-term interest rates were already at very low levels*. Under such conditions, *while unconventional policy measures might be available*, their efficacy was uncertain, and it might be impossible to ease monetary policy sufficiently through the usual interest rate process to achieve [Federal Reserve] System objectives. The members agreed that the potential for such an economic and policy scenario seemed highly remote, but it could not be dismissed altogether. If in the future such circumstances appeared to be in the process of materializing, a case could be made at that point for taking preemptive easing actions to help guard against the potential development of economic weakness and price declines that could be associated with the so-called ‘zero bound’ policy constraint” (emphasis added).

Behind the Fed-speak are two important features: First, the Fed discussed what it should do “if the economy were to deteriorate substantially,” when “short-term interest rates were already at very low levels.” Following orthodox policy, and lowering interest rates still further, could produce a

1. Start with an inflation rate of 1.5%. Were a commercial bank to borrow \$100 for one year in 2002, when it came time to pay the loan back in 2003, the bank would effectively be paying \$98.50 in 2002 dollars. The interest on the loan is 0.75%, which means the bank must pay \$0.75 in interest payment. The total amount the bank pays back, expressed in 2002 dollars, is \$98.50 plus \$0.75, or \$99.25 in combined principal and interest—less than the \$100 it originally borrowed.

“‘zero bound’ policy constraint.” The Fed is referring to Japan, where interest rates were lowered to virtually zero two and one-half years ago, and the economy and financial markets did not respond. Why? although the Fed did not say so, the world is hit by financial disintegration, a condition that does not respond to orthodox policy. By so citing Japan, the Fed was warning of paralysis, in which reduced interest rates do not produce the textbook effects.

Second, the Fed was examining “unconventional measures.” In the *Financial Times* interview, the anonymous senior Fed official said a policy of “unconventional measures” could include “buying U.S. equities,” and the Fed “could theoretically buy anything to pump money into the system,” including “state and local debt, real estate and gold mines—any asset.”

Fed “staff background analyses” show that lowering interest rates toward the “zero bound” would not work. The second approach, taking “unconventional measures,” does not stand in opposition to lowering interest rates; so, the Fed could be considering this. But a Fed buying spree of equities and/or real estate is at best a short-term policy that would end in hyperinflationary explosion.

So it’s clear: Greenspan et al. know that lowering interest rates to a “zero bound” condition won’t work, but they’re doing it anyway—like closing a door, and then trying to walk through it. This goes beyond desperation.

### Has the Fed Lost It?

Why do Greenspan and coterie pursue this policy? Because they adamantly reject Lyndon LaRouche’s proposal to put the financial system through Chapter 11 bankruptcy, and set up a New Bretton Woods system in its place.

In the current system, financial assets are tremendously inflated, but the physical economy is contracting. One cannot simply generate money, no matter how cheaply, into the physical economy and expect it to function. During the third quarter of this year, U.S. business had cut back investment in fixed structures, such as factories, at a 16% annualized rate. Moreover, for the year-to-date through September, U.S. machine tool consumption is 62% below its level of five years ago. In the environment of the LaRouche Triple Curve function, as industry contracts, shutting down plant and equipment, industry will not buy new plant and equipment, no matter what level Greenspan pegs interest rates at. The financing of the huge debt service will swallow up most of whatever credit is put into the system.

What LaRouche has proposed—wiping out the bankrupt and destructive financial paper, and gearing manufacturing and industry to a scientifically ascertained matrix of national missions—is the precondition for an effective monetary policy.

By insisting it will not accept LaRouche’s workable policy, the Fed, Hamlet-like, chooses a policy which it knows will not work, but will bring on self-destruction.

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# Japan Asserts Interests, But 'No' Is Not Enough

by Kathy Wolfe

Since Japan's Harvard-trained Financial Services Minister, Heizo Takenaka, backed down Oct. 30 and issued a weakened version of his "made in U.S.A." emergency banking package, a remarkable rising commentary in Tokyo has re-asserted the national interest of Japan, as distinct from the financial interests of Wall Street. Diet (parliament) Member Shizuka Kamei, dean of the ruling Liberal Democratic Party (LDP), compared Takenaka to Maximilian Robespierre, head of the French Revolution's Terror, for his plan to decapitate Japanese industry by foreclosing on \$400 billion in bank loans, throwing 4 million people out of work.

Mr. Kamei added that Mr. Takenaka is "nothing better than an agent of vultures," referring to the Wall Street "vulture funds," as they are known in Asia, which hunt distressed companies to snap up their stock cheap. "Mr. Takenaka's orientation is highly rated overseas, but we need to pay attention to attempts by foreign companies to take over Japanese firms," Keiichiro Okabe, president of the Japan Petroleum Association, warned explicitly Nov. 6. "There naturally have been demands for Japan's national interest to be protected."

White House Chief Economic Adviser Glenn Hubbard "keeps urging that Japanese banks' non-performing loans (NPLs) be dumped at deep discount into the markets, because it's in the interests of U.S. business to buy them up cheap," said a source close to the Bank of Japan. "But those I really blame are the Japanese who agree to this, because it's not in Japan's national interest."

The U.S. dollar meanwhile fell 3% against the yen in the first week in November, after Bank of Japan Governor Masaru Hayami repeated his prior comments that "we can't help it, since the dollar is weak due to U.S. economic fundamentals." His comment is a sign that this time, Japan may not intervene to bail out the buck.

It is well the "Robespierre" plan will not close chunks of Japan's industrial base tomorrow. Yet Tokyo cannot impotently "Say 'No,'" as in the 1980s, and survive. Japan's elite must speak out about the real cause of the crisis: the bankruptcy of the dollar-based global financial system. Tokyo should call for a global bank reorganization, including for the equally bankrupt New York and European banks, and demand a New Bretton Woods world monetary system, so that trade can be restarted. The more Tokyo tries to go it alone, with



*"Like Maximilien Robespierre," is how Japan's Financial Services Minister Heizo Takenaka is being blasted, by Liberal Democratic Party dean Shizuka Kamei and many others. Takenaka, a Wall Street agent in Japan has come under fierce attack. Stopping Takenaka's mass-layoffs-and-shutdown strategy, however, won't stop the global financial collapse behind it.*

purely domestic measures, the more its industrial firms will fail.

## Insider Trading Charged

The stiffening of spine in Tokyo is directly related to *EIR's* warnings since January that the American Enterprise Institute, the Caxton hedge fund, and their Wall Street friends, are organizing a "sell Japan" movement (see "Japan Facing Reverse Pearl Harbor," *EIR*, Jan. 25). Their aim is to buy up chunks of the world's second industrial power, as they did in Korea and Indonesia during 1998, removing a major independent economic base from Asia.

Even Tokyo's top conservative daily, *Yomiuri News*, on Nov. 6 slammed Takenaka, his chief of staff Takeshi Kimura, and Bush Chief Economic Adviser Hubbard, as being in cahoots with Wall Street. "Japan has made the right choice at the 11th hour" in dumping the plan, it editorialized, "despite a barrage of praise for the Takenaka plan in U.S. and European media."

First, *Yomiuri* noted, economic reality is that Japan is in a 1930s deflation, and "the Koizumi Administration's claim that bad loans cause deflation, is patently not true. Deflation causes bad loans. . . . If the Takenaka plan had gone into force, it would have caused. . . a serious credit contraction, plunging

the nation's economy into a catastrophic depression. . . . The Japan Research Institute predicted that the plan would . . . add 3.32 million people to jobless rolls and push down GDP by as much as 6.4%. . . .

"Under the circumstances, the public has been embarrassed at repeated remarks by Glenn Hubbard, chairman of the U.S. Council of Economic Advisers, that he has thrown his support behind the Takenaka plan," *Yomiuri* went on. Worse, Takenaka's plan gave "confidential information of the Financial Services Agency" to Takeshi Kimura, Takenaka's chief of staff—who is also Tokyo Branch Chief of the top Wall Street accounting firm KPMG. "There might have even been the danger of the information being used for insider trading or otherwise abused. On top of this, some analysts have pointed out that Hubbard's remarks may possibly be in line with U.S. investment fund companies' intentions to buy up Japanese banks and other corporate entities at bargain-basement prices."

### **Fight over Industrial Revival**

In more signs of fight, meanwhile, Japan's government on Nov. 8 announced the creation of a new Cabinet Ministry for Industrial Revitalization, headed by MP Sadakazu Tanigaki, former head of the Science and Technology Agency. The new Ministry is to "ensure that Japan's industrial sector doesn't get its head chopped off" by the Harvard Jacobins, in whatever program is implemented to reorganize Tokyo's brain-dead banks, Tokyo officials told *EIR*.

The new Ministry will, by implication, have the power to create directed credit, by having "the power to assess which troubled industrial companies have a shot at survival and should be bailed out," Cabinet Secretary Yasuo Fukuda said. That is, it will, as the old Ministry of International Trade and Industry (MITI) used to do, "pick winners." The core of Wall Street's "Big Bang" deregulation drive in Japan has been that government was no longer allowed to "pick winners." The new entity will be separate from the state Resolution and Collection Corp. (RCC), which is charged with buying up bank loans. Importantly, this will allow the new entity to focus on saving industrial capacity, rather than maximizing paper profits, as is the mandate of the RCC.

Finance Minister Masajuro Shiokawa told the Diet Nov. 7 that he may earmark over \$85 billion (Y10 trillion) for "industrial revitalization. . . . It is impossible to revitalize industry within the figure projected for bad loan disposal. I predict it will require several times that figure," he said. The government set aside a total of \$590 billion (Y70 trillion) for bank bailouts (deposit guarantees) and "revitalization," but now it appears the two funds will be separated and industry will get much more cash, a Tokyo source told *EIR*.

*Nikkei* on Nov. 5 described the behind-the-scenes policy battle in which BOJ Governor Hayami won the equally elderly but more vacuous Finance Minister to his view. It reported an Oct. 22 scene in which the elderly Shiokawa, angered at the Harvard boy's focus on closing banks, "yelled at

Takenaka: 'We have to create a system under which industrial companies with recovery prospects can be revived!' " On Oct. 23, Shiokawa, Hayami, METI Minister Takeo Hiranuma, and Takenaka "held talks without Ministry bureaucrats"—that is, brutal talks. The older men rammed it down Takenaka's throat that there would be a "new entity," *Nikkei* said.

### **Banks Against the Wall**

The bureaucrats may battle, but Japan, Inc. is going down the tubes. The reality is, that none of these purely domestic proposals can possibly save Japan's \$10-trillion banking system, which lives or dies on global trade and investment. The banks, for their part, are increasingly turning to private-sector made-on-Wall Street "solutions," out of desperation. Tokyo's largest banks are now resorting to the gambling casino of "credit derivatives," *Nikkei* reported Nov. 7, in the mad accountant's desire to improve their capital-to-assets ratios—by shrinking loan assets!

The \$1.2-trillion Mizuho Bank reduced its loan assets by \$11 billion as of Sept. 30 through credit derivatives. Sumitomo Mitsui Banking plans to turn to credit derivatives to slice off \$5 billion in loans, largely to some 1,000 to 2,000 small and midsize companies. UFJ Holdings is also using credit derivatives to reduce assets.

Credit derivatives are an accounting fiction under which lenders and investors engage in "financial agreements" that they are "buying and selling the credit risk associated with a particular loan or pool of loans," without the loans leaving the original bank. Normally a bank must sell off loans at a loss, or force borrowers to repay under duress, to reduce assets. But banks don't like losses, or ruining relations with borrowers.

With credit derivatives, the loans stay in the bank's portfolio. An outside third party such as a Wall Street vulture fund or "special-purpose company" agrees to buy the credit derivative, and thus assumes the risk if the loan goes bad. The bank pays the third party a premium similar to an insurance premium, in return for receiving protection if borrowers default—somewhat like paying protection to the Mafia. The third-party company then sells the risk again, by selling bonds to the public. Investors who buy bonds issued by the third-party company receive interest payments, but if loan losses occur, they lose some or all of their principle. What this means is that if the loan goes bad, someone's Aunt Michiko in Osaka, whose money market fund bought the bonds, loses a chunk of her savings.

Under the glorious lunacy of accounting rules, the banks don't have to count the loans as part of their assets, once this "protection" is bought. Ergo, their capital-to-asset ratios look better to Moody's rating agency, the gnomes at the Bank for International Settlements, and other Western financier outfits. Naturally none of this means anything in the real world, and Japan's mega-banks are just as exposed to runs and predatory operations to "sell Japan" as ever before. But more chunks of the Japanese economy are being snapped up by the Western "third parties."

# Revenue Crisis Brings Worse Budget-Cut Folly

by Rainer Apel

The first two November weeks are already certain to go down into history books as a missed chance for economic recovery in Germany. For reasons that insiders say have to do with massive armtwisting by the creditor banks and the hard-line monetarist lobby in the country, the re-elected government of Social Democratic Chancellor Gerhard Schröder decided to drop its earlier opposition to the European Union's Maastricht budgeting rules (see *EIR*, Nov. 1) and to stay on the budget-balancing course, instead.

Finance Minister Hans Eichel even did, what he was not obliged to do, and had recently said he couldn't do: namely, give assurances to the EU Commission and the European Central Bank, that the government would drive the national deficit under the 3% of GDP level in fiscal year 2003. But faced with an "unforeseen" tax revenues shortfall close to 20 billion euros in the fiscal year already, Eichel is certain to be overrun by another "unforeseen" disaster next year as well, because the overall economic situation is not improving, but getting worse. For the first time in years, the national jobless figure did not decrease in October, but increased; not even the traditional pre-Christmas boost is there any longer.

And, there are daily protests in Berlin: Within the first two October weeks, construction workers staged a protest rally; the dentists did so; then social workers and personnel of 40 medical care associations; and medical doctors are even threatening a boycott of government-decreed measures to reduce health costs. Hardly re-elected, and equipped with a parliamentary majority of only four votes, the government is already deep into an Autumn of public discontent. Plans to cut salaries of civil servants by 10%, and the refusal of wage increases for public sector workers and employees, have already prompted the public sector unions to stage warning strikes and to threaten a nationwide strike after the last wage-bargaining contracts expire in February 2003.

The budget-balancing plans of the government are horrendous: In 2003, the government wants to cut labor costs by a total of 5.4 billion euros, plus another 2.5 billion out of jobless support payments; in the health sector, the government wants to "save" another 2.5 billion by imposing a strict ceiling for state subsidies to health insurance companies and hospitals. Families that want to build a home, will lose almost all government support that has been paid to date, and farmers pay new

value-added taxes with every purchase of fertilizer, livestock and agricultural machinery. The mandatory payment to be made by every citizen into the state pension fund, will increase from 19.1% to 19.5% of the monthly income; the next stage of the ecology tax will add several percent to the tax on every liter of diesel or gasoline.

For the average taxpaying citizen, an extra 100 euros will have to be paid every month in 2003; for the average family or household, an extra burden of 300 euros every month is not unlikely.

The Green Party coalition partner of Schröder's Social Democrats wanted to go for even deeper cuts in the social and labor market budgets: They proposed to postpone the promised modest increase of the pensions in 2003 by six months, further "deregulate" labor laws, and cancel state support payments to the coal-mining and shipbuilding sectors. At the same time, the Greens proposed increased funding of insane "alternate energy" projects like solar cell and wind energy development, more nature protection parks, and an end to inland waterway construction. Increased taxation of consumed heating oil and natural gas was also proposed.

The Greens thereby just proved, once again, to be monetarism's strongest battalion in German politics. By backing Eichel in his struggle to smash anti-austerity sentiments among Social Democrats, the Greens helped shift the balance in the Cabinet towards more budget austerity.

## Grim Year Ahead

All this is just prelude to what Germany must expect for the coming year, with even bigger tax revenue holes to be filled, more jobs eliminated by increased corporate defaults, less export revenues from shrinking global markets for German industry, and the effects—not only on crude oil prices—of the potential outbreak of a dual war in the Middle East and the Persian Gulf.

The real alternative to this development is what Helga Zepp-LaRouche, leader of the LaRouche's movement in Germany, has outlined in her "Open Letter to the Chancellor" circulating nationwide. There, the Chancellor (and the electorate) is told that unless he returns to national banking-style arrangements for public sector investments, infrastructure development projects, and generation of productive credits, there will be no way out for the depressed German economy, no chance of reducing the national jobless figure.

Especially because Germany is a leading export nation, the only meaningful approach to industrial recovery lies in the Germans' active role in the Eurasian Land-Bridge development. As the response of many Social Democrats and labor union members to the Open Letter, at political events and protest rallies, has shown, there is increased interest in this alternative. If the Chancellor listened less to the budget-cutting Greens, and more to his own voter base, the German economy would be in better condition to resist the coming storms of 2003.

# Here, Mr. Chancellor, Is How You Can Lead the Economy Out of the Crisis

by Helga Zepp-LaRouche

*Mrs. Zepp-LaRouche is chairwoman of the Civil Rights Movement-Solidarity party (Bürgerrechtsbewegung Solidarität, or BüSo) in Germany. She issued this statement on Oct. 23. It has been translated from the German.*

The war cries issuing from U.S. President George Bush, Vice-President Cheney, and Defense Secretary Rumsfeld, have made it plain that the U.S. government is committed to a war of aggression against Iraq, notwithstanding the fact that experienced and respected UN weapons inspectors have expressed doubt as to whether the country has any weapons of mass destruction at all. Nor do Iraq's neighbors feel threatened in any way. This U.S. government is nevertheless about to pitch the entire corpus of international law out the window. As for its new-fangled doctrine of preventive war, this is simply taking the Big Stick to be the highest principle of international strategy. The motto being, "Might makes right."

There is scarcely a nation to be found that would favor such a war, and even in Great Britain itself, most of the establishment opposes it. Manipulate reality as the American media may, 70% of the U.S. population opposes it, and rather perceives the country's appalling economic situation as a far more pressing issue. Paradoxically, while the military establishment remains to be convinced that it can meet the logistical requirements for such a war, the so-called Chickenhawks—Cheney, Rumsfeld, Wolfowitz, et al.—imagine they can head off growing domestic and foreign opposition, by getting the war off the ground as swiftly as possible.

Although it is true that war-fighting began four weeks ago, as air raids were stepped up on Iraq's anti-aircraft defenses, everything must nevertheless be done to put off the actual outbreak of war, and, at the end of the day, prevent that war altogether. It can still be done. Nothing could be more dangerous at this point, than to allow oneself to sink into a downcast state of lethargy.

Should that war actually erupt, the sluice-gates to Hell will open, as the world's economy slides further into chaos. There will be a "Clash of Civilizations," in the form of war

waged by the West, against 1 billion Muslims. The entire region from the Maghreb to Indonesia, could well burst into flame, with untold consequences. Truly the dawn of a New Dark Age.

It is thus all the more urgent, Mr. Chancellor, that you take bold and urgent measures to confront the onrushing collapse of the world financial system, and prevent the German economy from going headlong into the abyss, under conditions of a worldwide depression. It is of the essence to bring on line, straightaway, a program for full employment in productive sectors, as per the old Lautenbach Plan.

## Some Good News

To learn that the Maastricht Stability Pact is officially dead and gone, is good news indeed, as this will mean that the iron corset of austerity measures can finally be sprung open. As French Sen. Philippe Marini aptly put it: "I am delighted that within the [European Union] Commission, reality has finally won out. The Stability Pact must be re-interpreted . . . in actual fact, it has ceased to exist."

Germany need not go under, simply because the banks and financial markets are bankrupt. It is, still, amongst the nations with great industrial capacity; it boasts millions of very able workers, and that includes the unemployed, who could help pull us out of this crisis, provided, of course, you trim your sails aright.

Around the world, those who see a "New Bretton Woods System" and the Eurasian Land-Bridge as a hopeful alternative to depression and war, gather strength and influence. Very recently, a majority of the Italian Parliament voted up a resolution calling for a new financial architecture, which resolution was inspired by the proposals of my husband, Lyndon LaRouche. It calls for a return to a growth economy, and for measures to choke off speculation, in whatever form. For its part, the German Parliament should call for convening an international, New Bretton Woods Conference, and work to that end alongside Italian and other members of parliament, who have been calling for just such measures for many years.



Helga Zepp-LaRouche leading the BüSo during the national Parliamentary campaign. Her early demands for Germany to reject an Iraq war, and for government-directed credits for economic recovery, had a strong impact on policy debates around Chancellor Gerhard Schröder (right). “In the midst of world financial crisis and depression,” says Zepp-LaRouche, “of all measures, the most ill-advised is to slash the budget.”

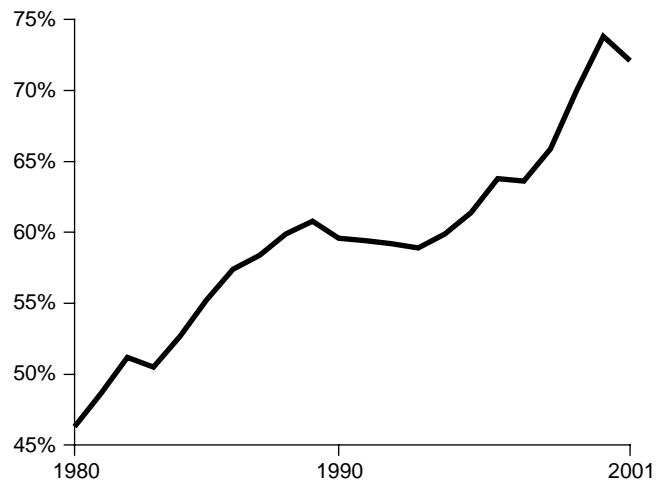
In Brazil, Dr. Enéas Carneiro, who put forward the motion to have Lyndon LaRouche made an Honorary Citizen of the City of São Paulo, has just taken his Congressional seat with the largest number of votes ever seen in Brazil, and is now mobilizing a Congressional faction for a New Bretton Woods. Expect similar events elsewhere.

### Undeniable Facts

If Germany is to have a competent economic policy, the bald fact that the world financial system is hopelessly bankrupt, and that the world economy has slid into a bottomless depression, must be faced. Argentina cannot pay, and is about to disintegrate. The Brazilian case shows clearly why the International Monetary Fund cannot be salvaged: Were Brazil to decline to bow to the IMF’s latest round of austerity measures, her inability to pay would bankrupt the U.S. banks directly, and thus pull down the entire system. Were the newly elected Brazilian government to go along with IMF conditionalities, the Brazilian economy would grind to a halt—but Brazil would still be unable to pay, and the impact would be the same: The U.S. banks go bankrupt, the system blows out. Damned if you do, damned if you don’t, unless one throw the game over, and start from scratch.

The international financial system is riddled with fundamental weaknesses, as Japan slides into depression. But the epicenter of the whole systemic crisis is the United States, which has become the most indebted state in financial history, with its \$32 trillion worth of debts (government, business, and household debt taken together). The U.S.A pays out \$7 trillion in debt service yearly, representing 70% (!) of GDP: Dare one say it, the U.S.A is bankrupt! Argentina, Brazil,

FIGURE 1  
U.S. Debt Service as a Percent of U.S. GDP



Sources: U.S. Federal Reserve Board of Governors, “Flow of Funds Accounts”; Office of Management and Budget, “Budget of the United States”; Mortgage Bankers Association; Thomson Financial Services; EIR.

*U.S. debt to GDP is so huge, that debt service alone appears to consume 70% of the GDP; i.e., debt is being paid with new debt. In Germany, per-capita debt has reached 21,000 euros, an amount almost equal to the country’s total savings.*

Poland, or Turkey may be unable to pay, but they are not alone; the total mass of international debts, amounting to \$400 trillion (credits, mortgages, futures) simply cannot be met.



In Germany, per-capita indebtedness now stands at 21,000 euros, despite the fact that total savings has reached 1.9 trillion euros. What that means is, that an ever-larger proportion of families is far deeper into debt than the average would indicate. Indebtedness per capita, including infants and little children, in Bremen, stands at roughly 18,000 euros, in Berlin 16,000 euros, and in most other municipalities, it lies somewhere between 12-14,000 euros. In North Rhine-Westphalia, the state government is supervising the finances of 20 of the state's 23 largest cities, while ever-more state legislatures and municipalities announce a payments freeze.

The Berlin coalition negotiations had rested on the assumption that the budget deficit would not exceed 14 billion euros. That was already far beyond the 3% ceiling stipulated under the Maastricht Treaty. By the time the next tax assessment comes round in November, the deficit will yawn wider still. The coalition intends to make up 11.6 billion euros by cutting the budget and raising taxes, the brunt of which will naturally be borne by the population, which will have to struggle with a higher cost of living, and, for many, a sharp fall in living standards.

In the midst of world financial crisis and depression, of all measures, the most ill-advised is to slash the budget. Each fresh round of cuts destroys manufacturing capacity still further, tax revenue falls, and the budget deficit gapes ever wider—leading to further budget cuts, and so on, winding on downwards unstoppably. Consumer confidence shreds, anxiety about what the future may bring spreads, as unemployment increases and buying power declines.

## We Must Launch a Grand Design

Mr. Chancellor, one must of course acknowledge that, in setting up a new Super-Ministry led by Wolfgang Clement, assigned to implement the Hartz Commission proposals, you are trying to change tracks. It is a good initiative indeed, to use the Kreditanstalt für Wiederaufbau [KfW, Reconstruction Credit Bank] to back, essentially, the *Mittelstand* small and medium-sized industrial firms, and reconstruction of the flood-damaged East. Ten billion euros for the Hartz Commission program, which must be increased should the program succeed, is perfectly justified, and worthwhile, just as the regular extension of credits to the *Mittelstand* and municipalities through the KfW. Overall, a step in the right direction, but the horizon is too narrow by far. When an entire regiment is about to throw themselves from the upper floors of a burning building, would it help for the firemen to pull out a pocket handkerchief and shout "Jump!"?

As this goes to print, over 42,000 *Mittelstand* firms will likely have declared insolvency by year's end. And that is not the whole, grim picture. The crash is nearly upon us. Since March 2000, share values have dropped by \$17 trillion on the stock markets. Commerzbank shares have lost 70%, while the other big banks have lost over half. Insurance firms have hit rock bottom; Allianz Versicherung has fallen back to one-

quarter of its initial share value.

Each attempt by the Bundesbank and merchant banks to head off a domino effect, by pumping in enormous amounts of liquidity into the system, holds for a moment more fleeting than the one before. Such intervention, being purely monetarist, serves to only exacerbate matters, as productivity collapses still further worldwide. The entire system has gone into meltdown, and nothing can save it.

A patchwork rug, with the good pasted up amongst the bad, is not the sort of economic policy that Germany needs: We must launch a grand design. We have got to come up with an economic policy that, after the crash, after the end of the IMF system, will allow us to rebuild, because that crash is very nearly upon us, far more so, than many would care to imagine.

Although there is nothing wrong, as such, in short-term, interim programs aimed at holding off further degeneration, one should face the fact nonetheless, that such programs cannot, in the long term, suffice. The crux of the matter is that the system has reached the end of its tether, and within the system, no options remain open.

The Italian, French, and German governments have now expressly stated that the Maastricht Treaty criteria must be redefined in a "growth-oriented" manner. Fine, but what does that mean? Let us peel the gloves off and acknowledge that the Maastricht Treaty was entered into on the basis of assumptions that everyone now recognizes were wrong, that is, neo-liberal monetarist policy. Incidentally, the more apparent the bankruptcy of that neo-liberal policy becomes, the more neo-liberal economic publications moan and shriek about the end of the Stability Pact.

## List and Lautenbach

If there is one "magic word" for Germany, that is Friedrich List. It was he who laid down the theoretical basis for our country's industrial revolution, and who pointed out the precise distinction between a dirigist, "American System" notion of economy, directed at the common good, and the "British System"—the latter, being a system based on the free-trade, oligarchic motto, "Buy cheap, sell dear."

When, in September 1931, Dr. Wilhelm Lautenbach, a civil servant with the German Economics Ministry, presented to a Friedrich List Society gathering a plan, which became known as the Lautenbach Plan, he relied on List's theories. Dr. Lautenbach argued that normal market mechanisms cease to be operational under conditions of simultaneous world financial crisis and depression, because deflation means a fall in purchasing power. If the crisis is to be overcome, the state must intervene.

First and foremost among the government's tasks, wrote Lautenbach, is to deal with unemployment. To that end, the state must provide start-up financing for projects in which one would invest, even when the economy were doing well. The projects must be objectively useful from the standpoint of the common good, and lead to true capital creation. The

impact, direct and indirect, of extending those credits, would so revive the entire economy, that the cost factor represented by unemployment would be covered, and tax revenue would, at the end of the day, be much larger than the credits originally extended.

As is well known, the Lautenbach program never became reality in Germany. It was taken up, as a principle, by Franklin D. Roosevelt, who adopted precisely that concept of state credit to bring America out of the deep depression of the 1930s. Had the Lautenbach Plan been implemented in Germany at that very time, the environment in which Hitler seized power, would never have developed, and the Second World War would never have taken place.

The way out of the economic crisis means dealing with the real physical economy. That is the only solution feasible, but it calls for real spiritual effort. It will mean turning over the leaf of that noxious mind-set that has gripped Germany since the mid-sixties. The shift from a producer society to a consumer society, all of them convinced that profits arise, not through productive labor and investment in scientific and technological progress, but rather through stock market transactions and speculation, convinced that money breeds money—this must be turned right round.

Unfortunately, no more than a tiny fraction of the population has the faintest notion of what principles prevailed in those days when there was a viable economy. Who, amongst the captains of industry today, recalls the economic theories on which Schumacher, Adenauer, Monnet, or Erhard relied? There is no alternative to the study of the principles of physical economy, as elaborated since the time of Colbert and Leibniz, through List and the Careys, Mendelejev and Witte, and now LaRouche. There are no shortcuts, no express elevators to the penthouse, no mouse-click to take you from Herbertstrasse to Mont Blanc—you have got to get out there and climb that mountain yourself.

### **No Alternative to a New Bretton Woods**

There will be no way out for Germany, unless the hopelessly bankrupt international financial system be reorganized in the form of a New Bretton Woods, for the simple reason that Germany is not some islet out on another planet in the Solar System. If Germany really wishes to promote its own best interests, it must put the absolute urgency of holding such a conference on the international agenda. Why should the Bundestag not follow the example of the Italian Deputies, and, in a non-partisan way, call for the convening of such a conference? What, Mr. Chancellor, could prevent you from proposing that before the UN General Assembly? Is it not plain to the entire world, that the system is played out? Can it really be man's destiny, that an absurdly tiny fraction of the world's population swan about in a "Boutique Economy," draped in Armani and eating caviar, while continents starve?

The seriousness of the world financial crisis can no longer

be swept under the carpet. Now that even [EU Commission President] Romano Prodi publicly acknowledges that the Maastricht Stability Pact was "stupid," the opportunity is there, for some European states to revert to a national banking system, based on the KfW in the post-1945 reconstruction phase, where long-term credit for development will be extended at 1-2% interest. Such credits must be tied to a European-wide infrastructure program, as part of a continental transport scheme. Jacques Delors' 1993 White Paper, which, as is well known, plucked its main ideas from our "Paris-Berlin-Vienna Productive Triangle" program published in 1990, could serve as a guideline, that one could put into effect without delay.

As for repairing the damage created by the recent floods, which adds up to over 20 billion euros, that will have to be integrated into the program: The point is not merely to put things back as they were, but rather to adopt, now, improvements that will allow us to rebuild the Eastern area's industrial capacity. That capacity was sacrificed, when the Treuhand [agency for dealing with former East Germany's state-sector industry] was brutally privatized under Brigit Breuel. One could start by building the Transrapid magnetic levitation train routes currently being debated, namely the Amsterdam-Hamburg-Berlin, Berlin-Warsaw, and Berlin-Dresden-Prague lines. The rule of thumb being that 250 kilometers of Transrapid route will call for roughly 5 billion euros in investment, and create up to 100,000 construction jobs.

Such priority projects are the investment framework which will allow schemes like the Hartz Commission "job-floater program" to work. The same rule of thumb would apply: "For each 5 billion euros invested, up to 100,000 jobs" will be created; that is the sole means to save the *Mittelstand*. Were those three Transrapid schemes to go through, in Germany alone, 300,000 jobs would be created, not to mention a similar number in Poland and the Czech Republic. One would have to proceed in that same way, in building up Europe's canal routes. For example, in the wake of the floods, the obvious work is on the Elba and Oder, and the Berlin-Oder connection. Up-to-date canal routes are still the cheapest way to move heavy or bulky freight.

### **Eurasian Land-Bridge: A Motor for Our Exports**

Although with such an approach, a great deal can be done to create full productive employment, nonetheless one should bear in mind that Germany, as the world's second-largest export nation, is but a cog in the world economy. Like Japan, our country lacks raw materials, but, before the neo-liberal paradigm shift, the economy afforded our population an extremely high living standard, (along with exemplary education and health care).

Globalization has plunged entire continents into misery, and thereby ruined many of Germany's traditional export



## Heading for Argentine Blow-Out, Mexicans Call in LaRouche

by Gretchen Small

When the man who claims credit for fathering the greatest bubble in human history announces to a confab of central bank chiefs from around the world, that Mexico is a “safe haven” within Ibero-America, an intelligent person concludes: “Whoa, boy. Mexico’s going to look like Argentina any minute now.” The failed Chairman of the U.S. Federal Reserve System, Alan Greenspan, told 50 central bankers huddled in Mexico City on Nov. 12, that Argentina and Brazil may go down, but Mexico is “relatively insulated” from catastrophe. Mexico is an “example of a country that has benefitted from free trade,” he insisted.

No longer does everyone in Mexico swallow this markey, however. Knowing their country’s existence is on the line, some Mexicans decided the time had come to break Wall Street’s 20-year ban on allowing U.S. statesman Lyndon H. LaRouche to visit Mexico, so that they could discuss what is to be done directly, with the world-renowned economist.

In recent years, many Mexicans, including people within the Institutional Revolutionary Party (PRI) and the ruling National Action Party (PAN), rejected LaRouche’s warning that it is the post-1971 international financial system itself which is collapsing, and that Mexico, as every nation, would go down unless it joined with others to replace the system. Instead, they bought into the official line that “Mexico is different.”

The faster that Argentina and Brazil collapsed, the louder that chorus grew from Wall Street hacks and their fools within Mexico. Typical was the outburst by Lorenzo Zambrano, one of Mexico’s most prominent businessmen, chairman of the CEMEX company, and a leader of northern Mexico’s Monterrey Group of industrialists. Asked by *El Norte-Reforma* on Oct. 2 about the decline in foreign investment to Ibero-America, Zambrano erupted: “Mexico is not Latin America! Mexico is North America! End of discussion. We have nothing to do with Latin America!”

Recognition has dawned, however, on an increasing num-

ber of prominent Mexicans, that Mexico proves that free trade has *failed*, and LaRouche might be right. Prominent columnist Juan Ruiz Healy wrote on Oct. 11 in *Novedades*, that when the crisis exploded in Argentina, “the confused political leaders of various Ibero-American countries, Mexico’s Vicente Fox and Fernando Henrique Cardoso in Brazil, hurried to assure the world: ‘We are not like Argentina. We will continue applying the IMF’s austerity measures and paying our debts without question.’” Healy wrote, “We ask ourselves, could it be true, as is rumored, . . . that as Marivilia Carrasco, president of [LaRouche’s] Ibero-American Solidarity Movement in Mexico, says . . . is the same thing not going to happen here?”

### Great Leap for Mexico

Those in Mexico who bet against LaRouche’s evaluation were blown out of the water over the past year. Mexico’s economy, transformed under the North American Free Trade Agreement (NAFTA) into a mere platform for assembling cheap goods to ship to the United States, has been devastated by the collapse of the U.S. economy. The *maquiladora* sweatshop assembly plants, the only growth “industry” in Mexico for more than ten years, are closing down, and the states which relied on the *maquilas* for revenue and employment, are reeling.

One of those states is Coahuila, a northern state which borders on Texas.

From Nov. 4-7, LaRouche was invited to Saltillo, the capital of Coahuila, to present his evaluation of the global crisis, and what can be done to resolve it. LaRouche had been invited to visit Guadalajara, Jalisco, in August 2002, but was forced to cancel, and deliver a speech by telephone hook-up from abroad, when adequate security was denied him. Similar complications required him to limit this visit to Saltillo.

The Coahuila press covered LaRouche’s press conference in Saltillo extensively, but the impact of the visit was

by no means limited to Coahuila. The state's public university, the Autonomous University of Coahuila, invited LaRouche to deliver an address on "Alternatives in Light of the End of Globalization," and broadcast it simultaneously to six other university campuses in five states (Jalisco, Sonora, Tamaulipas, Zacatecas, as well as two other cities in Coahuila). The speech, published in the pages which follow, along with some of the dialogue, reached a combined audience of 800 or more students, professors, and others, including 500 in Saltillo.

Architect Héctor Benavides from Channel 12, the leading TV newscaster of Monterrey, the capital of the neighboring state of Nuevo León, traveled to Saltillo to film an interview with LaRouche, the transcript of which is published here. The interview was broadcast in full on Benavides's popular Sunday program on Nov. 10, to a viewership extending across the entire northern region of Mexico and parts of the Southwest United States, and internationally via the station's Internet site.

LaRouche met also with the state's Governor, Enrique Martínez y Martínez, a leader of the PRI party who has been playing a prominent role in the National Congress of Governors (Conago), a grouping of 22 state governors from opposition parties.

### **'Old Mexico' Fights Back**

Greenspan and the other central bankers descended on Mexico on Nov. 12, for the opening of a regional office of the Bank for International Settlements (BIS), and a simultaneous Banco de México conference on global economic developments. Greenspan's public address, a paean to British Foreign Office hack Adam Smith entitled "The *Wealth of Nations* Revisited," was a direct counter to LaRouche and his organizing for the reestablishment of the key parameters of Franklin Roosevelt's Bretton Woods system. Government intervention into the economy, used by some countries following World War II until the 1970s, Greenspan said, has been "largely discarded," and must remain so. Nations must rely instead on "an invisible hand [which] converts self-centered behavior into a greater good."

With the heads of the Argentine and Brazilian central banks being present, the conference provided a forum for frantic private discussions over the blow-out of the entire Ibero-American financial systems—Mexico and its \$150 billion in official Federal public debt, domestic and foreign debt included. (The real figure is higher.)

Greenspan warned, in typical "Greenspeak," that the "invisible hand" can fail. "Periodically, as an economy borrows its way to the edge of insolvency with debt denominated in foreign currency," he said, "government debt-raising capacity appears to vanish virtually overnight. . . . Lending institutions will provide funds beyond the immediate visible short-term cash flow of a borrower only if they perceive that maturing debt will be rolled over. The first whiff of inadequacy in debt-raising capacity induces a run to the exits—not unlike a bank

run." Translated: Mexico had better keep up the illusion that its debt is performing, or it will collapse, too.

Mexico has kept up the appearance of solvency through the past year of Argentine and Brazilian blow-outs, by selling itself as the "safe haven" for capital fleeing those countries, and by selling 90% of its exports to a U.S. economy which can no longer buy them. As important as the export of its products, is the export of its labor: Almost 10% of Mexico's 100 million people now work in the United States. The jobs are mostly low-wage, but billions of dollars are sent home in wage remittances, second only to oil exports as a foreign-exchange generator.

The Mexico game is up, and Greenspan, et al., know it. The report presented by the Banco de México to the September 2002 annual International Monetary Fund (IMF) and World Bank meetings acknowledged that Mexico faces "risks . . . substantially greater than" what it has faced so far, because such capital flows are ending. Wall Street and London turned the screws on President Vicente Fox, ordering him to cover the fleeing capital, by gouging it out of the domestic economy: Cut back revenues to the states, increase the tax burden across the board, and break the back of "old Mexico," which has refused to turn over the oil, gas, and electricity sector to foreign pirates.

On Nov. 5, as LaRouche was discussing the alternative to destruction in Saltillo, Fox presented his 2003 budget proposal to Mexico's Congress. Lo and behold, it matched precisely the recommendations contained in the IMF's latest review of the Mexican economy, released on Nov. 6. The cuts are draconian, with a full 15% cut in current expenditures, in order to cut the fiscal deficit from its current target of 0.65% of Gross Domestic Product, to 0.50%. Revenue-sharing payments are to be further cut to states and municipalities; funds for agriculture are reduced by nearly 8%. Various new taxes are proposed, and the private sector—primarily foreigners—is to assume major portions of "infrastructure" costs, meaning de facto privatizing Mexico's sector.

This budget is political suicide for Fox. As LaRouche pointed out at the University of Coahuila, the "old Mexico" which Wall Street hates, and rightly fears, is not limited to any one party, but is an "instinct for national sovereignty, as opposed to submission to a financier oligarchy," which is deeply embedded in the national elite.

The country is up in arms against Fox. His Treasury Secretary Francisco Gil Díaz can't hold a press conference without having to deny that he's resigning. The Conago governors group and Congress have met to coordinate actions to block the government's draconian fiscal measures. The PAN state governors are mobilizing, also, and there is some talk that they may join Conago.

Fox was forced to deny charges from Congressmen that his budget was drafted in Washington by the IMF, and hearings have been called for Nov. 19, at which Congress expects the University of Chicago-trained Gil Díaz to give answers on "what was agreed to with the IMF."

# New Alternatives in the Face of The End of Globalization

*Lyndon LaRouche addressed the Nov. 5 simulcast conference organized to bring him to the Autonomous University of the State of Coahuila, in the city of Saltillo. The questions in the discussion session which followed have been translated from the Spanish.*

*LaRouche was introduced by Jesús Ochoa Galindo, Dean of the University, who said, "Globalization is a strategic phenomenon, but where is it taking us? On this specific topic, I present the prestigious economist and former candidate for the U.S. Presidency Lyndon LaRouche, Jr. No one can treat the economic aspects of the phenomenon of globalization, and the anticipation of changes in current tendencies, better than Mr. LaRouche.*

*We are going to hear one of the most prestigious individuals in the world with regard to economic analysis and forecasts, upcoming strategy and intelligence. His curriculum is filled with successful experiences in this field with regard to economic and world phenomena.*

*Today, we will have the opportunity to learn about and ponder the perspective with which Mr. LaRouche examines globalization, with specific regard to the world economy from the systemic and global standpoint. We are confident that this presentation will help us understand more fully the economic reality our country faces, and we will be able to better explain some of the developments that will come in the near future.*

*... To make experts and thinkers in this house of study, better understand the economy and society, is an important part of its mission. This event which we attend today is the program of commemoration of the 45th anniversary of the founding of this university."*

Thank you very much. I shall address four topical areas, which are related. First, I shall identify the systemic characteristics of the crisis. Secondly, I shall identify the causes of this systemic crisis. Thirdly, I shall indicate the remedies of the crisis, with emphasis on Mexico and the United States. Finally, I shall turn to the question of the institutions in this crisis. It is the failure of the economic policies of international institutions, and most definitely that of the United States, especially over the period from 1964 to the present. It is obvious that the economics profession and the politicians have failed to understand and anticipate the kind of crisis that they were creating by fostering policies which have led to this present

situation.

That means that in the academic environment, especially in the teaching of the students, in the age intervals between approximately 18 and 25, the crucial layer of generating the next generation of leaders in the nation, we must make certain improvements, and shift from so-called monetarist theory of economics, back in the direction of the so-called protectionist model, or what I prefer to identify as a physical economic model, rather than a financial-monetary one.

Today's crisis is typified, throughout the hemisphere in particular, by the current crisis in Brazil. In South America, we see that Argentina has been destroyed, especially since 1982. We see that Bolivia is now in danger of going back under a drug dictatorship. We see related crises on the borders with Brazil and Argentina, Paraguay, and Uruguay. We see the loss of sovereignty of Peru, by a coup organized under the direction of President Clinton. We see Ecuador as a nation which has been denied any actual sovereignty over its international affairs. We see what has happened in Central America. We see the continuing disintegration of Colombia. We see a new crisis erupting in Venezuela. We can see the state of the Caribbean, in general. And Brazil typifies the center of this.

## **Brazil: The IMF Is Finished Either Way**

At the present time, Brazil faces an impossible burden. There's no possible way that Brazil could carry the debt which is now being imposed upon it. This debt was not really self-incurred. The debt was imposed by international institutions under strong pressures of the United States, including the dollarization of Brazil's debt in 1989, which was a tragedy for them. There's no way they can pay this debt under these terms. The IMF demands that concessions be made by Brazil to all of the requirements of the markets, markets which are essentially corrupt. J.P. Morgan, Chase, and Citibank are implicitly bankrupt, and but for the power of the United States, as a physical power, they *would* be bankrupt. They have no hope for the future, under their present conditions. This is true of the banking system of the United States in general. The Federal Reserve System of the United States today is bankrupt in fact, and is sustained only by the political power of the United States. The banking systems of Europe are bankrupt. The central banking systems are bankrupt, and this is the condition throughout much of the world.



*U.S. Presidential candidate Lyndon LaRouche meets the press of northern Mexico in Saltillo, capital of Coahuila state, on Nov. 5—the beginning of wide regional and national coverage of his visit to Mexico, which was his first since his fateful meetings with President José López Portillo in 1982. One observer made a play on words with the city's name ("small leap" in English) calling the trip "a 'Saltillo' for Mexico, a great step for mankind."*

Now, the IMF—which has been the organizer, together with the World Bank, of this bankruptcy, which has developed over the years—now comes to Brazil and says, "Brazil, you are bad. *You're bad.* You have to accept our tutelage. We, who ruined you, have come to help you by ruining you some more." What would happen if Brazil capitulated to the IMF, and accepted anything in any way resembling the demands which have been made upon it by the IMF? Brazil would die! It would disintegrate, rapidly. Not over several years, but over months! Look at the figures. Take the ratios. Take the debt service charges. Take the effect of these conditions and collapse of the economy of Brazil. Look at what's happened to Argentina, and see that what happened to Argentina is now in the process of unfolding with full force in Brazil.

Look at the conditions in the hemisphere. Look at what threatens Mexico, in the next round. There are 5 million Mexicans working in the United States, or losing employment because the United States is bankrupt! There's a general collapse of the financial markets in the United States. Only the political power of Washington keeps the markets appearing to survive. The wipe-out of monetary values is enormous. It will become greater. Then you have Mexico's particular regions, which have come to depend largely upon exports to the United States, notably in categories that are collapsing, such as electronics and automotive parts. The market in the United States—the automobile market—or other countries, is vanishing. The so-called New Economy, the information society—they're dead. There is no future for them in their present form. This threatens Mexico with being plunged into a condition similar to that which is being experienced by Brazil. This is true of the world, the world at large.

So, if Brazil submits to the IMF, it will commit suicide in quick order, and the rest of the hemisphere will follow after; most of it's already gone. However, if Brazil were to collapse, the entire banking system of the United States would be forced into bankruptcy. It would collapse. The Federal Reserve System of the United States would be bankrupt. Bankruptcy would be forced. We have a real estate bubble waiting to explode inside the United States, which would wipe out much of the United States. So, if Brazil submits, Brazil dies quickly. As Brazil dies, the United States goes into a collapse, the U.S. banking system, which is overripe. If Brazil resists, and does not submit, it could survive. If the average interest rate were kept below 10% in Brazil, and suitable conditions of refinancing the debt were instituted, Brazil could survive, and could be part of a recovery prospect for the hemisphere. But if Brazil were to survive under those conditions, the IMF would go bankrupt. It could not, under present circumstances, absorb that kind of financial reorganization.

Either way, the IMF is dead, in its present form. If it succeeds, it dies. If it fails, it dies. This gives you an indication of what we've described as a systemic crisis, as opposed to people who study the statistical phenomenon called boom-bust cycles. This is not a cyclical phenomenon. With the cyclical phenomenon, you have financial speculation, which acts like a parasite on the economy. It comes to the point of collapsing the economy. Then some of the financiers are forced into bankruptcy. The economy is relieved of the accumulated financial debt by bankruptcy, and the economy that has not been structurally destroyed, will tend to bounce back. Farming will go back to the farmers. Manufacturing will go back to the manufacturers—maybe not all of them, but they'll come

back. Other things will be restored. There's a certain kind of human resilience to these kinds of episodes. That's a cyclical crisis. We do not face a cyclical crisis; we face a systemic crisis.

## Origins of the Crisis

There are solutions. Let us first see how this happened. Where did this systemic crisis come from? In the immediate post-war period, 1945 to 1964 approximately, until the end of the Indochina war, the United States remained the world's leading productive society. That is, in terms of physical output per capita and per square kilometer. The relative productivity of labor and output of the United States was the highest in the world. The United States cooperated with the hemisphere, from which many of the countries of the hemisphere benefited, not equitably, but they benefitted. They utilized the conditions created by the post-war IMF system, the Bretton Woods system, and utilized that under various imaginative governments, to improve the conditions of life in these countries.

It was true of most of the countries. It was true of Brazil. It was true of Argentina, which already had the fourth-highest standard of living in the world at the end of the war. Argentina was a marked success, but they set out to ruin it in various ways, to destroy it. But generally, most of the countries progressed. In Europe, under the influence of the U.S. model, post-war reconstruction, Western Europe prospered. Other parts of the world prospered. Japan was reconstructed with U.S. support, and prospered. Korea came from oblivion into freedom, and prospered.

Then it changed, starting around 1964. What was the change? Approximately 1964, about the time of the launching of the Indochina War, there was a cultural change in the United States, which was imposed upon a generation of adolescents then in secondary schools or entering universities. This generation, then adolescents or very young adults, are now running the world. They are occupying most of the top positions in government and other institutions, in corporate institutions. They have never in their adult lives lived in a society that was dedicated to production.

The idea of income in the United States is credit card debt. U.S. citizens do not have incomes, they have credit card debt, and they use the income they have as a monetary flow to carry the debt service on their credit card debt. They buy their housing virtually on credit card debt. People do not buy houses, or mortgage houses, on the basis of what they can afford, to retire the mortgage. They base it on, can they carry the monthly charges? We have built a tremendous real estate bubble in the United States, of tar paper shacks assessed in mortgage value at \$400,000 to a million dollars, which are about to collapse. We have a 30-40% rate of collapse in the Washington, D.C.-Dulles area, in the so-called New Economy or information industry corridor. We are faced in that area, with approximately a 30% mortgage foreclosure rate

which is about to hit people who are now unemployed, and who depend on two incomes, and are now going to lose their houses. We will have a dead area. California and other areas in the country are similar.

This happened in Europe; we destroyed industry. We destroyed the indigenous industries in Mexico and in other countries. We crushed them. It happened in the 1970s, when President Echeverria, here in Mexico, had an emphasis on infrastructure development, which involved negotiation with Japan, on the exchange of Pemex oil for steel plants and other internal developments. This orientation was maintained in Mexico by President López Portillo. The same program. These programs were crushed under the pressure of Henry Kissinger, first as U.S. National Security Adviser and Secretary of State, and then by his successor who actually ran the Carter Administration, Zbigniew Brzezinski. Japan was told it would break the deal with Mexico, it would get its oil from Alaska, not from Pemex, and Mexico would not be allowed to make such agreements with anyone.

Japan was transformed from an industrial country, which was oriented toward developing nations with industrial technology, such as Iran, which had a large oil-for-technology deal with Japan. Same thing that happened with Pemex, here; it stopped. And then we went into a period, under the IMF floating-exchange-rate system of 1971-72 on, in which these countries—in particular Central and South America—were looted financially by rigging a crooked system called a floating-exchange-rate system. The London financial market, a private market, would make a run on currencies such as the Mexican peso. Then someone would say to the Mexican government, “You must call in the IMF or World Bank and so forth, to advise you on what to do to deal with the fact that your paper is no longer any good, because the London speculative market has devalued the value, in this case, of the peso.”

So, the IMF would come in as advisers, as blackmailers, as extortionists, and they'd say to the Mexican government, “Here is what you're going to set your peso value at, otherwise we'll crush you.” Well, the Mexicans said fine, okay, we'll continue to pay our peso debts with pesos. “Oh no you won't!” says the IMF. “You will not pay your peso debts with pesos. We are going to go to an indirect form of *dollarization*. We are going to re-write your debts, so that your foreign financial creditors do not lose on the devaluation of the peso. As a result, as we know, over this period, from 1971-72 to the present, the countries of South and Central America owe nothing on the foreign debt, because the amount they have paid against the actually incurred debt—the contracted debt, the paid-in debt—has been more than fully paid by debt service payments through today. By probably double. The debt that exists is a residue of artificial debt imposed, not by incurring debt, but by having it imposed by IMF and similar kinds of looters.

We drop your currency, we organize a run against your





*Coahuila University Director of Graduate Studies Dr. Rafael Arguello introduces Lyndon LaRouche (listening, right, to translation by EIR Ibero-America Editor Dennis Small) to the audience of 500 at the “New Alternatives Facing the End of Globalization” conference.*

currency, we stick your currency artificially on the London market, you then come begging, from your various governments, for assistance. We say, “We’ll let you live, if you accept our dictate in dropping the value of your currency. Then you will increase your debt to make up for what your foreign financial creditors have lost by the reduction in the value of your currency.” So this was the condition in Mexico and in other countries in 1982, when the Mexico crisis was organized in Washington, under the friends of Henry Kissinger. And this was the second phase.

Now the countries are reduced to a loss of sovereignty because of this kind of debt manipulation. Countries said, we have to submit to the IMF all of our internal and other economic policies, to conform to these imposed conditionalities, and having crushed the credit of these nations, they came in like vultures to pick the flesh from the bones. Then they came back, and they said, “Well, you need some income. We’re going to take your population, and we’re going to employ them to work as cheap labor, to replace the production we used to do inside places like the United States.” So, what we did was, we collapsed production inside the United States, for the sake of cheap labor from South and Central America, and from Asia.

### **The Youth Made a ‘No-Future’ Generation**

We destroyed the economy of the United States. We destroyed our railroads. We destroyed our power-generating system, all of our basic infrastructure. We destroyed our health-care system, we destroyed our education system. We invented a so-called new kind of “services employment.” We said, “Eliminate all protectionism, and sell the cheapest,” which means you can not make capital investments, to improve technology, you can not develop the infrastructure of your country. You must concentrate everything on putting on

the world market, at the cheapest possible prices, what the United States, in particular, wishes to consume at bargain prices. And the United States will not pay you for this. We will run a current account deficit. We don’t pay for imports. We will borrow money from Japan, and Japan will print money at virtually 0% interest rates overnight. The Japanese, having borrowed the yen at zero interest rates, will then convert the yen into dollars, deutschemarks, and so forth. These funds will then go chiefly back into the New York financial market, and they will be used to prop up the New York financial markets.

So, we come to a point that you are collapsing the world physical productivity, per capita, per square kilometer, as measured in physical terms. You are actually threatening life-expectancy rates in many parts of the population. All is done for the sake of globalization, which it’s called today. NAFTA was brought in in the 1990s. The Soviet Union collapsed. The only superpower was the United States, and the United States doesn’t have to produce anymore. “We have world power, we have no adversary with credibility. We can steal from everybody.” But we destroyed the United States inside, at the same time that we were picking the bones, like buzzards, of our friends to the south and in other parts of the world.

Obviously, that comes to an end. You can not rely upon accounting. Accounting is not economics. Accounting is “connect the dots.” By the rules, you connect the dots. You say, this is the bottom line. It does not tell you what is going to happen.

For example, one of the crucial problems we have today is a generational problem. We have created a situation in which young people between 18 and 25, those of us who are either in universities or could be in universities, have a sense that they have no future. And they look at the older generation, and they say, “You gave us a world in which there is no

future.” They’re angry, disassociated. Some of them go to pieces, some disintegrate, but others rebel.

The thing that we used to understand, is that to appreciate what an economy is, you have to look at it from a generational standpoint. For example, you have in Mexico, poor people who are agriculturally backward. You wish to develop Mexico. How do you think of the development of the people of Mexico, per capita, per square kilometer—starting with a very large part of the population which is in this poor agricultural area—without hiring people who have developed modern skills. You start with a program of infrastructure, education, and so forth, health care, other improvements, and you hope that the generation of the children of these poor agricultural workers, that they will begin to prosper. That they will become an improved, more powerful labor force. They will have more knowledge, more skills.

And then you have a third generation, the children of these children. And the children of these children will represent a nation that is coming into full parity with other nations in terms of technology, which is able to promote an idea of the general welfare: That we take care, efficiently, of the needs of all of the population, because we develop a process of *improvement*, not only improvement of technology, but improvement of the cultural development, the education and the skills of successive generations, from the parents, to the children, to the grandchildren. The normal process.

That process has been aborted. We talk about the short-term; what we have on this year’s return on investment; what kind of a house *we* live in today. We’ve lost sight of what kind of a world we are giving our children. What kind of a world, in the development of our children, are we giving to their children, our grandchildren? This is real economics, not the economics of the cash-flow, of the accounting men, but the economics of the conditions of life, of the development of humanity, of a species which is not a monkey, but is a human being, for whom development of the mind, development of the culture, is everything, and for whom the transmission of culture, the transmission of what improves culture, is everything.

## There Are Solutions

So we’ve come to the point, now, in which the system—over several generations, especially since 1964-2002, we have a system that is failing. It has been failing all along. No profit was actually made by nations over this entire period. We’re living like parasites on the remains of our past. We were depleting this, letting infrastructure collapse, letting health care disintegrate, and so forth. We’ve come to the point at which the clock has run down!

Meanwhile, we say “profit”! Profit on accounting income is by crooked accountants, who figure in financial terms, but not physical terms, and build up tremendous debt. To what? To that accounting system. And now, the amount we produce,

as in the case of Brazil, could not possibly, at current prices, ever pay off the debt. Under present conditions, the growth of the debt would be at greater rates than is physically possible with growth of production. Worst of all, the first thing we do is say, “In order to reduce costs, we have to reduce labor.” We cut wages, and then we lay them off. Thus, we lower the average productivity of labor in the national economy by reducing the number of people who are producing. It’s a scene of destruction. Insanity!

So, we come to a point, like the Brazil crisis in this part of the world.

Now obviously, there are solutions. I’ve been pushing such solutions. We had most recently in the Italian Chamber of Deputies, a majority vote for a proposal which I had made; the Italian government is implicitly, by this vote, committed to working with other governments, to reorganize the world monetary system, to return to a Bretton Woods formula of the type we had in 1945-1964. To use that model: fixed exchange rates, protectionist system, to promote production, and similar kinds of programs, to ensure that we get back on a growth pattern again. This means that we have to put the world through bankruptcy reorganization, the same way you’d do any bankruptcy: You call the debtor in. The debtor in this case is the financial system. The financial systems, central banking systems, are bankrupt. We say, “All right, we’re going to *wipe out* your assets, because they’re fake assets. They’re based on claims which can not be met, and therefore you’re bankrupt.

“We, as governments which have a responsibility for the people, will mercifully put you bankrupts through bankruptcy reorganization. We, as states, will create the credit; the credit needed for large-scale infrastructure programs and for promotion of private investment. This credit will be used over a long-term basis, that is, 25 years or so, in general at 1-2% simple interest rates, as state credit, to be used for large infrastructure; to build up the level of employment; to build the railroads, the water systems, the power systems, and so forth, which are needed for society. This will stimulate private employment. We will also put credit into creditable areas of private investment, to build up agriculture, to build up manufacturing, to build up other necessary things, and we will build our way out of this mess.”

## Infrastructure and ‘Fountains of Technology’

Now, who’s fault is this? We have, right now, meeting in Phnom Penh, Cambodia: We have a meeting of a number of Asian governments, which includes China, Japan, Korea, Southeast Asian nations, and India. This group has organized what might be called the Asia Free-Trade Zone. It is not a free-trade zone, in the sense of NAFTA. It is a cooperative system of co-development among these nations. This agreement involves Russia, directly through the so-called Shanghai Cooperation Council. It involves other agreements which I had a part in recommending and which were adopted by



*LaRouche's address at the state university was video conferenced to four other universities throughout the north of the country.*

these countries.

It involves countries in Western continental Europe. For example, Western continental Europe is bankrupt. Western Europe depends upon the margin of profit, export profit, of Germany. Germany, under agreements reached in 1992, was systematically looted, and is now bankrupt. That is, the level of requirements to maintain Germany are below its income. This is the condition throughout Western Europe. This is Central Europe, Poland, other countries of Central Europe, formerly part of the Soviet system, are now in worse condition than they were under the Soviet occupation—Poland, for example, much worse than it was in 1991-92. These countries can not survive under the present system and present programs. Germany's only growing market is China. Germany has a large market, but its only growing market is China—high-technology projects, such as magnetic levitation rail systems, and so forth. That's the market.

What I propose is, that we look at the world in terms of certain countries which are, technologically, fountains of technology. Within other countries, including China and India—which are *not* prosperous countries, relatively—there are also fountains of technological progress: certain industries, certain techniques they have, but not enough to meet the total needs of their population.

Our proposal was, you take these areas of Eurasia, build up the fountains of technological progress, for a long-term transmission of capital, technologically necessary capital, into areas which have low technology potential. And thus, take areas like the interior of China (as opposed to the coastal

areas), and of other countries, and you begin to build these up, in terms of their productivity over a generation or so. And on this basis, by long-term credit on a 25-year basis, or in that order, we can create and extend credit to fund the flow of high-technology exports from those areas which are fountains of technology, into countries which are in desperate need of these technological diffusions. We could organize it in such a way that, when comes 25 years from now, they will be able to buy their way out of what we advanced as credit to them.

I proposed in 1992 and so forth, and these countries came to accept, what I call the Eurasian Land-Bridge. That is, as we did in the United States under President Lincoln—both before he was President and as President—the idea in the United States was to build a Transcontinental Railway system, which was not just a railway system; it was a development corridor; because athwart the lines of the railroad, agricultural and other development became possible because of the existence of the transport system. The United States' emergence as a great world power in grain, in agriculture generally, and other ways, came as a result of that.

This idea was adopted in Europe and used for the Trans-Siberian Railway development, for example. It was this idea. This was aborted by two world wars.

But today, we have new technologies. And what I propose is the creation of development corridors, from areas such as Rotterdam in Europe, to places like Pusan in the tip of Korea, on the other side of Asia. These development corridors would run across the northern part of Russia and Kazakstan, to the central part into China and Central Asia, and the southern part

along the coast of the Indian Ocean, India and so forth, into Indochina, and by other routes.

These development corridors would be 50-100 kilometers in width, that is, they would incorporate mainline transportation, water management routes, power generation and distribution centers, and thus, create industrial centers and agricultural centers along areas which today are largely underdeveloped or wasteland. And by criss-crossing an area which is largely wasteland, which contains the greatest concentration of mineral resources on this planet of any part of the world, North and Central Asia, we would transform this into an area of growth for all Asia.

This program is now being put into effect, step-wise, gradually. The efforts of China and Russia, among others, to force the building of the railroad connections between North and South Korea, which is actually a railway connection from Pusan to Rotterdam, through China and through Russia. And this is already in place.

## Back To Producer Society

We have the same situation here in the West. We have 5 million Mexicans in the United States, whose economic situation is jeopardy. We have a section of the population of Mexico in northern Mexico, whose welfare is currently in jeopardy because of the collapse of the U.S. market. We have a vast shortage of transportation, water management, power generation and distribution, in parts of the United States, as well as in Mexico. Half the Federal states of the United States are currently bankrupt. We have a state problem of state management in northern Mexico, in particular. The debt ratio and the income do not match. Therefore, development is needed; it's needed on both sides of the border. We have to take care of the Mexicans in the United States who are not working, or who are losing their jobs. We have to take care of the northern Mexicans, who are being put into jeopardy by this situation.

So therefore, large-scale infrastructure projects of a concrete form, which increase employment in large-scale, rapidly, as a first: step-transportation, such as rail systems—you see in the northern part of Mexico the lack of an efficient rail systems. It's a crushing difficulty in this part of Mexico. We have lost our rail system in the United States. Our air travel system is in jeopardy. Our power systems are disintegrating. And so forth and so on. So we have comparable issues.

We're pushing a program now, an anti-depression program, to have the federal government create, under emergency conditions, a system of credit, in law, to assist the states in projects of rail, transport, water, and other development. This kind of program is the kind of program in which the United States should be cooperating with Mexico.

This is only one aspect of the world situation. But *physically*, under the right kind of financial reorganization, *we can reorganize the situation* and deal the physical problems.

What we require is a change in the monetary system.

We need to have a psychological change *away from* the idea of consumer society and globalization, back to the idea of a *producer society*, a society that produces wealth, is able to produce the equivalent of its own needs, increasingly, largely through large-scale capital investments. Capital investment means 10-, 15-, 25-year credit. It means a banking system which is sound, which can administer and work with local communities, to handle the credit and lending practices of these communities. We can do it. We've done it in the past. What have to do is abandon the idiocy of the 1964-2002 period, and go back to what we once said were our objectives, which are the old objectives of the Mexican governments in the days before this crisis, '71 and then '82 moved in.

We can do it. *We have no alternative, but to do it*, because the United States is bankrupt. It is not the all-powerful success. The IMF is bankrupt. The IMF is a collection of central banking systems, which rest on banks, which are bankrupt! Which rest on credit claims which are bankrupt! The mortgage bubble in the United States is a bubble; the assets of the United States in terms of real estate assets are largely based on a bubble! This is worthless paper, kept up artificially by the belief that it's worth something. It's worth nothing! Or next to nothing. So, physically, we have the experience, we have the knowledge, we could *physically* turn the tide and go back to the success, rather than this.

## What Only Governments Can Do

The problem is, getting people to accept, and governments in particular, the fact that this *is* a bankrupt system; that it's hopeless under the system. Don't try to adapt to the system, *replace the system*. How do you do it? The authority of government, of sovereign government; a group of sovereign governments. Groups of sovereign governments who will put their banking systems into a bankruptcy reorganization, create a new system of, effectively, national banking, under national government; mobilize credit; reorganize to protect the general welfare to maintain stability; to promote full employment; to find areas of growth in which credit can be concentrated, both in the public sector, in infrastructure, and in the private sector.

Only governments can do that. That is the *sovereign power* of government as a true sovereign. That is the great contribution of the 15th-Century Renaissance, where we created the idea of the modern nation-state, the sovereign nation-state, as having absolute sovereignty in its own affairs. Sovereignty over everything, but also *responsibility*, for the general welfare of present and future generations. That is the moral power of the government. We must affirm government in that power. We must instruct government to utilize *that power*, in that way.

We come to the final point: This means, that we must take a new approach to the education of our young people, focussed on the secondary and university level, especially.



Left: University of Coahuila dean (right) greets Lyndon LaRouche, with Dennis Small and Dr. Arguello; and (right) LaRouche meets with Coahuila's Gov. Enrique Martínez y Martínez.

Because if we do the job right there, it will spill over into the rest of the population. We have, in the United States, incompetent teachers. We have teachers, who are teaching on a university level who are not qualified to graduate from secondary school at former standards. It's unbelievable. Just to give you an example of how bad it is. (I don't know the conditions inside Mexico—you do, so just compare what I said about the United States.) What we do is this. We have a guy called the "Education President." He's called that because he badly needs an education. He couldn't read a map. He knows where Mexico is; he knows it's south of Texas. If you drive down to Alamogordo or something, you can get across into Mexico—he knows about that.

We are producing an absolutely stupid population among our young people. What we do is this: We don't teach any more. We used to have a Classical humanist approach to teaching in all good schools. That is, the idea of teaching was to transmit culture, with an emphasis on scientific and Classical culture, and the way it was, that to encourage in the families and the communities, Classical types of cultural activities, which a people could integrate their cultural heritage as people, with modern knowledge. That was largely done by transmitting within the family, within the community, but also in the school system, to enable little children to re-experience the act of discovery of knowledge of older generations. So these children would then come to modern maturity, where they carried forward to the next generation, the experience of the discovery of knowledge, between these generations; were able to relate this knowledge that they acquired, to the cultural background from which they came. And this was the principle of sovereignty. A people which knows itself, which knows how to talk to itself, which can communicate ideas with itself, as people from other cultures will have more difficulty in doing—the same ideas you have in other cultures, but you need to be able to transmit that culture *within* your culture: the idea of sovereignty.

## Science and Education

We used to have the idea, in science, that you would replicate the great original discoveries of universal principles of Classical society, and other discoveries. You would replicate that in teaching, not by telling people through words, "repeat after me," but by experiencing, by *re-experiencing* the actual, original act of discovery. For example, how did Eratosthenes measure the circumference of the Earth along the Great Circle, before 200 B.C.? How did he do it? Are you going to tell a child, "Learn this from a book"? Or are you going to take a child out, and show him the problem, and help him walk step-by-step through the steps that Eratosthenes did, by looking up at the sky: To be able to calculate with amazing precision the circumference of the Earth along a north-south Great Circle, and then later to be able to measure the Great Circle distance from Alexandria to Rome?

That's teaching, as you know. It's to try to recreate the circumstances under which the original discovery occurred, to induce the student to go through that experience, and thus coming out, not having *learned* to pass the course, but *knowing* what the answer is.

Remember, when you had good questions in good courses? You—never in a serious examination at the university level, would you ever limit the questions to questions which had been taken up in the class, or textbook. Never. You would always do—you want to know if this child can think, if the student can think. Not if they can imitate. Monkeys can imitate. Chimpanzees can teach their children to imitate, to make tools, but they can't think. You want to know, can the student think? And has the school found, that it has been successful in enabling this student to think, in this subject-area? So, what you would do in a good examination, you would design the test questions that would not be a whole list of do's and don't's and multiple choices, but rather two or three very crucial questions. On a university level, you say, "You sit there. You have three hours. We'll

give you three questions or five questions; you could choose three out of the five.” And every question on that, is one that has been never presented in class or in textbook, in that course. Because you’re now determining, have you trained that pupil, and educated them to the point that they can solve the *next* problem, which they should be able to solve, as if it were a discovery? If they can’t, you haven’t properly educated them. If they can, they’ll not only go out of that examination feeling they’ve done the job, but they’re proud of themselves. They feel good about having the examination, because it was a challenge, which caused them to have intellectual respect for themselves.

They also, then, if you then send them out as a physician or a scientist into society, when faced with reality, in which the answers to the questions were never rehearsed: No engineer, no scientist ever really solved the problem, for which the answer existed beforehand. They were prepared to solve the problems, which they had *not* experienced, by creative powers. That’s what used to be, in our youth—in my youth in particular—every time we had a course that was any good, *that’s the way it was done*. And that was the quality of education provided. Not to learn to repeat what is in the textbook, but to be able to solve the next problem, which you should be able to solve on your own, because you’ve progressed so far. The test of whether you actually knew what you’ve learned, or not.

We don’t do that any more. We wouldn’t dare. We don’t really teach anything to anybody any more, except animal behavior. Monkey see, monkey do.

What we do is we use multiple-choice questionnaires. Multiple-choice questionnaires are rehearsed. The subject of most classes in the United States, is preparing to pass a multiple-choice questionnaire, whose contents are generally known in advance. The student goes in, checks off a list, the computer scores it, and the score comes out for the school, and for the student. Does the student know anything? Probably not. Does he know what he wrote down? No. He’s trained. Monkey see, monkey do. What you do in the United States today: Everyone is concerned in the school, and the students, to have a good grade. The schools want a good grade. They don’t want to flunk all their students! Somebody’s going to say, they’re obviously not doing a good job. So what they do is, they cheat. You lower the standard of testing, to fit the lowered level of education you’re providing. And thus, you show improvement in test-performance scores, by that kind

of fakery! Fraud! The so-called Enron principle, the Enron accounting principle!

### Source of Real Productivity

The problem is, to a large degree, the culture we have developed in society, as a by-product of being a consumer society, rather than being a producer society. When we were a producer society, we were concerned about putting out children, who were qualified for a job in the nearby factory, or something else. Now, you don’t have to worry about it—they’re not going to work in a factory. They’re going to stand in a Wal-Mart and point in this direction or that direction, when a customer comes in. They’re going to engage in services which require no skill, no competence, whatsoever. We invent jobs for people, to pretend we are creating employment, for which no one is qualified, because the job itself is not qualified—it shouldn’t exist! Useless jobs.

So, we use this thing as an education. In the United States, the quality of university education: As parents’ tuition payments for their students increase, in an inverse proportion to the quality of education delivered. I’ve done a survey of some of these cases in Europe and in the United States: I look at the course content, the topical area of course content—there’s almost no education occurring! They’re what we used to call garbage courses, with no real content to them. I look at the areas of subject-matters which are crucial for society—take, for example, science and technology areas: They’re just not there. You can not produce a competent engineer out of the engineering training which is typical in the United States and Europe today. You can’t. And, maybe that’s not important, because they don’t do engineering any more. They sit at a computer and produce stock formulas. And when they try to put these things together, the thing they built doesn’t work, because science is not performance. Science is research, it’s experimental method, of innovation, new discoveries, finding new ways, new principles, to make things work.

So, we produced an incompetent generation. *We don’t think in terms of a physical economy any more*: physical economy measured in terms of per-capita, per-square-kilometer performance; the ability to produce; the ratio of what it costs to produce an individual equipped, as opposed to what you get out of the process on a national scale. People say, you save money by cutting out infrastructures. You cut out rail systems. What’s the cost, for example, in northern Mexico, for not having an adequate rail system? Of relying upon trucks and a few routes, of not having a passenger system? How long does it take to get from here to Sonora, by bus?

So therefore, I don’t care what the productivity is at the point of production, in Sonora or here. As a manufacturer, if I’m shipping to the United States, how do I build cooperation with neighboring parts of Mexico, in order to organize production on a division of labor in Mexico? If you don’t have a transportation system; if you don’t have an adequate energy system—energy *and* distribution system which is integrated;

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an integrated transportation system. The performance of an individual firm is not there. Therefore, you must build up the *base* of the economy. And, 50% of any modern economy, that's competently devised, is investment in *infrastructure*, not in production: Transportation, power generation and distribution, water distribution and management, sanitation, health-care systems, educational systems, these are the gut of an economy. Libraries, access to this kind of thing, are an essential part of the productive power of labor. The ability to transmit goods efficiently and quickly, over large scale in any area, to go from one place to the other, *these* are the essentials. We've lost that sight.

## Entrepreneurs and Infrastructure

My specialty in this area, of course, is what I've concentrated on all these years, is *physical economy*. Financial economy? That's nothing. Accounting? That's nothing. That's connect the dots; that doesn't require any skill whatsoever. What's required is to understand how we invest, in a combination of infrastructure, and other things, to get the effect of this multi-generational progress, increasing the productive powers of labor.

The other thing that's least understood, is how entrepreneurship works. Most people who are called entrepreneurs today, are not considered entrepreneurs. They're sociologists; bullies; cheats; accounting swindlers.

No, what do we mean by entrepreneurship? Take a simple farmer. A simple farmer is a typical entrepreneur, if he's any good. I don't care what level of literacy he has. He is intrinsically an entrepreneur, and *thinks* like an entrepreneur. He is trying to prepare the land, to prepare the crop, to manage it in a way, that he gets a result, which can feed his family, and to sell enough to pay for the things his family needs. He is innovating. He's constantly innovating. Trying to find better ways of doing things, to *improve* life, to improve his family, to be able to support another child with this miserable plot of land. To make it more fertile, better seed, whatever. He's an entrepreneur. What is a good manufacturer of small industry? The same thing: He's trying to prepare the product, not to sell. Yes, to sell, but not to sell. He's trying to use his ingenuity and knowledge, like a small machine-tool man—to use his knowledge to devise a product that fits your need. He's designing a product. He's training people.

So, what you need in society, we need infrastructure as a general process. We also need entrepreneurs. Entrepreneurs, who are not guys who are in there to make a profit. Obviously, no entrepreneur wants to operate at a loss. But his motivation is not profit. He's an entrepreneur, because he believes in what he's doing. He's trying to develop a firm, an enterprise, which will be successful in producing a product of which *he need not be ashamed*, which is useful. And he must be able to survive in the process of doing it. Typical entrepreneurs I've known, have often been spending years, trying to develop improved products. They may get a profit out of it, they don't

get a profit because they're out to make a profit. They're out there to take pride in building better products. As entrepreneurs in closely held firms, they want to be able to transmit to somebody in their family, or to some young employees they like, to transmit this firm when they quit, and turn this firm over to somebody who's not going to make a shameful mess out of it, to continue what they've built. A good entrepreneur, like a good farmer, is proud of what they built, with the accumulated years of their work over a generation; who's proud of what they do in generating the next generation.

## An International Youth Movement

And, what I've done with young people, especially in recent years—we've been organizing an international youth movement, concentrating especially on people 18-25 years of age, the crucial age, the pivotal age, that connects one generation to the next, around things like Gauss's fundamental theorem of algebra, which has implications for education, which are pervasive. If somebody does not understand what Gauss meant in 1799 by attacking Euler and Lagrange and d'Alembert, as committing a fraud, in establishing the concept of the complex domain, you could not have modern science today. And most people even in universities and science organizations today, especially mathematicians, *don't know what that was*.

So, my concern is, that if you can get a grounding among students, where they can understand *what an idea is*, in Plato's sense of idea—discovery, hypothesis, experimental proof, the method of Kepler—once you know what an idea *is*, you're capable of a physical scientific idea. And it's easy enough to demonstrate. Then say, "How is culture developed?" It develops on the basis of transmission of ideas, which correspond to such discoveries, from one generation, to the next generation. . . . [audio break] That is culture! Ideas of Classical drama, which communicate insight into how human beings behaved and misbehaved. How do you manage that? This is what we need.

Accounting is simple. Playing with mathematics, adding and subtracting and so forth, that's simple. That is not economics. Economics is based on *human beings*, which are not monkeys, which have the power to generate, to assimilate, replicate ideas; whose purpose with ideas is, knowing we're all going to die—we all die—so, what is our expenditure of our *talent* in life? What does our life mean after we've left it? What have we invented in the coming generations, which gives us a permanent place in the space-time spectrum? That's human. And to try to get the knowledge, in every possible area that your appetite can reach, to be able to relive and discover the wonderful discoveries of the people before you, and transmit them to others, to have a society in which this is the standard of practice—that is economics.

Economics is what one generation is capable of doing, for the benefit of two generations hence.

Thank you very much.

## ‘Stiglitz Doesn’t Understand Economy’

*These are some of the exchanges between Lyndon LaRouche and the 500-person Coahuila University audience, after his presentation. Questions are translated from the Spanish.*

**Q:** One of the International Monetary Fund’s policies regarding countries that ask for loans, is imposing certain conditionalities. They say, for example, “I’ll lend, but you can’t invest in education.” The other restriction is globalization—a new globalization, a restructuring—[achieved] for example, through a third world war, as part of this new globalization.

**LaRouche:** Well, the point is that we’re going to have to scrap the IMF. There is no way you’re going to come out of this crisis—and I’m not talking about the long distance, I’m talking about a matter of months—we are at the absolute end. The cliff is there. Now, if you’re on wet grass, on a slope leading to a cliff, you don’t know exactly when you’re going to go over the cliff. You can’t predict the exact date, but you can say whether it’s near or not. We’re very near.

Now, that being the case, since we can not operate under IMF rules, the IMF will have to be dissolved in its present form. There’s only one way to do that without bloodshed, and that is to have governments such as the governments of the United States and Mexico, and some other governments, agree that we’re going to put the IMF into bankruptcy reorganization. Then what happens, we go back to the old Bretton Woods standard, not to imitate it perfectly, but to use that as a legal model of reference, a precedent that we can use. It worked. It had a lot of defects, but it worked. So, let’s start from there, the last thing that worked. So, the governments now should set up the standards, because government is going to create the credit, not the IMF. Governments should set the standard for international loans and conditionalities. That means that we must have certain general standards, on the one hand, but must also have another mission.

You know, Kepler described the way the Solar System functions. The planets function not on the basis of inertia, they function on a mission. There are universal laws which have to be discovered, such as the law of gravitation, and this law functions as a mission. Remember the example that Kepler gave, the example of the orbit. How did Kepler prove that Aristotle was an idiot? And he wrote a great deal about that in his *New Astronomy*. Because the Earth does not continue in orbit out of inertia as a fixed thing. Why? First, because the orbit is elliptical. That’s not too regular. Secondly, the rate of motion of the planet along the orbit is absolutely

constantly non-uniform. So there’s no simple uniform principle. You have to know what the principle is, the principle of gravitation, which is—well, Kepler described it as God’s intention. God’s intention is intervening on sense-experience, to force what you see to move in a way contrary to what sense-experience would tell you. These are called universal physical laws.

Now, in government, we are human beings. Human beings, we say, are made in the image of the Creator of the Universe. That means, not that we look like God, because I tell you we don’t. God would be ashamed to look like us. But because we partake of the same essential quality which separates God from the animal. We have this power, the power to express an intention, which we call a universal physical law, an intention. We impose that intention upon society’s practice, or upon our own practice. We are able to change the Universe. If Man were a monkey, we’d only have 3 million of us on this planet today. But we have 6.2 billion people. That’s orders of magnitude greater than any monkey can achieve. How did we achieve that? By discoveries of the human mind, which enable us to impose the human will lawfully—not arbitrarily, but by discovering principles—upon Nature, and thus increasing Man’s power to exist on this planet and in this Universe.

So therefore, we have to say that government is an instrument of a creature made in the image of the Creator. The distinction of this is that we operate on principles, rather than smell. Therefore we, in assuming responsibilities of government, have to assume them under God. This is called Natural Law. We, therefore, have to make decisions which are sound in principle, and say that we will govern our practice as a society, by what we know to be sound principles, in the same sense that gravitation is a sound principle. Therefore, we will say, offhand, 50% emphasis on infrastructure. Certain other priorities, certain specific priorities. We say, these are our priorities. What de Gaulle called ‘indicative planning.’ So, if someone comes to a banker, a private entrepreneur comes to a banker, who is working under the instruction of the new system, the banker is going to have a set of guidelines which he has to use his judgment on also. But, he will define his judgment in terms of certain rules which are agreed upon by these institutions. And he says, “I think that Joe, this guy who’s applying for the loan, on the basis of his performance, can do the job he says he’s going to do, and since this is what we want done, let’s give Joe a chance.” And that’s the way it has to operate.

We don’t need any globalization system. The danger of war does not come from globalization as such. Globalization comes from people who want to set up a world empire. And the globalization comes from Utopians who want to set up sociological systems, like H.G. Wells and Bertrand Russell, and say that if we let this Hobbesian kind of conflict function, we’ll have a perfect society. What these guys believe in, is that setting up a power which has a monopoly over nuclear weapons and land, sea, and air, will force the world to accept





*The attentive audience of 500 at the University of Coahuila lecture hall, primarily made up of students, who asked questions during the hour-long dialogue with LaRouche after his presentation.*

world government, and regulate population, including conduct of genocide, accordingly. We want none of that. We have to put the power back in the sovereign nation-state, but we, in assuming the sovereign nation-state—that power and responsibility—have to understand the moral implications of that responsibility, which accrue to us; moral obligations take the form of scientific obligations. We must think about what we’re doing three generations from now, not only for our people, but for the people of the rest of this planet. And that’s the way to set the rules.

### **What Makes a Successful Economy**

**Q:** In your view, among the emerging economies is there an IMF success story? Each time that an emerging economy goes into crisis, the IMF dictates a series of measures which throw it into another recurring crisis. That country is told if it doesn’t impose those measures, the result will be chaos. [The Fund] says there’s no time, and no way to develop a focus on a new system, because there’s no time. Is that true?

**LaRouche:** Well, there are a lot of success stories or attempted success stories. I know of a lot of them. But success has been largely based on power. Now China doesn’t understand the world. There are Chinese who do understand the world, but China doesn’t understand the world as a whole. It doesn’t have that way of thinking, culturally, about the world as a whole. But we have people in Eurasia, more and more of them, who realize that we must deal with this problem. We must overthrow the present system. This is much more significant than the press would allow you to believe. I’ve been dealing with this. I’ve been dealing with this in, say, China, Japan, Korea, Russia, Italy, India, elsewhere. There is a lot of very strong feeling about this.

The power of the United States is collapsing. The United States might go to war against Iraq in January or February, but will the United States, which is bankrupt, be able to pay for the plane tickets to get the troops over there to fight the war? We’re in a situation in which the collapse of the economic system, is destroying the logistical basis for conduct of war-fighting. Therefore, this is a constraint on power. This is the real basis for the crisis in the United States.

You have a cultural crisis inside the United States, on the issue of economy vs. war. The President says we must have a war. The President says, “I’m smilin’ at you in the day, but if ya don’t do like I tell ya, I may have to kill ya.” That’s the kind of thing we’re getting. But the point is, the President can not afford the price of a plane ticket to send the troops over to fight the war.

In all war, real modern warfare, especially since the 18th Century, since Vauban and Carnot in France, the principle of warfare is strategic defense. The basis of strategic defense is logistics, it’s engineering. The United States won World War II with logistics, with engineering, not with kill-power. You have a bunch of idiots today who say, if you can kill everybody, you can dominate the planet. They train soldiers to kill, but not to think. They can’t produce. In all warfare, as in the war against Japan conducted by MacArthur during the Second World War, it was out-thinking the Japanese, and the power of logistics, which enabled us to win the war, not kill-power. We avoided killing people.

You don’t win peace by killing people. You create hatred by killing people. In warfare, you try to minimize the killing, not maximize it. You must win the war, but you don’t want to kill the people, and you regret every one you have to kill, and wish you could do less. You don’t go out with hate. You

go out with the attempt to try to build society for the future. You're thinking about peace for future generations. You're forced to fight the war, but you don't want the war, you want the peace, and war doesn't bring peace. War may be necessary, but it doesn't bring peace.

So, in the case of economies, the power that is now being exerted is the supremacy of humanity over the beast. The beasts, led by Lynne Cheney, want war. The baboon society of the United States. What's going to decide this is humanity, the laws of the nations, not arbitrary laws, but Natural Law. To win a war, you have to win it logistically, and the United States as a nation is dying. The United States' physical power depends upon looting other nations. These nations are being bankrupted. The chief bastion of security of the United States has always been Central and South America. The Americas flank of the United States is the secret of U.S. national security. If the United States is destroying Mexico and South America, the United States has no security. Now, idiots who believe in killing may think differently, but those of us who understand this, see it differently. What's happening is, in a sense, the hand of God is intervening. The war may occur, but there is no possibility that the United States, led by George Bush, could ever win the war he says he seeks to enlarge. And that is going to be decisive. Thus, in the end, look at what humanity's gone through over all these thousands of years. Millions of years. Humanity has progressed from a few million individuals potential, to 6.2 billion today. This indicates there's a certain factor of success in the human species, and all we have to do is enhance the power of the human species to be human, and we have a chance of winning the war. I think we can win this war.

I don't think we have to talk about emerging economies any more. I think it's bad to get into it. I think we have to talk about justice, and a new world system, a system hopefully beyond war, in which relations among nations are based on a common interest in the sovereignty and benefits of each. I think we can win this war, and that's what I'm trying to do.

**Q:** The diagnosis of the international financial crisis presented by Mr. LaRouche, is very different from that of Joseph Stiglitz, winner of the Nobel Prize in 2001 and [former] Chief Economist at the World Bank. Is the difference in the analysis, or in the policies you recommend regarding the trade system and solution to the world economic crisis? Professor Stiglitz comments that the solution is not to return to the past, not to adopt protectionist policies, but rather have an integral trading system. Also, as human beings, in contrast to the monkeys or primates, we can understand that the development of science and technology affects the people of different countries, and that it is difficult to return to the past because the new technologies shorten distances and reduce timeframes.

I would also like you to go into more detail a little bit, on the need to return to the past and the Bretton Woods System, because as beings who can learn history, we can identify the limits of those systems of organization and international pay-

ments system. The problem with Bretton Woods is that it was an asymmetrical payments system. Pegging the parity of currencies to a gold reserve system also has limitations, and is also a difficult payments system which depends on the gold supply, which is asymmetrical. . . . Could you give us your opinion on this?

**LaRouche:** Stiglitz does not understand economy, he understands finance. He doesn't understand how an economy works. An economy is not financial in its essence. Money and monetary affairs are a medium of exchange. They're not an efficient principle. The problem is that Stiglitz's analysis is based on an accounting assessment, not on a physical-economic assessment of how an economy actually works. And he's very much a pessimist, almost Nietzschean in his pessimism. He does delight in attacking his former colleagues, and some of this is richly amusing to some people. It's justified, because attacking baboons for inhumanity is legitimate, but it doesn't solve the problem. The essence of physical economy lies in capital, which requires regulation.

By capital we mean, for example, if you want to create a production power plant, a large-scale-production power plant may take three to five years, minimum, to assemble. And then you attach to it, of course, the entire network system of distributing the power that plant generates. Now, you have to say, how are you going to pay for an outlay for this power plant? You've spent three to five years with no payments, no earned income. How are you going to pay for that? Then you have the operating costs. Well, you have two things: First of all, you can not build a system of power plants by anything but a government. That is, the government has to organize a set of rules and so forth, otherwise you can't build such a system. So, it has to be governmental. The system has to be designed not to sell a product on the market; it's not based on trade, but it's based on delivering to the society, as with the U.S. rural electrification program of the 1930s under Roosevelt; it is to deliver to society a result, power. Power at a reasonable price, with guaranteed reliability and accessibility. Power distributed for general availability over a large area, eventually over an entire national economy.

So therefore, you have to set up the system. Therefore, you have to set a standard of prices. Now you have to anticipate the payoff of the capital investment in creating the facility against that. Generally, if you study the history of amortization, and look critically at mistakes in amortization, the principle of amortization, the amortization of cost, of capital cost, takes you into cycles which run you about a quarter of a century. If you have fluctuations in those values, that is, financial fluctuations, during that period, the system will tend to decay. The problem in the post-war system—there were no mistakes in the Bretton Woods System in design. The mistakes were in implementation, and the mistake was very simple. The mistake stemmed from the Summer of 1944, at the time of the U.S. Democratic Party nominating convention of 1944.

The United States was on the way to Hell, from the time of the successful assassination of William McKinley until

Franklin Roosevelt became President. Roosevelt intervened in a crisis, in which the entire Teddy Roosevelt/Woodrow Wilson/Calvin Coolidge system had been totally discredited by the events of the world depression. Franklin Roosevelt, who was an American patriot where these guys were American Tories, intervened stepwise to restore the United States. In 1936, the British had planned a war in Europe, a second world war. At that point, they did not want the United States involved, because if the United States had been involved in the second world war, they calculated, the United States would emerge from the war as the dominant world power, and the British did not want that, especially if a system like that of Franklin Roosevelt was in power.

So what they did was, once the Normandy breach had occurred, once the U.S. Allied forces had gone into Normandy, had totally outflanked the Nazi power, the situation in Germany was hopeless for the Nazis. In July of that year, the generals revolted. They were betrayed by the British to the SS, but they revolted because the war was over, all but the shouting. At that point, in the Summer of 1944, Roosevelt, who had suffered from the effects of poliomyelitis, was actually dying of fatigue and the side effects of his illness. And at the convention, the oligarchy, the moneybags of Wall Street and London, said, how do we get rid of Roosevelt? He's going to be elected to a fourth term. How do we get rid of him? Well, he's going to die soon, so we have to make sure that the Vice President who is nominated at this convention, will not be a Roosevelt man, but our man. So [Henry] Wallace was replaced by that pig Harry Truman.

The first result of that was the buildup of the terror bombing in Europe, which was useless, and the decision by Truman, for no military reason at the time, to drop nuclear weapons on Hiroshima and Nagasaki. The purpose of that was that this crowd, which couldn't get rid of Roosevelt immediately, were determined to purge the United States, number one, of the Roosevelt legacy, which is actually the American patriotic legacy. In order to create an Anglo-American world empire, this world empire was to be based on the use of nuclear weapons, on the basis of land-based, sea-based, and air-based nuclear weapons, to introduce a factor of such terror in warfare, that nations would submit to world government and surrender their sovereignty. This was the policy, this has been the policy of that faction in the United States and Britain, from then to the present day. This was the basis of the entire post-war period. However, they got rid of MacArthur, but it took time to get rid of Eisenhower.

When they got rid of Eisenhower, we had a whole lot of things happen, including the assassination of Mattei, the attempted assassination of de Gaulle in France, including the premature retirement of Macmillan in England by a scandal, the premature retirement of Adenauer in 1957 in Germany. Step by step, these fellows moved in. The assassination of Kennedy, the launching of the Indo-China war, the assassination of Martin Luther King, the assassination of Bobby Kennedy, were part of a reign of terror which brought this racist

pig Nixon into the Presidency, under the supervision of super-pig Henry Kissinger, the National Security Adviser. All hell broke loose, including. . . . Who set 1971 into place? Henry Kissinger, Paul Volcker, and George Shultz. . . . These are the guys that told John Connally to tell Nixon to shut down the system and set up a floating-exchange-rate system. So, a system was set up to destroy two things: to create an international military conflict, a nuclear conflict whose purpose was to establish world government, to destroy the American System and everything Roosevelt represented, to destroy the American people by corrupting them, as was done in the 1960s with the cultural paradigm shift which occurred in the middle of the 1960s.

So, we've been through a process of change, which resulted in the transition to a consumer society, so-called post-industrial society, whose aim is to set up world government. Once the Soviet system had collapsed, they went haywire. That is the problem. There was never a problem of the Bretton Woods System, except what should have been done, because of the inflationary effects of policies introduced partly under Arthur Burns in the 1950s, and then during the 1960s, is the rate of inflation of the U.S. dollar, the objective inflation, was so high that the price of monetary reserve gold should have been increased, and the dollar devalued.

Today, to set up such a system, the minimal price for reserve gold, for a new fixed parity system, would probably be on the order of magnitude of \$1,000/troy ounce in a reserve system. We will have to set up such a system or this planet will not survive, because if you take the present world population, the deficit in productive capabilities worldwide, the problems we're having, including disease problems which are now becoming much greater than you people could imagine—epidemics—unless we do that, humanity is not going to survive. It's going to go into a dark age. We have no choice but to go back to the Roosevelt system of 1944-45, before he died. That's our only choice. Not as a carbon copy, but as a precedent. If you look back at the history of economy in modern society, especially since the American Revolution, you'll see that this is the only kind of system that works.

The problem of these guys is that the world has been brainwashed into this idea of capitalism and socialism. Neither of which makes sense. Capitalism is not capitalism, it's a form of feudalism. It's the Venetian model. Socialism is a confusion. It often expresses very interesting ideas in terms of social policy and justice, but represents no systemic comprehension of the role of entrepreneurship in making a modern economy function. So, the only thing we have left is the American System of political-economy, of people such as Alexander Hamilton, List, the Careys, and so forth. And I would suggest that from the standpoint of the facts of the matter, we have no choice. There is no alternative model.

And that's the problem with Stiglitz. He has no sense of what an economy is, he makes no proposals that make any sense; he makes sociological arguments, sociological, ideological arguments, not scientific ones.

# 'If Brazil Goes Down, So Does Wall Street'

*On Nov. 5, Hector Benavides, the best-known television newscaster of Monterrey, Nuevo León, travelled to Saltillo, Coahuila, to interview Lyndon LaRouche for Benavides' Channel 12 program. The interview was broadcast Nov. 10, after news segments aired on previous days.*

**Q:** Speaking of possible scenarios, what is the best possible scenario coming out of today's elections in the United States?

**LaRouche:** Just a general confusion, which people admit. War is a distraction from the real issue, which is the economy. For example, half the Federal states in the United States are bankrupt now. By normal standards, the United States government itself is bankrupt. These are worldwide conditions. We have to do more than a reform. We have to go back to a system like that of the original Bretton Woods system. And until we are willing to do that, the world is going to become worse.

Though there are many parts of the world—for example, the current conference in Phnom Penh: There is cooperation among India, Russia, China, Japan, Korea, which are trying to build up the Eurasia bloc of economic security, despite what they see as insanity in Washington.

So there's much concern around the world to have a reform now. . . .

**Q:** There's a lot of talk about hawks and doves within the government of the United States.

**LaRouche:** We have people whom we call "Chickenhawks." When they had the opportunity to serve in the military service, in wartime service, they *avoided* that. They are the ones who want war! Our leading generals, retired and in active service, *do not want this war*, so we say that only the draft-dodgers want the war!

**Q:** Who are they?

**LaRouche:** This is a group, controlled by organized crime, but which is known in the Americas, sometimes known as the Utopians. These are the people who have always been the problem in the Americas, for the nations of the Americas. Mexico, all the countries of South America. These are the people who have worked to destroy the economies and governments of South and Central America. Like [Moonie-sponsored] CAUSA, WACL [World Anti-Communist League], Oliver North—this is a special kind of fascist which we have in the United States, very annoying to the rest of the hemisphere.

**Q:** What is the position of Mr. Cheney?

**LaRouche:** [laughs] Mr. Cheney is the chief Chickenhawk! He's the mother, or, I guess, maybe his wife Lynne Cheney, who is worse than he is—she's the mother of the Chickenhawks.

**Q:** The mother of the *pollitos*, we would say in Spanish.

You've run for the Presidency on various occasions. What so far has kept you from becoming President?

**LaRouche:** If you look at my economic forecasts—and in each election, I stated an issue. I was always right. The American people always elected the wrong President. Now it's all come to an end. It can't work any more. What the result is, of all these 25 years of elections, now: I'm the only one with any credibility. You see, in history, people think of running for President, in history, like running for Hollywood movie star. They're like the dumb actor on the stage, who tells the audience, "Look at me! Look at me! Don't pay attention to the play. Look at me!" They come on stage, and fortunately, they go. I believe in making history, not in making a spectacle.

The time has come when we, in the Americas, are going to have to go back to the ideas of John Quincy Adams, of Franklin Roosevelt, and so forth, regarding relations in the Americas. The United States must now accept the fact, that we must not be an empire. We must be the leading nation among a group of perfectly sovereign states, who cooperate in a common interest.

For example, let's take the case of Mexico. The United States must immediately rebuild its transportation system. High-speed rail is the key. Mexico needs high-speed rail. The relationship between Mexico and the United States requires high-speed rail connections between Mexico and the United States. Water management, the same thing. The management of the problem of unemployment, among Mexicans in the United States, and here. These are matters of two, separate, sovereign states, with a common border, and with common and different problems. So therefore, the relationship must be on the basis of meeting together, to work out a program to address these problems.

And the increase of the productive powers of labor of the Mexican people, for anyone in the United States who is not an idiot, is in the vital interest of the United States. We do not want people of Mexico to be poor! It's bad for Mexico, and bad for us. Therefore, we must promote economic development in Mexico. We need that kind of Presidency from the United States now.

**Q:** After Sept. 11, the relationship between the United States and Mexico changed, dramatically. The problem of our compatriots who are there illegally, between the two countries, ended up at the bottom of the agenda of concerns. What is your view of this?

**LaRouche:** The point is this: We have a lot of Mexicans, in Mexico—as in this area—who depend upon relationships as suppliers to U.S. manufacturers. In two out of three of these categories, electronics and auto parts, we're faced with a col-



Some of the coverage of LaRouche radiating out from Saltillo, a city of 1 million, not far from Monterrey, where this TV interview was broadcast. The articles reported, that LaRouche “forecasts a global financial crash,” and noted his support for the attempts of Mexico’s President Vicente Fox to restrain President Bush’s threatened unilateral attack on Iraq.

lapse. The Mexicans who are employed in the United States, a collapse of opportunity. This is a social crisis for Mexicans in the United States, and a social crisis here. So, we have to address this problem. The only way that we can—and we’re going to be working on that—we have to actually have large-scale infrastructure development projects. We’ll have three objectives: absorb unemployment in large infrastructure projects; solve problems of environment—transportation, energy, and so forth; and also, stimulate private investment through infrastructural projects.

So, for example, in U.S.-Mexico relations, we can easily run between the two countries—we can determine what is the margin of unemployment expected in Mexico, especially in the north of Mexico, as a result of this economic situation. We also know the number of Mexicans now living in the United States, who are going to be hit. So the two countries have to say, “Here are the number of jobs we have to create. We have to plan a division of labor. We use infrastructure projects, in order to address this problem. And, what we need, is to set up a new system of credit, of state credit, 25 years long, 1-2% interest, for these infrastructure projects.

**Q:** Good. Do you see the capability for this in Presidents Bush and Fox?

**LaRouche:** When I look at Presidencies, I don’t look at individuals. See, Mexico has one of the best institutional structures of the Presidency among South American countries. So, I think of the executive function of the *Presidency* of Mexico, not just the President as a personality. We have a President of the United States who has no mental capacity, whatsoever. But we have a Presidency. What my particular ties are, I have to try to make the Presidency successful. And, we have to deal with the personality of the President. I don’t think that either President Bush or President Fox are prepared, to deal with the kind of crisis which exists now, but under the guidance of the Presidency of Mexico, and the Presidency of the United States, and with the help of

the legislatures and state governments, we can work these problems out.

**Q:** How would you characterize these first two years of the government of President Fox in Mexico.

**LaRouche:** Well, he walked in, under an assumption, which is blown apart. Everything he was told to believe would happen, is *gone*. Everything he expected he would have in cooperation with President Bush, is gone, wiped out. So therefore, we have to rethink the relationship. And he, the President of Mexico, also needs to have advice on how to rethink the situation. He may not know what to do, but he has plenty of advisers on the state levels and in the parliament. He has to decide that he’s going to accept a change in policy.

This often happens with governments. So it’s not a question of the personality—this man’s a genius, or that man is not. We require great leaders sometimes. If we do not have great leaders, we have to find ways to achieve the same thing.

**Q:** There’s discussion now of the idea that U.S.-Mexico relations have become more distant. There was even a book that was called *Distant Neighbors*. What’s your view of this?

**LaRouche:** I think this is useless kind of commentary. It’s not positive. We have problems. The United States has problems in relations with every country in the world. The present Presidency of the United States is hated by virtually every government in the world today. So, we can not let this be the standard for dealing with each other. You have to have, in a situation like this, you must have put on the table *positive* alternatives to the crisis. Trying to blame each other doesn’t work. . . . You must put solutions on the table, and organize politics around solutions, and not these kinds of comments.

**Q:** But then, how do we explain or understand this idea, that the United States has no friends, but only interests around the world?

**LaRouche:** Pay no attention to that nonsense. The United

## A Commander Must Think Of the General Welfare

*On Nov. 5 in Saltillo, the capital of Coahuila, Lyndon LaRouche gave a press conference during which he was asked about the Utopians' efforts to take down the national military. The questions are paraphrased from LaRouche's English interpreter.*

**Q:** There's currently a big crisis in Mexico, with regard to the Army, and so forth. Would there be any interest on the part of the United States, in being behind such a crisis? Also, we look at certain other countries, where this has occurred—look at Chile, look at Venezuela—and I understand that you have information about the activities of the United States in those countries where there is a strong, established army.

**LaRouche:** The point is, one of the most important oppositions to the proposed war in Iraq comes from the U.S. Army generals, as expressed by some of the retired generals, especially, like General Zinni, the Marine Corps general. The generals know and understand, especially since Vietnam: The leading generals, retired and active-service generals, today, in the United States, served as junior or field-grade officers in Vietnam . . . and the thing that's on their mind is: How can we prevent a piece of idiocy like Vietnam from happening again?

These are not the greatest strategic thinkers in history. Their initial education and post-war leadership was bad. But, a general officer, who commands troops, especially Army, has to deal with the reality of the population, including their own troops, and infrastructure of the society. Any competent officer, military officer, thinks like an engineer: You win wars, not by killing; you win wars by engineering, the way the United States won World War II, by engineering. We had logistical capabilities *beyond* anything.

What happened at the end of the war is, these nuclear warfare freaks: world government through nuclear warfare. They're a phenomenon like Hitler's SS. They *hate* the regular military. The regular military, the Army officer, a commander who deals with troops and the population, *must think in terms of the general welfare*. He can not be an inhuman beast. So therefore, they respond in that way. Whereas, these guys who want to make the war, are not military people.

So you have, throughout Central and South America, an attempt to destroy the regular military institutions in the Central and South American nations. Who wants to do it, is the war-party! The war-party are not the regular military. The war-party in the United States are draft-dodgers! They think like the Nazi SS. That's the problem.

**Q:** Would there be an interest in the part of that war-party to, right now, weaken the Mexican military?

**LaRouche:** Absolutely! It's obviously a target. This crowd in Washington would want to wipe out the last general in Mexico.

States, as an historical phenomenon, has *great* relations with the world. The objections to the present policies of the United States, are that the world sees this as repudiation of the United States' own mission in history. Prior to 1971, the United States was looked at as a champion of freedom of nations, of sovereignty of nations. Since that time, and since Indochina, there's been a highly visible, increasing, imperialistic tendency in Washington.

So, around the world, I find that most governments and peoples, their attitude toward the United States is, "Why can't you go back to being what you used to be?" Not under Woodrow Wilson, but under President Franklin Roosevelt. And that's the problem. We just have to put the focus on it. The United States policy is wrong, but the United States has to go back to becoming itself. The present policies don't work, so it's going to have to change.

**Q:** Mr. LaRouche, you have said that a generation, 25 years, is needed, for you to change the course of the United States and the world. Why 25 years?

**LaRouche:** Because you have to look at capital factors. We

do not have, at present, the levels of income, among nations, to sustain themselves. So therefore, we must borrow from the future, to rebuild in the present. The borrowing should take the form of long-term capital improvements. That is, investment in infrastructure, which requires a quarter-century at least—water systems, power systems, they're all quarter-century investments. To develop new industries, is also a matter of a generation. You start small, but it takes a generation to bring them up to your objectives. So, we must create credit for capital investment, capital improvements. We must try to achieve full productive employment. The greatest cost in any national budget is large unemployment. If people are working productively, the nation can survive. If you have a vast army of unemployed, the nation may not survive.

So, we're going to have an indicative plan, like President Charles de Gaulle of France's indicative plan. I know in Mexico, for example, in the files of government, there are *many* plans. Every Mexican government used to make plans, new plans! Many of them were very good! The plan to move the water from the south to the north on the Caribbean and Pacific Coast, is good. To shift the population concentration from

Mexico City, into areas which are not sufficiently developed, is good. But these are all projects which would go into about a quarter-century, to materialize, to become self-sustaining.

**Q:** Over these 25 years, what would happen in a country like Mexico, which has today 54 million poor out of a population of 100 million?

**LaRouche:** Well, let's take areas like agriculture and industry. You have to develop the agriculture with water management and other things. Self-sufficiency in the nourishment of the population is one of the standards of national security. Bringing the water from the south to the north, will create new cities, new centers, and will restore agricultural potential where it's now marginal. Much of the Mexican population has a natural ability to be successful in agriculture. We have to open that up. That will build new communities. It will be with school systems in these communities. You will now take the population of the peasant families, and they will develop the ability to become professionals and industrialists. We have to look at this as a generational development of the population, starting with the reality of the population as it is today. The perspective should be, that every Mexican adult male should have productive employment.

**Q:** Twenty years ago, you were in Mexico. What do you see as important changes in those 20 years that you were not here?

**LaRouche:** Well, I've been here in spirit and mind, very closely observing everything. I have some very dear friends, including the former President, López Portillo. We still think together! We remember what should have happened. We would like to do it. Not for me, I'm not a Mexican. But it's a beautiful idea. And he's a beautiful person. And I have many other friends in Mexico! What happened in Mexico, and also in Central and South America, went through two phases. Under Nixon, in 1971, we created a floating-exchange-rate system. It financially bankrupted every country in South and Central America. In 1982, with the attack on Argentina and Mexico, they moved in like vultures on the bankrupt nations, to *loot the nations*. Today, except for Brazil, which is in jeopardy, there's not a single country in Central and South America which has a secure future.

What we see in Mexico—which is very special because of its proximity to the United States, and also the history of struggle for independence and sovereignty in South America—we see a country which is threatened with destruction! Every country in South and Central America, now, is either *extinct* or threatened with destruction.

**Q:** Can what happened in Argentina happen in Mexico?

**LaRouche:** Sure it can! Fast! All you have to do, is have the dollarization of the Mexican debt, and have the kind of thing that's being applied to Brazil now, in Mexico, and you'll have a complete wipe-out of Mexico. Mexico may have lost much of its sovereignty, but at least there's a certain pretense of maintaining the institutions of sovereignty. The collapse of

this area, the unemployment of 5 million Mexicans in the United States—if those remittances don't come to Mexico, in a world depression, and the New York crowd would have moved in here, the way they did in the Southern Cone, you would have a crushing of the institutions here. So, it's a danger to us all.

**Q:** What do we do to avoid that?

**LaRouche:** The solution is essentially political and of leadership. First of all, we have to build up what is already in motion. Around the world today—as my work in Italy shows, as my effort to build up this Productive Triangle relationship in Eurasia has succeeded to some degree so far—we have the emergence of a movement worldwide, within governments, among influentials, and so forth, step by step, in the direction toward a complete reform of the international monetary system. So, those of us who think, in universities, in institutions, in government, must discuss this more closely together: The opportunity to act is being put in our hands. The danger is, we might not be intellectually prepared to act when we have to.

In Mexico, you have a reservoir that I know of, of leadership, a core of leadership which, if mobilized, does have the intellectual capacity to play that kind of role. It's typified by López Portillo: typified by the intellectual capability within Mexico and in its institutions, with what López Portillo attempted to do between August and October of 1982. This was—even though I was involved in planning this kind of response—the way it was carried out by the President, and his associates, was *specifically Mexican*: You had a President of Mexico who had an understanding of natural law, history, a Classical mind. And many people around him as well.

**Q:** Nevertheless, the image that exists of him is that he was a corrupt President.

**LaRouche:** This was the idea of the liberals who tried to destroy Mexico in 1982. Look what they're saying about Brazil. Now Lula is not my favorite person, but Lula has shown himself at least capable of realizing what it is to be the President of a nation. They are telling Lula in the U.S. press, that if he does not betray the nation of Brazil and the people in it, if he does not submit to the markets, he's evil. That's their attitude toward López Portillo: They can never forgive him for showing courage.

**Q:** Good. Will they allow Luiz Inácio “Lula” da Silva to govern?

**LaRouche:** This is very interesting. If they don't, there won't be any United States. If Brazil goes down, the impact of this on J.P. Morgan Chase, the whole complex around Sandy Weill, around Citibank, and many other things—the investment of the United States banking interests, the exposure in Central and South America, in Brazil—if you crush these countries, *you wipe out those banks on Wall Street!* The solution is that the United States has to put these banks into bankruptcy reorganization. Then we can all live.

SEQUEL TO 'THE HISTORICAL INDIVIDUAL'

## The Next Generations

by Lyndon H. LaRouche, Jr.

October 20, 2002

The world is presently gripped by the most deadly economic crisis in the experience of any person living on this planet today. *This economic disaster is a systemic (implicitly terminal) collapse of the present economy, not a statistical-cyclical phenomenon within the bounds of an existing economic system.* This ongoing collapse of both the world's present monetary-financial system, and of the physical economy itself, is the result of a post-1964 shift, *away from* a producers' economy, within which cyclical patterns had been somewhat irregularly recurring phenomena, *into* a shift to a dead-end form of existence as an intrinsically terminal, consumer culture. This process is now in its terminal phase.

This present disintegration has been the direct result of willful adoption of unnecessary, foolish policies of many nations, especially bad policies adopted, and imposed upon other nations, by the overreaching influence of the United States of America, over the course of now nearly four decades.

So, it happened, that the U.S. economy, and that of the Americas and western Europe, is presently grasping hysterically at the slippery rope's end of the present, doomed world monetary-financial system.

Admittedly, much of the error which has caused this global crisis was formally institutionalized, top down, by our government and its leading political parties. However, as in the decline and fall of the Roman Empire, our society's willingness to submit to such folly, reflects the combined foolishness of the majority of the populations of many nations, especially the recent foolishness of the U.S. electorate's popular, frequently self-destructive choices of election and appointment of members of government and its policies.

U.S. populists could blame government for allowing such

disasters, and usually do; history itself will now, as in the past, blame the people for such a failed government, placing the blame chiefly on the present generations of U.S. populists. As all of the stage's greatest Classical tragedies of ancient and modern times warned us, the typical cause for the systemic doom of actual empires and nations from the past, is the lack of that quality of chosen leader who, like Solon of ancient Athens, seeks to lead the people, once again, to free themselves from the folly of previously prevalent popular opinion. So, a rampage of populism, over the period from July 14, 1789 through 1815, led France into the first modern fascist tyranny, that of Napoleon Bonaparte; so, populist fervor within the young U.S.A. led our nation to the brink of self-destruction, repeatedly, during the same period.

It is not sufficient merely to shun poor choices of leaders; it is indispensable, especially in times of crisis, to turn to intellectual leaders of a rare quality, who will lead the nation and its people to uproot the blunders adopted by popular opinion. In any time of great crisis, without such exceptional leaders, such as our own Benjamin Franklin, George Washington, Abraham Lincoln, and Franklin Roosevelt, the people will fail.

Today, this function of a new leadership is, as I shall explain here in due course, the pivot on which the survival of our republic, including our aberrant populists, now depends absolutely.

In the instance of the present crisis of Europe and the Americas, the principal cause was policy-changes introduced in the aftermath of the combined effects of such crucial developments as the 1962 missiles-crisis, the assassination of President John F. Kennedy, and the deadly folly of the U.S. war in Indo-China. The aftermath of the Kennedy assassination was the shift of the U.S.A. from the role of the world's leading



producer nation, into a 1964-2002 plunge toward a hopelessly decadent form of popular culture called, variously, a “post-industrial,” “consumer,” or “new economy” society. The growing popular support for that change in cultural paradigm, over that interval, is the continuing cause of the popularly self-inflicted shift from a successful producer society, to that self-doomed consumer society which the U.S. has become.

If you wish this nation to survive, that popularized folly is what you must change, a change in popular opinion which you must not merely accept, but help to bring about. It must be a change in the population’s presently habituated culture, away from those leading acquired beliefs adopted during the course of the recent four decades. In these pages, I show how our nation might be saved, even at this late date. It were therefore inevitable, in the nature of the problem, that much of what I write now will astonish you, even, perhaps, anger some of you, all because it runs against those prejudices by means of which you have been complicit in our republic’s attempted self-destruction; but, nonetheless, our nation’s continued existence, and your own, may depend upon your accepting my warning now. *The chief cause of the suffering of most of our people today, was made possible by the repeated refusal of the overwhelming majority to accept my repeated, now*

fully proven warnings during each of the U.S. Presidential campaigns of the 1976-2000 interval. To escape the present crisis, the majority of our people must choose a different quality of President than they had during recent decades; to make that improvement in their political behavior, the people must bring about a corresponding change in the way they choose their opinions, especially their choice of national leadership. They really have no sane choice, but to make that change in habits now, even two years before the 2004 election.

Therefore, the following goes to the core of the subject of

the standard of moral fitness to be met by past, present, and future Presidents of the United States. It poses a series of intermeshed issues of economic science, issues defined by that field of economics in which my extraordinary professional authority is certified by such included types of crucial evidence as my published successes as a long-range forecaster, which remain unparalleled successes over a recent

period of more than three decades. Fortunately, the issues I address are elementary in form; but, unfortunately for our now virtually bankrupt nation, these issues involve principles which have usually been neglected, even among most varieties of either physical scientists or economists practicing today.

In these immediate, prefatory remarks, I feature a few indispensable observations, which set the stage for the discussion of those issues which follows. These initial observations pose the question to be answered. In the sections which follow that, the set of required answers is then introduced and supplied, as a series. At the end, the definition of moral fitness of a President should be reasonably clear.

### **Why the Accounting Profession Has Failed Us**

The central thesis of the following report is this.

For reasons I shall show, no competent economist would offer an assess-

ment of today’s policies without looking at the effect of those policies on the condition of both that nation, and also the world, over a period of not less than approximately two generations ahead. In other words, he or she must think of the trajectory of human development, as the original discoverer of gravitation, Johannes Kepler, defined the annual orbit of the planet Earth. For that reason, the morality of each adult generation, is to be measured by its attitude toward its own adolescent or young-adult children, an attitude which must be measured, at each point in time, as the effect of that attitude



*Abraham Lincoln with his son Tad, 1864. “When history takes the proper turn,” writes LaRouche, “the cultural development accomplished by the successive work of the grandparents and parents, blossoms in the achievements of the grandchildren’s generation.”*

on the world of that generation of young adults who will enter adulthood a half-century ahead.

That is, therefore, that practical moral standard, no other, and nothing less, by which prospective candidates for nomination to become the President of the United States must presently be judged, as fulfilling, or failing to meet that long-term, forward accountability to posterity implicit in the Preamble of our Federal Constitution. That is the lesson of history to be adopted, as we reflect on the present, cumulatively awful net outcome of the accumulated systemic errors in trends of prevalent popular opinion, during the recent thirty-seven years.

Morality is not a commodity, which might be measured in dollars-and-cents. It is a value which can be measured only as Kepler, writing in his 1609 *The New Astronomy*, defined the orbit of the planet in non-financial, physical terms. Therefore, no accountant who adheres to today's characteristically anti-scientific, *post hoc, ergo propter hoc* standards of accounting practice, is capable, *professionally*, of an intelligent assessment of the following, most crucial question of scientific practice in economics: *Whether those practices which appear to be profitable by current standards of accounting-practice, are actually beneficial, or not, to a particular enterprise, or to our republic, over the medium to long term.*<sup>1</sup> The proper question, which today's typical practice of accounting and "market analysis" evades, is: *by what universal physical principle could we determine which multi-generational orbit the present short term's events are travelling?* What experimentally demonstrable, universal physical principle, does the orbit of these measured events follow? Where will a continuation of that orbital pathway, so defined, bring our society, one, two, or more generations to come?

The pivotal cultural problem of today's civilization, in Europe and the Americas, is the fact that those currently in a controlling position, in government and private institutions today, belong, predominantly, to the so-called "Baby Boomer" generation. Most of them reached adolescence somewhere between the retirement of U.S. President Dwight Eisenhower and that early 1970s when the so-called "ecology movement" was launched on a mass scale. This 1964-1972 "cultural-paradigm shift," reflected a transformation of the

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1. Some accountants, because they are intelligent and mature persons, make competent shows of insight into problems, despite the influence of their training as accounting professionals. A truly intelligent and experienced accountant looks at accounting systems with the psychological distance which any sane entomologist brings to a discussion of bugs. Meanwhile, on the subject of crooked accounting firms, President Bush is being deluded, if he actually believes that the problem of Enron et al. is "bad apples." The root of the problem is a pervasive, systemic corruption in the "accounting industry" as a whole, a corruption which was virtually acted into Federal law by members of the U.S. Congress such as "Enron Wendy's" husband, Senator Phil Gramm. It is the present corporate system as a whole which is corrupt beyond self-redemption. The relevant fault with the general practice of accounting is, that accounting standards today are intrinsically amoral, and therefore blind to the evidence of the intrinsic immorality typified by the Enron case.

economies of Harold Wilson's United Kingdom and the post-Kennedy U.S.A., from the U.S.A.'s role as the world's leading producer society, into what may be fairly described, like ancient imperial Rome, as an increasingly parasitical "consumer culture," fairly described in retrospect, today, as the imperial triumph of the wastrels.

The United States has been transformed, for the worse, under the adult phases of metagenesis of the "Baby Boomers." The decadence which began with the "Baby Boomers' " parents, the majority of the generation which had capitulated to the post-war, 1946-1953 atmosphere of "witch hunt" had induced in the freshly hatched "Baby Boomer" generation, under the reign of President Truman and the notorious team of Roy M. Cohn and his puppet-Senator "Pepsi Joe" McCarthy. The effects of 1946-1953 "witch-hunt" practices produced the immorality within my own generation, a generation which, in turn, corrupted much of the "Baby Boomer" generation, who, in turn, drove society to the degree of degeneration expressed by the conditions menacing the 18-25 generation in Europe and the Americas today.

Today, so-called "middle-class Baby Boomers" rebuke their sons and daughters: "You ungrateful creatures! We saved and sacrificed to give you everything!" They gave them, in fact, the opportunity to enter a world with no future. They gave them, in fact, the decadent, doomed world of an utopianism-ridden, "post-industrial," "consumer" society, with the present, galloping decadence of our schools, universities, mass homelessness, and loss of former standards of health-care to match.

I recall, and slightly rephrase the old slogan which used to be broadcast nightly by the New York Times radio-station back when the voice began: "It is now eleven o'clock. . . ." When I hear the memory of that radio voice, I think, "Where are the fantasies of today's 'Baby Boomer' parents wandering tonight?"

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## 1. The Little Matter of 'Human Rights': Society, Economy, Science, and 'Super-Genes'

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To understand the problem, go directly to those symptoms which reflect the roots of today's popular moral disorientation.

The lack of a prevalent, efficient form of morality in today's popular and official opinion, is best demonstrated by the pompous way in which the phrase "human rights" is tossed about by people who have no apparent conception of a principled, moral distinction between man and monkey. Typical of the relatively extreme cases of this widespread moral disorder, are, on the one side, the modern followers of those who share Thomas Huxley's and Frederick Engels' opinion, that man is merely another ape, and, on the other, those even more degraded followers of Bertrand Russell's devotees, such as

the late Norbert Wiener and John von Neumann, as at the Massachusetts Institute of Technology, and elsewhere, who propose that the future lies in constructing a robotic superhuman “artificial intelligence” from electronic spare parts, without benefit of even Huxley’s or Engels’ notions of biology.

If you are a scientist, before defining “human rights,” you must first define a “human being” as a great physical scientist, such as Plato, Kepler, Leibniz, or Russia’s Vladimir Vernadsky would. You must define “human,” and, therefore, “human rights,” as a matter of experimentally validated discovery of a universal physical principle, as a matter of *natural law*.

Vernadsky, for example, defined the physical universe as a process of efficient interaction among three kinds of experimentally demonstrable universal physical principles: A.) a sub-universe of the type called a “phase space,” in which all universally true physical (“natural”) effects are based on the experimental assumption of physical chemistry, that that universal phase-space operates entirely on the basis of non-living principles; B.) a phase-space of those anti-entropic<sup>2</sup> physical effects on physical chemistry which could not be produced by the first phase-space (the “Biosphere”), but which affect the first, “abiotic” phase-space; and, C.) a phase-space of those anti-entropic physical effects which could not be produced by either of the first two phase-spaces, but which efficiently affects both (the “Noösphere”).<sup>3</sup> Among all known living processes, the experimental evidence shows, that only the human mind, or some superior, universal intelligence copied by the individual human mind, is capable of generating those physical effects associated with the *Noösphere*.<sup>4</sup>

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2. Although “negative entropy” was used by biologists to signify the ordering principle which distinguished living from non-living processes, the followers of radical positivist Ludwig Boltzmann, such as Bertrand Russell acolyte Norbert Wiener, attempted to explain this notion away, by using the term “negative entropy” for phenomena within the phase-space of abiotic statistical thermodynamics. To preserve the intention of sane biologists, I have introduced the termed “anti-entropy,” a term which connotes anti-Euclidean mathematical-physics geometries, such as that of Bernhard Riemann.

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

4. Vernadsky was extraordinarily useful in defining the domain of the Noösphere according to a universal experimental principle of physical effects. A medieval and modern European civilization polluted by simple-minded reductionism, had equated real, or physical, with objects of simple sense-certainty. Vernadsky’s scientific method, on the contrary, followed the anti-reductionist, Classical tradition of both ancient Greece and the Fifteenth-Century Renaissance science of Cardinal Nicholas of Cusa: we know the reality which exists beyond the mere shadow-world of sense-perception, by proof that certain, discovered universal physical principles consistently generate effects upon the shadow-world of mere sense-perception. Micro-physical science, is an example of this.

Thus, in first approximation, he divided such physical effects among the three phase-spaces indicated. So, in the simple-minded reductionism of such Bertrand Russell devotees as Norbert Wiener and John von Neumann, the idea of life was rejected as “metaphysical.” Similarly, the ability of the human mind to discover and apply experimentally validated universal physical principles to increase the human species’ power to exist, is a physical effect specific to that cause. For a scientist such as Vernadsky, life is a metaphysical

*What, therefore, is “human nature;” what, therefore, are “human rights?”* What is the difference between life confined within the Biosphere—such as life among the higher apes—and a higher, human form of life, which is characteristic of a higher phase-space, the Noösphere? This is the first among the principled considerations upon which both morality, and a competent economic science are premised.

The animal ecologist, such as the circles of the late Julian Huxley, would propose that every species of animal within the Biosphere has a specific (or, varietal) relative potential population-density. That is, as a measure of potential rate, per capita and per square kilometer, measured relative to the total environment and changes within that environment. By that archeological standard, higher apes would never have enjoyed a global potential population of living individuals above some millions, under any reasonably estimable condition on this planet during the recent two-odd millions years of the recent ice-age cycles. However, mankind has achieved a population in the order of billions of living individuals. Higher apes are animals; human beings, except when men behave as beasts, are not.

Human beings each have the potential to generate experimentally valid discoveries of universal physical principle, as Kepler’s uniquely original discovery of universal gravitation typifies a universal physical principle. No ape can do this.<sup>5</sup> Not only are individual persons capable of making such original discoveries; they are capable of replicating the act of discovery made by another individual, even reaching back thousands of years, as a student today might reenact the discoveries of physical principle by such ancient Classical figures as Pythagoras, Archytas, Plato, Eratosthenes, and Archimedes.

Through such discoveries of universal physical principle, the average person’s power in, and over the universe is increased potentially. Through the transmission of such discoveries, from individuals to entire cultures, and that over successive generations, man as a species expresses a willful power which no animal commands, the power to increase willfully his species’ relative potential population-density, per capita and per square kilometer of the Earth’s surface.

It is the human individual’s ability to do what no monkey can do—discover, or rediscover a universal physical principle—which defines human nature. This ability to change the culture of society for the better, in any part of past or future history, is the power which sets mankind apart from, and above the beasts. That, power, which is a product of *the combination of both* the discovery of a universal principle by a sovereign individual mind, and the transmission of that act of hypothesis, to others, through replication, is the active princi-

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principle, and the human power of valid hypothesizing, is not merely metaphysical, but provides the physical-science definition of *spiritual*.

5. The distinction between fossil evidence of ape or man depends upon correlation of the specimen as such with evidence of artefacts which are characteristic of human intellectual manufacture, such as well-crafted throwing-spears.

ple of *human nature*.<sup>6</sup>

This is the simplest of the demonstrations of the nature of the human species, as absolutely distinct from the lower forms of life. This is Vernadsky's distinction of what is merely a *Biosphere*, from a higher form of existence, a *Noösphere*. This is the elementary definition of human nature under natural law. It is from this, and only from this, that a lawful principle of human rights can be derived. Any different notion of man and his rights, is foolish, unscientific gibberish, as by monkeys acting out their confusion over this matter, as creatures imprisoned within their species' genetic cage.

This scientific definition of human nature, and of human rights, poses the most important of all crises in mankind's differing notions of law of society and religious beliefs, in sundry times and places.

Ancient, medieval, and modern cultures, such as those of ancient Mesopotamia, Sparta, Tyre, Rome, Byzantium; medieval forms of imperial and ultramontane imperial maritime power, such as Venice; and the modern neo-Venetian, imperial maritime power of Anglo-Dutch liberalism, have been intrinsically predatory cultures, which violated that principle of human nature which I have referenced above, by degrading most of humanity to the virtual status of herded, or hunted human cattle. So, the Physiocrats Dr. François Quesnay and Turgot defined men and women as did the Adam Smith who plagiarized their writings. They defined the producers in society as axiomatically human cattle, and defined economy as the herding and culling of human cattle: the unspeakable predators, so to speak, preying liberally upon their inedible victims.

Therefore, the creation of our U.S.A. as a Federal constitutional republic, has been among the most notable historical exceptions to the predatory legacies of ancient Mesopotamia, Sparta, Rome, Venice, the Habsburg tyrannies, and Anglo-Dutch financier oligarchs' imperial liberalism.

Our republic was created, chiefly, by Europeans, both as immigrants and as sponsors from across the Atlantic. These leading founders of our republic, such as scientist Benjamin Franklin, acted, chiefly, in that Christian tradition which incorporated that alternative to imperial Rome which we have inherited from the revived, Classical Greek heritage of Solon and Plato.

The first clear precedent for that later founding of our republic, was that Italy-centered Fifteenth-Century, Classical Renaissance which produced the first attempts at true modern nation-states, Louis XI's France and Henry VII's England.

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6. This relationship between powers and hypothesis is typified by the attack on the relevant errors of d'Alembert, Euler, and Lagrange, in Carl Gauss's 1799 report of his own original discovery of the fundamental theorem of algebra. This work of Gauss is the root of Bernhard Riemann's 1854 definition of an anti-Euclidean universal physical geometry, in the latter's celebrated habilitation dissertation. The power to discover and employ such powers, is a power of the human mind, a power which, as indicated in a note above, is *spiritual* in nature.

Unfortunately, the imperial ultramontane forces mobilized by Venice struck back against civilization, attempting to exterminate the Renaissance's achievements, through launching the awful period of religious warfare 1511-1648. The emerging, post-1648 domination of Europe by the combination of the predatory Habsburg and Anglo-Dutch liberal successors to the former power of the Venetian state, reduced the Eighteenth-Century options for launching a true constitutional republic meeting Classical Greek standards, to the English-speaking colonies in North America.

The intent expressed by Benjamin Franklin's circles, in the 1776 U.S. Declaration of Independence and the Preamble and general outline of the 1787-1789 draft of the U.S. Federal Constitution, is clear. However, the perilous situation created by the French revolution, Napoleonic wars, and domination of Europe by the rival, anti-American forces of the Anglo-Dutch liberals and post-1815 Habsburg relics such as the lunatic "Carlists," left our so-imperilled republic divided and thus corrupted to the present day.

Therefore, although the intention of Franklin's circle and its European friends is a clear affirmation of the Classical notion of the republic, there is no perfect model of a just form of modern nation-state in practice today. The principle is clear; but, the practice is contested and usually contradictory. The job is, to bring practice into conformity with scientific principle. The job is to establish the Classical principle securely in power, at last; the horrifying situation which grips our nation, its culture, and the world today, warns us not to postpone attainment of our historic objective.

Principle must rule practice. The nature of man is, in principle, clear. The principled notion of human rights, under natural law, follows from that.

## How I Was Educated

My focus in this report, is upon an audience of active-minded young adults, chiefly in the university-age-range of eighteen to twenty-five years of age. This is the age-interval typical of those today, who are old enough to think emotionally as adults, but younger than that stratum of university graduates which have tended to become cognitively sterile, at about some time as early as between their securing their M.A. or Ph.D. degree, and securing their first tenured position in a university or analogous professional status.<sup>7</sup> My own

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7. Cf. Dr. Lawrence S. Kubie, *The Neurotic Distortion of The Creative Process* (Lawrence: University of Kansas, 1958) and "The Fostering of Scientific Creative Productivity," *Daedalus* (Spring 1962). I have observed typical such cases of once fertile minds gone sterile some time after 25 or even earlier. The extreme case of combined intellectual and moral sterility, is typified among the radically empiricist mathematical formalists, such as the followers of Bertrand Russell. I have compared the onset of this type of neurotic disorder, as I observed it first among members of my own generation, and, since the mid-1960s, among the "Baby Boomer" generation. Typical onset in both cases, occurred some time between the mid-twenties and mid-thirties. The typical difference between those two generations on this account,

youthful rejection of that popular pathway to intellectual sterility should help today's active mind of university-student age—and, also, their parents—to recognize certain issues which are crucial for their understanding of the challenge confronting their generation today.

As a child, even of pre-school years, I had begun to see myself as an “ugly duckling.” I had come to recognize that my parents and, later, teachers and classmates, most adults, including religious figures, and adolescents and children, alike, lied most of the time. It is much worse in the U.S. today. My resulting frustration was, that I had not become sufficiently matured to be positioned to induce these slippery fellows to depart those erring ways.

Sometimes the prevalent moral corruption which I witnessed then, was called “company manners:” swapping lies with the guests against whom one's parents gossiped as soon as the visitors were safely out of the door. “I had to say it!” or “You forced me to tell that lie!” “Lying for a good cause,” is typical of the immorality encountered, not only among government officials still today, but the population generally. Such observations then, were, and remain typical reflections of the way in which most people, including actually observed Federal judges, university professors, and whatnot, usually lie today. Most such lying took the form of the liar's sense of a need to come up on the side favored by either “popular opinion” in general, or some special in-group variety of generally accepted common assumptions. For example, by using a certain ritual patter of terms and phrases as if they were masonic handshakes, one attempts to show oneself as an insider to the particular brand of cant common to a certain sort of “in-group.”

So, our universities and learned professions today, are chiefly the tyrannized victims of the power of agencies akin to some ancient Babylonian priesthood, who exercise the virtually capricious power of professional life-and-death over what is accepted as learned opinion. The fact that the reductionist folly of Lagrange and his followers is hegemonic in official physical science today, even after Carl Gauss's 1799 publication of the discovery of the fundamental theorem of algebra, only typifies the scope and depth of the currently reigning corruption of professional conduct.

That same tendency to lie, is the root of that rampant, popular psychopathology called “other-directedness,” which is epidemic within society today.

Knowing that such behavior was a form of lying, indicated the existence, somewhere, of an alternative to such lying, an alternative which is at least an approximation of something which might be treated as pointing toward knowledge of truth. Reflecting today upon the points of my exceptional personal intellectual accomplishments in later life, I was more fortunate

than most of my childhood, adolescent, and young-adult peers, in resisting the heavy social pressures to submit to what I doubted to be truth.

Fortunately, in my search for truth, there came a time, beginning at the age of twelve, when I relied, increasingly, upon my parents' and other available libraries, for an intensive study (in English translations) of leading English, French, and German philosophers of the Seventeenth and Eighteenth Centuries. This included my rejection of taught classroom geometry, on the basis of rather obvious evidence that real-world geometry is defined by consideration of physical principles which point to real-life facts contrary to an abstract classroom geometry. This led me, eventually, to my early 1950s adoption of Bernhard Riemann's notion of relativistic physical geometry.

That unfolding search for truth, led me, by mid-adolescence, to adopt Gottfried Leibniz as my mentor in such matters, and to focus upon exposing the axiomatic frauds in the *Critiques* of Immanuel Kant. For me, aided by the adolescent philosophical reflections on the Classical notion called epistemology, this showed that the pathway to truthfulness was an accessible one. Whatever is notable in what I have accomplished since, is the outcome of that parting of the philosophical ways, from populism, which occurred during my adolescence.

A related challenge confronts each future leader of society from among the 18-25 age-interval today. The crossroads at which the young person's choice of direction must be made, is the point at which that person will decide to rely only on actual knowledge, rather than submitting to social pressures merely to learn (e.g., “conform”).

Perhaps, a monkey could be trained to learn to pass a multiple-choice questionnaire designed to be scored by computer; I fear that present programs of public and higher education would tend toward fostering such an anomalous outcome. Would you wish to choose a successful graduate of such an education as your physician or President? What kind of person are you? Are you some pathetic creature who has learned to be socially accepted in a society like that of George Orwell's *Animal Farm*, or Aldous Huxley's *Brave New World* of cannabis, ergotamine, and LSD? You must choose between truthful knowledge and learning, or, under present conditions of global crisis, be prepared to give in to a curious impulse to swarm over the edge of the now waiting cliff, squeaking in gregarious ecstasy on the way to doom, as the fabled lemmings would.

All that which is of singular importance among what I know today, is the outcome of a youthful process of adopting a certain form of the Socratic dialectic as a standard of truthful knowledge. Although my youthful contempt for Francis Bacon, Thomas Hobbes, John Locke, and David Hume was an important, if negative part of this process, it was adopting the standpoint of a relative handful of the most widely circulated of the works of Gottfried Leibniz, which led me to focus

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is the effect of the mid-1960s transition from a production-oriented culture, to a “consumer society,” and, later, the hedonistic depths of a “credit-card-with-sex culture.”

my principal attack on the central thesis of Immanuel Kant's series of *Critiques*. The focus on Plato came later. It was from Leibniz that I first learned Plato's method, second-hand.

All of my intellectual and related achievements, have emerged as, principally, an outgrowth of that adolescent experience with epistemology. This experience equipped me with the means for insight into the popular varieties of mental disorders in my society. It equips me to present young people with the means for understanding the mass psychological disorder which dominates popular opinion-making today.

I begin with a few crucial observations, on background, which are needed to make clear the challenge which confronts our present young generation of future leaders today.

My own original discoveries in the branch of science known as physical economy, were all generated by my attention to the interdependence of effect between two principles. On the first account, I adopted my own reconstruction of the principle of the Socratic dialectic from my wrestling against Kant. I distinguished between conceptions, such as experimentally verifiable universal physical principles, generated in that Socratic way, and those contrary types of notions which are learned in the way a lower form of life might learn. This is my strict definition of *cognition*, as distinct from mere learning. Then came the second count, as follows.

These points of distinction led to a new, deep problem: the evidence that *the individual's cognitive mental processes are of a specifically sovereign quality*. This topic was: How are discoveries of universal physical principles, which can not be described as objects of sense-perception, transmitted from the interior of the mind of a original, individual discoverer, into the interior of the mind of another person? That is the central issue of epistemological method throughout Plato's work. Plato's allegory of the Cave is typical. This problem is the foundation of all competent work in science still today. How does the development, or lack of development, of the mind of the children, affect the potential adult performance of the grandchildren's generation? It was from my focus on this second aspect of scientific discovery that all of my principled achievements in economic science were generated.

### **Gauss: Educating Young Americans Today**

The first objective in education, is to guide the self-development of the mind of the student to the vantage-point that he or she recognizes truthful knowledge, such as the reenactment of an experimentally validated universal physical principle, as a uniquely human state of mind. For that reason, during the assembling of the present youth movement, I introduced the proposal, that the crucial benchmark of reference for secondary and undergraduate higher education, should be a mastery of the broader implications of Carl Gauss's 1799 report of his discovery of the fundamental theorem of algebra. For crucial historical reasons, as I have explained the significance of this earlier, it must be that 1799 report, in which Gauss attacks the common epistemological follies of d'Alembert, Euler, and



*Carl F. Gauss's 1799 report of his discovery of the fundamental theorem of algebra, is "the point of reference for launching a well-organized, coherent approach to both the history of physical science and a science of history."*

Lagrange, which is adopted as the point of reference for launching a well-organized, coherent approach to both the history of physical science and a science of history.

On this account, I must summarize again here, a part of the argument employed in "The Historical Individual."<sup>8</sup> This time, elements of that argument serve a complementary set of conclusions, respecting the more direct, functional relationship between multi-generational economic analysis and political leadership: the subsuming topic identified in the prefatory observations here. To the degree this includes restatement of arguments featured in the first article of a series on the topic of leadership, that restatement is indispensable for the reader who does not have the preceding article at hand, and perhaps the repetition in a slightly different context may be helpful to those who are still wrestling with the conceptions presented in the preceding piece.

So, at this point, I must state, summarily, a point I have made in many locations. It is a point which must not be evaded; all competent notions of physical science, Classical

8. Lyndon H. LaRouche, Jr., "The Historical Individual," *EIR*, Nov. 1, 2002.

art-forms, and statecraft depend on this argument. The preliminary form of strict proof of the distinctive characteristics of human nature, lies in a close examination of the way in which experimentally valid discoveries of universal physical principles are generated and replicated. This argument must always be featured in any contemporary presentation of the nature of scientific knowledge.

To restate the argument supplied in “The Historical Individual”: As Plato illustrates the point by his famous allegory of the Cave, and as the Apostle Paul wrote in *I Corinthians* 13, what we perceive with our sense-apparatus, are only the shadows of the reality which stimulates those sense-experiences. The sense organs are part of our living bodies, and are incapable of reporting more than the reaction of those organs to the impact of the real world. Sense-perceptions are merely the shadows cast by an unsensed, but efficient reality. On that account, any competent teaching of matters of science makes a fundamental separation between what we adduce, by learning, from sense-certainty as such, and actual knowledge of the reality of the universe beyond the shadow-world of the senses.

Science depends absolutely, therefore, upon a principle known as *hypothesis*, as this is typified by Kepler’s uniquely original discovery of the principle of universal gravitation. I develop this crucial argument as briefly as possible.

The decadent trend in matters of science which had been promoted earlier by the Roman imperial culture’s adoption of Aristotle, is typified in modern teaching, by the common error of Claudius Ptolemy, Copernicus, and Tycho Brahe. The Sixteenth-Century revival of various forms of anti-Classical philosophical reductionism, including Aristoteleanism and empiricism, was a correlated feature of the Venice-orchestrated religious warfare of the 1511-1648 interval. This occurred as a pro-feudalist, reactionary attack on the previous century’s great Classical Renaissance, a renaissance based on a Christian reading of pre-Roman Classical Greek science. This Renaissance was typified by the progress of the modern experimental science which was set into motion by the work of Cardinal Nicholas of Cusa and his follower Leonardo da Vinci. The typically Aristotelean error common to the Roman Ptolemy and the modern Copernicus and Brahe, was the Romantic reductionist’s radical presumption that the idea of physical lawfulness in the universe must be limited to a form of uniform statistical regularity in sense-perceptual observations as such.

For that reason, the beginning of a competent approach to a comprehensive development of modern mathematical physics, was set into motion by Kepler’s overturning that Aristotelean fallacy, by his discovery of universal gravitation. The fact that the measured orbit of Mars is neither circular—but elliptical—nor of uniform motion, presented Kepler with a Classical, Platonic type of dialectical paradox, akin to the Classical Greek paradox of doubling the cube by construction. This proved the existence of *something outside the range of sense-certainty*, acting efficiently as an efficient agent on the

universe. Kepler argued that this paradox showed the existence of an efficient form of (God’s) *intention*, acting upon the universe in such a way as to get around the limitations of mere sense-perception. This approach enables us to reveal the existence of that intention to the human mind: universal gravitation as defined by Kepler.

This discovery posed a Classical form of Platonic *hypothesis*. By suitable experimental tests, Kepler’s hypothesis was proven to be a universal physical principle, susceptible of measurement. The same point was made, subsequently, by Fermat’s insight into the fact that the refraction of light is ordered by a principle of “quickest time,” rather than “shortest distance.” The work on this by Christiaan Huyghens, Leibniz, and others, led to Leibniz’s discovery of the catenary-related principle of universal physical least-action, which the Eighteenth-Century Venetian Party’s Euler rejected, incompetently, in an hysterical fit of reductionism. Gauss’s 1799 report of his discovery of the meaning of the complex domain, refuting Euler’s error in his presentation of the fundamental theorem of algebra, opened the highway leading into Riemann’s 1854 habilitation dissertation.<sup>9</sup>

Although Kepler’s discovery of gravitation was a unique event in modern European civilization up to that time, the method Kepler used was not original to modern Europe; it was the same method of Plato shared with Archytas and kindred minds of Classical Greek science through the time of Eratosthenes and Archimedes. The Fifteenth-Century Renaissance had retrieved that Classical method from the ruinous influence of feudalism’s Roman imperial tradition. That Renaissance, typified by the work of such included notables as Brunelleschi, Cusa, Toscanelli, Pacioli, Leonardo da Vinci,

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9. During the late Fifteenth Century, into the Sixteenth, Venice’s original impulse had been to crush the work of the Renaissance with the bludgeons of obscurantism and religious warfare. Later, an added weapon against reason, crafted by a faction led by Galileo’s master Paolo Sarpi, introduced what became known as empiricism. From about the time of tyrant William of Orange’s coup d’état in England, empiricism in the guise of the Anglo-Dutch liberalism of John Locke, Isaac Newton, Bernard Mandeville, David Hume, et al., served as the stock-in-trade of that Europe-wide liberal faction known variously as “the Venetian Party” or “The Enlightenment.” The “Venetian Party’s” influence in philosophy was spread throughout Eighteenth-Century Europe by a network of salons, coordinated, until the middle of that century, by a Paris-based Venetian, Abbot Antonio Conti. The mathematicians d’Alembert, Euler, and Lagrange were among the numerous notable recruits to that network of salons which included the infamous Voltaire. Out of Napoleon Bonaparte’s taking political control over France’s Ecole Polytechnique, and a British-directed continuation of that policy, Lagrange’s followers Laplace, Cauchy, et al., imposed the “mechanics” dogma of the “Enlightenment” on most institutions of science throughout Europe, excepting the Franco-German circles of such Alexander von Humboldt associates as Gauss, Dirichlet, and Riemann. It was this early Nineteenth-Century witch-hunt atmosphere, to which Gauss referred in 1830s and mid-1840s references to his self-suppression of his 1790s discoveries in the anti-Euclidean field defined by his teacher Abraham Kästner. It was not until Riemann’s 1854 habilitation dissertation that the implications of Gauss’s own contributions to defining an anti-Euclidean (rather than non-Euclidean) geometry was made clear.

and Raphael Sanzio, had relaunched the work of Classical science on the new social basis provided by the emerging modern nation-state.<sup>10</sup>

These ancient and modern cases, combined, illustrate the point, that *science is hypothesis*. The object is to know “what is out there,” behind the mere shadows of sense-perception. Thus, Gauss’s 1799 attacks on the anti-scientific blunders of d’Alembert, Euler, and Lagrange, including Lagrange’s attacks upon Gauss’s definition of the complex domain, which those three had each denied to exist, by denying the efficient reality of what they libelled as “imaginary numbers.”<sup>11</sup> Most simply said: The complex domain reflects that

10. The difference was the introduction of the Platonic-Christian notion of *agapē* (general welfare, common good, as in the Preamble of the U.S. nationalist Constitution draft of 1787-1789) as a universal natural-law principle superimposed upon governments. This ended the toleration of imperial and related forms of government which degraded large sections of humanity to that status of wild or herded and culled forms of human cattle, which Adam Smith adopted from the Physiocratic mumbo-jumbo of François Quesnay and Turgot.

11. For the student’s reference: This problem had been implicitly solved by Leibniz’s recognition of the significance of the catenary as expressing a universal principle of physical least-action, thus curing the blunder of seeking to explain “quickest path” in terms of the cycloid. The catenary function, so viewed, which defined natural logarithms prior to Euler, is situated as the characteristic feature of the complex domain.

## Kepler’s Revolutionary Discoveries

The most crippling error in mathematics, economics, and physical science today, is the hysterical refusal to acknowledge the work of Johannes Kepler, Pierre Fermat, and Gottfried Leibniz—not Newton!—in developing the calculus. This video, accessible to the layman, uses animated graphics to teach Kepler’s principles of planetary motion, without resorting to mathematical formalism.

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actual physical universe, which generates what is imperfectly reflected as the shadow-world of sense-certainty.

## 2. Arithmetic, Geometry, And Physics

For the admittedly rare competent economist today, there are two general standards of measure for determining the relative performance of national economies. One is accessible without resort to what would be widely regarded as sophisticated scientific techniques. A more reliable standard, required for long-range policy-shaping, compels us to focus on certain underlying implications of the successive work of, most notably, Leibniz, Gauss, and Riemann.

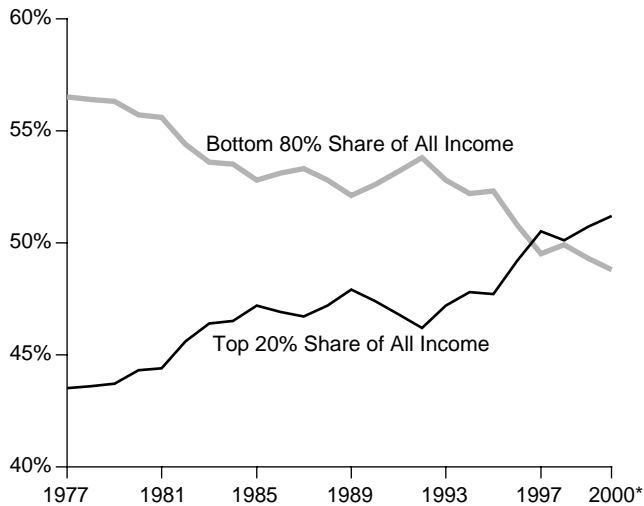
I wrote in my prefatory remarks, above, that the value expressed by a competent form of economic policies of practice for today, can be judged only as the increase in the per-capita physical productivity of a subsequent two generations of the population considered as an indivisible whole. In some respects, the justification for that argument is clear even from a study of the patterns of improvement accomplished by successive generations of U.S. immigrants, especially those who arrived as preponderantly illiterate or semi-literate rural or analogous poor. When history takes the proper turn, the cultural development accomplished by the successive work of the grandparents and parents, blossoms in the achievements of the grandchildren’s generation.<sup>12</sup> The contrary is also true, as witnessed by the “no future” prospects which today’s university-student-aged generation has inherited, with fortunate, but rare exceptions, from the prevalent decadence of the pre-

12. A notable comparable case, is that of the increased contribution of the Jewish population to the economic and other progress of Germany, over the period from Moses Mendelssohn’s departure from Dessau, until the British success of Jan. 30, 1933, in bringing Adolf Hitler to power. This benefit was chiefly a by-product of the Classical renaissance in Europe, led by Lessing’s mentor, and one-time Benjamin Franklin host, Abraham Kästner, based on Kästner’s explicit defense of the work of Gottfried Leibniz and Johann Sebastian Bach, and the Kästner-Lessing rescue of Shakespeare’s work. As John Keats and Percy Shelley could have explained it, without the influence of Kästner, Lessing, and Moses Mendelssohn, the success of the American Revolution led by Kästner’s one-time Göttingen University guest Benjamin Franklin, would not have been possible. The Germany-centered revival of Classical science and art radiated throughout Europe, until those catastrophic, pro-populist effects of the Paris events of July 14, 1789, on both Europe and the young U.S.A., which led to the 1803-1806 unleashing of the new wave of wild-eyed Romanticism typified by G.W.F. Hegel’s almost sexual enthusiasm for the Napoleon Bonaparte of Jena-Auerstadt, and Hegel’s later systemization, as Prussia’s official state philosopher, of the doctrine premised upon the model of Emperor Napoleon’s fascist state. Few realize, when hearing modern faithful expressions of Classical string-instrument performances, that they are enjoying the legacy of a conception of performance developed to a large degree by those Jewish circles closely allied with Mendelssohn, Haydn, Mozart, Beethoven, Schubert, et al. Without the German Jew, one can not speak honestly of the achievements of German Nineteenth-Century scientific progress and contributions to the planet as a whole.



FIGURE 1

## Top 20% of Population Have More Than Half of All After-Tax Income



\* = projected

Sources: Congressional Budget Office; EIR.

ceding two generations.

While such observations on multi-generational long-wave effects are well-founded, and relatively obvious in themselves, those observations are not sufficient to show the exact way in which such connections are to be adduced correctly from study of the physical-economic process as such. The problem so posed, is not merely a matter of measurement as such. Before pulling out a tape-measure and scales, we must first discover what it is—what universal physical principle—the which must be measured. Such are the challenges addressed by my currently proposed program of emergency infrastructure-rebuilding reforms now desperately needed by our disintegrating national U.S. economy.<sup>13</sup>

In one aspect, the measurable causes for the collapse of the potential relative population-density of Europe and the Americas, over the recent thirty-six years, especially the 1971-2002 interval, can be identified rather simply. The destruction of the physical standard of living of the lower 80% of the family-income bracket during the 1977-2002 interval, as accompanied by the savage cannibalization of basic economic infrastructure, including post-1973 looting out of health-care systems, is obvious (**Figure 1**). The present standard of literacy, measured according to an often multiple-choice-questionnaire-scored sliding-scale for a competitive standard of increasing popular illiteracy, is a relevant example

13. EIR Special Report: LaRouche's Emergency Infrastructure Program for the United States (Washington, D.C.: EIR News Services, Inc., November 2002).

of the galloping decadence afflicting the minds as the bodies of our population in general. The spread of wildly irrationalist cults, such as the frankly pro-Satanic sex-and-money-god cult of Sun Myung Moon, typifies the effect of the "information society" cult, in promoting the spread of mental and moral disease rotting out the souls and minds of increasing rations of our population.<sup>14</sup>

Those rule-of-thumb standards for historical estimates of human progress, point toward those phenomena of progress which may be represented as effects which can be identified within the scope of the facts attributed to the senses. However, when we attempt to go beyond such admittedly indispensable generalities, when we take up the matter of actual economic-policy-planning, competence demands that we focus upon those economic issues which are situated functionally (i.e., *systemically*) within the scope of that seemingly invisible, but efficient complex domain as defined successively by Archytas, Plato, Kepler, Leibniz, Gauss, and Riemann. So, we proceed now.

The foundation of the argument here, is that: Since efficient universal principles exist only as powers outside the scope of sense-perception, the mathematical form of representation of their efficient existence lies only within what Gauss defined, in his 1799 report of the fundamental principle of algebra, as that complex domain whose characteristic feature is what Leibniz showed, in collaboration with Jean Bernouilli, to be the expression of *the universal physical principle of least action*, in the generalization of the catenary function. The relevant conflict within contemporary mathematical physics, still today, is, historically, the following.

Lagrange's fraudulent rebuttal of Gauss's referenced 1799 paper, made the claim that Gauss had "cheated" in his criticism of Euler and Lagrange, by introducing geometry into a discussion of arithmetic. Under less decadent and repressive general political circumstances than the reductionist Romanticism which dominated most areas of Nineteenth-Century culture, the implicit retort by the Gauss of his *Disquisitiones Arithmeticae* would have been the devastating evidence, from number theory itself, that Lagrange's rebuttal had cheated, by pretending that the issue was anything other than those false, "ivory tower" assumptions respecting geometry, which underlay the arithmetic of d'Alembert, Euler, and Lagrange. Since the relevant Classical Greek history of the doubling of the square and cube was known to leading European mathematicians at that time, the element of fraud in the argu-

14. Within the U.S. civil-rights movement, the decay of the movement can be correlated with the popularization of the frankly "anti-intellectual" cult of "information theory." One does not need to think conceptually any more. It is sufficient to "receive information," and let "street-wise gut-instinct" do the rest. Increased susceptibility to the influence of the sex-and-money Moon cult and its allies, correlates with increased hostility toward the memories of that noble person of African descent typified by Frederick Douglass and the sublime Rev. Martin Luther King. No one is less free than the man who puts such dumbed-down populist shackles of the mind upon his own arms and legs.

ment by Bonaparte's protégé Lagrange should have been obvious to mathematicians and others, then and since.<sup>15</sup>

The relevant ancient Greeks had shown, that the solution to the typical problems of doubling of the square and cube—as also the line—by construction, is systemically paradoxical. As the case of the Tenth through Thirteenth Books of *Euclid's Elements* attests, similarly, this is a type of paradox akin to that of the more sophisticated implications of the construction of the five regular (Platonic) solids.<sup>16</sup> The solution for the square is relatively simple; the cube represents a related problem, but of a higher order of power; the construction of the Platonic solids, a still higher order of the same class of physical paradoxes posed by geometry.

The discovery of any single universal physical principle, as experimental validation of a discovered hypothesis, is suf-

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15. The rise of Romanticism, and the accompanying, post-1789 disorientation among U.S. patriots, can not be understood except as an outcome of King Louis XVI's foolish rejection, out of hand, of the constitutional monarchy crafted under Bailly's and Lafayette's leadership. This rejection led to the British Foreign Office's deployment of its assets the Duke of Orleans, Jacques Necker, and Necker's daughter, the notorious Madame de Staël, to orchestrate the bloody farce of the siege of the Bastille, and subsequent imprisonment and decapitation of the foolish pair of Louis XVI and his silly wife, Emperor Joseph II's sister Marie-Antoinette of 1787 "Queen's Necklace" notoriety. Orleans and Necker were rapidly superseded by London-trained and directed agents of the British Foreign Office such as Danton and Marat, leading into the subsequent Jacobin Terror. These developments unleashed waves of populist lunacy among former admirers of the U.S. struggle for independence on both sides of the Atlantic. From July 14, 1789 on, the successive tyrannies of British assets such as Orleans, Necker, Danton, Marat, and of the cabals of Barras and Napoleon Bonaparte, sent shock waves of political and cultural demoralization into motion throughout Europe and the U.S.A. The British, for example, used the always treasonous Essex Junto Federalists to spin the administration of President John Adams into a tizzy, with a fraudulent British Foreign Office-orchestrated publication, Sir John Robison's hoax, *The Roots of the Conspiracy*. Had Adams not resisted that hoax's influence even on some members of his own family, the intent of the British, to recapture the U.S.A. as a British colony, would have succeeded. Only the subsequent emergence of the American Whig current around Matthew Carey and Henry Clay, saved the United States from the ruin of both the Federalists and confused Jefferson's self-doomed Republican Party. This was the Whig legacy continued and developed, around the theme of U.S. Manifest Destiny, by John Quincy Adams, Abraham Lincoln, and James Blaine, and followed by President Franklin Roosevelt. In this setting, the emergence of the first modern fascist state, France under the tyrant Napoleon Bonaparte, set waves of anti-Classical pro-Bonapartist Romanticism loose throughout Europe, especially following developments of 1803-1806. The same decadence was reflected in the persistence of the fascist potential inhering in populism, within the U.S. itself, to the present day. The political success of Lagrange and his followers, over Gauss, can be understood only in the historical context of that conflict between the Classical current and the opposing legacy of the Caesarism on which Napoleon's fascist tyranny was intentionally modelled.

16. As noted below, this brings into focus the proof of the same *hylozoic* principle central to Vernadsky's definition of the Biosphere. See Johannes Kepler's 1611 *De Nive Sexangula (On the Six-Cornered Snowflake)*, Colin Hardie trans., Oxford University Press (reproduced by permission, by 21st Century Associates, 1991). This argument by Kepler is a continuation of that of Cusa followers Pacioli and Leonardo, and of Plato before them.

ficient proof of the falseness of the scientifically illiterate, popular assumption that a Euclidean geometry corresponds to the geometry of the physical world. The real universe is one which mere sense-perception does not reveal, but merely reflects in a potentially useful, but also implicitly misleading way.<sup>17</sup> The use of pedagogical devices, such as referring to sense-perception as merely a world of shadows, or reflections seen in a darkened mirror, are each appropriate ways of pointing to this paradox. As Gauss's definition of the complex domain implies, sense-perception, when combined with the ontological paradoxes which that domain expresses, such as that of doubling the cube, is a projection of the experienced reality, a projection which is often interpreted in a way systemically false to reality. Such false assumptions persist, until knowledge of the complex domain replaces the Aristotelean or empiricist delusions polluting the Euclidean. Riemann's 1854 habilitation dissertation is the generalization, as an anti-Euclidean physical geometry, of the argument on behalf of the complex domain, made by Gauss in 1799.

To restate that crucial point: This fallacy of Euclidean geometry led Gauss's Professor Abraham Kästner to define the root-concept of an *anti-Euclidean*, as distinct from merely "non-Euclidean" geometry such as those of Lobatchevsky and Janos Bolyai. Kästner's argument is that we must go to a point prior to Euclid's definitions, and start over from Greek science prior to the writing of *Euclid's Elements*. This, Kästner student Gauss was already on the road to doing, as early as 1792, as reflected in his *Disquisitiones* and 1799 announcement of the fundamental theorem of algebra. Riemannian anti-Euclidean physical geometry, as expressed with audacious clarity by the 1854 habilitation dissertation, is the fulfillment of both Kästner's intention and that of Gauss's 1799 attack on the "ivory tower" empiricism of Euler and Lagrange.

Those discovered universal physical principles, typified by Gauss's locating the constructive doubling of the cube within the complex domain, each express a demonstration of universally efficient *physical*, rather than formal-mathematical action. The projected effect of that demonstration can be recognized, paradoxically, by means of sense-perception, but the continuing principle of action which causes that result, can not. Thus, "ivory tower" geometries, such as Euclidean, Cartesian, or counting-number-arithmetic, are false when their images are mistaken for the reality of the domain in which the relevant efficient action, such as gravitation, occurs. Hence, the absurdity of the Galileo-Newton attempts to plagiarize Kepler's discovery of gravitation, and the absurdity

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17. The relevant empiricist assumption, as of Euler and Lagrange in this instance, is not a matter of "honest academic differences of opinion;" it is an elementary issue of principle, which lies at the ultimate root of the distinction between science and charlatanry. Physical science, as distinct from sometimes extremely clever childish games at the blackboard, lies within the domain whose very existence Euler, Lagrange, Immanuel Kant, and their followers have passionately denied.



*A Schiller Institute geometry workshop in Boston. A humanist education begins with the investigation of physical principles which point to real-life facts, contrary to an abstract classroom geometry—the issue upon which Gauss clashed with Euler and Lagrange.*

of Lagrange’s effort to systematize physics as a system of mechanical action located within the Euclidean-Cartesian domain of empiricists such as Abbot Antonio Conti.

Thus, as my relevant associates have emphasized [see article below—ed.], the crux of the moral crisis of most taught physical science, is the conflict between the *dynamic* universe of Plato, et al., and the pathological, Aristotelean image of *energy*. This pivotal moral crisis of the reductionists, is key to comprehension of Gauss’s conclusive exposure of the follies of d’Alembert, Euler, and Lagrange respecting the complex domain. The Platonic conception echoed by Gauss and, later, Riemann, is the only competent basis for an attempted mathematical form of a physical science of economics.

The point is best made, as I have insisted repeatedly, by looking at Gauss’s 1799 paper retrospectively from the vantage-point of Riemann’s habilitation dissertation. My critical reassessment of Vernadsky’s treatment of the subject of the Noösphere, requires situating the discussion of multi-generational economic processes (“trajectories”) within a mental framework cohering with Riemann’s Gaussian conception of an anti-Euclidean physical geometry. To accomplish that, we must eradicate the presently conventional classroom and related use of the Aristotelean term “energy,” and substitute the correct notion, that of “power.”

### **The Conception of Power**

We must define “power” from the standpoint of three historical benchmarks in the history of physical science. *First*, the Platonic Classical Greek notion of *power*, in opposition to the pathological concept, *energy*, as employed by Aristotle and the modern empiricists, such as Clausius, Grassmann, Kelvin, Helmholtz, and other followers of Ernst Mach, who

ape the reductionist notions of Aristotle on this point. *Second*, we follow Leibniz’s introduction of that Classical, Platonic concept of power (German: *Kraft*) in the course of his 1671-1716 founding of the science of physical economy. Third, the identical use of the notion of *power*, in Gauss’s 1799 definition of the complex domain: the mathematical-physical notion of *power* employed in defining the fundamental theorem of algebra.

In the case of power versus energy, in particular, sane people argue the significance of the usage of terms as if by pointing to an object, or action, or both. There are two most general types of cases for such “pointing” action: to that shadow naively considered as a sense-observable object, or, rigorously, as an object whose physically efficient existence is expressed by its observed or conjectured effect on the domain of sense-perception, such as an object within the bounds of nuclear microphysics.

In Classical science and Classical artistic composition, the most important class of objects, belongs to a sense-invisible domain of universal physical principles. These principles are defined by application of Plato’s Socratic principle of hypothesis to the domain of experimental practice, like Kepler’s definition of universal gravitation, or the definition of a principle of life by the combined efforts of Pasteur and followers such as Vernadsky. The mapping of the existence of the objects specific to that domain, is to be understood broadly, today, from the standpoint of reference of a Riemannian, anti-Euclidean physical geometry. The principles of modern physical economy can not be identified efficiently, without reference to the specifically topological implications of a Riemannian physical geometry, if not such a mathematics itself.

As for Kepler’s discovery of gravitation, or the concept

of the related principle of universal physical least action by the successive efforts of Fermat, Huyghens, Leibniz, and Jean Bernouilli, and Leibniz's unique discovery and proof of a notion of infinitesimal calculus contrary to the reductionist apriorism of Euler, Lagrange, Cauchy, et al., the discovery of universal principles pertains to *relationships*, not things as such. Archytas' solution for the challenge of constructing a doubling of the cube, epitomizes the principle otherwise expressed more simply by constructing the doubling of a line *per se*, or Plato's treatments of the solution for doubling the square.<sup>18</sup>

Plato's treatment of the implications of the five Platonic Solids, and the late Professor Robert Moon's treatment of the role of a series of Archimedean solids in grasping Mendeleev's periodic table from the standpoint of the physical chemist, only typify a crucial issue of the *hylozoic* principle addressed by such avowed followers of Cardinal Nicholas of Cusa as Luca Pacioli, Leonardo da Vinci, and Kepler. That is the crucial issue of Riemann's 1854 habilitation dissertation, the concept of the universal ordering of relationships among principles as such. This standpoint, of Riemann, is crucial for a competent notion of physical economy.

Think of what are sometimes referenced as "thought-objects." When that reference to "thought-objects," as distinct from mere sense-objects, is made to a competent effect, it is a way of speaking which intends to convey ideas of that distinct class to which Kepler's notion of gravitation belongs. It references not an object of sense-perception; it references an efficient, universal principle of the universal physical-space-time for which sense-perceptual objects are merely, as Plato states, shadows. All members of this class of real, as distinct from shadow-objects, have the common characteristic of referring to *relations*, rather than discrete objects like those attributed to sense-perceptual space.

For example, Kepler locates the mathematical expression of gravitation in the relationship among the harmonic characteristics of planetary and other orbits.<sup>19</sup> Universal gravitation is an objective quality of the ordering of relations among observed objects. Gravitation assumes the character of a "thought-object" when it is the subject of relations to other sets of "thought-object" forms of relations. This point is crucial for grasping Plato's, Leibniz's, and Gauss's referenced use of the notion of powers, as opposed to, and distinct from the Aristotelean hoax of "energy."

A Riemannian physical geometry is, itself, such a thought-object. The subject of that geometry is a relationship among a set of relations, each of which corresponds to a uni-

versal physical principle. The crucial characteristic of that geometry, is the effect of introducing a new array of principles. The catenary-cued notion of universal physical least action, is carried over from Leibniz, such that the difference between any among two of the universal phase-spaces so defined, should be expressed as a measurable difference in the way least-action is expressed in those cases. This sort of comparison may be identified as a "higher geodesic," that in the sense of those general principles of curvature which Riemann adopts from Gauss. The type of effect to be expected, includes the notion of a universe undergoing a speeding-up or slowing-down process as the relevant Riemannian n-fold domain is altered. This, in fact, is, as I shall show here, precisely what does occur in a modern physical economy. This fact, is the underlying feature of any competent science of physical economy.

### A Riemannian Reading of Vernadsky

From the outset of his revolutionary, 1854 habilitation dissertation, Riemann follows Gauss's teacher Kästner, in expunging all of the arbitrary, *a priori*, elements, such as definitions, axioms, and postulates, from geometry. Hence, Gauss and Riemann represent *anti-Euclidean*, rather than merely *non-Euclidean* geometries.

In that dissertation Riemann explicitly excludes from mathematical physics the *a priori* elements of both a Euclidean, and non-Euclidean geometry, and also of counting-number arithmetic. For him, there is no purely mathematical proof of principle; matters of principle are matters of physical-experimental tests of hypotheses, not of a so-called "pure mathematics."

So, earlier, Gauss, in his *Disquisitiones* and later report on the subject of biquadratic residues, had proven that the underlying basis for a competent arithmetic lay in those underlying physical-geometric roots and powers which are expressed by the complex domain. So, Lejeune Dirichlet and Riemann have shown, successively, the fallacy in Euler's efforts to define the prime-number domain. *Scientifically efficient knowledge exists only in experimentally provable, hypothetical, Platonic solutions for evidence of true ontological paradoxes among the relations within the domain of sense-perception.* Such proven hypotheses are universal physical principles which express, not objects *per se*, but relations among either, in the first case, sense-perceptual experiences, or among sets of universal physical principles. These relations replace the reductionist notions of a Euclidean or non-Euclidean geometry. Knowledge of these relations comes only as solutions for a form of irony which is to be recognized as *metaphor* in Classical artistic composition, and as ontological paradoxes in formal epistemology and physical science.<sup>20</sup>

20. This is also expressed by that Classical Greek principle of sculpture, by means of which a body in mid-motion is conveyed to the mind. The new method of defining perspective, by Leonardo da Vinci, achieves the same

18. "The Historical Individual," *EIR*, op. cit., pp. 28-29.

19. On this basis of harmonics, Kepler indicated the earlier existence of a since-disintegrated planet lying among the inner planets of the Solar system, between the orbits of Mars and Jupiter. This was confirmed by Gauss's discovery of the Asteroid Belt, with the latter's harmonic characteristics coinciding with Kepler's values for the exploded former planet.

It is the experimentally demonstrable relations among such relatively universal sets of universal physical principles, which define a Riemannian physical geometry. Such a geometry is not defined as a fixed geometry, as Euclidean and non-Euclidean aprioristic geometries do. It is defined by a process of change, whose expressed characteristic value must be determined, as Riemann insists in the close of his habilitation dissertation, by physical-experimental methods, not by methods of mathematical or other modes of deduction. I have placed this Riemannian principle as the cornerstone of a competent modern mode in the science of physical economy.

In the science of physical economy which was introduced by Leibniz, the term *power* references, implicitly, the mastery of a relatively higher order in what Gauss was later to define as the complex domain. In Riemannian geometry, it points to a qualitative change in the manifold through incorporation (e.g., addition) of a new universal physical principle. In the latter case, the effect whose measure is to be adduced experimentally, is a change in the expressed characteristic curvature of the domain expressed as the effect of that change.<sup>21</sup>

In economy, the reflection of the introduction of a new physical principle to bring about an increase of the effective, cross-sectional “energy-flux density” of a process, changes the characteristic curvature of the economy, without need of any other change applied, to increase the pre-existing productive potential per capita and per square kilometer of the Earth’s surface area.

The point about economies which that illustrates, is that increases in the productivity of the component productive processes of an economy, may be effected through changes in the infrastructure of the economy, even without any internal changes in the affected individual productive enterprises of that economy. Thus, improvements in the state sector’s generation and maintenance of basic economic infrastructure, such as transportation, power, water-management, health-care, and education, will tend to be most efficient in fostering increases reflected in the productivity of local private enterprises, even without any additional change internal to those enterprises themselves. This kind of functional relationship in the environment of a subsumed local phase-space, is specifically Riemannian. Similarly, it is qualitative changes of principle in technology introduced to local enterprises, such as in the developmental sector of the machine-tool sector, which will have the relatively greatest beneficial impact on the productivity of the economy as a whole.

*Thus, the greatest improvements in the performance of a local enterprise, are indebted to conditions external to them, such as improvements in infrastructure, and also scientific and other cultural changes, supplied from outside them, for the greatest relative improvements in internal performance.*

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effect in painting. The “miraculous” power of Leonardo as artist expresses the same principle as Gauss’s notion of the complex domain.

21. Habilitation dissertation, Sec. 3.

For that benefit, the individual enterprise must be directly, or indirectly taxed by government. It was through relevant action by government, or by institutions aided by government, that such indispensable external benefits are supplied to the individual households, local communities, and private economic enterprises.

Take as an illustration of the just-cited paradox, the idiocy implicit in the present model of U.S. National Income and National Product accounting, as, similarly, the childish folly of most of today’s generally accepted professionals’ interpretation of financial- and cost-accounting reports.

Basic economic infrastructure, such as mass-transport systems, functionally integrated power-generating and distributing systems, national and regional water-management systems, national and regional health-care systems, and educational systems of regions of the nation, or nation as a whole, have beneficial effects on local physical production whose causes can not be located as internal to that production itself, but which determine the relative physical productivity of operations within such individual enterprises. The provision of such systems must be organized by governments, not private enterprises, which must maintain such systems through a repertoire which includes a combination of general tax-revenues and Federal, state, and local regulation of prices and practices of relevant utilities.

In effect, the quality of those public works and their regulation supplies an effective degree of relative (Riemannian) physical-space-time curvature to the domain within which the relevant private enterprises are situated.

Similarly, for related reasons, progress in productivity of agriculture and manufacturing depends chiefly on entrepreneurship in technologically progressive family farms and relatively small manufacturing enterprises, rather than under representatives of absentee “shareholder” ownership. The function of partnership between government initiatives and regulation of basic economic infrastructure, and technologically motivated entrepreneurship, rather than absentee harvesting of extracted financial profits from a looted field of agriculture, is an essential feature of the uniquely American creation, the American System of political-economy. This is the economic system, as defined by Alexander Hamilton, Mathew Carey, Friedrich List, and the world’s greatest Nineteenth-Century economist Henry C. Carey.

For similar reasons, the American System demands that European-style central banking, including the similar function of the Federal Reserve System, be banned from the Americas, in favor of national banking as defined by Treasury Secretary Alexander Hamilton. On these and related accounts, the superiority of the American System is rooted in characteristic features which cause it to differ axiomatically from the morally and technically inferior European system of so-called “capitalism,” as defined by such followers of the British East India Company’s Haileybury School as Karl Marx.

My primary emphasis on the technologically aggressive



*Construction of a dam and power plant by Roosevelt's Tennessee Valley Authority in 1942. Such state-organized public works can supply an effective degree of relative (Riemannian) physical-space-time curvature to the domain within which the relevant private enterprises are situated.*

entrepreneur, as farmer or manufacturer, does not disregard the role of large corporate enterprises. However, we must recognize the danger inherent in the role of a profit-interest which seeks to divorce itself from a sense of primary accountability to the public, rather than merely private (e.g., “shareholder” interest). On the latter account, the state must circumscribe the corporate form of for-profit private enterprise with its own adopted devotion to some adopted mission of benefit for society in general, and also impose governmental regulations which channel its behavior into conformity with that adopted, authorized corporate mission. In this example, in as the role of basic economic infrastructure, in economy in general, the primary site of performance is the economy considered as a coherent unit, rather than a sum-total of parts. The whole must be a source of added benefit to the local function, as the local function must be a contribution to the essential mission-function of the society as a whole.

Restate the immediately preceding series of points in terms of the relationship of Noösphere to Biosphere, as follows.

The Earth without the intervention of those cognitive powers of hypothesis unique to the human individual, were merely a Biosphere, in which human beings, if they existed, merely learned, as apes do, and accomplished virtually nothing which an ape could not achieve, or even, perhaps, surpass. *It is the accumulation of transmitted discoveries of both universal physical, and kindred cultural principles, which is the action which transforms a mere Biosphere into a true Noösphere. It is that specific quality of action which defines the functional presence of the individual human mind, and it is only the effect of actions so accomplished, which defines the transformations which distinguish a Noösphere from a mere*

*Biosphere.* The complex of efficiently employed, accumulated such principled actions, defines the universal phase-space, a Riemannian phase-space, which is economy.

However, that is not all. The social process which defines an economy depends upon an additional principle.

### **Society and Economy**

As I have emphasized earlier in this report, my contributions to the development of a science of physical economy, have depended upon two systemic considerations of a pervasively axiomatic quality. *First*, my studies of the sovereign act of cognition, the role of experimentally validated discovery of a universal hypothesis, as the original source of the power by means of which mankind's power in and over nature is increased. *Second*, the crucial, ostensibly paradoxical challenge of replicating such an hypothesis generated within the “hermetically sovereign” processes of one mind, in another's. On the second count, my recognition of the absolute superiority of Classical culture, as typified by the Schiller-Humboldt model of a Classical humanist education, has been crucial for my unique contributions to a science of economy.

On the second count, I have warned repeatedly against the intrinsic incompetence and bestialization of students subjected to such horrors as education aimed at training victims to achieve satisfactory scores on computer-audited, standardized multiple-choice questionnaires. Only a Classical humanist program of education, of the type virtually banned by Germany's Brandt reforms in education, promotes the actual transmission of knowledge from one generation to the next.<sup>22</sup>

22. Those “Brandt reforms” were but one instance of the implicitly genocidal, 1963 Paris OECD report on educational policy of Dr. Alexander King. This

This process of transmission of the experience of an act of hypothesizing, defines a sub-phase-space. This sub-phase-space is composed of an array of universal physical principles which has the form associated with principles of Classical artistic composition, as distinct from, and opposed to Romantic practices of artistic composition and political statecraft.

The first such principle is, of course, the reenactment of an experimentally validatable form of hypothesis within the sovereign cognitive processes of a second mind.

The first principle focuses our attention on three distinct phases of such a transmission. First, the Socratic form of ontological paradox which begs the discovery of a validatable hypothesis, as Plato's *Parmenides* dialogue typifies such a challenge to the folly of all reductionists. Second, the generation of the required hypothesis in the mind of a discoverer, or rediscoverer. Third, the experimental validation of the hypothesis as a universal physical principle. The first and third phases are representable in terms of sense-perception; the second, which lies in the complex domain of reality, is not. If, however, the first and third phases are in agreement, the first and second persons know that their respective hypotheses are coincident notions of relationship: *ideas*.

Since such *truthful* ideas have physical effects upon the universe, effects produced by persons acting upon such ideas, the class of artistic principles associated with the experimentally based transmission of such ideas, are universal physical principles. Such ideas, and only such ideas of hypothesis-based social relations qualify as principles of Classical artistic composition, as distinct from Romantic, modernist, existentialist, etc. Such is the difference between the Classical mode of composition of J.S. Bach, Haydn, Wolfgang Mozart, Beethoven, Schubert, Mendelssohn, Schumann, and Brahms, and such malicious, Romantic parodists of the Classical composition of Bach, et al., as Czerny, his pupil Liszt, Berlioz, and Richard Wagner. All Classical artistic composition leads to a specific variety of definition of a unifying universal idea; Romantic composition, leads to a sensual effect instead of an idea; systemic Romantic corruption in the performance of Classical musical compositions degrades the composition from a Classical idea, to a sensual effect, or series of such effects.<sup>23</sup>

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report's demand for the destruction of European systems of Classical education was an integral part of the same neo-malthusian pestilence otherwise represented by King's, and the Cambridge Systems Analysis group's leading role in founding, and steering the pro-genocidal Club of Rome and Laxenberg, Austria-based International Institute for Applied Systems Analysis (IIASA). These radically empiricist, pro-genocidal programs were outgrowths of the work of the arch-Mephistophelean Bertrand Russell's founding of the Unification of the Sciences project currently linked with the right-wing, pro-Satanic sex-and-money cult of Sun Myung Moon.

23. For reference, consider the emphasis of the leading conductor of the Twentieth Century, Wilhelm Furtwängler, upon what he sometimes describes as "performing between the notes." The Classical score is a Classical composer's projection of an intrinsically anti-Euclidean idea upon the pages of Euclidean geometry. The reality of the intended performance of that com-

So, therefore, Classical tragedy is never an expression of mere fiction. It is a study of a referenced page from either actual history, or a legendary account which exerts an effect similar to the impact of actual history upon the members of a culture. Thus, for example, we have Shakespeare's English histories, which reflect the legacy of Sir Thomas More's studies, or the legendary material which Shakespeare used for the cases of Hamlet, Macbeth, and Lear. We have Schiller's Don Carlos and Wallenstein, which are truthful accounts of living history, based upon historical studies of the crucial strategic features of the referenced case. Classical poetry, as Shelley defines in his "In Defence of Poetry," or Keats' "Ode on a Grecian Urn," addresses the subject of those matters which pertain to "the power of imparting and receiving profound and impassioned conceptions respecting man and nature."

Ancient through medieval and modern European history, is essentially a reflection of the ebbs and flows of a continuing conflict between the legacy of ancient Rome (Romanticism and its even more decadent derivatives, such as pragmatism and existentialism) and the Classical Greek culture typified by Solon and Plato (the Classical tradition upon which the U.S. Declaration of Independence and Preamble of the Federal Constitution were premised). The most crucial issue is Plato's Socratic principle of *agapē*, as expressed by *I Corinthians* 13 and the Fifteenth-Century Renaissance notions of what was termed, alternately, the general welfare or common good. *Agapē* is a universal physical principle, which separates Roman and medieval ultramontane cultures absolutely from a society based on that Christian doctrine of natural law which defines the modern sovereign form of nation-state (as distinct from the opposing, neo-Venetian Anglo-Dutch liberal model of imperial maritime power, for example).

For example, the two principles and added key corollary of the Preamble of the U.S. Constitution—sovereignty, general welfare, and posterity—like the incorporation of Leibniz's anti-Locke specification of life, liberty, and the pursuit of happiness in the U.S. Declaration of Independence,

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position lies, epistemologically, within what Gauss defines as the complex domain. The great performer, as typified by Furtwängler, is performing nothing but the entire composition, bringing to bear a higher sense of Bachian contrapuntal integration of the indivisible whole composition upon each part of the performance. The "meaning" of the composition is expressed by those variations from the strict reading of the score which effect the functional integration of each portion of the performance to the whole. These variations are of the same, delimited scope which separates a Euclidean reading of nature from the reality located within the complex domain. The objective is not to hear the interpretation of a score crafted by Beethoven, but to hear Beethoven's voice speaking directly to the performers and audience alike. Hence, "between the notes." Hearing an HMV pressing of a recorded performance of Furtwängler's conducting of a Tchaikowsky symphony, in a U.S. replacement depot in India, in early 1946, changed my life, for precisely this reason. This experience contributed in a crucial way to my discovery, beginning a few years later, of the implications of Classical principles of artistic composition for science.

represent universal physical principles which set such states absolutely apart from nations not self-ruled by the integrity of those inseparable three principles.

The normal mode of transmission of knowledge of such principles, like the transmission of knowledge of universal physical principles through regeneration, is what is recognizable as Classical humanist education, which is itself a matter of universal physical principles. That is a method of education in opposition to all decadent modes of mere learning, such as “sharing of information,” etc.

This matter of the role of principles of Classical artistic composition as universal physical principles, defines many volumes of exposition, but the essential principle is clear from what is written here thus far.

It is through the addition of universal physical principles to a society’s practice, that the manifold of society as a whole may be transformed to the effect of increasing the power to exist expressed by the improvement in the characteristic of the society considered as a manifold. In short, a “zero-technological-growth” culture is a dead man walking, but, in history’s long-ranging eyes, not for much longer.

## Ideas As Power

Combine the two sub-phase-spaces of discovered universal physical principles: individual discoveries of principle respecting man’s action on the Biosphere, and those principles of social cognitive interaction which are typified by Classical artistic composition. Without human intervention within the Noösphere, no man-made profit is generated. If we measure the rate of growth per capita and per square kilometer over three to four generations, or perhaps longer in pre-modern existence, the margin of net social profit of entire societies is a reflection of the accumulation of new applications of combined such types of universal physical principles.

I explain. In the case of zero-technological growth, the apparent rate of physical-economic growth may appear to be positive over as long as the medium term, after which an entropic attrition sets in. In such cases, the apparent profit of output over acknowledged expenditures may appear to be sustained, up to the point that a marginal decline in per-capita, per-square-kilometer physical income through technological attrition becomes implicitly measurable. Over the longer term, as now, the evident rate of attrition becomes catastrophic. Depletion of earlier capital improvements in society’s basic economic infrastructure, as now, takes over.

When such types of technological and related attrition set in, generally accepted accounting methods can no longer conceal the approaching catastrophe.

Or, when cost-reduction is used to maintain a nominal profit-margin, the claimed “cost-reductions” which are wishfully considered a product of good, tough-minded management, those foolish notions of “cost reduction” build the foundations of a looming catastrophe, even in the accountant’s picture of things, as in today’s collapse-wracked U.S. econ-

omy and monetary-financial system.

The core of competent economic science, is study of the very long wave of increase of the human species’ potential relative population-density. On this account, man is studied from two standpoints. First, as a creature of a relatively fixed range of variations of potential, as a part of what Vernadsky defined as the Biosphere. Second, as a creature of the Noösphere. On the first account, we compare the range of human potential with the ranges found among, or reasonably adduced for the higher apes. On the second account, we treat man as a species which evolves in an upward direction, through the production of what I find it convenient to identify as “super-genes:” *culturally transmissible discoveries of universal physical principles*. I describe these as “super-genes,” to point out that there is no visible change in the equivalent of an ape-like genotype accompanying the culturally determined increases in potential relative population-density of society. The changes in human potential accomplished through the realization of discoveries of universal physical principles, have the same kind of “ecological effect” as upward genetic development within the bounds of the Biosphere’s phase-space, but no known changes in the human-specific genotype account for this effect.

For example, global experience demonstrates that there is no actual racial difference in cultural potential among human beings from any part of the population. If we adopt new-born infants from any part of the world, and develop them in any one choice of culture, the range of potential development will be in the same range of variability as for infants from other family backgrounds. There are no human races; there is only one human species, and one human race. The essential differences to be studied are culturally determined, not biologically predetermined.

On the first count, looking at the condition of our planet over approximately two millions years to date, and taking into account the changes in the conditions for ape-like or human biologies during cycles of glaciation and other gross environmental values, we must estimate that the pre-cultural “ecological” potentials of our species were reached long prior to any part of historical time. Any increase in human potential relative population-density above those paleontological levels, is due entirely to cultural determinants.

That category of cultural determinants of variable human potential relative population-density, points to the topic of what I have identified as “super-genes.” At this point, for purposes of approximation, distinguish two functional types (sub-phase-spaces) of universal physical principles. First, discoveries of universal physical principles, respecting the individual’s functional relationship to the Biosphere, as those discoveries are effected by the sovereign dialectical-cognitive powers of individual discoverers. Second, those principles which pertain to the willful coordination of social relations within society. Situate the domain of “super-genes” as the Noöspheric phase-space of a Riemannian manifold, ac-



cordingly.

For that case, it must appear to be the prevalent tendency that, first, the potential relative population-density of society must tend to increase as a function of the degree of practice of increased accumulation of discovered universal physical principles of the mankind-Biosphere relationship (e.g., “scientific progress”); but, second, the possibility of realizing such a benefit is delimited by progress in discovery and realization of those universal physical principles which are specific to social relations. Therefore, the general rule is, in first approximation, that the potential rate of increase of society’s potential relative population-density is a function of the rate of discovery and application of universal physical principles of the first class, but within bounds determined by the realized practice of principles of the second class of sub-phase-space.

Each such discovery of a dialectical-cognitive principle represents a *power*, in the sense of my references to such a notion by Plato, Leibniz, Gauss, et al. It is a power expressible mathematically only in terms of Gauss’s definition of that complex domain which does not exist within the axiomatically reductionist framework of the mathematics of Euler, Lagrange, Laplace, Cauchy, Clausius, Grassmann, Kelvin, Helmholtz, Felix Klein, et al. It is the addition of discovered *powers* of this quality to the repertoire of human practice, which generates the long-ranging increase of the potential relative population-density of a culture. These powers express what I have identified as “super-genes.”

The immediately foregoing outline of the argument does not provide simply pre-calculable estimates of progress; it does define the way we must think about our subject of potential.

Since all of those principles are situated, epistemologically, within the Gauss-Riemann definition of functions of the complex domain, rather than the domain of deductive (e.g., empiricist) readings of simple sense-perception, the only viable human policy for the practice of economy, is a science-driver policy coherent with the non-capitalist domain which U.S. Treasury Secretary Alexander Hamilton identified as the American System of political-economy.<sup>24</sup> This means a science-driver policy articulated in a manner consistent with a Classical culture, rather than a Romantic one.

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### 3. The Economic Role Of Leadership

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The necessary function of the exceptional leader for a time of crisis, is definable against the background of the im-

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24. “Capitalism” signifies the neo-Venetian, imperial maritime system of financier-oligarchical rule typified by the Anglo-Dutch models of William of Orange and the Eighteenth and Nineteenth Centuries’ British monarchy. The doctrine of the British East India Company’s Haileybury school of Bentham, Adam Smith, Thomas Malthus, et al., is typical. The characteristic feature of such a system is the “independent” political reign of a central

mediately foregoing discussion.

For such reasons, in modern society until now, during any period nations attempt to settle into a routine of what might be esteemed as “normal” day-to-day, week-to-week, year-to-year life, the nation tends to slide into a pattern of increasing economic, cultural, and moral decadence. Periods of economic, cultural, and moral vitality, appear to coincide with times during which everything notable about a society is subordinated to a “science driver” mission-orientation, or its like, such as the Fifteenth-Century Renaissance; or, as during the leading roles of Cardinal Mazarin and Jean-Baptiste Colbert, in leading Europe, for a time, out of the 1511-1648 horror of Habsburg-led religious warfare; or, the Germany-led, anti-Romantic Classical Renaissance of approximately the 1763-1789 interval of trans-Atlantic scientific and Classical cultural developments; or, the role of the Humboldt brothers in keeping European civilization alive during the 1815-1861 interval; or, the world-wide impact of the leadership provided by Henry C. Carey and President Abraham Lincoln; or, the rescue of civilization from a threatened world-wide new dark age under the leadership of President Franklin Roosevelt; or, President Charles de Gaulle’s commitment to “indicative planning;” or, the space-oriented science-driver program as adopted and boosted by President John F. Kennedy, and so on.

Those aspects of my own experience which have been proximate to leading features of U.S. and other policy-shaping, which gave me insight into the crucial factor determining the choice between economic-cultural “up-ticks” and economic-moral decadence, center around the presence, absence, and fate of powerful “science-driver” programs. The highest rate of long-term economic progress tends to occur only under the impact of major, mission-oriented “science-driver” types of so-called “crash programs,” such as President Kennedy’s sledge-hammer acceleration of the Manned Moon Landing program. Franklin Roosevelt’s commitment to rescue the nation from the 1929-1933 Depression caused by the cumulative effects of the policies of the President Theodore Roosevelt, Woodrow Wilson, and Calvin Coolidge administrations, was such a mission-oriented “crash program” in effect. The most notable feature of that FDR recovery program was the military-logistical aspect set into motion beginning about the time of the 1936 election, when the inevitability of Hitler’s war against civilization became undeniable among thinking political leaders around the world. It was this feature of President Franklin Roosevelt’s leadership which gave the relatively greatest impetus to post-war recovery and new growth world-wide.

This curious importance of mission-oriented “crash pro-

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banking system. Literate U.S. patriots do not refer to the United States as a capitalist economy, except to curse such alien influences among us. Patriots say “American System,” as Hamilton, the Careys, and Friedrich List define a non-capitalist national system of economy. Many U.S. university professors will disagree with me, but never truly literate ones.



*“Periods of economic, cultural, and moral vitality, appear to coincide with times during which everything notable about a society is subordinated to a ‘science driver’ mission-orientation, or its like,” as shown in the dirigist policies of (left to right) President John F. Kennedy; President Franklin D. Roosevelt; French President Charles de Gaulle and German Chancellor Konrad Adenauer; and Germany’s Wilhelm von Humboldt.*



grams” can be understood best by comparing their two principal aspects: the subjective (political) and objective (physical-economic). Objectively, all competent economic policies are based on programs which require one-to-two generations to bring to completion. Subjectively, since most of the population, including politicians and corporate and banking leaders so far, are so poorly developed intellectually, so pathetically pragmatic, that they do not actually understand the decisive “long-wave” features of real economic processes; usually, it has only been under conditions of pending or actual major war-fighting, that most such strata of society, and also popular opinion, are capable of committing themselves to those broad-based, long-term policies on which the success of modern economies depends absolutely.

So, preparing, beginning the mid-1930s, for the state of virtually world-wide warfare expected for the 1940s, was crucial in laying the basis in economic development for U.S. survival and victory in World War II. So, the highest rate of technological progress in the post-1945 U.S.A., was accomplished under the impact of the Kennedy Manned Moon Landing commitment, that even despite the 1964-1976 phase of “de-industrialization” of the U.S. economy in general.<sup>25</sup> Presi-

25. The process of wrecking the U.S. space program during fiscal year 1966-1967. Despite the wrecking of the advanced R&D phases beginning that

dent Reagan’s SDI, as I had proposed and worked to build up that policy-conception and its support during the 1977-1983 interval and beyond, would have given the U.S.A. the greatest rate of growth in its history, had my efforts and those of the President and others not been sabotaged by such fools and worse as the Heritage Foundation’s Lt.-Gen. (ret.) Daniel P. Graham.<sup>26</sup>

As long as the typical intellectual and moral mediocrity

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year, the momentum of development was sufficient to make the immediate mission a successful one. The contribution to technological progress in the economy in general was later estimated to be in excess of ten times what had been spent for it. However, by the end of lunatic Zbigniew Brzezinski’s term as National Security Advisor, the United States had destroyed much of the capacity which had made the 1969 mission a success.

26. In the mid-1970s, Lt.-Gen. Daniel P. Graham was already seeking to wreck any U.S. development of methods of ballistic-missile defense based upon “new physical principles.” Later, in mid-1982, Graham, now retired from active duty, and a Heritage Foundation “double dipper,” launched a personal vendetta against me, and, later, also Dr. Edward Teller, in opposition to the policies which President Reagan identified, in a March 23, 1983 televised address, as a Strategic Defense Initiative (SDI). After the Reagan address, Graham listed himself in support of SDI, but demanded that only “kinetic energy” systems proven to be incompetent should be employed, keeping the scientists out of the picture, and limiting expenditures to technologically superannuated junk available from the archives of defense contractors.

of today's leadership of most nations, and the generality of their populations, persists, it will remain the case, that governments and populations can not think rationally about economies, except as a sense of extreme danger or some admired, long-range mission enables them to overcome that miserable, heteronomic littleness of mind and soul gripping most of the U.S. and European population still today. Only through adoption of such unifying special goals, are such populations rendered capable of adopting emotional commitment to sustained development of national economies as a whole.

For reason of that customary, heteronomic irrationality of the overwhelming majority among populations and their customary leaderships, it has been generally the case, that only through inducing a population, and its government, to adopt a long-term mission-orientation of not less than one or two generations' span: such as Fifth Republic President Charles de Gaulle's "indicative planning;" or President Kennedy's Franklin-Roosevelt-like Moon-landing mission; that a nation in crisis is capable of avoiding a drift into a desultory, kaleidoscopic array of anarchic short-term goals. It was not war which produced U.S. war-time and post-war growth. War persuaded the nation to accept the adoption of that long-ranging sense of mission-orientation which resulted in the growth, but the same mission without war would have been a better performer. War does not produce prosperity; exactly the opposite, It is a powerful sense of economic mission which produces prosperity. It is not the slaughter, but the growth which produces the meat.

The danger is, that under conditions of crisis, with the lack of, or exclusion of truly rational leadership such as that which President Franklin Roosevelt supplied the United States under the conditions of the Coolidge-Hoover Great Depression, an Adolf Hitler, or the equivalent, will be found and used as a rallying point of populist mass-lunacy. Hence, under present conditions, when no other leader capable of rational U.S. leadership out of the present global breakdown-crisis has been yet produced to fill the gap, the survival of our nation requires my present-day role as a successor for the Depression-period role of a Franklin Roosevelt.

This does not signify that a mission-orientation is merely some sort of trick used to prevent the reign of heteronomy. What is required is my specific quality of leading competence, which no other known economist has shown thus far. Even more urgent is a leader with both an impassioned and competent commitment to what must be crafted as the state of the nation and world. Without a sense of mission, the Solar system could not have existed.

I explain.

### **The Exceptional Individual in History**

The voluntarist's role supplied by exceptional leaders, in any field, has contributed an indispensable role in human progress so far. All crucial discoveries of Classical forms of universal physical principle, whether in so-called physical



*"Under present conditions," LaRouche writes, "when no other leader capable of rational U.S. leadership out of the present global breakdown-crisis has been yet produced to fill the gap, the survival of our nation requires my present-day role as a successor for the Depression-period role of a Franklin Roosevelt."*

science, or artistic composition, have been supplied by exceptional individuals. By "exceptional" we point to the role of dialectical-cognitive creative powers of the individual mind, as an experimental validation of the truthfulness of a discovered hypothesis expressed as a true voluntarist principle. It is a principle otherwise known, in Classical artistic composition, as that quality of the *Sublime* which opposes the *Tragic*. As the opposition of the exceptionally good leader, President Franklin Roosevelt, to the exceptionally bad Adolf Hitler, typifies opposing outcomes of a common, existential world-crisis of the 1923-1945 interval, exceptionally good leaders of a nation are usually of irreplaceable, determining importance in periods akin to the world crisis currently entering its terminal phase.

The obvious question so posed is: Why must we subject ourselves to the choice of exceptional leaders? Two statements should be submitted in response to that common, fool-

ish objection from among populists and others. First, this should not be forever the case; but it is now, as it was in President Franklin Roosevelt's time. Second, the distance between the required quality of exceptional leader and the generality of the population, is essentially a moral one. This is a difference of the type shown by the failure of the leading circle around the Rev. Martin Luther King, once he, like President Abraham Lincoln, the exceptional leader, had been removed by use of the methods typical of our enemies' customary practices of defamation, imprisonment, and assassination of exceptional leaders whose relatively exceptional moral authority that class of enemies fears. No selected leader of the civil rights movement had both the well-earned recognition and the moral qualities of that Reverend King who should have become a President of the U.S.A.

The distinction of the exceptional leader of trans-Atlantic European nations, especially in the political domain, is the way in which the truly exceptional leader more or less consciously defines his self-interest as that crafted in imitation of the Jesus Christ of Gethsemane and the Crucifixion, as Martin Luther King did. *The morally inferior type of individuals in general, and of leading figures, especially, is expressed by the way in which the morally inferior person defines the esteemed "self-interest" of "me, my family, and my community." He prefers too much the sense-experienced, momentary pleasures of mortal life, so that, like the deserter under fire, he can not dedicate himself, without qualification, to the outcome of that mortal life, as the image of Christ exemplifies this, and as Plato's Socrates defines the immortality of the human soul. Under conditions of systemic crisis, individuals who can not put themselves willfully at risk for humanity, can never be trusted in the most crucial positions of political authority.*

Notably, that moral flaw is more emphatically characteristic of the present "Baby Boomer" generation, than the generation of veterans of World War II. It is a weakness embedded in the households of the "white collar" culture of the 1950s, which became a rampant moral pathology under the influence of the post-1964 shift into the prevalent immorality of the shift from a productive, to a consumer culture. Even to the degree that members of that generation may be susceptible of redemption, despite the conditioning to decadence to which their generation was subjected, they are not a source of that firmness of quality of immortal personal commitment required among top-ranking leaders of a world teetering at the present brink of self-inflicted doom.

The fault in most failed leaders for a time of systemic crisis, is not simply physical cowardice. Blustering cowards of the ordinary kind are a dime a dozen among the like of Vice-President Cheney's "Chickenhawks" these days. Shakespeare's Hamlet was cowardice of a different, less ignoble type. Shakespeare captured the essence of the problem in depicting that kind of cowardice of a swashbuckling butcher-of-men, Hamlet, when confronted with the issue of the immortality of the soul. Hamlet's flight forward to death, em-

bracing the corruption of the self-doomed nation he failed to lead out of its own corruption, typifies what our republic must fear from an inadequate occupant of the Presidency under presently unfolding conditions of crisis. "For what purpose, with the immortality of the soul before your eyes, would you put your life at jeopardy, without vacillation, were the future of mankind to demand this consummate expenditure of one's mortal talent?" No U.S. President since John F. Kennedy is to be suspected of having such a specific quality of courage which Shakespeare's Hamlet lacked.

It works in the following way, to the following effect.

The term Tragedy, as an object of Classical principles of artistic composition, refers to that pollution of the widespread force of popular culture which carries a nation, including the nation's choice of leaders, to self-inflicted general catastrophe. It is not misleaders who carry an aggrieved people to doom, or the like; it is the absence of a quality of accepted, exceptional, institutionalized leaders, which allows a people to destroy, or nearly destroy itself, as did that majority among the upper 20% of family-income brackets, and similar strata of Europeans, which succumbed to the popular culture of "consumer society," "free trade," "deregulation," and the now fallen "new economy" hoax. There was never a sane reason for any person in modern Europe, or the Americas, to accept those hoaxes; popular opinion on these and related accounts was, speaking objectively, a clear-cut case of mass-insanity, just as the "fundamentalist" religious cults allied with the pro-Satanic sex-and-money lunacy of the Moonies and their flagrantly gnostic, right-wing nominally Catholic and Protestant allies, are a dangerous expression of Tragic mass-insanity.

In what is called physical science, it is the scientist whose methods of work generate experimentally valid hypotheses, which typifies the Sublime, as the specific quality of work of the true exceptional individual leader in society. In politics, it is the leader who exposes the hoax of current popular opinion, and presents that appropriate alternative needed to rescue society from its own Tragic follies, who expresses the Sublime, as Friedrich Schiller attributes that quality, the Sublime, to the historical, martyred Jeanne d'Arc.

Two types of expression of the Tragic are to be considered. Both are examples of a general epistemological mental disorder called "fallacy of composition." The most significant of today's commonplace expressions of that pathology are typified, on the one hand, by reductionist interpretations of experienced reality, as typified by empiricism, positivism, and existentialism in general. These are fallacies of systematically methodological misinterpretation of actual experience. On the other hand, we have those forms of mass, more or less psychotic hysteria typified by beliefs in magic, such as stock-market and other gambling manias, and the "Dungeons & Dragons," "Harry Potter," "Moon," and "Protestant Fundamentalist Armageddon" cults. It is those practices of society which are shaped by either one, or a combination of both

such delusions, which steer a society toward the brink of self-inflicted destruction such as that gripping the Americas and Europe today. Unless those pathological elements of widely accepted, or merely tolerated popular opinion, are overridden, there will be no future existence of our U.S.A. The trolley-line has broken off at the edge of the cliff just ahead. The conductor of the trolley, popular opinion, would rather go over the cliff than break faith with habituated, if presently illusory senses of progress.

To be the kind of leader who fits today's crisis-stricken requirements, the actor can not merely act out the appearance of the part; he must, as the best professional actors understand, actually "own the part," gripped by all the passion that part implies. The exceptional leader for a time of systemic crisis "owns the real-life part he, or she must play." He is exceptional, because he is immortal, and owns the part of immortality he must play. He wears no mask; he is the part he plays. His reflection on Christ's sublime mission in Gethsemane and on the Cross, and the kindred reflection of the sublime Jeanne d'Arc, will help such a leader draw upon himself the specific quality of strength which Hamlet lacked, the strength needed for the immortal mission to be performed by a man of Providence for mankind.

The desire to be such a person is commendable, but not sufficient. He must actually know what needs to be done, and he must be capable of knowing what past and future generations require of him at this moment of juncture of the Tragic and the Sublime. Without that knowledge of the principles of physical economy, as I have summarized that matter here, the leader who might be otherwise exceptional could not grasp competently that economic mission, without which humanity's escape from the present crisis were not foreseeable for earlier than a very long time to come.

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## Power vs. Energy

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# The Difference Between *Dynamis* and *Energeia*

by Jonathan Tennenbaum

Since at least the time of Plato (427?-347 B.C.) and Aristotle (384-322 B.C.), and most likely even long before Pythagoras (fl. 530 B.C.), the struggle between oligarchical and republican conceptions of physics has turned on the relationship between what the Greeks called *dynamis* and *energeia*. To a rough first approximation, the Greek *dynamis* might be rendered, in its broad usage, variously as "ability," "potential,"

"potency," "power"; whereas *energeia* corresponds (roughly) to "activity" and (in Aristotle, especially) to "actuality," in the sense of "actively existing."

Plato's dialogues demonstrate, however, that Plato and his circles possessed a precise and highly developed scientific conception of *dynamis*, having no direct equivalent in today's degenerated modern language usage.

Perhaps the best illustration of that degeneration, and its causes, is the freak-out by virtually every modern translator, at the implications of a celebrated passage in Plato's *Theaetetus*, to which Lyndon LaRouche has often referred. It is there that the young Theaetetus recounts to Socrates a preliminary discovery concerning the nature of the "powers" connected with the doubling, tripling, etc. of a square, and which lie beyond the domain of simple linear magnitudes. Rejecting the implications of Plato's actual term, *dynamis*, modern translators typically try to bring the passage into conformity with the "academic correctness" of textbook mathematics, using "root" or "surd" in place of "power," and apologizing in footnotes for the supposed "inappropriateness" of Plato's choice of language.

Actually, as the *Theaetetus*, the *Meno*, and other dialogues demonstrate, Plato's conception of *dynamis* belongs uniquely to the domain of *physics*, not mathematics per se. In particular, the subject of Theaetetus's account is not solving an equation, but rather discovering the unseen principles of generation of the Universe—physical principles—focussing for this purpose on the paradoxical characteristics of the visual domain.

It is Plato's conception of *dynamis*, as revived and developed by Nicolaus of Cusa and Kepler, that leads to Leibniz's founding of physical economy and what Leibniz called "the science of dynamics," as opposed to Newton's mechanics; the pathway leads thence into the work of Gauss and Riemann, and finally to Lyndon LaRouche's discoveries in physical economy. It is not by accident that LaRouche, in his book *In Defense of Common Sense*, cites exactly the indicated passage of Plato's *Theaetetus*, in the context of presenting his own conception of "rate of increase of relative potential population density" through the process of individual human discovery and the successive integration into social practice, of new physical "powers." That latter conception constitutes, in my view, the highest development reached so far, in unfolding what was implicit in Plato's *dynamis*.

To shed further light on these matters, I propose now to take a brief look at the oligarchical side of the coin, which goes back to Aristotle. What sticks out in examining Aristotle's *Metaphysics*, is his insistence on the primacy of *energeia* over *dynamis*. That insistence went hand-in-hand with Aristotle's attack on metaphor and the Platonic ideas. Aristotle writes (*Metaphysics*, Book IX):

"Since all abilities (powers) are either inborn, as are our senses; or are acquired by practice, as the ability to play a flute; or are acquired by learning, as the powers of the sciences; in all cases one can gain such powers, as are acquired by practice

or learning, *only* through the aid of something that was *already* realized (actualized). . . .

“For from the potentially existing, the actually existing is always produced by an actually existing thing, e.g., man from man, musician by musician; there is always a first mover, and the mover already exists actually. We have said in our account of substance that everything that is produced is something produced from something and by something, and that the same in species as it. . . .

“Obviously, then, actuality (*energeia*) is prior both to potency (*dynamis*) and to every principle of change.”

Rather than get entangled in the ins and outs of Aristotle’s theory of existence and becoming, focus on the systematic, axiomatic flaw in Aristotle’s whole manner of argumentation: He rejects—or at least disregards, as if it were nonexistent—the power of human creative discovery, of human reason, and of a creative principle underlying the Universe as a whole. In other words, Aristotle denies the possibility of a *self-developing, or self-actualizing potential*, that which Nicolaus of Cusa later called the *posse-est* (*posse* corresponding to Plato’s *dynamis*). Lurking behind Aristotle’s notion, that existence can only flow from what he calls “actually existing things,” is a mindset which can attribute “actual existence” only to such objects and motions as have the quality of objects of sense perception.

These points require elaboration. For the present purposes, however, as a short-cut, and to throw the issue of “*dynamis* vs. *energeia*” into strategic perspective, I propose turning to one of the more effective British operations of the 19th Century, one which—as so much British wickedness—drew originally from Aristotle.

## The Cult of Energy

From the early decades to the middle of the 19th Century, parallel with operations leading to the unleashing of the Confederacy and the U.S. Civil War, a scientific cult was launched by Lord Kelvin and the Thomas Huxley-Herbert Spencer “X-Club” circles, Hermann Helmholtz, Rudolf Clausius et al., directed against the influence of Leibniz and his successors, including Gauss in particular. Although that cult involved several interrelated “theme parks”—such as the so-called Darwinian theory of evolution and Herbert Spencer’s fraudulent concept of an “iron law of progress”—we might fittingly refer to it as “the Cult of Energy.”

Crucial to the operation was the relative success, achieved by the conspirators, in foisting two fraudulent formulations on the scientific community: the “First and Second Laws of Thermodynamics,” and their monstrous corollary, the supposedly inevitable “heat-death of the Universe.”

The utopian political thrust of the operation was more or less obvious from the beginning, but became luridly explicit in the “Energeticist Movement” associated with Wilhelm Ostwald around the turn of the 20th Century. Ostwald advocated a World Government based on the use of “energy” as

the universal, unifying concept not only for all of physical science, but for economics, psychology, sociology and the arts.

Although the energeticists and the myriad, competing materialist (including “Diamat”—“dialectical materialism”), reductionist, and positivist movements and countermovements of the late 19th Century and early 20th Century, are now mostly forgotten, the axiomatic germ of the Cult of Energy remains deeply embedded in European culture, like the modified genome left over in the tissues of a patient after an acute lentivirus infection has subsided. In particular, for over a century nearly everyone has been miseducated to believe that “energy” is an objective scientific reality, and that the First and Second Law constitute proven scientific truths.

Not accidentally, the Kelvin-Helmholtz doctrine of “energy,” became a key feature of Anglo-American geopolitics, from the British launching of Middle East “oil politics” at the beginning of the 20th Century, to the orchestration of the so-called “energy crisis” of 1973-74, and, not least, the present march toward a new Middle East war. This is not to say that “energy” per se (or “oil supplies”) has anything really significant to do with the present war drive. Rather, the reasons that people permit themselves to be manipulated into tolerating actions leading to perpetual war and a new “dark age,” are inseparably connected to those axiomatic flaws in thinking, that underlie popular belief in the cult doctrine of “energy.”

The common origins of the “energy” doctrine and utopian geopolitics go much further back than the launching of the modern energy cult itself, by Helmholtz, Kelvin et al. From the standpoint of economics, the energy doctrine represented nothing but a rewarming, under “scientific” guise, of old feudalist—and specifically, physiocratic—doctrines of supposedly fixed “natural resources,” ignoring the function of the human mind in discovering and realizing new physical principles. On the other hand, anyone who has thought through what LaRouche and others have written on Gauss’s early work concerning the “Fundamental Theorem of Algebra,” should immediately recognize, in the so-called “First and Second Laws of Thermodynamics,” exactly the same essential fallacy that Gauss refuted in his 1799 attack on the “utopian” mathematics of Euler and Lagrange. Not accidentally, the Euler-Lagrange doctrine of “analytical mechanics” created the mathematical foundation for the Helmholtz-Kelvin energy doctrine. Conversely, the manner in which Gauss generates the algebraic “powers,” in the cited 1799 work, by principles lying entirely outside the mathematics of Euler and Lagrange, is characteristic of the way Man acts as an instrument of the anti-entropic development of the Universe.

On one level, the fallacy of the “First and Second Laws of Thermodynamics” is simply this: These laws have never been demonstrated to be properties of the real Universe, but only properties of certain closed mathematical-deductive sys-

tems, which ignorant or malicious physicists *claim* to represent the real Universe, but which manifestly do not. On this level, the fraud is identical to that of so-called economists who claim to be able to deduce theorems about the real economy, from supposed self-evident properties of “money.” In fact, the elementary error revealed in the very title of Newton’s famous *Principia mathematica philosophiae naturalis* (*Mathematical Principles of Natural Philosophy*) finds itself reproduced, countless times, in textbooks dealing with non-existent “Financial Principles of Economics.”

Contrary to popular academic belief, there are no actual experiments establishing the validity of the “First and Second Laws of Thermodynamics” as *universal* physical principles. To the extent those “laws” have a certain empirical correlate at all, they are both circumscribed by a purely *negative* principle, already identified by Leibniz long before the Kelvin-Helmholtz gang came along: the impossibility of a so-called “*perpetuum mobile*” or “perpetual motion machine”—a hypothetical subsystem of the Universe, able to generate a net surplus of power in the course of a closed cycle, in which the system is supposed to return to exactly its original state, without any other net change in the surrounding Universe.

Just as in the case of so-called “impossible” or “imaginary” numbers, the source of the supposed “impossibility” involved is not a limitation of the real physical universe. The limitation is located rather in the notion of a “machine,” as a system describable by the “utopian” Euler-Lagrange form of analytical mechanics. To put it another way: To the extent a physical system is either chosen or forced to mimic the characteristics of a “machine” in the indicated sense, it will appear to obey the First and Second Laws of Thermodynamics. But the Universe as a whole is not a machine; the Universe not only *never* returns to an earlier state, but its successive states are strictly *incomparable* with each other from a formal-mathematical standpoint. Thus, the extrapolation of the so-called “First and Second Laws” to the Universe as a whole constitutes the crudest, most elementary sort of scientific error.

If “Universe” refers to the most generalized form of Man’s action upon Nature—no other Universe could be known to us!—then the “state of the Universe” changes fundamentally with each discovery, by some human mind, of a new universal physical principle (power). A formal-mathematical system which (to a first, “engineering” approximation) may have more or less adequately described Man’s physical-economic activity up to that point, now breaks down, as technologies based upon the new principle transform the physical economy to the effect of increasing the relative potential population-density of the human species beyond any *a priori* “limits.”

The very fact of the successful increase in human population potential by some three orders of magnitude over documented history and prehistory, attests to the existence of a self-developing “power,” lying entirely outside the domain of visible or visible-like objects, but commanding the visible

Universe to an increasing extent.

This brings us back to the fundamental flaw of Aristotle’s *energeia*.

## Utopianism and the Enlightenment

Before the modern cult of energy could be created, Aristotle had first to be reincarnated in the so-called “Enlightenment” of Paolo Sarpi et al., as a crucial component of the Venetian operation to destroy the influence of the Renaissance and the nation-state principle, and to plunge Europe into decades of religious war.

Sarpi’s “Enlightenment” based itself essentially on Aristotle, but with some differences that are relevant to the mindset of the Utopians to this day. The quarrel between the Enlightenment ideologues and Aristotle was not a matter of substance. From their standpoint, Aristotle was excessively cautious and old-fashioned, wrapping his conclusions in endless distinctions and qualifications. Furthermore, Aristotle felt obliged to at least quote the existence of opposing views; while Locke, Descartes et al. went for a “clean break,” blatantly ignoring the entire preceding history of philosophy and science, and promoting the crudest “post-modernist” sort of reductionism.

In this way, the creation of the modern cult of energy out of Aristotle’s *energeia*, represents just one more case of “putting lipstick on a pig.”

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## Did Wolfowitz Blow CIA Secret To Set Up the President?

by Jeffrey Steinberg

Deputy Defense Secretary Paul Wolfowitz, the Administration's leading "Chickenhawk" proponent of the imperial doctrine of unilateral pre-emptive war, may have willfully "blown" a CIA covert operation in early November. His possible purpose: To set up President Bush, and force through the Chickenhaws' illegal doctrine against strong opposition within the intelligence community and from others on the Bush national security team. Some details of the incident were provided by *Newsweek* in its Nov. 18 issue; Wolfowitz's actions were broadcast live on CNN on Nov. 5; and two high-level national security sources provided *EIR* with additional crucial leads.

The essentials of the story are as follows: On Sunday, Nov. 3, six purported top al-Qaeda members were killed, when the car they were driving in the Marib province of Yemen, near the Saudi border, was blown up. Initial news reports said the car had been carrying highly inflammable propane gas, and that perhaps, someone in the car was careless with a cigarette.

Among the six killed instantly in the blast was Qaed Senyan al-Harithi, a.k.a. Abu Ali, who was on the FBI's Most Wanted List, and was suspected of having masterminded the October 2000 attack in Yemen on the *USS Cole*. It later turned out that one of the six men was an American citizen, Kamel Derwish, who was accused of recruiting a cell of al-Qaeda sympathizers recently arrested in Lackawanna, New York, an industrial suburb of Buffalo.

The initial word out of Yemen was that the car explosion could have been an accident, or an act of clan warfare. As *Newsweek* reported, "It was a plausible cover story, but it lasted less than 48 hours. Tribesmen told journalists they had seen a helicopter flying near the scene of the explosion. In Washington, reporters suspected that the 'helicopter' was in

fact a Predator, a low-flying, missile-firing unmanned drone. Had the United States taken out the terrorists with a well-aimed Hellfire missile? By Tuesday morning, Deputy Secretary of Defense Paul Wolfowitz was not only confirming the story, he seemed to be boasting about it."

Indeed, in a Nov. 5 interview with CNN's Maria Ressa, Wolfowitz was the first, and—according to one intelligence community source—the only American government official to blow the covert operation. Wolfowitz told CNN that the attack in Yemen was "a very successful tactical operation"; and added, "One hopes each time you get a success like that, not only to have gotten rid of somebody dangerous, but to have imposed changes in their tactics and operations and procedures."

Wolfowitz, who never served in the military, but who has been the loudest proponent within the Administration of a U.S. military invasion of Iraq, blabbed on to CNN about the apparently new U.S. doctrine of pre-emptive assassination: "Sometimes when people are changing, they expose themselves in new ways. So we've just got to keep the pressure on everywhere we are able to, and we've got to deny the sanctuaries everywhere we are able to, and we've got to put pressure on every government that is giving these people support to get out of that business."

*Newsweek* confirmed that Wolfowitz's revelations were not well received inside the intelligence community. "The CIA," *Newsweek* noted, "which ran the operation, was furious with the Defense Department for blowing its cover story." *Newsweek* authors Evan Thomas and Mark Hosenball elaborated on the controversial Wolfowitz leak. "The CIA has always preferred to operate in the shadows to preserve 'deniability.' Better, the spooks and most diplomats say, not to embarrass friends and clients by making them look like Amer-



ican stooges. Yemen's President Saleh was 'highly pissed' when the Predator story leaked, says a knowledgeable source. Now CIA officials worry that the leak will discourage other countries from allowing Predator strikes within their borders. They blame the Defense Department for making a macho show of force."

The *Christian Science Monitor* on Nov. 12 confirmed that the Yemeni officials were furious at the leak. Brig. Gen. Yahya M. Al Mutawakel, the deputy secretary general of the ruling Peoples Congress Party, complained, "This is why it is so difficult to make deals with the United States. This is why we are reluctant to work closely with them. They don't consider the internal circumstances in Yemen. In security matters, you don't want to alert the enemy." One former CIA official interviewed by *Newsweek* put it this way: "The Pentagon view seems to be, this is good, it shows we can reach out and touch 'em. The CIA view is, you dumb bastards, this means no other country will cooperate with us."

Indeed, former CIA general counsel Jeffrey Smith warned that the Wolfowitz leak and the underlying policy of preemptive assassinations would blow up in the face of the United States and jeopardize the war on terrorism. "There is a moral issue, and you'll make mistakes and generate resentment abroad."

When State Department counter-terrorism chief Francis Taylor attended a conference in Manila, the Philippines, just days after the Wolfowitz leak, he encountered a wall of opposition to the now-public U.S. policy of preventive assassination. Wolfowitz's warnings to governments carried the implicit message that the United States would carry out such attacks with or without permission from host governments. The Malaysian government issued a stern warning that it would not cooperate with the United States in allowing American hit teams to operate on its soil.

### **'Chickenhawk Intelligence Agency'**

It is not possible to say, precisely, what prompted Wolfowitz to take the extraordinary step of going on CNN to expose a secret CIA assassination program. Leaks of classified information, particularly such damaging information, ought to trigger a serious investigation into Wolfowitz. When former CIA Director John Deutch was caught bringing classified materials home and uploading them onto a family personal computer, it generated a full investigation, and led, shortly, to his resignation. Former U.S. Ambassador to Israel Martin Indyk had his security clearances stripped for a period of time, while government counterintelligence investigators probed whether he, too, was mishandling classified material, and holding unauthorized meetings with the head of the Mossad. It is not known at this point whether there is a live investigation into Wolfowitz's action.

What is now well established, however, is the fact that Wolfowitz, along with other Israeli-allied Chickenhawks in the Pentagon, have been conducting their own intelligence operations, directed against the Middle East intelligence as-



*Deputy Secretary of Defense Paul Wolfowitz (left) made an arrogant public display of the United States' beginning a "pre-emptive assassination" policy modelled on the Sharon government of Israel's. The President will be hurt by Wolfowitz's antics.*

essments coming out of the CIA and even the Defense Intelligence Agency (DIA). Wolfowitz's "Chickenhawk intelligence agency" is being run by Doug Feith, the Assistant Secretary of Defense for Policy, in close coordination with the Defense Policy Board, headed by Richard Perle.

One thing that Wolfowitz, Perle, and Feith all have in common is that they were all suspected, in the 1980s, of being part of the "X Committee" of Israeli spies, inside the Reagan-Bush Pentagon, who were running the Jonathan Jay Pollard spy operation, in league with Ariel Sharon and "Dirty Rafi" Eytan, the head of Israel's Lekem scientific espionage agency.

Wolfowitz's actions came precisely at the moment that President Bush and Secretary of State Colin Powell were finalizing an agreement with Russia, France, and China, to secure passage of a United Nations Security Council resolution on Iraq. For Wolfowitz and the Chickenhawk/Sharonistas in the Bush Administration, this decision signaled a delay, and perhaps, cancellation of the war on Iraq—for which Wolfowitz et al. had been pressing since the attacks of Sept. 11, 2001.

Wolfowitz's actions have jeopardized cooperation with scores of governments around the world, whose close collaboration is vital to any effective—and legal—counterterror campaign. This effort to subvert the President's war on terror cannot go unchallenged.

# Sanctions Against North Korea Infuriate U.S. Allies, Risk War

by Kathy Wolfe

The United States, Japan, South Korea, and the European Union agreed on Nov. 14 to suspend fuel oil shipments to North Korea starting in December, as a demand that Pyongyang “promptly eliminate its nuclear weapons program in a visible and verifiable manner,” the Korean Peninsula Energy Development Organization (KEDO) announced in a New York statement. The four powers make up the Executive Board of KEDO, created in 1994 to run the Clinton Administration’s “Agreed Framework” for economic cooperation and peace with Pyongyang.

The oil suspension, and KEDO’s statement that “other KEDO activities with North Korea will be reviewed,” constitute the start of new economic sanctions against North Korea. Washington extremists led by Secretary of Defense Donald Rumsfeld have been demanding sanctions for a month, using as the excuse a Pyongyang statement that it is “entitled” to have a uranium weapons program (text below). The real intent, however, is to halt the South-North Korean drive to re-

build the Trans-Korean Railroad, launched in September, which could complete the New Silk Road from Tokyo and Pusan to Paris, and cause an economic superpower to emerge across Eurasia (see *EIR*, Sept. 27). Under Rumsfeld’s new National Security doctrine, the rise of such a new economic power itself is paranoically seen as a threat to the United States.

Furious South Korean and Japanese officials said their countries were “dragged” into signing the statement after the U.S. National Security Council and President Bush on Nov. 13 announced that Washington had suspended oil shipments to Pyongyang. The U.S. KEDO representative, State Department Ambassador Jack Pritchard, “demanded the agreement in the strongest terms,” an Asian diplomat told *EIR*, “almost as a condition of our alliance. With thousands of American troops in our country, what could we do?” South Korea tried to dissent, which would have wrecked the required “consensus,” but at the end, KEDO Chairman South Korean Ambassador Chang Sun-Sup was made to read the confrontational statement to the press.

Diplomats have warned for weeks that this action could bring the United States and North Korea back to the brink of war, just as in 1994, when, as the Nov. 18 *New Yorker* magazine reports, the Pentagon prepared a full war plan, starting with a pre-emptive strike against Pyongyang. “Most people don’t know how close we came to war,” writer Donald Oberdorfer and former U.S. Seoul Ambassador Donald Gregg warned a Nov. 13 Washington meeting, following a Pyongyang trip. “And if we don’t resolve this situation soon, it could get just as dangerous, and we’ll be in one hell of a mess.”

## Calculated War Gamble

The sanctions are deliberately calculated by Rumsfeld, Deputy Defense Secretary Paul Wolfowitz, and other “Utopians” who have abandoned sound traditional American military thinking, to provoke North Korea into restarting its Yongbyon plutonium reactor, which was mothballed in the 1994 KEDO agreement. Then, North Korea would be “caught red-handed” producing not only enriched uranium, but also plutonium, for a bevy of bombs—so their thinking goes. This would give the civilian nuts at the Pentagon and warhawks in the Congress such as Rep. Henry Hyde (R-Ill.) and Rep. Chris Cox (R-Calif.) all the excuse they need to create an enormous



*U.S. Secretary of Defense Donald Rumsfeld led the drive to slap sanctions on North Korea, in pursuit of his Utopian military doctrine, which cannot tolerate “peace breaking out” on the Korean Peninsula.*

hue and cry—or worse.

Despite several statements by President Bush that the United States has no intention of attacking North Korea, the Nov. 13-14 developments show that the Utopians are certainly not totally reined in. Even if they are only playing “Dr. Strangelove” nuclear brinksmanship, the Korean Peninsula, where 30 million people live within 30 miles of the demilitarized zone, is simply no place for this.

With peace breaking out in Korea until recently, how is all of this explained? Certainly, no one in Washington talks about the Trans-Korean Railway. The excuse for this insane turn of events was a Pyongyang summit on Oct. 3-5 with U.S. Assistant Secretary of State for East Asian and Pacific Affairs James Kelly, at which North Korea had planned to request a broad new opening of relations with Washington (see “North Korea Offers U.S. a Silk Road Bargain,” *EIR*, Nov. 1). “The North Koreans thought Kelly had come with an olive branch,” Ambassador Gregg said on Nov. 13, “but in fact he had come to have a confrontation, and they were shocked.” Kelly, he said, handed Vice Foreign Minister Kang Sok-Ju a one-sided demand to close down a secret enriched uranium program the United States said it had found—“or else.”

The next day, the North Koreans came back, and again asked to broaden relations, but made a statement later issued in public by their Foreign Ministry on Oct. 25, Gregg said. The statement, which Kang read to Kelly, charges that “the Bush Administration listed the D.P.R.K. [Democratic People’s Republic of Korea] as part of the ‘axis of evil’ and a target of the U.S. pre-emptive nuclear strikes.” For this reason, “the D.P.R.K. is entitled to possess not only nuclear weapon but any type of weapon more powerful than that so as to defend its sovereignty and right to existence from the ever-growing nuclear threat by the U.S. . . .

“Nevertheless, the D.P.R.K. . . . clarified that it was ready to seek a negotiated settlement of this issue on the following three conditions: Firstly, if the U.S. recognizes the D.P.R.K.’s sovereignty, secondly, if it assures the D.P.R.K. of non-aggression, and thirdly, if the U.S. does not hinder the economic development of the D.P.R.K. If the U.S. legally assures the D.P.R.K. of non-aggression, including the non-use of nuclear weapons against it by concluding such a treaty, the D.P.R.K. will be ready to clear the former of its security concerns,” the statement said.

### Unilateral Demands

This statement, that Pyongyang is “entitled” to have nuclear weapons, but would prefer an extensive new peace treaty, was interpreted by Kelly as “an admission of an illegal uranium program”—period, Minister Kang later complained to Ambassador Gregg. The whole other side of the bargain Pyongyang was offering was blacked out. Yet, Gregg said, by offering to “clear America of its security concerns,” Pyongyang has made it plain that it is ready and willing to open all nuclear programs to inspection. They simply want a two-way street, in which the United States agrees to negotia-



*Former U.S. Ambassador to South Korea Donald Gregg, recently returned from a visit to Pyongyang, reports that the North Korean offer to “clear America of its security concerns,” in exchange for a U.S. pledge of non-aggression, was completely ignored by the U.S. side.*

tions and non-aggression at the same time.

The KEDO statement, however, is a 100% one-way street, with no room for compromise or negotiation. Its message is that North Korea must surrender all bargaining chips before the United States will even consider talking; that the U.S. will penalize North Korea immediately if not; and that in addition, Washington will do whatever it takes to force South Korea and Japan to also slash ongoing economic relations. The KEDO board agreed:

- “To condemn North Korea’s nuclear weapons program, which is a clear and serious violation of the Agreed Framework” and many other treaties listed;
- “North Korea’s program . . . threatens regional and international security and undermines the international non-proliferation regime based on the Nuclear Non-Proliferation Treaty,” and other treaties;
- “North Korea must promptly eliminate its nuclear weapons program in a visible and verifiable manner” and “North Korea’s future relations with the United States, the European Union, South Korea, and Japan hinge on the complete and permanent elimination of its nuclear weapons program”;
- “Heavy oil deliveries will be suspended, beginning with the December shipment. Future shipments will depend on North Korea’s concrete and credible actions to dismantle completely its highly enriched uranium program. In this light, other KEDO activities with North Korea will be reviewed,” i.e., other sanctions will be taken soon.

### Fundamental Disagreement

The fact that the new sanctions have been virtually rammed down the throats of America’s allies in the region could also explode unpleasantly at some point. During the first ten days of November, there was an enormous fight, when



*South Korean President Kim Dae-jung opposed the cutoff of oil shipments to North Korea, but was forced to accept the policy by strong-arm tactics from the United States.*

U.S. Undersecretary of Defense for Policy Douglas Feith toured Seoul and Tokyo to deliver Rumsfeld's demand for sanctions, with Ambassador Kelly in tow. The two insisted upon a drama on the high seas, by demanding that an oil tanker already under way to Pyongyang be turned around. They demanded that this and other sanctions be applied now, without further negotiations, unless North Korea unilaterally surrender all nuclear materials. They met with refusal in both Asian capitals.

"President Kim Dae-jung has made it clear that South Korea is opposed to halting oil shipments, arguing that imposing economic sanctions on the North would be counterproductive," the *Korea Times* reported on Nov. 8. "'Stopping the construction of nuclear reactors and provision of heavy fuel oil to the North shouldn't be an option for resolving the current standoff. . . . These economic sanctions will likely lead to a repeat of the nuclear crisis in the early 1990s,' " they quoted President Kim as saying.

Feith told South Korean Defense Minister Lee Jun and Foreign Minister Choi Sung-hong on Nov. 6 that "there should be a penalty, not a reward" for the North's nuclear actions, but he was roundly rebuffed, the Korean press reported. South Korean Unification Minister Jeong Se-hyun even accused the United States of deliberately distorting the Pyongyang statement. "It seems that D.P.R.K. Vice Foreign Minister Kang's remarks have been trimmed while they were being conveyed—as some of the clauses have been dropped off," he said. Lim Dong-won, the top aide on North Korea to President Kim, even suggested that the United States was trying to put the brakes on South Korea's and Japan's efforts to improve ties with the Pyongyang government.

Arriving in Tokyo on Nov. 7, Feith announced that "there was a 'fundamental disagreement' between the United States and South Korea over how to deal with the North's violation" of the nuclear deal, the *Korea Times* reported. Feith then demanded sanctions against Japanese Foreign Minister Yoriko Kawaguchi, Defense Minister Shigeru Ishiba, and other offi-

cial on Nov. 8, because, as he said, "It's important that the North Koreans understand that there is a price to be paid for violating their commitments." Again Feith was rebuffed.

In a Nov. 11 Blue House meeting with Japanese Minister Kawaguchi, President Kim publicly repeated his objection to sanctions. "North Korea is facing difficulties economically and politically, but is making efforts in its own way to become a member of the international community," Kim said, adding that "Japan, South Korea, and the U.S. need to cooperate so that North Korea will become a member of the international community, and that it is important to aim at a peaceful resolution on the issue."

### **Threats to Japan**

Kim and Kawaguchi on Nov. 11 said jointly and in public that Korea and Japan insist on the continuation of the KEDO Framework as originally signed by President Clinton, under which the oil and other goods must continue to be shipped to Pyongyang, in return for the mothballing of the Yongbyon plutonium reactor. Kawaguchi told reporters that Japanese support for South Korea's "Sunshine Policy" toward North Korea is firm, and that Japan will uphold the Japan-North Korea "Pyongyang Declaration," the bottom line of which is peaceful negotiations and eventually a peace treaty.

"Senior South Korean and Japanese officials meanwhile Nov. 7 held a meeting in Tokyo to coordinate their opposition to U.S. confrontation with Pyongyang," the *Korea Times* noted, and the officials told a briefing afterward that the shipments of heavy fuel oil to North Korea should be continued; the next shipment is already on its way. The two nations also agreed that the construction of two light-water reactors should not be put on hold "under any circumstances," said South Korean Deputy Foreign Minister Lee Tai-sik and Hitoshi Tanaka, director general of the Asian and Oceania Bureau of the Japanese Foreign Ministry. They met with U.S. Assistant Secretary of State Kelly in Tokyo on Nov. 9 and told him this flatly.

Feith also didn't mince words in threatening the Japanese about what he called an immediate North Korean threat to bomb Japan. "Japan is facing a serious danger of a ballistic missile attack," Feith threatened in a Tokyo press conference on Nov. 7. Feith again demanded that North Korea should "pay the price" for its nuclear program and be slapped with economic sanctions by the United States, Japan, and South Korea.

Feith denied a charge in Japan's conservative *Yomiuri News* that he is trying to "blackmail" Tokyo into deploying the Pentagon's insane Theater Missile Defense pop-gun system. Tokyo has so far stopped short of moving the project to a development stage, out of desire not to anger China and other Asian nations. "We are not pressing Japan to do anything. It is not the way we deal with our allies," Feith told reporters in Tokyo. "There is a common understanding that the missile threat facing Japan and the United States is serious."

# UN Iraq Resolution Sign of a Global Change

by Our Special Correspondent

The agreement to UN resolution 1441 by the Security Council on Nov. 8, and by Iraqi President Saddam Hussein on Nov. 13, reflected agreements reached before the U.S. elections on Nov. 5, and a changed global situation in the aftermath of those elections. The deal may have been a dirty one—given the openings remaining for the Anglo-American and Israeli factions that want war, to provoke war—but it opens the potential to avert war as global politics increasingly becomes the politics of undeniable economic crisis.

“The election is over. The intent to go to war is over,” was the way 2004 Presidential candidate Lyndon LaRouche put it in a comment on Nov. 13; though he warned that the imperial “chicken-hawk” faction in the United States, while pinned down for now, still wants to force a war in the Middle East, including its component of Israeli aggression and forced transfer of Palestinians. But the current, post-Election Day intent of the Bush Presidency is not to go to war.

A deal struck just prior to Nov. 5 among the United States, Russia, France, and other nations involved in the United Nations Security Council, concluded a months-long fight by many nations which finally pinned down the U.S. warhawks—in the phrase of Mexico’s Foreign Minister Jorge Castañeda—like Gulliver restrained by the combined efforts of the Lilliputians. The deal involved leaving harsh and peremptory language in the resolution—to be repeated in speech after speech by President Bush and others—while removing the “automatic trigger” by which the United States and Britain could have launched war without going back to the Security Council.

LaRouche himself, wielding considerable international influence and with his campaign mass-leafletting the United States against the war continuously since last Summer, played a crucial role in “jamming up” the attack on Iraq demanded by Dick Cheney’s chicken-hawks. But LaRouche also stressed, that the politics of election 2004—dominated by the ongoing economic and fiscal collapse—are now what counts, “And a war is not in the President’s interests for the year 2004.”

## Administration Official’s Characterization

“There were three elements really in [President Bush’s Sept. 12 UN] speech,” a senior Bush Administration official told reporters on Nov. 8, “and those three elements drove all of the negotiations that we had been involved in for the past seven weeks. One, a clear statement of the problem . . . re-



*The U.S. imperial warhawk faction was pinned down, in the metaphor of Mexico’s Foreign Minister, like Gulliver through the combined efforts of many nations—and equally importantly, by a changed post-election U.S. political situation. Plenty of danger of war remains, but a new policy dynamic has the potential to stop it.*

peated violations over 11 years of UN resolutions. Secondly, the President laid out what would have to be done to get Iraq out of violation, or for Iraq to get itself out of violation—a strong inspection regime and satisfaction on the various resolutions. And the third element, which made this effort different from all other efforts, there had to be consequences. . . . And the President left no doubt that those consequences would be a military operation to get rid of the weapons of mass destruction and to change the regime.”

But, the official added, concerning the Russian, French, and others’ concerns over “automaticity” of a U.S. military response, “Let me just say that they [the Russians] were intent on making sure that there was not automaticity in there that we would somehow grab something and immediately take it to conflict. . . . I think they saw that we were serious about this, that our goal was disarmament,” the official said. “Within the last 48 hours, it became clear to me that we had to do a little more work to satisfy them. President Bush spoke to President Putin yesterday. And I’ve been in constant contact with Foreign Minister Ivanov. . . . Yesterday afternoon when we consummated the final deal with the French, I called Foreign Minister Ivanov and told him of that change in language. And he considered that to be a breakthrough that he wanted to take to President Putin right away.”

In fact, U.S. Ambassador to the UN John Negroponte and Chinese Ambassador Zhang Yishan—who was chairman of the Security Council session—characterized the resolution in very similar ways after it had passed 15-0. Zhang said, “China supports the two-staged approach. The Chinese delegation has actively participated in all stages of the consultations on the draft resolution and put forward its views and suggestions in a constructive manner. We are pleased to note that after

many rounds of consultations, the co-sponsors of the draft resolution accommodated our concerns, and the Council members have finally reached consensus. . . . As the cosponsors [United States and Britain] pointed out in their statements some moments ago, the purpose of the resolution is to achieve the disarmament of Iraq through effective inspections. The text no longer includes automaticity for authorizing the use of force.”

French Ambassador Jean-David Levitte was also pleased with the resolution, on which the French had exerted considerable effort. “We requested that accordingly a two-stage approach be approved and complied with, so that the Security Council would keep control of the process at each stage. This objective has been attained,” he said. Russian UN ambassador Sergei Lavrov was of a similar mind:

“The wording in the resolution is not the ideal, and the sponsors themselves acknowledge this. But this just reflects the very complicated nature of the compromise that was arrived at. The Russian Federation made a choice on principle to support the resolution, guided by its special responsibility as a permanent member of the council for the maintenance of international peace and security. What is important is that the resolution deflects the direct threat of war and opens up the road to further work in the interests of a political, diplomatic settlement.”

U.S. Secretary of State Colin Powell, in a TV interview on Nov. 12, also indicated a shift had been made on the strident U.S. demand for “regime change” in Iraq. “We inherited that policy,” Powell noted. “We thought it was a good policy and it remains our policy to this day. We will see whether, in the area of disarmament with this resolution, we find a regime that is changing itself, that has decided to cooperate with the international community.”

Resolution 1441 was a “diplomatic compromise” in the extreme. Dubbed by some in the Bush Administration as a masterpiece of “creative ambiguity,” the text allows all sides to interpret it as they choose; but it could have been far worse. The Russians and French, who managed to stall passage of a new resolution more than eight weeks, succeeded in eliminating the clauses they deemed most dangerous, especially that “all necessary means” would be deployed—effectively automatically—in case of Iraqi non-compliance. And, they managed to force through reference to a “second stage” of “discussion” in the Security Council in case of violations. Iraq’s “sovereignty and territorial integrity” were also explicitly guaranteed.

## Lesser of Two Evils

In their statements at the final vote, representatives of Russia, France, China, and Syria declared that they had received “assurances” from the co-sponsors, the United States and Britain, that there was no “automatism” for military action in the resolution. Syria added that Russia and France had confirmed such assurances. What the assurances will mean in

practice, remains to be seen.

At the same time, hard-liners in Washington trumpet that the final text calls Iraq in “material breach” of earlier resolutions. In addition, it does not establish the need for a second UN Security Council resolution—mandating the use of military force—in the event of non-compliance. As one senior Bush Administration official was quoted in the London *Sunday Telegraph* on Nov. 10: “The United States will be part of those [further] discussions, but the President has not lost any of his authority at some point to say, ‘I’ve got to act, and who wants to act with us?’ We have got everything we wanted . . . and we don’t need the Security Council’s permission to go to war with Iraq.’ ”

Those nations who wanted to require a second resolution, compromised rather than risk radicalization in Washington. As one French diplomat, cited in the *Telegraph*, said: “We wanted to tie the United States into a multilateral process as far as was possible. But if we pushed it too far, we risked sacrificing [Secretary of State] Powell to the Washington hawks and losing all influence instead of gaining more. So we settled.”

The League of Arab States, in a meeting on Nov. 10, took a similar approach: to urge Iraqi compliance as a means of avoiding war, while reiterating strict opposition to the use of military means. Had the original text been pushed through, Iraq would not have been able to accept it.

Now, France, Germany, and Russia are working in tandem with the Arab League, in an effort to guarantee that inspections be carried out properly—and transparently—and that no provocations be orchestrated to sabotage their work, as in 1997, which would trigger war. The Arab League foreign ministers’ final declaration “called on the permanent Security Council members who presented Syria with assurances, to commit to what they presented, that the resolution is not used as an excuse to wage war on Iraq and does not constitute automatic military action.” The document demanded “the continuation of UN-Iraq cooperation to solve all standing issues peacefully in preparation for the lifting of sanctions and the end of the [UN] embargo as well as the suffering of the Iraqi people.” The Arab position was “absolute rejection” of any military actions, which would jeopardize the security of all Arab nations. The document called on the UN Security Council to demand that Israel get rid of its weapons of mass destruction because they “constitute a serious threat to Arab and international peace and security.”

Syrian Foreign Minister al-Sharaa made public that he had received a letter from Powell “in which he stressed that there is nothing in the resolution to allow it to be used as a pretext to launch a war on Iraq, and that if the U.S. administration had any intention of resorting to military action, this resolution wouldn’t have taken seven weeks.” (Israeli military commentator Ze’ev Schiff wrote in the Israeli daily *Ha’aretz* on Nov. 13, that Powell had also stated that if Iraq

complied, there would be no “regime change.”)

Egyptian President Hosni Mubarak also made public his understanding that the United States would play fair. On Nov. 12, Mubarak, who has been in constant contact with Baghdad and Washington, said, “Anyone who thinks that attacking Iraq will strike fear into other Arab nations is wrong and is ignorant of the character of the region’s people.” Mubarak said it was “vital that Iraq recognizes the seriousness of the situation and accepts the new Security Council resolution to allow inspectors unrestricted access.”

Most importantly, Mubarak said, “When the international community is convinced that there are no weapons of mass destruction in Iraq, then the American President will listen.” In the original Arabic, Mubarak’s statement indicated he had received assurances to this effect.

### Chicken-Hawks Ruffled

One senior intelligence source close to the Saudis and Syrians told *EIR* on Nov. 13, that he shared the view that war may have been averted. The problem, in his view, is the Washington war party, including influentials such as Paul Wolfowitz, Doug Feith, and Richard Perle. “They know if this war is not launched, their careers are finished,” he said, adding that the Sharon and Netanyahu factions in Israel desperately want the war as well.

Perle provided proof positive of this, also on Nov. 13, in a hysterical interview in the London *Guardian*. Launching “an extraordinary tirade against Europe,” Perle blasted Germany, France, and UN inspector Hans Blix as softies on Iraq. After fiercely denouncing German Chancellor Gerhard Schröder for “unilateral pacifism,” Perle was asked whether France had shown signs of moral fibre, and fumed, “I have seen diplomatic maneuver, but not moral fibre.” British Prime Minister Blair was the only European who escaped his wrath.

Fearing (at that point) an Iraqi acceptance of the resolution, Perle lashed out at Hans Blix, head of the UN inspections team, for having voiced skepticism about the feasibility of implementing the clause regarding interrogations of Iraqis outside the country. Blix had said, “We see some practical difficulties in implementing this authority unless the Iraqis go along with it.” Perle, in response, insisted no such problems existed, even with large Iraqi families. “It is vital,” he told the *Guardian*, “that the inspectors can take people who have the knowledge and their families to safe places outside Iraq. . . . If it were up to me, on the strength of his previous record, I wouldn’t have chosen Hans Blix.”

Perle said he did not think inspections would work, and also displayed a clear concept of how they could be sabotaged. “We will know it clearly,” he said, “when the inspectors bump against locked doors, or when an individual Iraqi with specific knowledge refuses to meet them or has passed away or has been killed in an automobile crash.” This, in fact, is a real and dangerous possibility. As some Arabs have noted, a traffic

jam in busy downtown Baghdad, which held up a UN inspections vehicle, could be construed as “non-compliance.” If Iraqi citizens are taken out of the country, along with family members, and interrogated, “intelligence” could be manufactured, on the basis of which non-compliance could be alleged. Finally, as past experience showed, under the UNSCOM regime of inspectors, the entire operation could be perverted, and inspections turned into espionage.

Then there are the Israelis, who, under the current political and military leadership, have been banking on war against Iraq. Once the UN resolution had gone through, and even before Iraq’s response, some Israelis appeared as ruffled as Perle. In *Ha’aretz* on Nov. 13, Zvi Bar’el issued a commentary bluntly entitled, “Saddam Could Pull a Fast One and Comply With UN Demands.” “What will happen if Saddam Hussein fulfills all the conditions set down in the UN resolution?” Bar’el worried—at great length.

### Peace or War?

Whether war will be avoided, and a peaceful solution secured, will depend, first, on the progress of the inspections process. During that process, as LaRouche has emphasized, the ongoing economic and financial breakdown crisis can change the agenda completely. And, continuing popular opposition in many countries, to an act of military aggression, can effect political changes.

Saddam Hussein himself, in an interview with *Al Usbua* (*The Week*), reprinted in *Berliner Morgenpost*—said to be his first interview in 12 years—hinted that such changes could affect Britain. Asked by Egyptian journalist Said Nassar, whether time were working for or against Iraq, he answered: “Time is definitely working for us. We have to gain some more time, and the American-British alliance will break. The pressure from the street in Britain and America will take care of that.” The dramatic upheavals in the British Monarchy may indeed reflect bitter factional struggle among Britain’s establishment, around Iraq policy.

If inspections proceed normally inside Iraq, there is still the grave danger that events may be orchestrated outside the country, to force a reversal to a military approach. A massive terrorist attack, attributed to Iraq-linked elements, could alter the picture immediately. In this regard, it is important to note not only the repeated warnings of upcoming terror attacks, issued by German BND security office head Hanning, but also the sudden reappearance on Nov. 13, of none other than Osama bin Laden. As if on cue, the phantomatic terrorist boss appeared in an audio tape on Al Jazeera TV, to praise recent terrorist attacks—in Kuwait, in Bali, on the French tanker off Yemen, and in Moscow—and to issue warnings to the United States, Britain, France, Italy, Canada, Germany, and Australia.

The gist of the primitive message is: Yes, Osama bin Laden did it; yes there is an “Iraq connection”; and yes, terrorist actions will continue. Just what the war party ordered.

# Australian Raids and American Assassinations

by Michael Billington

The nations of Southeast Asia have been put on notice by the U.S. war party and its “deputy sheriff” in Asia, Australia and her Prime Minister, John Howard, that their citizens are henceforth subject to police-state measures while in U.S. or Commonwealth territory, and to American extra-judicial assassinations in their own homelands, if the United States deems them to be associated with terrorists.

The Australian Security Intelligence Organization (ASIO) has launched a campaign of terror against Indonesians (and others) living in Australia. A series of pre-dawn raids began Oct. 27, with break-ins into about 30 homes of Indonesians (including several who were Australian citizens) across the country, with agents wielding automatic weapons, ordering even the children to the ground during hours of searches, and confiscating computers and other goods.

The target list included anyone who had attended lectures given by the Indonesian cleric Abu Bakar Ba’asyir during his 11 visits to Australia in the 1990s. Ba’asyir is accused of being the spiritual leader of the Jemaah Islamiah, a vaguely described and loosely connected network of accused terrorists in Southeast Asia. His visits to Australia came during his self-imposed exile from Suharto’s Indonesia during the 1990s, which he spent in Malaysia. ASIO chief Dennis Richardson claims there is more evidence against the targets of the raids than mere attendance at the legal and public meetings Ba’asyir addressed in Australia—but Richardson has provided none.

The Indonesian government has urged Indonesians to leave Australia, and told travellers to avoid the country. Jakarta also protested to the Australian government for failing to notify them, as required by international law, of investigations against their citizens. The head of the 40-million-strong Nahdlatul Ulama, Hasyim Muzadi, accused Australia of confusing terrorism with Islam. Indonesian President Megawati Sukarnoputri told Australia: “Let’s not go overboard. We Indonesians always treat foreigners proportionally.” Malaysian Prime Minister Dr. Mahathir bin Mohamad, responding to “travel warnings” from Australia against all of Southeast Asia, declared that “Australia is particularly unsafe for Muslims.”

Many Australians are also protesting this disregard for law and fundamental civil rights. Craig Emerson, the opposition Labour Party’s shadow Trade Minister, accused Prime Minister Howard of “putting your prejudices ahead of Australia’s national interest,” adding: “He just doesn’t like Asians.”

*The Age* reported that Howard’s predecessor as Prime Minister, Paul Keating, had been accused by “Clash of Civilizations” author Samuel Huntington of being too friendly towards Asians, of wanting Australia to “defect from the West, to redefine itself as an Asian country” in a “civilizational shift,” but that Howard had pulled the country back from the brink, linking arms again with its Anglo-Saxon brothers against Asia.

Slandorous attacks on President Megawati have filled the Australian press. The prestigious *Australian Financial Review* carried an article Nov. 8 by Geoffrey Barker, reporting that “Senior politicians and officials now regard Indonesian President Megawati Soekarnoputri as incompetent and divorced from reality.” Barker said these officials had told him “the ongoing deterioration [in relations] will become irreversible if Indonesia does not tone down its attacks on Australian travel advisories and the recent raids on Muslim households.” When Indonesia’s chargé d’affaires in Australia, Imron Cotan, called the raids unnecessary and a threat to cooperation, an official told Barker: “It was an outrage, the sort of thing you would expect from Saddam Hussein or the Taliban, not from any self-respecting government.” He quoted another unnamed official saying of Megawati: “This was someone with no sense of the occasion, no capacity to show political leadership . . . where the hell is this turkey coming from?” Such venom confirms that the threat from Defense Minister Robert Hill to send troops into Indonesia to “fight terrorism,” must be taken seriously.

## Assassinations

At the same time, the Nov. 3 assassination of six people in Yemen by a missile fired from a U.S. Predator drone, is seen as a harbinger of similar pre-emptive, unilateral attacks in Asia. Warhawk Paul Wolfowitz, U.S. Deputy Secretary of Defense, described the assassination as “a very successful tactical operation,” and said: “So we just got to keep the pressure on everywhere we are able to. . . .” He added, ominously, “I still think there are far too many Indonesians who haven’t quite heard the call yet. I think they should stop being in denial, and stop pretending there’s no terrorist problem, and stop pretending that this is just something the Americans invented, and get on with developing good, solid democratic methods [!] for dealing with these people.”

In a conference on terrorism in Manila Nov. 9, Francis Taylor, U.S. State Department coordinator for counter-terrorism, asked if such assassination measures were being contemplated for use in Asia, responded that the assassination was “both legal and appropriate. . . . We will use whatever is necessary and legal to attack this terrorist threat. . . . The option is on the table” for use in Southeast Asia.

Regional responses were immediate, rejecting such imperial crimes. Malaysian Foreign Minister Syed Hamid Albar said Taylor’s remarks were discouraging: “My fear is that when you do this, it is like Israel committing state terrorism.”



# The Burrell Affair: British Royals' Debacle

by Mark Burdman

"The biggest crisis facing the House of Windsor since the 1936 abdication of King Edward VIII"—thus do observers in Britain characterize the catastrophes befalling Queen Elizabeth II and the Royal Family this November.

The unfolding drama confirms the forecasts of Lyndon LaRouche and *EIR* since the mid-1980s, of "the coming fall of the House of Windsor." Now it's coming on fast.

The crisis involves charges of "obstruction of justice" by Her Majesty and her son, Prince Charles. It also centers on accusations that Charles has covered up at least one instance—probably more—of homosexual rape in his St. James Palace; and on claims that Charles's chief aide has been illicitly selling off precious royal items. Although frenetic efforts are being made to avert it, there is also the potential that this process will force a new investigation into the circumstances of the wrongful death of Princess Diana on Aug. 31, 1997, in Paris.

Such an end-game dynamic for the Windsors could have repercussions far beyond Great Britain. Royal Consort Prince Philip likes to refer to the Royal Family as "The Firm"—and the family sits atop a vast "informal empire" of financial, raw materials, and property holdings, centered in the Commonwealth. It is integral to the global system now disintegrating; its woes are emblematic of that disintegration, and will exacerbate it.

## Implications for War and Peace

Linked to this is the strategic factor. Britain is on the point of joining the Bush Administration in war against Iraq. Reservations about that war are felt at the highest levels of the British Establishment, probably including elements of the monarchical structure, typified by opposition to the war on the part of the Rev. Rowan Williams, new head of the Church of England (the country's established church, whose Supreme Governor is the Queen). According to Harold Brooks-Baker, publisher of *Burke's Peerage*, the almanac on the British aristocracy, there are "people in sensitive places" in the U.K. who are very irritated by the willingness of Prime Minister Tony Blair and his coterie, to tail after the Bush Administration on the question of Iraq and related war moves.

One must ask whether the present scandal is in fact a way of "jamming up the works" to neutralize British participation in such a war, given that Her Majesty is also Commander-in-Chief of the British Armed Forces. Conversely, insiders warn

that, in the political fragility created by this crisis, if Britain were to become entangled in an unpopular war, that would intensify the process they call "institutional disintegration" in the U.K., bringing about enormous political realignments, as well as a radical decline in central power in the country.

## 'Remember, Remember'

The crisis began Nov. 1, when it was announced that the trial of royal butler Paul Burrell had been stopped, on the basis of an extraordinary intervention by Her Majesty. Burrell had been accused of having stolen 300-plus items belonging to Princess Diana, after her death. The trial had run for 18 months, costing British taxpayers £1.5 million (over \$2 million).

Burrell was to testify on his own behalf the week of Nov. 4. But days before that, the story goes, the Queen was in a coach with Prince Philip and Prince Charles, attending a "Remembrance" event for war dead. It was then, it is said, that she suddenly had a recovery of remembrance, recalling that soon after Diana's death, Burrell had told her he was putting many of Diana's valuables into safekeeping. Her claimed five-year memory lapse is all the more remarkable inasmuch as, according to Burrell, their 1997 meeting lasted three hours; Palace spokesmen insist this is exaggerated, and that it lasted 90 minutes.

In any case, Buckingham Palace intervened to stop the trial. The case against Burrell collapsed.

But this story is outrageous, with all the subtlety of a second-rate mafia movie—especially given the way the justice system operates in the U.K. The prosecution of Burrell had been initiated by the Crown Prosecution Service, legal arm of the Crown itself. So the monarchical structure that had initiated the case, now precipitously shut it down. Britain is awash in calls for reform of the legal system, and for independent inquiry into this monarchical intervention to end an ongoing legal action.

Some have even accused the Queen of "obstruction of justice," an extremely serious charge. In a Nov. 13 commentary, "Ghosts of 1936 Return," *Guardian* writer Jonathan Freedland said the probability that the Queen had engaged in obstruction had brought about "the greatest threat to the House of Windsor since then," referring to the abdication of her uncle, Edward VIII.

## Wronging Diana Again

The Palace's crude behavior created outrage on a second count. It was clear to all that Her Majesty and the family did not want Burrell to testify, out of fear of what he might reveal. No doubt, the greatest fear was that he might shed new light on Diana's death. Numerous *EIR* exposés since that night in 1997 have documented the circumstances and most probable leads suggesting that the death was no accident.

It is intriguing that one of the items Burrell reportedly had in his attic—its existence and location is now uncertain—was

a letter from Prince Philip, heaping bile on the Princess. Was this some kind of death threat?

Also intriguing: In their meeting after Diana's death, according to Burrell, Queen Elizabeth said menacingly: "Be careful, Paul, nobody has ever been closer to a member of the family than you were to Diana. There are powers at work in this country, about which we have no knowledge."

But before anything coherent might be gleaned from such revelations, a counter-dynamic set in. Burrell, who had portrayed himself as "Diana's rock," her truest aide, poured forth his memoirs—for £300,000—to the *Daily Mirror* tabloid. The venal Burrell, whose real loyalties are not entirely clear, spewed all sorts of poison against Diana, including stories about how he supposedly secretly brought lovers to her, smuggling them into Kensington Palace in the trunk of his car. He also provided what he claimed to be details of her rage fits and other outbursts, in fights with husband Prince Charles. He focussed his main attacks on Diana's family, accusing her brother Earl Spencer of trying to capitalize on her death for monetary gain, and portraying her mother as obsessed that Diana was attracted by "Muslim men" and wanted to marry Pakistani Dr. Hasnat Khan.

So Diana is wronged again, in this posthumous abuse. However, she may be having her revenge, in other ways.

### 'Public Relations Disaster'

With each passing day, the miseries of the Windsors increase.

Burrell's defense has claimed that in his collection of Diana's possessions, is a tape she made of a top servant at Prince Charles's St. James Palace, claiming he had been homosexually raped some years back. The identity of the man, George Smith, was revealed by the Italian daily *La Repubblica* on Nov. 11. Smith told the paper he had witnessed one such rape "involving a member of the Royal Family and a servant." At least one British tabloid has claimed that the "member" was Charles!

Such stories of homosexual romps and rapes in royal abodes have a lurid credibility; a "gay mafia" has long played a role among the Palace servants and lackeys. At least as early as the "Jack the Ripper" case in the 19th Century, investigations were leading to a "homosexual underworld" in and around the Royal Family. The story could undoubtedly be taken further back, to the Satanic escapades of the "Hell-Fire Club" of the 18th Century.

But as stories seep out that the Palace, and perhaps Charles himself, intervened to spike police probes into homosexual rape charges, the Prince has also been accused of "obstruction of justice." That his favored aide, Michael Fawcett, known as "Fawcett the Fence," had been illicitly selling off royal items didn't help.

Buckingham Palace grew increasingly angry and impatient at St. James Palace. The Queen, and/or senior advisers, also evidently felt it could be to her advantage to focus the

blame on her hapless son, away from herself. Many in the monarchical structure also believe it would be an advantage if Charles renounced the succession, passing it on to his (and Diana's) eldest son, Prince William.

Buckingham Palace demanded St. James Palace clean up its act. So, on Nov. 11, the senior staff of St. James Palace held a "crisis meeting" with a key aim being—according to the *Daily Telegraph* of Nov. 12—to ensure the crisis does not "suck in" the Queen.

Out of that came an announcement Nov. 12, of an "internal inquiry" into the complex of events, to be carried out by Charles's personal secretary, Sir Michael Peat. Simultaneously, Buckingham Palace released a statement asserting that the Queen had done nothing wrong.

These initiatives massively backfired. Cries arose that the Palace was engaging in cover-up. What was the purpose of an "internal inquiry" by Charles's own lackey, if the monarchy was already announcing that the Queen was innocent? The lead article of the *Times* Nov. 13 was headlined "Burrell Inquiry Backfires on Besieged Royals"; the piece noted that the inquiry was becoming a "public relations disaster" for the Crown.

Such actions drew contempt from *Burke's Peerage's* Brooks-Baker. He told *EIR* Nov. 13: "It's completely crazy, to see the monarchy shooting itself in the foot this way. The mind boggles at the thought of it. Anyone could have predicted, that a tactic of having the monarchy conduct an inquiry about itself would backfire. My surprise is only that there is no general inquiry that has been started, on this whole mess. What is happening now, will harm the monarchy terrifically. . . . Their behavior is pathetic. That Burrell case should never have started in the first place; it should have been stopped right away." He insisted there had to be a purge of top royal advisers, most of whom "are courtiers, whose families go back generations in monarchical service, and who have an 18th-Century mentality."

Brooks-Baker agreed with those who see this as the greatest Windsor crisis since the abdication of Edward VIII: "In some respects, this is becoming a greater crisis than what happened in 1936, even if an abdication need not be involved, this time around. What makes the current situation so precarious, is that the possibility of a popular referendum exists today, whereas it didn't exist in 1936. The institution of the referendum has existed since 1975 in Britain, when it was introduced, then, on the subject of Europe. What happens if there is a popular referendum on the monarchy, soon? Then, we have a greater crisis than 1936."

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# International Intelligence

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## ***World's Largest Hydro Dam Near Completion***

China completed the blocking of the Yangtze River at the Three Gorges Dam on Nov. 6. This major step means that the entire project, estimated to cost \$25 billion, will be completed some time next year, according to Chinese state media.

While the anti-China, anti-technology Western media continue to gripe about the alleged 1.2 million peasants whose villages will be submerged when the project is complete, Li Peng, number-two in the Chinese Communist Party, called the dam one of the greatest engineering feats in history, Xinhua said. Li, the long-time Power and Industry Minister, watched the final damming of the Yangtze through binoculars, and told Xinhua, "The administration of a country's national affairs becomes easier when its rivers are tamed," citing an old adage.

A reservoir will be formed when the final 2,180-foot section of the dam is finished; it will stretch 1.4 miles and be 607 feet high within eight months. It will begin to fill next year, when the first of four turbines should begin generating power. The entire project is not due to be completed until 2009, at which time, it will have 26 generators providing about 10% of China's power.

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## ***Nearly Half of South American Population Poor***

By the end of 2002, some 44% of the Ibero-American population will be classified as poor, according to a study just released by the United Nations Economic Commission on Latin America and the Caribbean (ECLAC, or Cepal, as it is known in Spanish). Seven million people have entered the ranks of the poor this year, bringing the number to 221 million. Between 1990 and 2001, the number of poor increased by only 10 million; but in 2002, Argentina's extraordinary collapse will account for much of the 7 million newly impoverished. ECLAC director José Antonio Ocampo said, that "Argentina, whose economic crisis is very severe, weighs heavily in the increased regional

poverty." Its economy is expected to decline by 16% this year.

Most dramatic is the fact that of the 7 million new poor, 6 million are "indigent": They cannot satisfy even minimal food needs. One in five Ibero-Americans does not have enough to eat.

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## ***EU and Russia Solve Kaliningrad Problem***

Removing a considerable diplomatic obstacle to enhanced relations in talks Nov. 11 in Brussels, Russian President Vladimir Putin and the European Union agreed on a special visa procedure that will allow licenses for up to 900,000 trips annually by rail and another 600,000 by car, for Russians who commute, mostly via Lithuania, between the Russian mainland and the Kaliningrad enclave on the Baltic Sea.

When Poland and Lithuania join the EU in 2004, Kaliningrad would otherwise be totally isolated, because the EU, whose eastern border would be with Belarus and Russia, keeps a tight visa regime at its borders.

Furthermore, a feasibility study has been commissioned by the EU and Russia, for the project to build a new high-speed rail link from Russia to Kaliningrad via Lithuania. This is only a first step, but a step towards realizing a project of great importance, which has been under discussion for some time.

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## ***U.S. Demands Halt To Brazil-Colombia Deal***

In a show of imperial arrogance, U.S. Southern Command Commander Gen. James Hill sent a letter in October to the head of the Colombian Armed Forces, demanding that a military purchase from Brazil be abandoned, or else, according to *O Estado de São Paulo* and *El Tiempo* in Bogotá on Nov. 11. The Colombian military had already ordered the purchase of 40 Emb-314 light fighter planes and other equipment made by the Brazilian state company Embraer. The planes were to have aided military pursuit of FARC/ELN narco-terrorists in the Colombian jungles.

Hill's threat arrived just three days after Colombia's Defense Minister sent a confidential letter to the Brazilian Embassy in Bogotá, opening up the bidding process on the fighter planes!

The letter from Hill to Armed Forces Commander Gen. Jorge Mora Rangel, expressed "concern over the Colombian Armed Forces expense of \$234 million to buy new fighter planes," and advised the general to desist from the deal with Brazil and meet more pressing needs—such as the modernization of the fleet of C-130 Hercules transport planes, which are U.S.-made and whose "modernization" would fall to U.S. companies. Hill's letter made clear that further U.S. military aid to Colombia would depend on compliance with U.S. "recommendations." Specifically, Hill stated: "I also feel that the U.S. Congress would not look favorably on the purchase of light attack planes as the most urgent need of the Colombian Armed Forces, and could negatively influence Congressional approval of additional financing."

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## ***Venezuela Crisis Escalates Again***

As Organization of the American States head Cesar Gaviria was attempting to mediate negotiations between government and opposition figures Nov. 12, on President Hugo Chávez's "politicization" of the state oil company, out-of-control pro-Chávez mobs surrounded the Caracas city hall, pinning Mayor Alfredo Peña and others inside for several hours. National Guardsmen attempted to disperse them, leading to a bloody clash leaving at least 1 dead and 20 wounded. Peña was later assaulted by "Chavistas" while visiting some of the wounded at the hospital. Later that day, a grenade was thrown at the home of Caracas Archbishop Ignacio Velasco, another Chávez political opponent, and a tear gas canister was tossed at the office of an opposition newspaper, *Así es la Noticia*. As tensions rise, all eyes are on the Venezuelan Workers Federation (CTV), whose leaders are traveling the country building up support for an indefinite general strike to force Chávez's resignation.

## Wall St. Looters Spark D.C., National Health-Care Crisis

by Edward Spannaus

A Wall Street-sponsored financial scam which has been looting hospitals and health-care institutions for years, has now reached the end of the line, and is triggering bankruptcies of health-care providers nationwide, and endangering the lives of thousands of patients across the country.

The collapse of National Century Financial Enterprises, the now-insolvent front for *Crédit Suisse* and *J.P. Morgan*, which has been looting hospitals by buying up their accounts-receivable, is also sending tremors through financial markets, since some of the world's largest banks are involved in the now-collapsing bond swindle.

This scandal erupting around National Century and its partner *Doctors Community Healthcare Corp. (DCHC)*, came to the surface already a year and one-half ago, amid the battle to save the only public hospital in the nation's capital—*District of Columbia General Hospital*. Spokesmen for *EIR* and for *Lyndon LaRouche* warned last year that *DCHC* and *National Century* had been investigated and sued for fraud and racketeering in a number of jurisdictions, and that they had been charged with looting hospitals and health-care institutions after capturing the income-stream of those institutions. (See “*Alleged Racketeers in D.C. General Takeover*,” *EIR*, March 16, 2001.) *D.C. Council member David Catania* also published an dossier on the shabby record of *DCHC* and *National Century* at the time.

Despite the exposure, under pressure from Wall Street banks and real estate developers, Mayor *Anthony Williams* and the *D.C. Financial Control Board* rammed through a privatization scheme which handed the District's public health system over to *DCHC* and its financial backer *National Century*.

The whole sordid matter was taken to Congress—which has ultimate responsibility for the District of Columbia—but Congress failed in its moral duty to protect the health and

welfare of the residents and visitors to the nation's capital. Senate Majority Leader *Tom Daschle*, operating under the corrupt influence of the District's Congressional Delegate *Eleanor Holmes Norton*, and her aide *Donna Brazile*, withdrew his support for the campaign to save *D.C. General*, and Congress then capitulated to the corrupt *DCHC* privatization scheme and to the shutdown of *D.C. General*—including its top-flight *Level I Trauma Center* and a state-of-the-art microbiology laboratory.

Now, the hospital which was designated to replace the public hospital—the *DCHC*-owned and *National Century*-financed *Greater Southeast Community Hospital*—is itself on the verge of closing! It has been unable to pay nursing contractors and other vendors (reportedly owing \$4 million to one firm that provides nurses to the facility), and it was forced to shut its emergency room on the evening of Nov. 13 for lack of personnel to run it. District officials say they are closely monitoring the situation, and they are reportedly preparing for a health-care emergency, in the likely event that the entire hospital is shut down.

### Health-Care Loan-Sharking

*National Century*—politely described as the nation's largest financier of health-care receivables—makes loans to hospitals and other institutions at high interest rates, and buys up their claims for payments by “health maintenance organizations” (*HMOs*), and for Medicare and Medicaid reimbursements from the government, so that those institutions can obtain quick cash to operate. (The method is reminiscent of the operations of a New York City garment center “factor,” who provides cash to sweat-shop operators in return for shipping invoices which can be turned into receivables.) *National Century* then “bundles” these receivables and issues bonds to finance its ongoing operations. The bonds are of the type

known as “asset-based securities.”

In the Summer of 2000, NCFE dumped Deutsche Bank as its lead underwriter, after Deutsche Bank insisted on a more thorough audit of NCFE and its capital commitments; and replaced it with Cr dit Suisse First Boston.

Since May of this year, National Century has been unable to issue new bonds, because its accountants, Deloitte & Touche, have refused to certify NCFE’s 2001 financial statements. Unable to borrow more money, it has dipped into the reserve funds which it is obligated to maintain for its various bond funds. Sources now say that at least \$500 million have been diverted and are missing from NCFE’s bond reserve accounts. NCFE has apparently diverted \$300 million from one fund, to meet payments to the Dutch bank ING, which has apparently declared NCFE in default and accelerated its payments.

One source says that NCFE has been running a Ponzi-type scheme, using reserves from one fund to pay off the bondholders from another fund. He also said that a big question is: Where is Lance Poulsen, the CEO of National Century who resigned on Nov. 8? Poulsen is a major contributor to the Republican Party in Florida.

### **Vultures Get ‘Excellent Rating’**

“Red flags prophesying National Century’s troubles—from legal woes to management issues—were in plain view for years,” the *New York Times* reported on Nov. 13. Yet, the *Times* noted, Moody’s kept giving National Century bonds its highest, AAA rating—at least, until recently, when it finally downgraded them to junk status. Why? “The company’s bond sales,” the *Times* explains, “had the imprimatur of three of the nation’s largest financial institutions: Cr dit Suisse First Boston underwrote the bond sales, while J.P. Morgan and Bank One served as trustees. In addition, two J.P. Morgan bankers sit on National Century’s board, and one, Hal Pote, heads the audit committee.”

This might explain why the D.C. Financial Control Board said, when challenged about DCHC and National Century’s *bona fides* in the Spring of 2001, said that they have “checked out DCHC, and Wall Street gives them an excellent rating.” When *EIR* tried to check out these Wall Street ratings for DCHC and National Century, the rating houses all claimed that the information was “confidential.”

But now, Wall Street is getting nervous. “A Jolt for the Asset-Backed Bond Market,” said a *Wall Street Journal* headline on Nov. 5. “National Century’s Woes Prompt Bond-Loss



*The LaRouche movement led the fight to save D.C. General Hospital last year. The top-rated public hospital was shut down. The District’s health-care system was privatized, under Greater Southeast Community Hospital, bought by Doctors Community Healthcare in 2000 with financing from DCHC’s financial partner, National Century Financial Enterprises. Now, Greater Southeast is unable to pay its doctors, nurses, or vendors, and is on the verge of shutting down, leaving the entire Anacostia, east-of-the-river area of the nation’s capital without a hospital or emergency room.*

Fears,” said the *Wall Street Journal* on Nov. 11.

Bloomberg and Forbes both have reported that National Century’s problems are sending tremors through the asset-backed securities (ABS) market, which they estimate to be a \$1.2 trillion market. Investors in the ABS market are steering away from weaker borrowers, and sticking with top-tier names to avoid credit blow-ups such as that of NCFE, Forbes reported, and Bloomberg said that the market may be shut to companies without publicly-traded shares and credit ratings.

“It’s pretty scary” for the portion of the market made up of bonds backed by “off the run” assets such as health-care receivables, said one analyst. “At this point, I would have expected to have heard that the [National Century] receivables are okay,” he said. “It’s been two weeks now.”

The *Wall Street Journal* said that “the episode is one of the biggest black eyes in years for the booming \$1.4 trillion asset-backed securities market, and raises questions about this unorthodox slice of the market, in which companies sell bonds backed by such things as credit-card and car-loan payments.”

Some of the biggest investors in NCFE-sponsored bonds are Alliance AG’s Pacific Investment Management Co. (PIMCO), Alliance Capital Management, ING, and the Highland Financial Group hedge fund.

### **Health-Care Companies Bankrupted**

In recent weeks, National Century has stopped making the payments to health-care providers, which it is required to make in return for having scooped up their claims and

receivables. Two of National Century's largest clients have already filed for Chapter 11 bankruptcy protection, and many others are expected to do so imminently.

On Friday, Nov. 8, Tender Loving Care Health Services, which provides home health-care services to over 60,000 patients, filed Chapter 11 bankruptcy in Brooklyn, saying that it is owed \$6.8 million in medical bills purchased by National Century. "This has been a catastrophe for many health-care companies," said a consultant to Tender Loving Care. "We're not sure if we can meet our next payroll." Complicating matters, is that the company is a unit of Med Diversified of Andover, Massachusetts, which itself is 33% owned by National Century. Med Diversified has now filed suit against National Century, J.P. Morgan Chase and Morgan officer Hal Pote, and against Bank One, charging them with with fraud.

Then on Nov. 12, PhyAmerican Physician Group of Durham, North Carolina, which manages 2,200 doctors who care for 3.5 million patients in 30 states, filed for bankruptcy protection in Baltimore. PhyAmerica and NCFE were both sued by PhyAmerica shareholders in 2000, who accused PhyAmerica's head and NCFE of "systematically looting" the company. PhyAmerica and NCFE paid \$4.7 million to settle the lawsuit.

Another court action has been under way in Baltimore, where the U.S. Attorney has said that NCFE was improperly taking on receivables from the BluePoint Nursing and Rehabilitation Center.

Legal actions are also under way in Ohio, where 68 health-care companies which staff nursing homes and hospital emergency rooms, and who are owed money by National Century, obtained a court order directing that health insurers and the Federal government pay them directly, instead of sending the funds into a National Century "lockbox" as had been the practice. But National Century then won a restraining order to reverse the first court order.

The Nov. 13 *New York Times* quoted an executive at another health-care receivables company, saying, "There's going to be enormous disruption in the market." Noting that many health-care companies already face long delays in collecting claims, he added: "Take away any kind of liquidity and a lot of companies will go out of business."

As of Nov. 15, National Century itself was reported to be on the verge of filing for bankruptcy protection. "Any company in this situation would consider bankruptcy as an option," a company spokesman said.

The tragedy is that much of this could have been prevented, had Congress taken up the issue of D.C. General in the Summer of 2001, instead of ducking the issue. Had it done so, the Financial Control Board's cover-up of the already-documented financial scandals surrounding National Century and DCHC would have been exposed, and its Wall Street sponsors would have had to run for cover then, instead of now.

## LaRouche on Election, And His Candidacy

Addressing a Nov. 12 Stockholm *EIR* seminar audience, in his first international meeting following the Nov. 5 American elections, 2004 Democratic Presidential pre-candidate Lyndon LaRouche assessed his own rising influence in U.S. politics, after the stunning defeat of the Democratic Party faction most opposed to his Franklin Roosevelt-style recovery measures.

Asked about his current political plans, LaRouche pointed to the "catastrophic defeat of the leadership of the Democratic Party, the fascist part of the Democratic Party, the Democratic Leadership Council, in the last election." Democratic Party national chairman Terry McAuliffe is being hounded out of his position, LaRouche said, and Sen. Joe Lieberman (D-Conn.), a DLC founder, is not returning telephone calls after eight of the 11 Congressional candidates he campaigned for lost, and a ninth faces a runoff.

"All those Democrats who went explicitly against the direction I proposed have been defeated, at least all the prominent ones. . . . These Democrats lost more heavily than others around the nation, because the population *hated* them, and would turn out to vote *against* them, where they wouldn't turn out to vote *for* other Democrats."

### Reality Has Struck

In the lower 80% of family-income brackets in the United States, and increasingly, in the lower half of the upper 20%, reality has struck. Taking just the lower half of the upper 20%, people have lost from many thousands, to millions, of dollars of their savings—and a growing number, their jobs—in recent months, LaRouche said. "If you look at what's going on in the White House, contrary to some European views which are illusory, the result of the Nov. 5 election was not that Bush was given great support—*he was not*. This was no victory for Bush. It was a defeat for the right-wing leadership of the Democratic Party, which has no policy. The Bush White House is going through a phase-shift. It wants to get rid of the Iraq war. It can't *say* it wants to get rid of the Iraq war, but it wishes to. Because the Iraq war is a *bummer from start to end*."

Turning to the White House, and the well-known mental limitations of its occupant, LaRouche said that some Europeans think the United States *should* be a parliamentary system—but it should not. In the Anglo-Dutch model of liberalism which produced parliamentary systems, including parliamentary systems devised as a reform of monarchies, these "reforms" were associated with a parallel government called a central banking system, which is independent of effi-

cient control by the government. The United States has the same problem—a financier oligarchy given independent powers by government—but that “is not in our Constitution,” LaRouche said. This oligarchy “is the faction which created the *system* of consumer society, of American neo-imperialism, which is attempting, at the point of its death, to emerge supreme in the world today.”

So, today, a fundamental interest of the United States, embedded in the history of the Kennedy and Franklin Roosevelt Administrations, is coming to the fore: “People say consumer society was a failure, rule by the upper 20% of parasites has been a failure, because the upper 20% are largely parasites. And we have to go back to representing the lower 80% as much as anything else. So this is the mood in the population. The problem is, a lack of leadership. So therefore, we have a problem of sorting out leadership. On the one side, we have the Democratic Party.

“I will now move to take over the Democratic Party,” LaRouche emphasized, “by consent of the voters who voted down hardcore Lieberman supporters more than anybody else, in the last election. Lieberman and Gore lost the election. And so did Mondale. But that’s the issue.”

### Why Run for President

The person running for President of the United States has extraordinary power, LaRouche explained: “Under our Constitution, the Presidency *is* the Executive Branch of government. Not the Congress—it’s not a parliamentary system. . . . But in the Presidency of the United States, there’s a large apparatus of civil servants and people out of government, but who were formerly associated with government, who represent the Presidency. These are the forces without which the President cannot act. The President is not capable of running the world as Emperor, expressing his *will* from the throne. The United States is run by a Presidency. . . . It’s in that layer, in the Presidency, on which I have focussed, as well as the people in general.”

That power “is why I’ve always run for President—it’s the only post that can change the system. Running for Congress will not change the system; running for Congress and trying to build your way up to become Prime Minister or something like that, will not solve the problem. You have to move directly to control of the leading role of the Executive Branch of the Presidency. Anyone who does not run for President, is not serious about saving the United States—or supporting somebody who’s running for President. Because the candidate for President is the person *outside* the Presidency who’s in the wings, who offers the alternative. The primary constituency for action of the candidate lies within the Presi-



*The Swedish Parliament in Stockholm. Lyndon LaRouche addressed a Stockholm seminar audience shortly after the Nov. 5 American elections, assessing his own rising influence and next political steps in the United States. The question of Presidential, as opposed to parliamentary powers to change the world, was a significant subject.*

dency and related institutions of the Executive Branch. If you have support from the people, and from these elements of the Presidency, you can change the system of the United States fundamentally.

“Now, that is where I concentrate. I concentrate on that with the Presidencies and similar institutions of other countries, as in South and Central America; in dealing directly with leading circles in Russia; in China; in India, and so forth; Korea—which represent something analogous to that. The view is, if we can provide the world a visible leadership, of the type which is moving in the direction we see now in the Phnom Penh meeting [the Nov. 4 ASEAN meeting, which put aside conflicts to address economic development of the Mekong River basin in particular—ed.] and similar meetings, if we can have a sense of that in Europe as well; and if we can use the crisis to get the United States to accept the kind of rebuilding programs which I’ve outlined, for which we have support in Europe—as in Italy, and for which we have increasing support *in* the population.”

LaRouche told his Stockholm audience that “[President] Bush is in a situation where he has no chance. . . . They know it. Bush and his father, and others, are haunted by the fact that he could be dumped in the same way his father was dumped in 1992, because of the economic crisis.” Bush, LaRouche forecast, will be pushed more and more in the direction of an economic stimulus program, but, “War is not an economic stimulus program, especially this kind of nonsense they’re proposing now. An economic stimulus program in the world today, is large-scale infrastructure, and high-technology investment,” usually credit put up for a 25-year duration, at a 1-2% simple interest rate, generated by government, LaRouche said.

# 'Non-Core' Army Jobs May Be Privatized

by Carl Osgood

After the bombing of the *USS Cole*, on Oct. 12, 2000, *EIR* Founder Lyndon LaRouche warned ("Lesson of the Cole Incident: Stop Privatizing Our Generals," *EIR*, Nov. 10, 2000) that there is no place in sane strategic policy for the privatization policies that were, then, already taking over many military support activities. In particular, he defined the engineering and medical capabilities of properly organized military institutions, as crucial to a broader nation-building strategy.

Instead, the Clash of Civilizations outlook dominating the current civilian leadership at the Department of Defense has accelerated the process in the opposite direction.

The trend was sharpened by the now-infamous "Third Wave" memo issued by Secretary of the Army Thomas "Enron" White on Oct. 4, this year. White identified 58,727 military positions and 154,910 civilian positions in the Army as "non-core spaces." Non-core positions are defined only as "spaces potentially eligible for private-sector performance." The memo, issued in support of President George Bush's management agenda, states that the Army "must quickly free up resources for the global war on terrorism, and do so, in a way that avoids disruptions to our core operations." Furthermore, the initiative differs from earlier privatization attempts, in that it provides for alternatives to the current process set forth in the 1983 Office of Management and Budget Circular A-76. A-76 sets guidelines as to what activities can be subject to competitive outsourcing. White invoked "The Third Wave," with the first public-private competition being in the 1980s, and the second beginning in 1997, studying a total of 58,000 jobs.

During an Oct. 31 press briefing, White explained that his initiative has two components. One is identified in the Third Wave memo. He said, "We look at everything the Army does," decide what is "core to the Army," and what not, "and for all the non-core activities, see if there's a better way to do it." One option is competing activities under A-76, which allows the activity still to be done by government employees if they compete successfully against private contractors. A second option would be straight outsourcing, such as the privatization of Army base housing or base utilities. A third option would be for a military installation to partner with a local municipality to outsource municipal services. The fourth option is to stop doing the activity altogether.

White is also pushing to privatize the Army's logistics base, based on the "Ordnance Activities Rightsizing Study,"

by RAND. He said, "Are there better ways to run the logistics arm, the supply chain of the Army?" That analysis includes ammunition plants, depots, arsenals, and so forth—the Army's industrial base. "There's been a lot of discussion about privatizing ammunition plants, for example," he said.

## Lawmakers, Unions Not Convinced

White emphasized that the Army will consult with Congress throughout the process. He will need to, because there are complaints that the Army has been less than forthcoming with lawmakers about its plans. A spokesman from the office of Sen. Richard Shelby (R-Ala.) confirmed to *EIR* that privatization plans outside of the A-76 process would require changes to current law, and the Army has not even sent up proposed legislation to Capitol Hill. In addition, Sen. Richard Durbin (D-Ill.) sent an Oct. 29 letter to White, signed by 12 other Senators including Shelby, telling him, "We find it unacceptable for the Army to move to implement the [RAND] study, sell or privatize Federal facilities, and aggressively privatize civilian and military jobs without Congressional oversight and consultation, if that is, in fact, what the Army's action plan would do." The letter further notes that, while White has directed that "action plans" be submitted to him by Nov. 29, for execution of the study's recommendations, Senators and their staffs cannot even get briefings on it. According to Shelby's spokesman, White has yet to respond to the letter.

The labor unions that represent the affected Army civilian employees also are raising serious questions. The American Federation of Government Employees (AFGE) questions the notion, first of all, that private contractors can do it cheaper and better than government employees. One AFGE official noted to *EIR* that government employees are in the field out of loyalty, whereas contractors are in it for the money, and not likely to put in the same quality, for the same money, and still make a profit. Secondly, there is the issue of contract employees in or near a combat zone. During the 1990-91 Operation Desert Shield/Desert Storm, the Anniston Army Depot, in Alabama, sent 500 employees to Saudi Arabia to set up a depot. Even after Iraq started shooting Scud missiles, those employees "never budged," as the AFGE official put it. "We're in it because it's our livelihood, because our fathers worked here and taught us how to build artillery, small arms."

A related issue is that of military readiness and security. The Army's depots have a very close relationship with the fielded forces for whom they build the tanks, armored vehicles, small arms and other equipment, and so, are very attuned to the needs of the soldiers. AFGE questions whether contractors would be able to maintain such a relationship, or at that high standard. Anniston, as other depots, also provides storage facilities for some of the Army's nerve and blister chemical warfare agents. Would these stocks be as safe, if security were provided by a contractor?



## **Kolbe, Stenholm Push Social Security Debate**

The White House and Congressional Republicans have hinted that, in the aftermath of the Nov. 5 elections, they may be reordering some of their priorities. White House Chief of Staff Andrew Card indicated, during an appearance on NBC's "Meet the Press" on Nov. 10, that one of those priorities is Social Security reform, which President Bush made the centerpiece of his 2000 election campaign, but all but ignored in 2002. "It's important that we have a debate about Social Security reform," Card said, "but let's first focus on winning the war, securing the homeland, and getting our economy moving." When pressed on whether it could be taken up before the next election, he said, "I'm not sure that it can happen, next year. . . . The President wants to see everyone who is looking for a job be able to have a chance to get a job and, that's where he will be focussing."

Media pundits the following day took that to mean the White House would not pursue Social Security privatization until 2005, but at least two members of Congress do not want to wait that long. Representatives Jim Kolbe (R-Ariz.) and Charles Stenholm (D-Tex.) told reporters on Nov. 12, that Social Security reform cannot wait. Kolbe argued that a number of Republicans who were attacked by their Democratic opponents on Social Security did not lose their elections, which means that "the public does understand that there is a problem. . . . They know it needs to be fixed."

Neither Kolbe nor Stenholm took Card's remarks to mean that the White House wants to wait until 2005. "We've been told by the White House legislative office," he said, "that Social Security does, indeed, remain a priority." Stenholm added that Card had said that homeland security is their

number-one priority for the lame-duck session, and that "nothing he said took Social Security reform off the table."

## **Logjam on Homeland Security May Be Broken**

News reports on the morning of Nov. 13 indicated that a compromise was near on the bill to create a Department of Homeland Security. The deal, which Senators John Breaux (D-La.), Ben Nelson (D-Neb.), and Lincoln Chaffee (R-R.I.) signed on to the previous evening, would essentially give President Bush all the authority he has been seeking to override civil service rules for employees in the new department, but would slow down the process by giving government employee unions and Congress time to respond to proposed changes before they would take effect. Bush has been making a renewed push for the bill since the Nov. 5 election.

Other legislation left over from before the elections remains stalled. Outgoing House Republican Conference Chairman J.C. Watts (R-Okla.) told reporters after a meeting at the White House on Nov. 12, that the terrorism insurance bill probably would not be passed in the lame-duck session, and the appropriations bills will be put off until Jan. 7, with another continuing resolution. Other bills remaining on the agenda include bankruptcy reform and the energy bill.

## **War Issue Divides House Democrats**

The entrance of Rep. Harold Ford (D-Tenn.) into the race to replace Rep. Richard Gephardt (D-Mo.) as House Minority Leader sharply posed the divide among House Democrats over possible war with Iraq. The issue was

referred to by Martin Frost (D-Tex.), who told reporters on Nov. 7, that if Democrats try to make foreign policy the overriding political issue, "we will lose, because the country is with the President on that issue." Rep. John Conyers (D-Mich.) took the exact opposite viewpoint: "I don't think anybody's going to become the next Minority Leader of the Democrats that wants to go along with Bush on the war."

Because Conyers put the issue on the table, Ford has been forced to defend his vote for the Iraq war resolution, which Minority Leader Gephardt, in a deal with the White House in early October, had decided not to oppose. Ford, who spoke shortly after Conyers did, claimed that the unanimous vote in the UN Security Council, a few hours before, on a new resolution for the weapons inspectors to return to Iraq, "was a victory for those of us who supported" the resolution.

Meanwhile, Frost's withdrawal from the race for the leadership of the House Democrats cleared the way for Nancy Pelosi (D-Calif.) to win that position, Ford's bid notwithstanding. On Nov. 8, Pelosi released the names of 105 House Democrats, who she said had committed to support her. "In addition to that," she said, "I had a large number of private commitments that gave me a huge majority of the House Democrats."

In Pelosi's case, her liberalism, rather than her vote against the war resolution, is the issue that has been raised against her. Pelosi explained that the majority of the caucus chose her "as a person who can lead the caucus to victory, as a person who can build coalitions among various sectors of our caucus, a person who respects the differing points of view within our caucus." The House Democrats formally choose their leadership on Nov. 14.

## Editorial

### *Your Clergyman, Congressman a Moonie?*

Is your priest, your minister, your imam, or your rabbi, a Moonie? Is your U.S. Congressman or Senator a Moonie? Lyndon LaRouche has posed that question in a leaflet currently in mass circulation, and we continue to pry open the most protected and culturally dangerous bribery and corruption operations in the United States. The Moonies, through front groups that take seven single-spaced pages to list, are spreading literally billions of dollars a year in offshore laundered money—sometimes followed by offers of sexual favors—to buy off American politicians, religious leaders, former civil rights activists, and other constituency leaders.

Just last week, Sen. Joseph Lieberman (D-Conn.), for example, got an “anti-communism” award from a Moon front group at a Washington banquet. If you thought the Iran-Contra affair or the so-called “China-gate” scandal was a big deal, you will be shocked to learn about “Moongate,” the scandal that the entire American Establishment media has systematically covered up.

Moon’s “theology” is outright Satanic. Moon, in scores of published locations, declares himself to be the “True Parent,” chosen by God to complete the failed mission of Jesus Christ, who was crucified before he could take a wife and father a new super-race of human beings free from original sin. Moon’s now-notorious mass-marriage ceremonies claim to be the launching of precisely this new super-race, with Reverend and Mrs. Moon as the “True Parents.” This kind of “super-race” ideology comes right out of the pages of Friedrich Nietzsche and Adolf Hitler.

In the 1980s, money from Moonie front groups, like CAUSA, bankrolled two of the biggest narco-coups in memory: the 1980 “Cocaine Colonels coup” in Bolivia, and the military takeover of Honduras by a group of generals and colonels who would later be prosecuted by the U.S. Justice Department for smuggling \$10 million of cocaine into the United States.

All of these Moonie links to the South and Central American narco-terror apparatus were established in close collusion with the radical right-wing circles of

Prime Minister Ariel Sharon in Israel.

In the 1990s, Moonie cash and sex bought up control over the entire so-called “Christian Zionist” apparatus, beginning with the not-so Reverend Jerry Falwell, who ripped off his own supporters for a reported \$73 million, and then went onto the Moonie payroll. Other leading so-called Christian rightists, from Gary Bauer, to Tim and Beverley LaHaye, to Pat Robertson, and America’s own “Cocaine Colonel” Oliver North, have all grovelled for Moonie cash.

Yet, despite this long-standing association with the most rabid radical rightists in America, Moon has also succeeded, recently, in spreading his dirty money all over the African-American and Muslim-American communities. In 2001, Moon went on a 52-city tour of the United States, during which, he was hosted, at every stop along the way, by leading African-American clerics, who were, in many cases, bought off by gold watches and money. Moon’s operators, like Rev. Michael Jenkins, who runs the Moon church in America, have similarly penetrated the Islamic community—always “failing” to inform their unsuspecting targets that Moon is in bed with the same Jerry Falwell, who recently denounced the Prophet Mohammed as “a terrorist,” on CBS News’ “60 Minutes” program.

With the U.S. economy already in the throes of a depression, the Moon cult is serving a bankrupt Anglo-American financier oligarchy as a kind of killer virus, spreading corruption and perversion into every level of the religious and political community in America, to stifle any effective organized alternative to the accelerating collapse.

Political leadership in a time of grave crisis, like the present, requires men and women possessed of great moral courage—the kind of moral courage that rejects the offerings of a Satanic lunatic like Moon and his right-wing spook controllers. LaRouche is demanding that the U.S. Congress and the Executive Branch launch a full-scale cleanup of this Moonie poison. If you doubt how extensive this corrupt operation is, ask some questions of local leaders—and then back LaRouche’s demand.

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