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Shanghai's Maglev: Revolutionary Step for Eurasia
Sharon, Mafia Allies Plot Israel Election Theft
U.S. Household Credit Bubble Set to Explode

**LaRouche on January 2003:
Weeks of Crisis and Promise**



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From the Associate Editor

We enter the new year—*EIR*'s 30th year of publication—at a unique moment in history. The promise and opportunity of 2003 are illustrated by our cover photo: the breakthrough in maglev technology secured in Shanghai, thanks to the dedicated efforts of Chinese and German political leaders, engineers, and workers, and thanks to more than a decade of organizing by the LaRouche movement. This opens the way to the construction of what Lyndon LaRouche has called “infrastructure corridors” of Eurasian high-technology development, from Pusan to Rotterdam, and then spanning the continents to the Mideast, Africa, and into the Western Hemisphere.

But on the other hand, a catastrophic economic crisis is upon us, as LaRouche forecast. Even the U.S. Department of Labor has announced that it will stop publishing monthly reports on layoffs, for lack of money! The dollar is collapsing, and the whole dollar-based global financial system will plummet, during the first weeks of the new year. The airlines are bankrupt, consumers are buried in debt, and U.S. cities and states face fiscal catastrophe.

LaRouche's New Year's Day message, “The Weeks of Crisis Before Us,” published in this issue, will be issued as a mass-circulation item in 1 million copies. It tells you and your government representatives what you and they need to know, about what to do in this immediate time of crisis. In LaRouche's Jan. 28 webcast, “The State of the Union: Now, Two Years Later,” the world's best economic forecaster will deliver another history-making analysis of what lies ahead, and what the tasks of leadership are in this period.

In this issue, we feature the strategic briefings given by Lyndon and Helga LaRouche in Berlin on Dec. 18—the latest in a rapid-fire series of interventions they have made around the world, from Italy, to France, to Hungary, and—by telephone—to Peru. Expect more surprises to come.

At the top of LaRouche's agenda for the new year is the expansion of the international LaRouche Youth Movement. To this end, the author is preparing a new pedagogical document, titled “Reviewing an Original Discovery: Believing Is Not Necessarily Knowing.” *EIR* will bring this to you as soon as possible (and you don't have to be between the ages of 18 and 25 to enjoy it!).

Susan Welsh

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The Weeks of Crisis Before Us

by Lyndon H. LaRouche, Jr.

This statement was released by the LaRouche in 2004 Presidential campaign committee on January 1, 2003.

We have reached the point at which the institutions of the states of the Americas and Europe will either end their hysterical denials of economic reality, or those nations which have not already plunged into an already accelerating process of disintegration will begin to do so very soon. The statistic left hanging on the drooping Christmas trees sends a simple, plain message. The world in general has now been plunged already into the greatest economic depression since 1929-1932. Up to now, the Congress and Presidency have shown no interest in any actually competent measures for dealing with that reality.

This present world depression was no surprise to me, nor to anyone who paid attention to my published record as the world's most successful long-range economic forecaster. The fact is, we could have stopped it at any time during the past thirty-five years, had we chosen to do so. Unfortunately, none of the Congresses or Presidencies of the past thirty-odd years have chosen to do so. So, because of that indifference to economic reality, the present world depression was allowed to happen. Now, it has arrived on the Congress' and President's doorstep.

So, all of the principal causes leading into this depression have been well known over more than thirty years. It should be emphasized here, once more, that I am personally on record as warning publicly of each step toward this crisis, and have been consistently right in every forecast which I have detailed, prior to 1971, in the course of the 1976 Presidential election campaigns, and the campaigns of 1980, 1984, 1988, 1992, 1996, and in 2000. At any point my warnings had been heeded, even as late as January-February 2000, the continuing march toward collapse could have been halted and reversed.

The question now, is whether people have finally learned their lesson. Have the members of the incoming Congress learned their lesson? Has the President learned this lesson? Are they willing to change, while they still can?

So, now, between this month's opening session of the U.S. Congress and about January 29th, the credibility of the present major national parties' leadership, the Congress, and U.S. Presidency will be put to an awful test of their fitness to lead this republic. Here, in this summary report to you, and to the President and Congress, I point to the nature of the crises those institutions of government must face during the present month. On January 28th, when I shall deliver my own "state of the union" webcast, I shall be able to tell you how those institutions have performed in the meantime.

Under the reforms begun by President Franklin Roosevelt, until the assassination of President John Kennedy, the U.S. had risen from the Great Depression created by Presidents Coolidge's and Hoover's misleadership, to become the world's leading producer nation, and its greatest national power. Then, from about the time of the official launching of the U.S. war in Indo-China and the inauguration of the first Harold Wilson government of the United Kingdom, the so-called Anglo-American powers, have transformed the most powerful and prosperous nation of this planet, our own, from a producer society, into an increasingly decadent form of "post-industrial," consumer society, while destroying our own family farms and industrial employment, and while looting the cheap labor and raw materials extracted from the relatively poorer populations of the world.

Our republic's government led a 1971-1972 change, from a fixed-exchange-rate to a floating-exchange-rate form of world monetary-financial system. This change was aggravated by catastrophic measures of deregulation launched over the 1971-1981 interval, producing a state of affairs in Europe,



It is in the most vital strategic interest of the United States, that Eurasian cooperation go forward, and that we increase our role as Transpacific partners to promote such long-term development. Here, President George W. Bush and South Korean President Kim Dae-jung, in Seoul in February 2002. Inset: LaRouche campaign organizers in Washington, D.C.'s Chinatown, Dec. 30, 2002.

throughout the Americas, and beyond, which transformed the world economy of the 1946-1964 interval, from one which had been formerly subject to risks of manageable cyclical economic crises, into a form of world economy gripped by accelerating descent into what has become now a terminal, or systemic economic crisis of the presently bankrupt world monetary-financial system.

The perilous conditions of the U.S. water-management, rail and air mass-transport, power, pension, and health-care systems, are typical of the extent of the physical breakdown of a U.S. economy being looted to the breaking-point by the orgy of monetary hoaxes and financial-market speculation orchestrated under our present, decadent Federal Reserve System. This Christmas, as the railway conductor used to tell the passengers when the trains still ran, we reached the end of the line.

Solutions Exist

There are actions which could and must be taken by the U.S. Federal government, to deal successfully with both the present world economic crises and also the diplomatic “hot-spots” of today’s world. The key to the control of the economic crises, is simply to return to the kind of economic thinking and practice of the 1933-1964 interval, and scrap the fads of “post-industrial consumerism” which have rotted out the nation since the period of the 1964-1972 Indo-China war.

This month’s big question is this. Are the present White House and leaders of the Congress in such a state of drugged-like mental dependency on policy-shaping habits of the recent thirty-odd years, that they would rather let our nation die of an “overdose” of those acquired habits, than accept the obvious policy changes which must now be made? The month of January may or may not be the last chance for them to come to their senses, or nearly the last. What the Congress and President do, or fail to do, during this month may not be the last chance to save the world from a spin into the depths of a world depression, but no sane person would choose to risk that chance.

Meanwhile, in some parts of the Eurasian continent, an impressive first step toward a possible worldwide economic recovery was begun with German Chancellor Gerhard Schröder’s history-making year-end visit to Shanghai, China. The world’s most modern and efficient mass-transport passenger system, the German Transrapid design, became operational between Shanghai and its airport, with the German Chancellor and China’s Prime Minister Zhu Rongji riding comfortably seated, at speeds of greater than 400 kilometers per hour. This event could prove to be the beginning of a long ride to prosperity for the world at large.

The technology-sharing arrangement between Germany and China is part of an emerging commitment to general economic recovery throughout most of the Eurasia continent.

This prospect of recovery intersects the combined effect of three proposals which my wife and I, and our collaborators,

presented to numerous governments of the world over the course of the years 1988-2002. These proposals all focussed on using the occasion of the breakdown of the Soviet system for developing a new form of economic-development cooperation throughout the Eurasia continent. Since 1992, these proposals have centered around the concept of a Eurasian Land-Bridge-corridor development, and since September 1998, the establishment of a "Strategic Triangle" agreement, among Russia, China, and India to create the framework of multinational cooperation among the nations of Asia for large-scale, long-term economic-development cooperation with the nations of Western and Central Europe.

The U.S. Congress and President must study the following connections within Eurasia very carefully.

Western continental Europe has now been dragged into the same, present world financial collapse which is presently hitting the U.S.A., its Federal states and municipalities. The recent official collapse of the value of the U.S. dollar by nearly 20%, was not a reflection of competition between Europe and the U.S.A.; it was a reflection of the presently accelerating collapse of the present world monetary-financial system as a whole, the dollar-denominated world monetary-financial system. One need only consider the scale of financial claims, from around the world, which are denominated in the dollar-system, to see the connections. If the dollar goes, the world monetary-financial system goes.

Things must be changed radically. There are solutions.

The characteristic feature of the keystone economies of Western continental Europe, is the export-oriented economy of Germany, followed closely by those of Italy and France. However, the high export-ratios of these three economies are almost as much a reflection of the presently accelerating collapse of those countries' internal economies as the relative success of their export potential. As Germany's Chancellor Schröder indicated during his recent televised address to the population, long-term cooperation in technology-sharing between Germany and Asia is the only economic program in sight which can lift Western and Central Europe out of its present plunge into a deep depression.

The basis for the Chancellor's optimistic outlook for cooperation with Asia, is to be sampled in the effects of the recent revival of the Strategic Triangle proposal delivered to Delhi in 1998 by then Russian Prime Minister Primakov. Cooperation among Japan, Russia, China, and the Koreans, toward reopening the rail routes across Asia, through China and Siberia, to the port of Rotterdam, is typical. The recent Asia conference on Mekong River Basin development, which India's Prime Minister attended, is typical of the great hopeful effort for these large-scale forms of cooperation within Asia. The new Transrapid link between Shanghai and its airport, typifies the link to large-scale new forms of economic cooperation between Europe and Asia.

It is in the most vital strategic interest of the United States

that these forms of Eurasian cooperation go forward, and that we increase our role as Transpacific partners contributing to the success of these measures for long-term growth. Our diplomacy, in Asia, including the Middle East, should be a servant to those hopeful perspectives for durable, peace-promoting cooperation in such long-term development.

The Crucial Economic Action To Be Taken

What we need, to make those new forms of expanded economic cooperation and diplomacy work, is to put the presently bankrupt world monetary-financial system into bankruptcy reorganization. This means that the most relevant among sovereign nations' governments must act in concert to put relevant central banking systems and the International Monetary Fund into a form of receivership for bankruptcy-reorganization.

Unless that is done, the efforts at debt-collection by monetary-financial agencies will do to the world what the mid-Fourteenth-Century collapse of the Venice-controlled Lombard banking system of the Bardi, Peruzzi, et al. did in wiping half of the parishes of Europe from the map, and one-third of the population, during that century's so-called "New Dark Age." To allow some similar development to proceed, again, today, would be a clear-cut crime against humanity by all responsible for the relevant, culpable decisions.

Such emergency action requires reference to study of relevant precedents. The U.S.-led 1946-1958 economic recovery under the Franklin Roosevelt-shaped Bretton Woods design, is the relevant model for study of principles to be used for the needed emergency action by a concert of governments today.

Although it was Roosevelt's, not Keynes' conception of a gold-reserve-based, fixed-exchange-rate monetary system, which is required for these present circumstances, in which the credibility of "independent central banking systems" is doubtful, the U.S. is not the economic power it was two generations ago. Agreement by a concert of powers were needed for establishing the needed reform of the international monetary system. The discussion of these leading technical matters should be proceeding among governments now.

In the present national economic emergency, it is important that Americans in particular understand the fundamental, organic difference between the economic system established by the circles of our Benjamin Franklin and the political and monetary systems of Europe. European states today are chiefly dominated by relatively defective, parliamentary forms of government which are modelled upon the Eighteenth-Century Anglo-Dutch liberal design, a Venice-styled model which was set up in the interest of the Dutch and British East India Companies' financier interests. Under that model, central banking systems representing such a concert of financier interests exert more or less great veto powers over not only the policies, but continued existence of parliamentary governments.

Under the U.S. Federal Constitution, and its constitutionally supreme Preamble, the nation is the perfect sovereign, such that government centered in the Executive, acts, with consent of the legislature, to create and control national debt, credit, and the rules governing the monetary and financial practice of the nation. Such are the features of what Friedrich List described as the American System of national economy, which Treasury Secretary Hamilton described as the American System of political-economy.

Despite the Federal Reserve Act dubiously designed by Manhattan agents of Britain's King Edward VII, the clear intent of the Federal Constitution persists, waiting to be re-awakened. Notably, when sovereign states, whether the U.S.A., Europe, or elsewhere, are required by sheer force of circumstances, and by natural law, to place so-called "independent central banking systems" in receivership, the relevant government is compelled by that circumstance to assume the kind of role in national banking consistent with the U.S. Constitution and the opinions of Hamilton and List.

In practice, today, the powers reserved to the Federal government by our Constitution and our history, require Federal actions in those urgent matters on which the states and their counties and municipalities are not allowed to act. Therefore, under our present Constitution, there is no hope for a sustainable recovery of the U.S.A. from the presently spiralling economic and monetary-financial collapse, unless the Federal government creates the needed new credit and regulatory authorities by aid of which the states are enabled to escape the virtual bankruptcy-collapse which now immediately imperils nearly all of them.

The first-steps required, to this and related effects, during the month of January, are essential for the U.S.A. itself. Yet, such actions by our Federal government now, will unleash the needed chain-reaction effect needed for joint anti-depression acts with our partners in Europe and the Americas as a whole. That cooperation will also provide the means for ending the rampage of genocide now reigning over Sub-Saharan Africa.

Diplomacy for Peace

There is no competent reason for the U.S. to continue its currently aversive policies toward Iraq or North Korea, nor to continue to regard the gangster-ridden present Sharon government of Israel, or Netanyahu's candidacy, as anything different than which superabundant evidence of thuggery shows it to be. The U.S. has relatively great power, both in its own right, and, additionally, through its legitimate and other strong influence upon governments around the world. I wish our government would learn, as most recent administrations have usually not, that the very idea of strategic dogmas of national rivalry based on the misanthropic doctrines of Hobbes, Locke, Gibbon, and Bentham, is to diplomacy what syphilis is to marriage.

The objective of the foreign policy of the U.S.A. must be

an extension of the policy which then Secretary of State John Quincy Adams presented as the premise for the composition of the 1823 Monroe Doctrine. Our global strategic objective must continue to be war-avoidance motivated by an overriding continuing devotion to the emergence of a community of principle among perfectly sovereign nation-states. That principle is set forth as the supreme law implicit in the 1776 Declaration of Independence's adoption of Gottfried Leibniz's explicitly anti-Locke "pursuit of happiness," and the same notion embedded as supreme constitutional law of our republic, the general welfare principle, in the Preamble of our Federal Constitution.

Take the case of North Korea.

Presently, cooperation in economic development between the respectively sovereign portions of Korea is a matter of vital interest to all Eurasian states gathered around the Russia-China-India Strategic Triangle. These include the Koreans, Japan, China, and Russia. They include the nations of South-east Asia. They include India, and implicitly the other nations of South Asia. The stability and progress of this cooperation is of vital interest to a depression-wracked Europe, and is a critical environmental factor in the strategic cross-roads region known as the Middle East. Any agency which threatens the fabric of that needed cooperation will be confronted by all.

In the region of Asia in and around the Korean Peninsula, the U.S.A. has relatively great power at its disposal, and enjoys the complementary advantage of the points of common interest among the nations of the region. Proper U.S. policy is to transform the interests so represented into the force of constructive diplomacy.

The situation with Iraq is comparable. The influence of the U.S.A. and its available partners in the Middle East, is enormous. Why waste, or even ruin that region, with ventures which any astute diplomat would avoid?

The truth of the matter is that, within the English-speaking powers of the world, a certain circle of fanatics has been built up around a group called the "utopians." These are so-called because they were brought together as a powerful faction around the utopian ideas of British intelligence interests' H.G. Wells and the Bertrand Russell of "peace and world government through preventive nuclear war." The homicidal lunacy typical of utopians, such as Bernard Lewis, Zbigniew Brzezinski, and Samuel P. Huntington, has made such utopian causes popular among certain like-minded so-called think-tanks, such as RAND Corporation. The principal danger of war in the world today is to be traced to the influence of fanatics of this or analogous types who may be attractive to eccentric utopian-minded publishers such as Rupert Murdoch and Conrad Black.

Starting the needless wars promoted by utopian fanatics, and turning the U.S.A. or other nations into police-states as part of a utopian sort of pro-war hysteria, is the quickest route toward losing the very freedom we profess we defend.

Shanghai's Maglev Launched: Revolutionary Step for Eurasia

by Rainer Apel

As the old year ended, the 21st Century was launched in rail transportation, in a cooperation between Germany and China which points toward the development of the Eurasian Land-Bridges. One of two 31-kilometer (20-mile) tracks of the world's first magnetic levitation railroad line, between Shanghai's Long Yang station and the international airport at Pudong, was officially inaugurated on Dec. 31 at 10:10 a.m. local time. The launching ceremony was attended by Chinese Prime Minister Zhu Rongji, German Chancellor Gerhard Schröder, numerous Cabinet ministers from either side, and leading industry and scientific representatives from China and Germany.

The maiden voyage of the "maglev" was applauded by a jubilant crowd of Chinese along the entire track, as uncontested evidence that with this first commercial maglev route in the world, China has achieved the number-one rank of the world's nations in, not only land transportation investment, but 21st-Century railroad technology.

China's Xinhua news agency characterized the first trip as a "flight," which "sped off, quickly disappearing into the morning mist," and spoke of the realization of "the traditional, long-aspired-to dream of Chinese philosophers, to be able to run with the wind." Zhu stressed the "miracle" construction of the line in just over a year, and noted that the maglev's energy consumption is only about one-fourth that of aircraft for comparable capacity and even speed.

Ekkehard Schulz and Heinrich von Pierer, chairmen of the Thyssen-Krupp and Siemens firms leading the German industrial consortium that is manufacturing the Transrapid maglev train system, stated their pride that German technology has been able to make this breakthrough to commercial maglev transport, in China. "With the construction of this Transrapid stretch in record time [23 months], we have proven that top achievements in technology can be made even in a complex great project," von Pierer said. "We are very confident that we can fulfill our commitment to make the route ready for full commercial use in time." The second line of the project will be completed by the end of 2003, so that from 2004 on, regular transfer in both directions at 10-minute intervals will be possible. "A new era of transport

by train begins," said Schulz. "I am sure that not only Germany, but also many other countries will follow the Chinese model, now."

With the first phase of full commercial operation starting in 2004, the Shanghai-Pudong maglev train will be able to transfer 10 million passengers annually, and 20 million by 2010, at the time of the World's Fair taking place in Shanghai that year.

More Maglev Routes Planned

German Transport Minister Manfred Stolpe, who also took part in the maiden voyage, told the press afterwards that Zhu Rongji had assured him of 300 kilometers (200 miles) more of maglev projects in the Shanghai region and between Shanghai and Zhejiang (about 200 kilometers to the south) to be built in the coming years. Detailed agreements on those projects still have to be worked out and signed by China and Germany.

Apart from being a spark for the realization of 21st-Century transport technology throughout the rest of China, the maglev's maiden voyage in Shanghai will also remoralize all those Germans who have—so far with no success—campaigns for commercial maglev routes to be built in Germany. A grand maglev project that would have connected Germany's two biggest cities—Berlin and Hamburg—was scrapped three years ago, under the impact of insane Maastricht "Stability Pact" budget-balancing, which prevented the German government from granting an additional mere \$1.5 billion to secure the construction of that 280-kilometer project. The government opted, instead, for two "alternate" regional projects of 78 and 34 kilometers, respectively, between Düsseldorf and Dortmund, and between Munich and its international airport. But these also have not moved yet—for the same reason of tight money policy.

Now, with the entire German nation having enthusiastically watched the Chancellor's Dec. 31 maiden voyage, it is certain that the question when Germany will finally enter the era of commercial maglev transport, will be posed more forcefully than ever before.

Many people in Germany and abroad have come to be-



China's Prime Minister Zhu Rongji points out the Transrapid magnetic-levitation train's velocity display to German Chancellor Gerhard Schröder, on its New Year's Eve maiden trip from downtown Shanghai to Pudong Airport. The "maglev" reaches 215 mph on this, the world's first such rail line. Schröder's message spoke of Germany's contribution to international stability and development with its technological skill used for building at home and across Eurasia.

lieve that even if the funds were secured, it were virtually impossible to complete such a technologically ambitious project in Germany, because of bureaucracy and "environmentalist" sabotage; but recent Elbe River floods showed this to be untrue. A crucial railway bridge at Eilenburg, in the eastern German state of Saxony whose infrastructure has been devastated by the big August 2002 floods, was partially rebuilt within only 36 hours! The restored section of that bridge again allows one-line transfer between the cities of Leipzig and Dresden. The Eilenburg project worked because the German government had decreed that flood-devastated regions could be rebuilt in record time, bypassing the usual bureaucratic and extreme ecologist procedures. After removing the destroyed old railway bridge, engineers from all parts of Germany formed a crash project team that restored half of the bridge with prefabricated components "overnight." The example shows what is possible when aspects of military engineering are applied in the civilian economy.

An 'Army Corps' Engineering Approach

This was the secret of the Shanghai maglev line: There, the chief engineer of the project, known as "Commander Wu," organized the work in three rotating shifts, with military-like discipline; the entire 20-mile maglev track from Shanghai to Pudong—each mile requiring nearly 5,000 tons and several different types of steel, with changing girder lengths and shapes and very precise tolerances—was completed between February 2001 and December 2002. The track was essentially ready by September 2002, after which two additional months

were taken to conduct the concluding technical tests.

With that approach, one can forecast that those additional 300 kilometers of maglev projects discussed on the maiden voyage, will be completed, not in 10 times the period needed for the 31 kilometers Shanghai-to-Pudong, but in the same time. Led by chief engineers like Commander Wu, crews will begin work along the entire 300 kilometers of new maglev routes simultaneously, and complete their stretches all at once. It could be done in Germany, as well—it just has to be done.

Chancellor Schröder delivered his traditional New Year's Eve address to the German people from China, and pronounced, "On this day of New Year's Eve, we have inaugurated the Transrapid: a technology of the future, developed here in Germany. . . . We here in Germany have

everything required to have success. But we must also want that success. Nobody must block or hinder it. Everybody should march ahead with his own potentials, to make the whole thing progress. Worldwide, not just in the ascending . . . markets of Asia, the people are counting on Germany. They count on our economic power and on our ingenuity. And, they trust in our contribution to stability and to the peaceful development of the world." Schröder seemed to reflect what Helga Zepp-LaRouche had advised him to say (and do), in her nationally-circulated "Open Letter to the Chancellor," 10 weeks ago.

The breakthrough of the Shanghai project—which, prior to the signing of the Chinese-German contract in January 2001, most people would not have been able to even imagine—also reflects the immense campaigning invested in Germany, in China, and in many other countries, by the movement of U.S. Presidential candidate Lyndon LaRouche, on behalf of such a pilot technology venture. From his 1990-91 "Productive Triangle" proposal, Helga Zepp-LaRouche's "New Silk Road" campaigning from China to the Mideast during the 1990s, through the Eurasian Land-Bridge and "Strategic Triangle" (China-India-Russia) policies, the LaRouches have urged governments of Europe, Russia, South and East Asia, to make a bold step out of the ailing world monetarist system of the late 20th Century, towards the productive world economy of the 21st Century, with pioneer technologies like the maglev train.

The transfer of people and commodities across the land mass of Eurasia, from the West Coast of Europe to the

East Coast of Russia and China, should be done on maglev trains which would travel at speeds twice or thrice those of the fastest conventional trains that existed at the end of the 20th Century. Being able to travel comfortably on land with almost the speed and smoothness of an aircraft, is made possible by maglev trains of the kind that Germany has developed with its Transrapid system. This revolution in transport technology is possible, because the maglev train does not run on wheels, but is elevated by a magnetic field created between the track and the train. The train itself is then moved forward by a second magnetic impulse that propels the system against the track's own field.

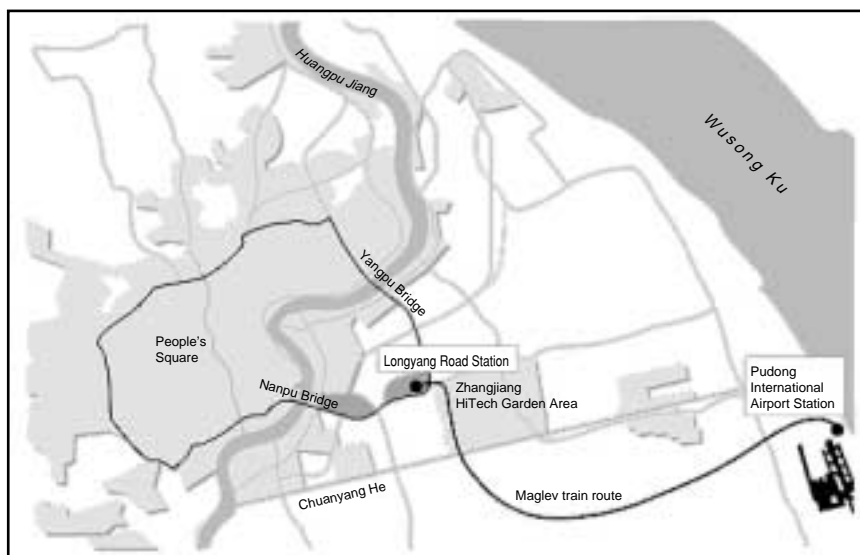
As the technology develops, higher speeds than the 430 kilometers (260 miles) per hour reached by the Shanghai maglev, will soon be possible. The track of the Shanghai-Pudong maglev train has been built in such a solid way, that it will allow trains travelling at speeds well above the current 260 miles/hour. The plant near Pudong that manufactured the 2,600 pylons for the 31 kilometers of maglev track, is of a size that cannot be explained just by the need to produce for this one project. Several future maglev projects of this kind can be carried out with pylons produced at that plant.

The perspective for a broader maglev future is already there, undoubtedly. And that future will be a common Chinese-German one: Disembarking from the maglev train after the spectacular maiden voyage, the German Chancellor spoke of "technology transfer" from Germany, and of the fact that "this would be fair, and it would benefit the other nations."

Manufacture Shifting to China

Indeed, it is generally expected that future maglev projects in China will be carried out by Germans and Chinese working as equal partners. For the Shanghai-Pudong project, Germans provided the Transrapid trains and many of the electrotechnical components, whereas the Chinese built the track, the stations, and some electro-technical equipment. Chinese engineers contributed im-

FIGURE 1
Shanghai-Pudong Maglev railroad Opens



Source: Transrapid.



The world's first "maglev" train leaves Shanghai on Dec. 31, 2002. The maps show the Shanghai route to Pudong Airport, and the longer projected maglev lines being planned by China and Germany, whose Siemens and ThyssenKrupp firms developed the Transrapid technology. On board speedometer (inset) shows the 260 mph speed reached by the train.

mensely, to make an acceleration of the project possible with new construction methods. In the future, more and more, if not all, of the maglev trains will be manufactured in China itself. And, maglev experts on the German and Chinese side have already portrayed a future in which maglev trains will be built throughout Asia, and worldwide,

FIGURE 2

Planned Maglev Projects in China



Source: Transrapid.

by Chinese-German consortia.

It cannot be ruled out, that once the maglev train goes into a commercial era also in Germany, the projects there will be carried out by a similar consortium from the two countries. There is no reason for Germans, the developers of the new technology, to be annoyed by that: Mankind as a whole, and its giant infrastructure needs, are just too big for Germany alone. Together with China, and with other nations joining in the coming years, the job of providing mankind with an infrastructure that is up to the requirements of the 21st Century, can be done within a timeframe of two or three generations.

The children who have been able to watch this maglev maiden voyage on their family TV sets, will be able to travel, as grandparents, to any place in the world, by similar and even faster trains.

American Air Transport Grid Is Disappearing

by Anita Gallagher

“We are losing our rail system, the last vestige of it. We are also in the process of crippling, and virtually destroying, our air-traffic system. If this were to occur . . . then the United States ceases to be an integrated nation. . . . It is no longer a unified, efficient national economy.”

In the Aug. 24, 2002 webcast in which he made that warning, Presidential pre-candidate Lyndon LaRouche called for a national mandate in the November 2002 elections, for an “Emergency November Program,” to rebuild and reregulate the rail and air transportation systems.

The American people having failed to act, the problem is back on the agenda of President Bush and the 108th Congress with renewed force. Tables of air-traffic activity, and reductions of long-distance train routes, show the destruction LaRouche spoke of. All the legislation relating to air, rail, and highways is up for Congressional review this year.

The bankruptcy proceedings of United Airlines, the second-largest airline in the nation, and U.S. Airways, the seventh-largest, are showing the way to the nullification of the collective bargaining agreements of all air transport unions. On Jan. 8, four of United’s six unions will vote on union-recommended giveback packages ranging from 9-29%. If they approve, a 13% pay cut will be imposed on the International Association of Machinists (IAM) employees. On Dec. 27, United filed an 1113(e) motion, demanding immediate interim wage reductions from all unions to meet the “monthly milestone” cost-reduction targets set by the four banks that are its Debtors-in-Possession. United’s brief stated that if the targets were not met, United would be liquidated.

Signalling that these cuts will solve nothing, United issued a press release on Dec. 30 announcing that “significant” layoffs soon were likely. The same vise is being used on U.S. Airways, whose Debtor-in-Possession, Retirement Systems of Alabama—which itself lost money on its own stock and bond investments last year—threatened to liquidate U.S. Airways unless it agreed to \$200 million more in givebacks. U.S. Airways’ IAM negotiators recommended acceptance, and the mechanics will vote on Jan. 10.

The Collapse Is On

But, beneath the news of day-to-day threats and layoffs, the passenger air grid is now collapsing, from the 31 “large hub” airports which handle 75% of all enplanements in the United States, to a “small hub” like Harlingen, Texas, which

TABLE 1

Shrinkage at Some Large Hub Airports, 2001-2002

Airport	Flights Lost		Available Seats Lost	
	Weekly	%Weekly	Weekly	%Weekly
Boston Logan	-943	-23%	-77,814	-21%
Los Angeles	-1,239	-20%	-153,064	-21%
Newark	-740	-20%	-81,692	-20%
Washington Dulles	-606	-20%	-42,965	-18%
Miami	-322	-19%	-22,155	-11%
San Francisco	-592	-18%	-103,011	-23%
Orlando	-424	-16%	-42,007	-13%
St. Louis	-635	-14%	-96,734	-20%
Pittsburgh	-573	-14%	-63,442	-19%
Seattle-Tacoma	-450	-13%	-26,142	-7%
Baltimore-Washington	-329	-13%	-22,246	-8%
Tampa	-239	-12%	-17,882	-8%
Washington Reagan	-316	-12%	-57,996	-21%
New York JFK	-210	-12%	-26,169	-12%
New York LaGuardia	-431	-12%	-68,176	-17%
Ft. Lauderdale	-142	-10%	-10,689	-6%

Source: "Missed Connections: Finding Solutions to the Crisis in Air Travel," by Reconnecting America.

A large hub airport is one that handles 1% or more of total air passenger enplanements. The United States currently has 31 airports designated as large hubs.

handles 138 flights per week (see **Tables 1 and 2**). In an exhaustive study of 500 airports released on Dec. 18, a coalition called Reconnecting America has analyzed how many flights have been eliminated every week, comparing Fall 2001 to Fall 2002.

Boston, Los Angeles, San Francisco, Washington Dulles and Newark—all large hubs, handling 1% or more of all the nation's scheduled commercial flights—lost 20% or more of their flights in the past year. The small and medium hub airports, handling 0.05-0.24% and 0.25-0.99% of all national flights, respectively, have been hit even harder. Myrtle Beach, South Carolina; Eugene, Oregon; West Palm Beach, Florida; Bangor, Maine; Raleigh-Durham, North Carolina; and Hilo, Hawaii, have lost more than 25% of their flights in the same period.

Many cities have lost their direct connections with the top ten airport hubs in the United States:

- Boston has eliminated five direct flights, including those to Austin, Texas and Elmira, New York.
- Newark no longer offers direct flights to Houston or Oakland, among other cities.
- Washington Dulles has axed its direct flights to Austin, Mobile, Sacramento, and Akron, and also eliminated important regional service to Lynchburg, Staunton, and Newport News, Virginia, and to Beckley and Bluefield, West Virginia.
- Los Angeles has cut flights to Anchorage, Hartford,

TABLE 2

Small and Medium Hub Airports Hit Hardest, 2001-2002

Airport	Flights Lost		Available Seats Lost	
	Weekly	%Weekly	Weekly	%Weekly
Myrtle Beach AFB	-93	-35.9%	-7,026	-30%
Eugene, Ore.	-77	-31.3%	-4,210	-31%
West Palm Beach	-178	-30.07%	-17,849	-23.88%
Bangor, Me.	-64	-29.2%	-2,114	-23%
Raleigh-Durham	-545	-28.78%	-39,636	-25.37%
Hilo, Hi.	-50	-26.5%	-5,932	-26%
Mobile, Ala.	-48	-25.9%	-3,624	-26%
Palm Springs, Calif.	-74	-24.6%	-2,401	-16%
Rochester, N.Y.	-165	-24.4%	-11,773	-23%
Long Island MacArthur	-100	-23.2%	-3,248	-10%
Kansas City	-427	-21.65%	-44,993	-20.81%
Syracuse	-125	-21.2%	-7,769	-19%
Shreveport, La.	-58	-19.9%	-2,689	-20%
Buffalo	-155	-19.04%	-14,011	-19.18%
Harlingen, Tex.	-25	-18.4%	-1,098	-8%

Source: "Missed Connections: Finding Solutions to the Crisis in Air Travel," by Reconnecting America.

A small hub airport has between 0.05 and 0.24% of all U.S. enplanements; a medium hub has between 0.25 and 0.99%.

Dallas, Tulsa, Omaha, and to Merced, Santa Rosa, and Visalia in California.

- Pittsburgh has eliminated flights to Chattanooga, Cedar Rapids, Saginaw, Chicago Midway, Myrtle Beach, Omaha, Newburgh, New York, and Youngstown, Ohio.

In all, 55 destinations are no longer served by the ten largest hubs. The small and medium hub airports have also cut direct flights, degrading regional grids; e.g., from Raleigh-Durham, one can no longer fly direct to New Bern or Wilmington, North Carolina, or to Columbia or Myrtle Beach, South Carolina. Also, important access to national centers has been cut; Raleigh-Durham no longer offers direct flights to Denver, for example.

The "Reconnecting America" report has also ranked the ten non-hub airports in small markets that have been hit hardest by the reduction in the number of weekly flights. Worcester, Massachusetts lost 66% of its weekly flights, including those offering direct access to New York's JFK Airport, O'Hare in Chicago, and Orlando. Shenandoah Valley Regional Airport in Virginia lost 65% of its flights; Sierra Vista, Arizona lost 63%; Santa Fe lost 62%, including its service to Albuquerque; and so on.

Without the revenue from these lost flights, and with higher security costs, such airports face bankruptcy. Indeed, 21 non-hub airports had lost *all* their scheduled air service as of December 2001—including Youngstown, Ohio; Oneida, New York; and Gary, Indiana.

U.S. Household Credit Bubble Set to Explode

by Richard Freeman

More than half of America's 290 million people, living in every city and hamlet, in every state of the nation, survive day-to-day by virtue of the greatest consumer credit bubble ever created. It is projected that at the end of 2002, American households will have accumulated \$8.38 trillion in household debt—roughly \$80,000 for every American household—of which \$6.04 trillion is mortgage debt, and \$2.34 trillion is consumer credit and other debt.

The means are created to make America borrow: Banks mail out 25 billion credit card offers to Americans every year—an average of 250 offers per household—so they will borrow sizable sums on anywhere from one to ten credit cards; department store chains and supermarkets offer their own credit cards, as well as accepting the bank cards; financial institutions' mortgage lending divisions allow and encourage borrowing against homes, whose sums they know will not be spent on home improvement. Lending conditions are so relaxed that often, the borrower has to provide only the most bare-bones credit information.

The United States dependence on credit is the consequence of a major degradation: Beginning in the mid-1960s, the City of London-Wall Street financier oligarchy imposed upon the United States a post-industrial society policy, which sacrificed America's production in manufacturing, agriculture and infrastructure to a gigantic speculative bubble.

Speaking on Dec. 12 in Budapest, U.S. 2004 Presidential pre-candidate Lyndon LaRouche said, "Prior to 1964-71, the standard of civilization was *production*—the production of the means and conditions for the perpetuation and improvement of human life. We prided ourselves on the idea that the individual should be respected for the useful contribution they made to the needs of humanity—each in their own way. The individual, so seeing himself or herself, had self-respect." LaRouche likened America's shift to a consumer society, to that of ancient Rome: "Toward the end of Rome's Second Punic War, Rome's character shifted . . . from a nation of productive peasants, largely—farmers—to becoming, not a producer society, but a consumer society, without benefit of credit cards! Rome lived, by looting the world it subjugated. . . . And then, Rome itself was destroyed, when Rome turned into an empire."

As a consumer society, the U.S. economy has taken on crucial characteristics of the Roman Empire, employing several of its critical methods to survive. No longer capable of

producing the goods needed for the population's continued survival, the United States resorted to using a rigged, artificially strong dollar, by which the U.S. financial bubble sucked in the needed physical goods in huge volumes from around the world—not only from North Asia and Europe, but from the Mexicos, Bangladeshes, Dominican Republics, the Third World countries where workers are paid very little per day. In 2002, the United States will have imported a record \$470-500 billion more physical goods than it exported.

American households buy large volumes of these goods on credit. *They could not afford to buy them produced by American or other workers paid enough for a good standard of living and health.* This has become painfully obvious this Winter "shopping season," as the celebrated American consumers "spending boom"—all that remains of the U.S. economy—faltered.

\$33 Trillion in Debt To Blow Up

American households also use a tremendous amount of credit in the purchase of homes and cars. In a collapsing U.S. physical economy (steel production is considerably down; machine-tool production is half its level of five years ago), housing and motor vehicles production are two of the economy's only viable sectors. The housing and auto sectors place orders of significant size, through the bill of materials, for other sectors' goods: in the case of auto, for steel (steel production would be much lower were it not for orders from the auto sector), rubber, tin, glass, etc; in the case of housing, for lumber, pre-fabricated products, cement; etc.

In the purchase of imported goods, and the record purchases of housing and cars, much of these purchases on credit represent conspicuous consumption by the upper 20% of the American population, by income; \$1-10 million homes, Cadillac and Lexus cars, etc. For a good part of the other 80% of the U.S. population, by income class, many (but not all) of the purchases on credit, represent something much more fundamental. Since the mid-1960s, the living standards of that lower 80% of income earners have fallen; during the past two decades the rate of fall has been 1-2% per year when measured by actual market baskets of consumer and producer goods, as *EIR* has documented (see for example, "America's Growing Income Gap: There Is No 'Economic Boom,'" *EIR*, Feb. 11, 2000). Many of these households are using credit to offset the loss in their living standards, and to purchase basic necessities like clothing, food, and homes.

Most households in all but the upper 20% income brackets have their home, their car, part of their medical bills, some of their clothes, and so forth, on credit. They juggle with one credit line to pay off another. This process has a limit: the ultimate ability to pay. Household debt has been growing, for the whole economy, by hundreds of billions of dollars per year, and on a household basis, by thousands of dollars per year. Households cannot continue to pay the debt service if their living standard is stagnant or falling 1-2% per year; or

worse, if one of the household's members loses a job. Already, approximately 1.5 million households each year are unable to juggle their books and fall over the edge into personal bankruptcy, defaulting on their consumer debt—and in a small, but increasing number of cases, on their mortgage debt as well. Should the growing unemployment crisis trigger a large number of bankruptcies simultaneously, it will detonate the highly leveraged and unsustainable \$8.38 trillion market in household debt (including its mortgage portion); this will, in turn, implode the total U.S. domestic debt bubble of \$33.2 trillion, of which household debt is a leading component. At that point, the U.S. financial system is shattered beyond repair.

Greenspan Turns on Printing Press

The total U.S. household debt has grown most rapidly since 1995, systematically steered toward that growth by Federal Reserve Board Chairman Alan Greenspan. Greenspan has been desperate during the last five years, in his attempts to prevent the implosion of the world's bankrupt, post-Bretton Woods financial system, which is overhung by \$400 trillion in speculative obligations, led by \$300 trillion in dangerous derivatives bets. To do this, Greenspan has turned on the dollar printing presses full blast, emitting a wall of money, and putting the United States on the path toward the kind of hyperinflationary explosion experienced by the Weimar Republic in Germany in 1923.

Within this geometry, Greenspan has concentrated on attempting to build up mortgage debt and consumer credit. His 12 Federal funds rate cuts in 2001-02 brought that interest rate down to 1.25%, its lowest level in four decades. He has built up the phenomenon of "cash-out refinancing," wherein a homeowner takes out a new mortgage against the artificial increase in his home's market value, and extracts cash from the new mortgage, using a significant portion of it for consumer purchases. Greenspan's actions represent dangerous folly. To prevent the household debt bubble from collapsing, he enlarges it, injecting new debt into it, making the bubble even more unsustainable.

The actual volume of funds pumped into the economy for consumer spending far exceeds the official figures, as we will show.

The precarious nature of the household debt bubble has produced alarm. Stephen Roach, director of global economics for Morgan Stanley investment bank, warned in an article in the Aug. 2, 2002 *Financial Times* that there is "good reason to believe the [real estate] property cycle is about to turn [down]," which would pull the rug out from under the cash-out refinancing gimmick. Furthermore, "U.S. households are still steeped in denial and the imbalances of the 1990s have yet to be fully corrected."

Roach's limited criticism ignores three principal points: 1) that the current crisis goes far beyond a cyclical crisis; it is a breakdown of a greater magnitude than anything that has occurred in the past 500 years; 2) that the household credit expansion has reached a real physical limit at which the debt-

service cannot be paid; and 3) that a solution to this crisis involves, as Lyndon LaRouche has advanced, first putting the bankrupt financial system through Chapter 11 bankruptcy—including much of the debt, which has been inflated by usurious practices.

An effective solution must take into account the emergency nature of the breakdown crisis, and not approach it with mere counter-cyclical measures—such as inflating monetary aggregates—which make the crisis worse. This urgently requires the commencement of LaRouche's proposal to create a New Bretton Woods monetary system, generating large volumes of low-interest, directed credit to replace the collapsed bubble of debt; credit to build development corridors of a Eurasian Land-Bridge, and to direct a Super-TVA, infrastructure-led recovery in the United States.

Post-Industrial Society Creates Debt Bubble

The financier oligarchy's imposition of a "post-industrial society" policy upon the United States in the mid-1960s, generated the hyperbolic growth of U.S. indebtedness over the past 35 years, boosting huge cycles of borrowing by both the productive, and the non-productive sides of the U.S. economy. This policy was not implemented all at once, but rather in phases. President Richard Nixon's Aug. 15, 1971 decision to take the dollar off the gold-reserve standard put an end to the Franklin D. Roosevelt-instituted, relatively successful growth era of the fixed-exchange-rate Bretton Woods system of 1945-68. After 1971, the world was under a floating-rate system, which severed financial flows from production flows. The sending of interest rates into the stratosphere in 1979-80 by Jimmy Carter's Fed Chairman Paul Volcker—reaching a 21.5% prime rate in December 1980—elevated post-industrialism to what Volcker called "controlled disintegration." This permanently wasted America's Midwest and New England industrial belts. The 1981 Kemp-Roth Tax Act and the 1982 Garn-St Germain Act, which deregulated the American banking system, promoted speculative banking flows and real estate speculation.

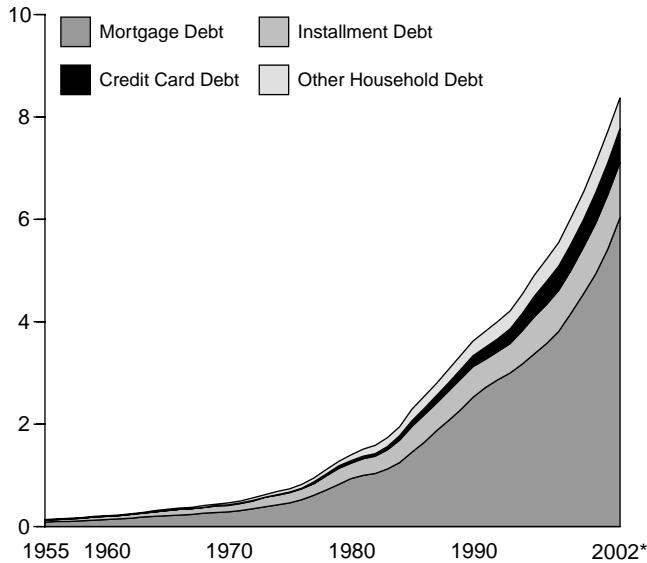
Speculative practices surged, and borrowing for those practices thrived. During the late 1970s through the 1990s, many of the highly speculative corporate buy-outs/acquisitions were financed with record leverage—i.e., debt. The 1990s expansion of the dot-com and telecommunications sectors involved another mountain of debt. On the household side, many households in the upper 20% of incomes used all sorts of debt to buy expensive cars, homes, and luxury goods. Fannie Mae and Freddie Mac floated trillions of dollars of debt to facilitate the sale of homes. Many households used the "cash-out refinancing" of homes gimmick.

The productive side of the U.S. economy ran up much debt as well, often with perilous implications. The progressive depression in the physical economy caused many firms to borrow just to stay alive, and meet such expenses as payrolls. Many small businesses exist by the owner-proprietor borrowing on his credit card and/or against his home to keep the

FIGURE 1

U.S. Household Debt Surges to \$8.4 Trillion

(\$Trillions)

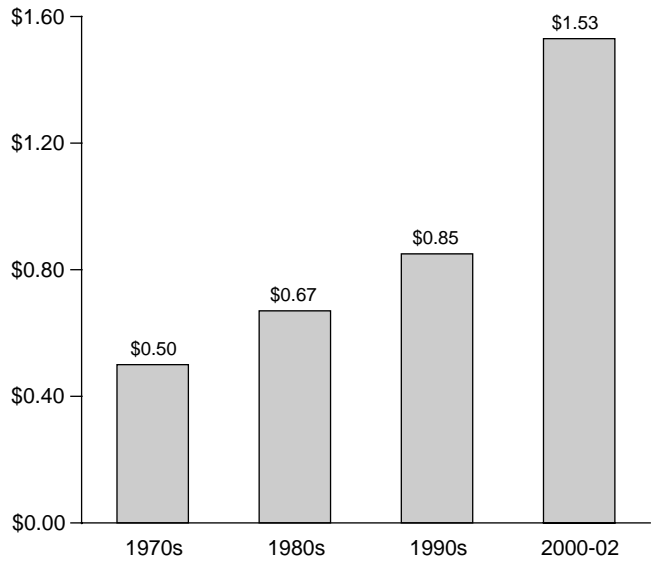


*Projection, based on first three quarters

Sources: Federal Reserve Board of Governors *Flow of Funds*; *EIR*.

FIGURE 2

\$ Rise in Household Debt for Each \$1 Increase in GDP



Sources: Federal Reserve Board of Governors, *Flow of Funds Accounts*; U.S. Office of Management and Budget; U.S. Department of Commerce; *EIR*.

business open. Farmers borrow heavily to keep from losing the farm. On the household side, with real living standards falling 1-2% annually over decades, households made up for the lost purchasing power by borrowing on credit cards or against their homes for zooming medical care expenses, clothing, furniture, transportation, and food.

Unprecedented U.S. Household Debt Growth

Figure 1 shows the hyperbolic growth trajectory of debt incurred by America's households, as a consequence of the post-industrial society policy. The graph shows the leading components of household debt; mortgage debt accounts for approximately three-quarters of all household debt. The total household debt started to grow rapidly during the 1970s and 1980s, and reached \$4.914 trillion in 1995; but by the end of 2002, it was projected to reach \$8.383 trillion, which represents a 70.5% increase since 1995, or nearly 10% growth rate per year.¹ American household debt alone is larger than the combined household, business, and government debt of all but a few countries in the world. During 2002 alone, it surged by a record \$659 billion.

Figure 2 documents the insane situation in the United States: Household debt is growing faster than U.S. Gross Domestic Product (GDP). During the decade of the 1970s, house-

hold debt grew by 50¢ for every \$1 of increase in GDP; but during the period 2000-02, household debt grew by \$1.53 for every \$1 of increase in GDP. This can be thought of another way: Whereas during the 1970s, it required only \$0.50 in household debt to effectuate a \$1 increase in GDP; today, it requires the pumping in of \$1.53 in household debt to effectuate a \$1 increase in GDP.

Home mortgage and credit card debt are the two major forces driving the increase in U.S. household debt. Home prices are exorbitant, having no connection to reality, because of the explosion of mortgage debt, backed up by the financing activities of Fannie Mae and Freddie Mac, and the money pumping of Fed Chairman Greenspan. Greenspan's cuts have brought the interest rate on a 30-year home mortgage to 5.93%, its lowest level in four decades. This encouraged the mortgage borrowing explosion, and the record purchase of new and used homes. **Figure 3** shows that, until 1981, home mortgage debt outstanding was still under \$1 trillion. Then it started taking off; it has been torrid since 1995, a near-doubling in seven years. Between 2001 and 2002, home mortgage debt increased by \$610 billion, an 11.2% annual growth rate, and comprising 90% of the \$659 billion increase in total U.S. household debt in 2002.

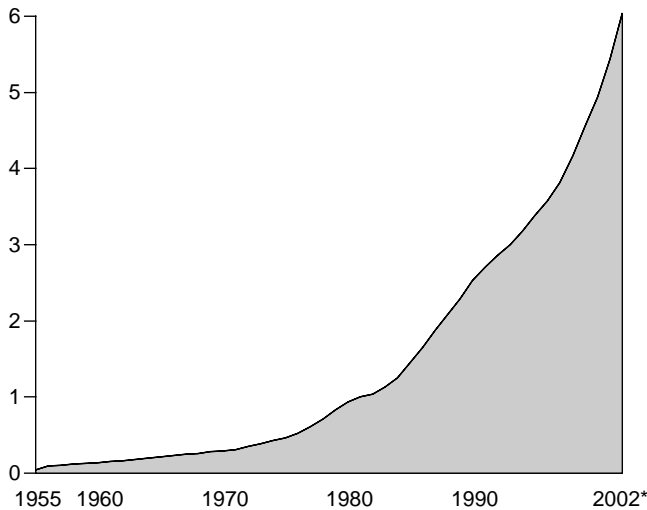
The growth in home mortgage debt is, in turn, financing the increase in the fictitious value of homes. Take, for example, a \$600,000 McMansion. The home may really be worth \$250,000 when measured in what it costs to produce the home in labor and materials, and a fair profit. The other \$350,000

1. *EIR* has taken data for total U.S. household debt, and other categories of debt, which represent the first nine months of 2002, and projected full year totals.

FIGURE 3

U.S. Home Mortgage Debt Tops \$6 Trillion

(\$ Trillions)



*Projection, based on first three quarters

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

in the home price is the artificial mark-up in a manipulated super-hot housing market. Instances of this abound: Between March 2000, and November 2002, the median price of a home in Arlington County, Virginia, adjacent to Washington, grew from \$259,000 to \$415,00, an incredible increase of 60% in two and one-half years. In San Diego, median home prices are increasing by greater than 15% per year to reach a level of above \$350,000 per home.

By buying these homes, Americans are financing and capitalizing the fictitious portion of the home's value into a mortgage. The total cost of the mortgage may consume 35-40% of their household income. The households can't pay the mortgage and still have enough left over for other essential living expenses. This situation is untenable; the emerging wave of home mortgage defaults will puncture this \$6 trillion debt bubble; this, in turn, by itself, could shatter the world financial system.

Credit Card Debt

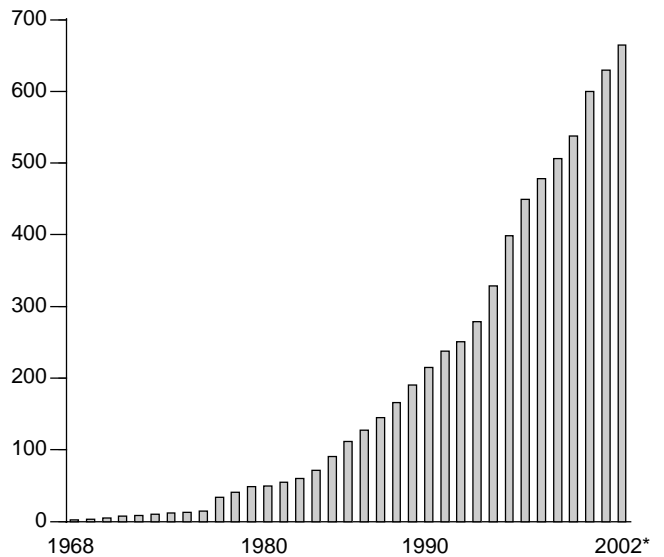
The growth in mortgage debt performed a double function: It both financed the housing boom, and provided cash for consumer spending from the cash-out refinancing gimmick.

Families build up installment debt when they buy a car, furniture, or household appliances on credit. Car purchases are growing briskly, because the finance divisions of car companies—such as Ford Motor's Ford Credit Division, and General Motors' GMAC—are making car (installment) loans for as little as zero percent, and zero down. But the fastest growing component of household debt, and indeed of every category of debt in the U.S. financial system, is the debt carried

FIGURE 4

U.S. Credit Card Debt Tripled Since 1990

(\$ Billions)



*Projection, based on first three quarters

Sources: Federal Reserve Board of Governors, *Flow of Funds Accounts*; Consumer Federation of America; *EIR*.

on credit cards. **Figure 4** documents that prior to 1968, credit card debt did not exist; even in 1980, it was small. But that changed dramatically between 1990 and 2002 when credit card debt tripled, from \$215 billion to \$665 billion, as families reached for their plastic.

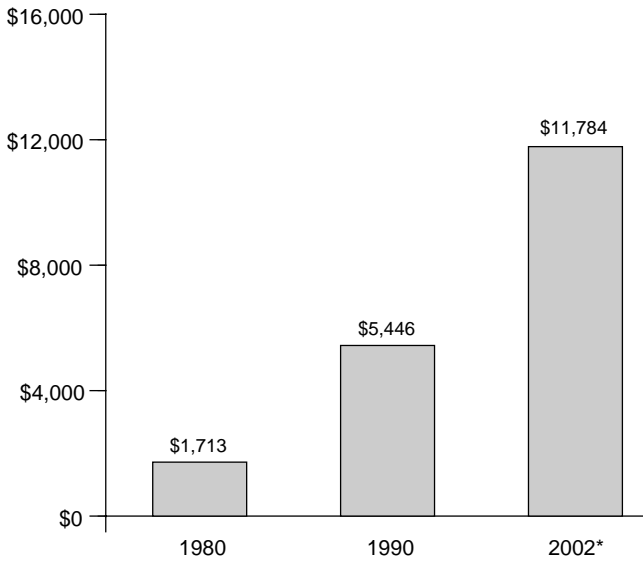
A credit card may offer the realization of a fantasy: One can buy Gucci shoes, a home video theater, even a two-week vacation on the Riviera, and forget about it, putting it on a credit card. Many families in the upper 20% income brackets, and some families in the lower 80%, regularly make such fantasy purchases. But for most households in the lower 80% of the population, the Visa or Mastercard is not a fantasy instrument: For them, the credit card purchases have become a necessity. During the past two decades, as the majority of these households' standard of living had fallen in real terms, they substituted for lost income by borrowing more, on more and more plentiful credit cards.

Increasingly, households use credit cards to pay medical expenses not covered by the pro-genocide HMOs. In 2000, the Consumer Bankruptcy Project, co-headed by Elizabeth Warren of Harvard Law School, released a study, "Medical Problems and Bankruptcy Filings." Based on its survey, in 1999, there were 1,281,581 households that filed for bankruptcy; nearly 40% of these cases were wholly, or in part, due to medical crises. Several desperate households charged \$15-25,000 in medical expenses on their credit cards, before filing for bankruptcy.

How large is credit card debt per household? Today, ap-

FIGURE 5

Credit Card Balances Outstanding, Per Household With a Credit Card Balance



*Projection, based on first three quarters

Sources: Federal Reserve Board of Governors, *Flow of Funds Accounts*; U.S. Department of Commerce; Consumer Federation of America; *EIR*.

proximately 86 million out of America's 107 million households (about 80%) own a credit card, and approximately 56 million of these households carry a credit card balance from month-to-month. **Figure 5** shows that the average credit card balance of the cardholder carrying a balance has, since 1980, grown seven-fold, to a current level of \$11,794. At the current interest rate, the annual interest on this average balance costs that family \$1,800 per year.

Cash-Out Refinancing

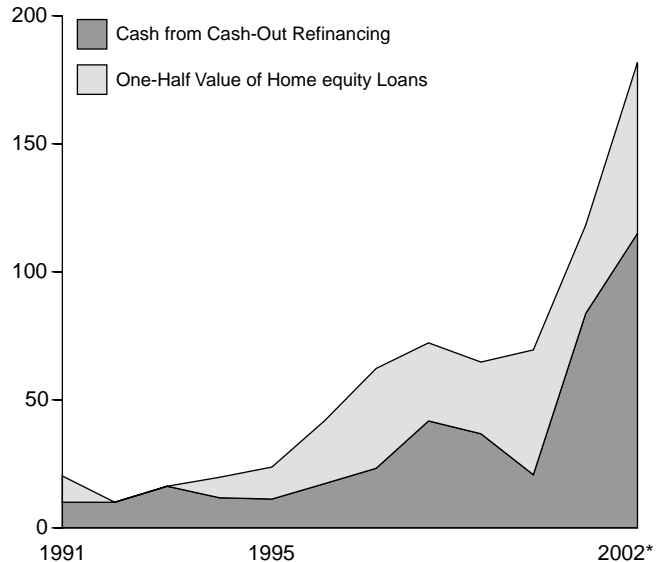
The volume of credit that is extended for consumer purchasing purposes, is officially listed by the Federal Reserve Board of Governors as the combined total of installment debt, credit card debt, and other household debt. But the real volume of credit that is extended for consumer spending is actually much larger.

During the last decade, the practice of cash-out refinancing has grown to monstrous proportions. Families have utilized their home not just as shelter and a place to impart culture and ideas to their children, but as an investment against which they borrow to extract funds for consumer spending. Households borrow against their homes for cash-out refinancing and in the form of home-equity loans. Half of all home-equity loans are spent not on the home, but on consumer spending. *EIR* can show that the combined total of cash-out refinancing, and this one-half of home-equity loans, is greater than the official total of credit that the Federal Reserve claims is extended for consumer purchasing.

FIGURE 6

Growth of Cash from Cash-Out Refinancing, and Consumer Cash From Home-Equity Loans

(\$ Billions)



*Projected, based on first three quarters

Sources: U.S. Federal Reserve Board *Flow of Funds Accounts*; Federal National Mortgage Association; Federal Home Loan Mortgage Association; *EIR*.

Cash-out refinancing is a risky gimmick. Under this arrangement, a homeowner takes out a new, larger mortgage on his home, whose value has risen because of the still-ongoing home real estate bubble. With the new cash, he pays off his old mortgage and some credit card debt, and then spends the remaining cash for consumer purposes. For example, let us say that a home has risen in value from \$225,000 in 1999, to \$300,000 in 2002. Further, assume that in 1999, the homeowner had taken out a \$225,000 mortgage to buy the home (not the usual practice, but we can make this 100%-financed assumption without any fundamental distortion of the point). In 2002, the homeowner takes out a \$300,000 mortgage. With the \$300,000, he pays off the original \$225,000 mortgage, pays off credit card and other debt, and has \$40,000 to spend for cars, home video theaters, etc.

Figure 6 shows, in the lower curve, the growth of the cash extracted from cash-out refinancing, which has grown tenfold from \$10 billion in 1991, to a projected \$115 billion in 2002.

The other major form of borrowing against one's home is the home-equity loan. Unlike cash-out refinancing, the home-equity loan does not refinance mortgage *debt*, but rather is a borrowing against some of the paid-in equity built up in the home. Federal Reserve economists admit that half of the funds that homeowners borrow this way are not used for home expansion or improvement, but for consumer cash. **Figure 6** shows, in the upper curve, the growth of this one-half of the

TABLE 1

Credit for Consumer Spending Rises Sharply, 1991-2002

(\$ Billions)

Year	Credit Card Debt	Combined Installment Debt and Other Household Debt	Cash from Cash-Out Refinancing	One-Half Value of Home-Equity Loans	Real Consumer Spending Credit Level
1991	\$22.6	\$-34.6	\$10.0	\$10.2	\$8.2
1992	13.2	-8.1	10.0	-0.4	14.7
1993	28.3	28.3	16.1	-3.7	69.0
1994	50.1	71.6	11.7	8.1	141.5
1995	69.8	65.6	11.1	12.5	159.0
1996	50.2	39.0	17.2	24.4	130.8
1997	28.9	29.1	23.1	39.0	120.0
1998	28.3	46.2	41.8	30.3	146.6
1999	31.7	67.1	36.7	28.0	163.5
2000	62.0	82.3	20.6	48.9	213.8
2001	29.9	77.4	83.7	34.4	225.4
2002*	34.9	52.1	115.0	66.8	268.9

*Projection, based on first three quarters of 2002

Sources: Federal Reserve Board "Flow of Funds Accounts"; Federal National Mortgage Association; Federal Home Loan Mortgage Corporation; EIR.

value of home-equity loans, which in fact, is used for consumer spending; it has grown sixfold from \$10.2 billion in 1991, to a projected \$66.8 billion in 2002.

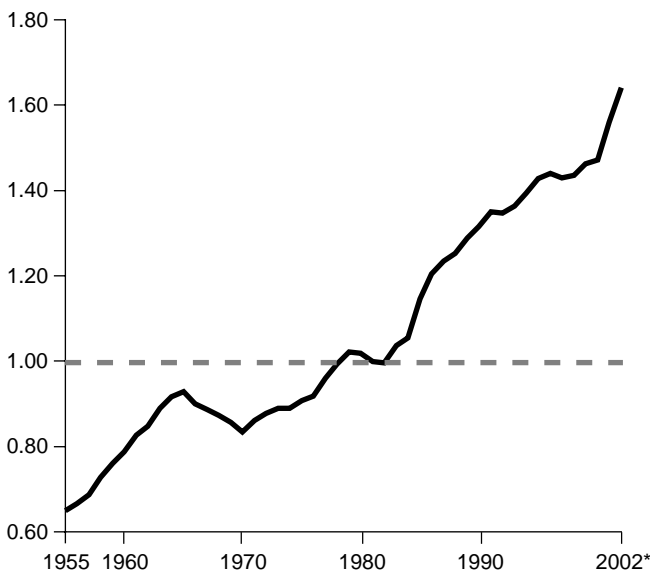
In 2002, the total of credit extended for consumer spending was strong. Based on Federal Reserve Board data, the *official* credit so extended—the combined total of installment debt, credit card debt, and other household debt—was a hefty \$87.0 billion. But in 2002, the combined total of cash solely from cash-out refinancing and half the home-equity loans, was a much larger \$181.8 billion. These funds added a real kick to consumer spending.

Table 1 shows the real level of credit, generated from all sources each year for consumer spending. Column 2 shows the annual amount of new credit card debt, and column 3 the combined total for new installment debt and other household debt. The sum of these columns gives the total amount of new credit for consumer spending, as officially reported by the Federal Reserve Board. Column 4 shows the new cash extracted from cash-out refinancing, and column 5 shows one-half the value of home-equity loans. Thus the real level of credit for consumer spending is the sum of all the different sources, and it leapt *thirtyfold* from \$8.2 billion in 1991, to \$268.9 billion in 2002. This is far bigger than what the Federal Reserve reports.

This explains Greenspan is so determined to keep the housing bubble going, in order to extract credit for consumer spending.

FIGURE 7

Ratio of U.S. Household Debt to Total Wages and Salaries



*Projection, based on first three quarters

Sources: U.S. Federal Reserve Board of Governors; U.S. Department of Commerce; EIR.

Debt Service

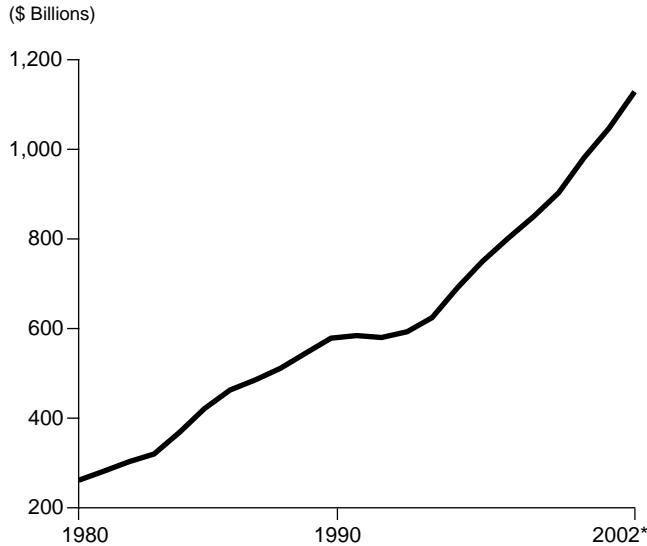
This debt system is unsustainable. American household debt is reaching a point at which it is so large that it cannot be handled out of the wages and salaries of the population. **Figure 7** shows that in 1955, the level of household debt was only 65% of the level of wages and salaries; it took until 1985, for the level of household debt to become larger than the level of wages and salaries. Today, the ratio has climbed to 1.64.

The build-up of all of this debt comes with a price. In 2002, as total household debt outstanding reached \$8.38 trillion, the debt service burden—annual payment of interest and a portion of the principal of the debt—surged. **Figure 8** shows that the debt service that households must pay, has quadrupled from \$261 billion in 1980, to \$1.128 trillion—more than \$10,000 per household in annual debt costs—in 2002.

This debt service is crushing the population, especially the lower 80% by incomes. **Figure 9** shows that in 1980, debt service, on average, consumed 18.9% of American wages and salaries, and that in 2002, it consumed 22.1%. But, as high as it is, the simple average only tells half the story. An individual who earns \$1 million in wages and salary, may pay \$30,000 per year for debt service, which is a considerable sum, but only 3% of his salary. This individual's 3% is mixed in with the ratio of other households to reach a national average.

At least 20 million households, out of those in the lower 80% by income, pay between 35% and 70% of their wages and

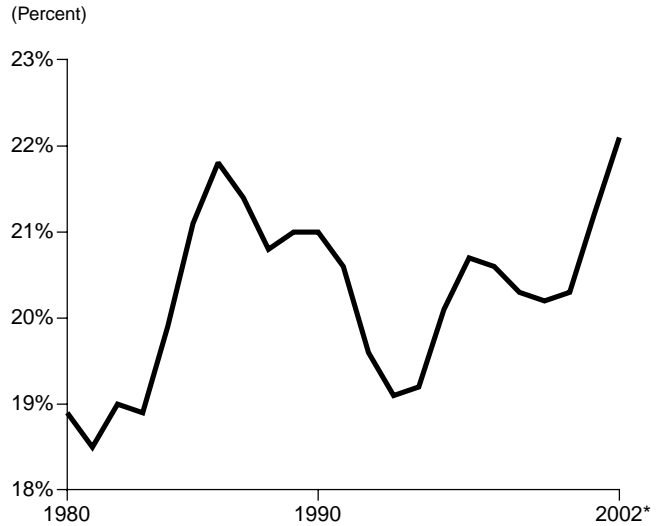
FIGURE 8
Annual Debt-Service Paid by Households Escalates



*Projection, based on first three quarters

Sources: U.S. Federal Reserve Board of Governors; U.S. Department of Commerce; *EIR*.

FIGURE 9
Debt-Service as a Percent of Wages and Salaries



*Projection, based on first three quarters

Sources: U.S. Federal Reserve Board; U.S. Department of Commerce; *EIR*.

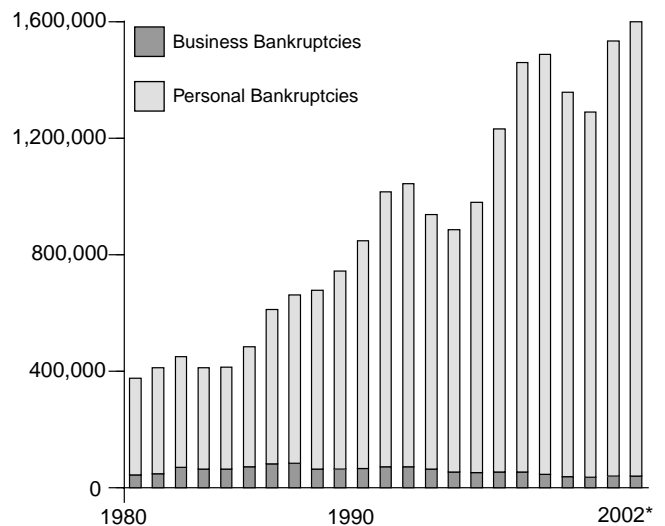
salary income for the debt service payment of home mortgage, car debt, credit card debt, and other debt items. This is draining the life-blood out of the household. Once the debt crosses the threshold to being excessive, it can be serviced only by greater issuance of credit. That represents no ultimate solution.

When a household can no longer meet the debt obligations, it files for personal bankruptcy. **Figure 10** shows the projection that an historic high of 1,572,672 households will have filed for bankruptcy in 2002. During the past dozen years, (avoiding double counting) one in every ten households in America has been forced to file for bankruptcy. The most alarming feature of the wave of bankruptcies is that a growing number of households are filing a home mortgage bankruptcy, not merely defaulting on credit card and installment debt.

On Dec. 5, the director of research of the Mortgage Bankers Association, the trade group for mortgage lenders, told *EIR* that he projects that the level of cash-out refinancings will fall in 2003 to half their level of 2002, which would reduce the cash extracted from cash-out refinancings from roughly \$115 billion to roughly \$57.5 billion. This will slash the amount of money that households have used to pay down their other debt and to buy goods, many of which are needed for survival, intensifying the already severe liquidity pressures of households.

The household debt bubble will come down, as the system fast approaches its limit at which a large portion of households

FIGURE 10
Bankruptcies Swell Five-Fold Since 1980



*Projection, based on first three quarters

Source: American Bankruptcy Institute.

cannot pay. The collapse of this \$8.38 trillion household bubble will bring down the larger \$33.2 trillion total U.S. debt bubble, in a chain-reaction fashion. That will shatter the bankrupt world financial system.

Philippines' Leader's Bold Step Offers Hope

by Michael Billington

In an announcement that shocked the Philippines and much of the world, President Gloria Macapagal-Arroyo said on Dec. 30 that she would not seek re-election in the 2004 Presidential elections. More important, she made the announcement in the context of a brutally truthful acknowledgment that the nation is on the brink of an economic and social breakdown, due at least in part to her own failures.

The only way to address the pressing economic crisis over the next 18 months leading to the election, the President said in her dramatic speech, was to free the country of the political animosities that dominate the social climate—in which she is a central player—by dropping out of the race. She also promised to present a program of emergency economic policies to the nation on Jan. 6.

Critique of Philippines Oligarchy

What direction these policies will take—whether continuing her adherence to the failed, monetarist prescriptions of free trade and deregulation, as demanded by the International Monetary Fund (IMF), or taking advantage of her new freedom to act independently from political considerations, and adopting a program of sovereign measures in defense of the general welfare of the population—is impossible to predict.

Telling the truth about the character of the crisis was an important first step towards a potential solution. Macapagal-Arroyo chose to make her announcement in a speech commemorating the national hero, José Rizal, who was executed by the Spanish colonial power in 1896. She began: “Today, we are honoring Rizal. Our national hero is the most gifted Filipino who ever lived, truly the pride of the Malayan race. A century ago, he made the ultimate sacrifice for the Filipino people, giving up his life at Luneta Field. José Rizal’s martyrdom led to the creation of the Philippine Republic in 1898.”

The President then pointed to the domination of oligarchical families over the nation as the root of the crisis: “Indeed, it’s ironic, that ours is the first Republic in Asia. But over the last decades, it has become one of the weakest, steadily left behind by its more progressive neighbors. The fundamental reason is the persistence of an outdated social system wherein vested interests and traditional politics have stunted development towards a strong and modern society. Thus, our country

is now only a bit better than the category of backward countries wherein powerful, selfish interests are able to exploit poverty and ignorance to maintain the status quo or impede open progressive development.”

Referring to the division in the nation caused by the coup in January 2001 (known as EDSA II), which removed then-President Joseph Estrada and placed her in power, despite wide popular support for Estrada, Macapagal-Arroyo continued: “We have become a nation deeply divided, symbolized by the polarity between EDSA II and the May 1 siege barely three months after EDSA II.” The May 1 siege, which nearly brought down her government, was an uprising of the mostly poor supporters of the deposed President; it was crushed with much bloodshed, by the same military forces that had backed the coup against Estrada.

For President Macapagal-Arroyo to place the opposing factions on equal footing in describing the crisis, is shocking in itself. Her next words were more so: “The convergence of the national stresses such as these has led to the sense of gloom that many of our citizens now talk of.” Referring to herself as “among the principal figures in the divisive national events for the last two or three years,” she said that “my political efforts can only result in never-ending divisiveness.” This is, at least, close to admitting that the coup which brought her to power was anything but an expression of the popular will.

After announcing she would not run, she concluded: “Thus, I appeal to each Filipino to help in this endeavor. Following the example of José Rizal, let us think of the country and not just of self.”

Whither?

Although there are many theories being bandied about as to the real reason for the President’s decision, the fact remains that she is in a position to break free of the controls which have directed her policies thus far. The EDSA II coup was run by exactly the same forces which had run EDSA I—the 1986 coup against President Ferdinand Marcos. Both of these “people’s power” coups were orchestrated by a faction in the military tied to financial interests in Manila and New York, centered around former President Gen. Fidel Ramos and his backers in Washington and on Wall Street—the same forces which now stand exposed as having led the world into the current global systemic depression collapse.

President Macapagal-Arroyo’s first act in office was to implement the total deregulation and privatization of the nation’s national power company, despite the ongoing collapse of the state of California brought on by precisely the same policies. That this was at the behest of the Ramos circle became obvious when the Congress, provoked by the rapid rise in energy prices, went after Ramos for his role in creating the energy crisis in the first place, through corrupt, sweetheart contracts with Enron and other foreign power companies dur-

ing his administration. President Macapagal-Arroyo defended Ramos.

Nonetheless, when the new President resisted passing on the added energy costs to the population, and otherwise took steps (at least publicly) to reach out to the desperately poor underclass, Ramos responded by openly threatening to unleash a new “people’s power” coup against her. On the first anniversary of the January 2001 EDSA II coup, Ramos, speaking at the EDSA shrine (the site of the public demonstrations, which gave the name to the coups), stood right next to the President and warned her to stop her “politicking” appeal to the poor, and “secure the support of civil society and the business sector in the next 12 months,” or face the same fate as her predecessor. Macapagal-Arroyo gave in, appointing Ramos head of a special “Council of State” to advise her, and introducing new “free market reforms.”

The necessary result was the continuing collapse of the real economy, leading to a precipitous decline in Federal tax revenues, and an out-of-control budget deficit, coupled with

a general collapse in the President’s popularity, recurring military coup rumors, and political gridlock.

The question facing the President today, now that she has acknowledged some of her own failings, is whether she will rise to the historic occasion, and to the potential institutional power of the office she holds, to throw off the oligarchical controls and act on behalf of the sovereign needs of her nation, as she has pledged to do. Across Asia today, there is a new spirit of unity, based on a dedication to large-scale regional infrastructure development, as characterized by the Chinese water-diversion projects and the introduction of magnetically levitated trains with German cooperation, by the renewed efforts to develop the Mekong River basin and the Asian Railroad in Southeast Asia, as well as efforts to break free of the destructive dictates of the International Monetary Fund.

If President Macapagal-Arroyo chooses that path, she will give hope to her nation, win support across Asia, and create the only possible path of escape from the “Argentinization” of her nation.

Mahathir Points to Dollar Crisis

Malaysian Prime Minister Mahathir bin Mohamad, in an interview with Malaysia’s *New Straits Times* on Dec. 26, departed from his usual reticence to discuss the economic crisis within the United States, and advised that the world economy should return to a gold-reserve standard.

Dr. Mahathir was asked about the impact on Malaysia of the slowdown in the United States, and if Malaysia would continue its fixed exchange rate—a policy adopted in September 1998, together with selective currency controls, and which saved Malaysia from the worst effects of the speculative attack on the Asian economies and the destructive IMF conditions which were imposed on its neighbors. The Prime Minister responded: “Today, our highest level of trade is with ASEAN [the Association of Southeast Asian Nations]. Our trade with China and the Middle East is also growing. The percentage of trade with the United States is reducing. This is important.

“I think the United States will face a lot of difficulties in the next few years even if they do not go to war with Iraq. There are more bankruptcies in the United States. Huge companies, like the second biggest insurance company, are going bankrupt. United Airlines is bankrupt. The companies which are not bankrupt are not doing well. The hotel industry, the travel and service industries are suffer-

ing. If you read today, more people are begging. Unemployment figures may even be higher than what’s been reported. So I don’t think the U.S. can recover so soon. . . .

Gold, or Currency Basket?

“The ringgit [the Malaysian currency] peg has done us a lot of good, and the world has to admit this. . . . As long as we’re competitive and our productivity is good, we can maintain a stable currency and exchange rate. The only problem is that it is now stable only against the U.S. dollar. It is not stable against other currencies. That is why we are thinking about the Gold Dinar. Gold, as I have mentioned many times, has an intrinsic value. It is not a piece of paper, so it cannot fluctuate too much. So if you peg your currency to gold, then you have a better reference point.”

Dr. Mahathir was then asked if a “basket of currencies” would not serve as well. He responded: “People can still devalue and revalue your currency. We pegged our ringgit to a basket of currencies at 2.5 to one U.S. dollar. That did not prevent [speculator George] Soros from selling our currency at a rate below that. . . . I can never forgive him, because he created misery for 40 million people. They were already poor and he made them poorer. He made money, gave a few cents for charity and he was called a great philanthropist. You stole money. Robin Hood stole money from the rich to give to the poor. That’s fine. Soros stole money from the poor, took it all for himself and then gave a few cents to poor people. That’s not a philanthropist. That’s not even a Robin Hood.”

Signs of Depression In America's Cities

by Mary Jane Freeman

Signs of deepening depression conditions across the United States surfaced at the end of December, with the release of the U.S. Conference of Mayors' (USCM) study, "A Status Report on Hunger and Homelessness in America's Cities." It reveals that emergency food aid and homelessness increased, on average, by 19% during 2002 in 25 major cities surveyed. In 14 of the 25 cities, unemployment soared well above the national official 6% average. American cities are in severe contraction as revenues from the high-flying 1990s stock market and "New Economy" bubbles vanish, unmasking the neglect and paltry investment they've sustained.

The collapse is compounded by fiscal crises in state revenues, which have state officials slashing aid to cities and counties. The result: hundreds of cities, towns, and counties expect to lay off police, firemen, and teachers. Reduced local aid also threatens municipal bond ratings, threatening the cities with debt defaults. San Francisco, for example, reported that its deficit exceeded \$200 million, as California Gov. Gray Davis unfurled his plan of \$10.2 billion in cuts to plug the state's \$34 billion two-year deficit. San Francisco's budget director expects a \$85 million loss due to Davis' plan; Supervisor Aaron Peskin, chair of the city's finance committee, called it a "devastating" blow.

As layoffs accelerate and unemployment benefits dry up, demand for food aid is soaring. Some city programs report huge year-on-year increases in requests for food: Project Bread in Boston, 25%; Hunger Hotline in Chicago, 45%; Harvesters Pantries in Kansas City, 73%; Washington, D.C., 19%. Yet food aid available decreased in 52% of the cities surveyed by the USCM. Nationally, food aid sought by families with children went up by 17%; but the increases were 57% in Kansas City, 49% in Miami, 32% in Los Angeles, and 24% in Boston. In the survey cities, 38% of adults seeking aid had full-time jobs. But the worst hit are the elderly, whose requests increased in virtually all cities. On average, food aid sought by senior citizens was up 19%.

Likewise, the USCM found that demand for low-income housing nearly doubled, increasing 88% this past year—far exceeding available affordable housing. In Los Angeles, the wait-list for public housing grew by 25%, while those waiting for financial aid for housing swelled by 2,000 new families each month! New Orleans officials report they opened their wait-list in June, at which point they took in 19,000 applications for the 6,994 existing housing aid vouchers. Portland,

Oregon officials report that in one week in September, 8,900 households applied for housing aid, a 98% increase over 2000!

Real unemployment is at least twice the official rate, and the USCM survey found 14 of the 25 cities' jobless rates were already above 6% in October. In Cleveland, Miami, and Trenton, the October rate ranged from 10.2% to 11.6%; while it was 6.1-8.2% in Charlotte, Chicago, Denver, Kansas City, Los Angeles, Norfolk, Philadelphia, Portland, Providence, Seattle, and St. Louis.

Monsters and Sacred Cows

The impact of the states' cumulative \$50-80 billion revenue shortfall on localities is enormous. State aid can be as high as 25% of their budget revenues. One Massachusetts legislator, noting the state's \$2 billion deficit as he urged aid cuts to localities, said, "We can't deny the monster that's at our door: It's this huge, precipitous revenue free-fall, the worst in the state's history." Another insisted that tax hikes are required, complaining, "There's no scenario where we won't have cuts. . . . Anything that, in the past, has been an unscathed sacred cow, is very likely to be, if not slaughtered, then significantly injured," referring to "drastic cuts in local aid."

Massachusetts Governor-elect Mitt Romney (R) pled, "We're getting pretty close to empty in terms of our cash ability to pay bills," as he called on cities and town to make "contingencies" for a likely "delay in local aid payments" due them on Dec. 31. Cuts of up to 20% are now being floated. Three mayors responded: Springfield Mayor Michael Albano said that even an 8% cut would require layoffs of 300 teachers, 20 school nurses, and 60 counselors and custodians. Fall River Mayor Ed Lambert said, "We've cut services to the bone"; 40 police officers and firefighters' jobs are gone. Boston Mayor Tom Menino said he'd have to raise taxes and lay off teachers.

Minnesota Governor-elect Tim Pawlenty (R) has asked Gov. Jesse Ventura to withhold \$544 million in local aid as a short-term measure to plug the state's growing deficit. Jim Miller of the League of Minnesota Cities said these cuts would put localities into holes even before next year's expected cuts. Duluth could default on a short-term loan it took out to cover its operating budget.

Desperate for funds, localities have turned to property tax hikes. *USA Today* reported on Dec. 29 that property taxes rose 10.4% in Fiscal Year 2002, which ended June 30. From July to December—the first six months of Fiscal Year 2003—they were 14.1% higher than the same period in 2001. But in November-December, when states began severe cuts in local aid, these taxes reached a level 24% above that of two years earlier. Nearly 72% of local tax revenues reportedly come from property taxes, paying for police, firemen, teachers, garbage collectors, etc. "It's a squeeze play," said a National League of Cities research director. "The Federal government is cutting money to the states. The states are cutting aid to cities, and many cities [have no] sales or income tax. The property tax is the last line of defense."

Business Briefs

California

Interior Department Threatens Water Cutoff

The U.S. Interior Department announced on Dec. 27 that it will cut the amount of water allocated to California's Imperial Valley from the Colorado River, unless the valley's irrigation district agrees to sell water to the San Diego County Water Authority, the *Los Angeles Times* reported. On Jan. 1, the cut was made.

The dispute arose from a 1979 Supreme Court decision limiting the amount of water that farmers in the state can draw from the river for irrigation purposes. Assistant Interior Secretary Bennet Raley said that the Imperial Valley is about 5% over its per acre limits. However, the district's top lawyer, John Carter, branded the move illegal, and suggested that the district might sue, because Interior Secretary Gale Norton would be "in violation of our water rights and existing agreements."

Water

Egypt To Inaugurate Huge Pumping Station

Egyptian President Hosni Mubarak will soon inaugurate the two main components of the giant new Toshka water-development project, Cairo announced on Dec. 28, 2002. These components are a giant pumping station, and the Sheikh Zayed Canal. The pumping station is one of the world's largest, said a report prepared by the Middle East News Agency.

It quoted engineer Kamal el-Sherbini, a manager at the project site, as saying that the station, supported by 21 pumps, was built to lift water from Lake Nasser into the Sheikh Zayed Canal, which is 164 feet higher.

About 98% of the construction work in the station is complete, he said. It is a new epoch in construction, representing the proper way to usher Egypt into the 21st Century. The Aswan High Dam will power the station, 240 kilometers (150 miles) to the northeast. The water will be channelled by

four sub-canals into 540,000 acres (218,000 hectares) of potentially fertile desert land. The dam allowed the reclamation of 1 million *feddans* (more than 1 million acres) and a changeover from one crop per year, to several.

The Toshka project, whose implementation began in 1997, aims to make the desert bloom northwest of Abu Simbel, famed for the colossal Pharaonic temple rescued from Lake Nasser after the Aswan High Dam was built in the 1960s.

The project aims to reclaim and cultivate some 540,000 *feddans* around Toshka to deal with the population explosion and crowded cities, the report said. The scheme is part of the South Egypt Development Project, which aims to double the amount of cultivated land in Upper Egypt. The government hopes that at least 2 million people will settle in Toshka's 540,000 acres.

Development

China Calls for More Rapid Urbanization

China must urbanize rapidly to sustain its industrial and economic growth, according to the "China Urban Development Report 2001-2002," the *Straits Times* reported on Dec. 28. The report is an urbanization strategy for the next 50 years, commissioned by the Association of Chinese Mayors. It concludes that China must create super-cities which are clusters of large, medium-sized, and small cities, forming "a virtuous circle for the exchange of goods, information, capital, personnel, and technology."

The document calls for better management of the three "super cities" along the east coast: the Beijing-Tianjin corridor, the Changjiang (Yangtze River) Delta, and the Pearl River Delta. Growth must be speeded up, but carefully planned, the report states.

It also discusses creation of "economic belts" in the interior, and development of key cities in the central and western regions of China. Eventually, these areas will be inhabited by over 50% of China's population—expected to peak at about 1.6 billion by 2050. The urban areas will produce 90% of China's industrial output, account for 95% of total

trade and produce 80% of GDP.

Prof. Niu Wenyuan of the Chinese Academy of Science, chief author of the report, said that China needs a new strategy for urbanization, which has been much too slow so far. China's urbanization rate now is around 37%, compared with 75% or higher in the wealthiest countries. China will need to transform 500-600 million peasants into economically active city-dwellers. However, it must not repeat the mistakes of other developing countries, where overly huge, impoverished "mega-cities" have emerged—such as Mexico City, Manila, or Jakarta. Populations of poor rural areas must be moved into urbanization in a rational way, so that eventually only 20% of the population remains in agriculture. To achieve 75% urbanization by 2050, China will need to relocate 10-12 million peasants each year. This would cost 350 billion yuan a year, or 4% of the 2000 GDP.

Academician He Zuoxiu emphasized that China should *not* continue to promote use of automobiles, as has been done in Beijing. "This is diametrically opposed to new directions in urban development," he said.

Bankruptcy

Rehnquist Says More U.S. Judges Are Needed

The U.S. judiciary system is unable to keep up with the rate of corporate and personal bankruptcies, according to the annual report on the Federal judiciary by Chief Justice William Rehnquist. He said that the "crisis" in the Federal courts will get worse, unless judicial vacancies are filled and more judgeships created.

Rehnquist pointed to the sharp increase in the number of bankruptcy filings. He said that no new bankruptcy judgeships had been created since 1992, although the number of cases filed has increased by more than 570,000 since then.

Each bankruptcy judge now handles an average of 4,777 cases, compared to 2,998 in 1992. Rehnquist said the number of filings in bankruptcy courts grew 8% in the last year, and that bankruptcy filings have risen 72.5% since 1993.

LaRouches in Berlin: Learn the Lessons Of Germany's History

by Ortrun Cramer

In the last weeks of 2002, American economist and pre-candidate for the 2004 U.S. Presidential elections Lyndon H. LaRouche conducted a tour of European centers, addressing seminars and press conferences, and holding private meetings with influentials from politics and the economic sector. After visits to Milan, Paris, and Budapest, he spoke on Dec. 18 at a seminar sponsored by *EIR* in the German capital of Berlin. Joining LaRouche was his wife, Helga Zepp-LaRouche, president of the German Civil Rights Movement Solidarity party (Bürgerrechtsbewegung Solidarität, or BüSo) and president of the international Schiller Institute.

Mr. LaRouche's keynote address, published below, emphasized the importance of defining a policy orientation for the United States and the world, in the first weeks of the new year. He announced that he would give a State of the Union address on Jan. 28, and that until that speech, and President Bush's own State of the Union address, have been made, "it will be extremely difficult to estimate what U.S. policy is going to be, and consequently, very difficult to estimate what the world situation will be."

LaRouche declared that we are currently at the fag end of a global systemic crisis, without any real comparison in the 20th Century. "The nearest comparison," he said, "is Europe, and the Americas, between 1928 and the inauguration of Hitler in January of 1933. We have entered into a period of financial and other crisis, in which none of the existing parties, in Europe or the Americas, have the slightest competent conception about what to do about the worst systemic crisis in modern history, at least since the French Revolution." As in the Weimar Republic in Germany, parliamentary governments in Europe are unable to provide effective leadership. The United States has an important constitutional advantage, he said, with its Presidential system, which gives us points of leverage to change U.S. policy for the better. "We're not talking about something the next President might do. We're talking about something that has to be done very soon, as I mentioned the date January 28, this coming year, which is going to be a crucial point."

In the audience were diplomatic representatives of Arab, African, and Central



LaRouche tells his Berlin audience: Until the State of the Union speeches by himself and President Bush have been made, "it will be extremely difficult to estimate what U.S. policy is going to be, and consequently, very difficult to estimate what the world situation will be."

European countries; journalists from German, East European, and Arabic media; representatives of various political, cultural, and economic associations. There were also many supporters and friends of the LaRouche movement. What was particularly refreshing, was the presence of a group of students from several Berlin universities, joined by youth from Denmark and France, who were visiting Berlin at the time. These young people contributed to a very lively debate after the presentations.

The large attendance and concentrated discussion reflected the seriousness with which LaRouche's analyses are being considered worldwide. In Berlin, many political figures and journalists remember LaRouche's appearance there back in October 1988, when he forecast the imminent collapse of the Soviet system and the fall of the Berlin Wall. At that time, LaRouche presented his perspective for Europeanwide East-West economic cooperation in infrastructure development. This proposal was initially defined as a Paris-Berlin-Vienna "Productive Triangle" of high-technology infrastructure development, with "spiral arms" radiating out to the rest of Europe, Asia, the Mideast, and Africa. During the 1990s, as a result of the LaRouches' diplomatic efforts in Russia, China, and India, that forecast has become reality, and the many programmatic proposals for continental cooperation associated with LaRouche's name—such as the Eurasian Land-Bridge—have also taken on reality.

In addition, the fact that the keynote speaker at the event was a registered pre-candidate for the Presidential nomination in the Democratic Party, drew new people to the event. At a

moment when Europeans, as well as people from the Arab-Islamic world, are looking with trepidation at Washington and fearing the outbreak of a war against Iraq, it is crucial to be able to hear the voice of a leading representative of the anti-war party. Thus, LaRouche's account of his personal role in the debate around Iraq policy, in Washington, generated great interest and optimism.

The same can be said for the reception accorded Helga Zepp-LaRouche, who, fresh from her experience as the leading candidate of the BüSo in Germany's September elections, was able to provide insight into the internal dynamics of current policymaking in Germany, from the perspective of the country's history in the early 20th Century. Recently, Zepp-LaRouche had issued an Open Letter to German Chancellor Gerhard Schröder (see *EIR*, Nov. 22), calling for a radical shift in the government's economic policy, toward support of proposals for global monetary reform and infrastructure development. Her call to the Chancellor utilized the historical precedents of the 1931 "Lautenbach Plan" and the successful post-war reconstruction of Germany with the help of the Kreditanstalt für Wiederaufbau. In her speech to the Berlin seminar, she detailed the story of how Germany could have avoided the disaster of Nazism, if it had followed Dr. Wilhelm Lautenbach's approach to state-sponsored credit-creation for infrastructure projects. Instead, the Weimar Republic collapsed and Hitler came to power, under the financial sponsorship of Hjalmar Schacht and his backers from the Bank of England and Wall Street. Zepp-LaRouche urged today's political leaders to draw the lessons of that tragic history.

Conflict Is Not the Natural Condition Among Men and Nations

The following is Mr. LaRouche's keynote to the EIR seminar in Berlin on Dec. 18, 2002.

On the 28th of January of this coming year, about five days after President George W. Bush, Jr. will have delivered his State of the Union address, I shall issue mine, which will be broadcast on a webcast at 1 o'clock Washington, D.C. time, which will be 7 o'clock in the evening Berlin time. Until those two addresses have been made, it will be extremely difficult to estimate what U.S. policy is going to be, and consequently, very difficult to estimate what the world situation will be.

We are presently at the fog end of a global systemic crisis, without any real comparison in the most recent century. The nearest comparison is Europe, and the Americas, between 1928 and the inauguration of Hitler in January of 1933. We have entered into a period of financial, and other crisis, in which none of the existing parties, in Europe or the Americas, have the slightest competent conception about what to do about the worst systemic crisis in modern history, at least since the French Revolution. And therefore you see, that we've entered a period, as in the fall of the Müller government, in which governments are either technically, ministerial governments, not true parliamentary governments, or an approximation of a ministerial government.

For example, I played a key role, which is now recognized as such, in certain leading Democratic Party circles in the United States, in Russia, and elsewhere, in preventing what was going to be an Iraq war from taking place at the time it was intended. That war is not off the table entirely. Forces which are determined to have it, are still active. They wish a Middle East war, for reasons I shall indicate. But, we stopped it temporarily. And I was able to play a key role, in certain institutions in the United States, to get the United States to work with forces in Europe. And with the help of a remarkable position taken by Chancellor Schröder in Germany, Europeans solidified their position, and the United States was inclined to move toward a United Nations security option, and pressures were put on to ensure that Saddam Hussein would make a proposal, that the United Nations would accept it, and that the United States government would accept that proposal.

Since that time, of course, the people behind the war, most conspicuously behind the war, in Israel, and in the United States, and in some forces under the British monarchy, are

determined to get such a war going by any means possible. What is intended is not an Iraq war, what is intended is a *limes* war, like the Roman Empire ran in control of its borders with the legionnaires. It would designate a certain part of the world, geopolitically, as we say these days, as an area to be destroyed, and by destroying that part of the world, or tying it up in permanent warfare, to prevent civilization from developing, at that time, on the borders of the Roman Empire. In this time, as I shall indicate, the threat to the Roman Empire, such as it is, is targeting largely Asia.

The Strategic Triangle

One of the solutions to the present crisis is emerging in what is called a Strategic Triangle, among Russia, China, and India. It's something I proposed, first in August of 1998, in the context of the so-called GKO crisis. Then, Primakov, later the Prime Minister of Russia, presented such a proposal in Delhi, in November of 1998. Primakov was ousted in Russia, from the Prime Minister post, under pressure from the United States, and others, precisely because he had made that speech. However, in the course of events under the Putin Presidency, Russia, China, and India have been moving in a direction of cooperation, which means they will cooperate as a keystone for bringing other nations of Asia, into collaboration.

That is now emerging. Japan has no possibility of continued existence, except returning to its former role as an industrial producer, cooperating chiefly with markets in Asia. Korea can not survive without cooperation of this type. Russia needs it. China needs it. So you have the northern three, Japan, Korea, and China, in Asia, together with the nations of Southeast Asia, as represented at the recent Phnom Penh conference on the Mekong Development Project, and as also attended by the Prime Minister of India. And since then you've had a visit from President Putin of Russia, to the outgoing President Jiang Zemin of China, and from thence to Delhi, for extended meetings with the Indian government. And statements coming out of that, would show that the Strategic Triangle is well. It is in motion.

Now, presuming no Middle East war, or extended global Clash of Civilizations war occurs, we have the situation in which Europe—Western Europe, Central Europe—can not survive economically under the present economic crisis trends, unless it has a major new market to which to export,



The presently emerging “Strategic Triangle” was first proposed by LaRouche in August 1998. Here, Russian President Vladimir Putin (center) meets with Indian Prime Minister Atal Bihari Vajpayee in New Delhi, during a December 2002 tour that also took him to Beijing.

together with certain reforms that must be made in terms of regional and international monetary-systems arrangements. But under those conditions, if Europe enters into what I’ve called a New Bretton Woods style of agreement, replacing the present monetary system, in that case, then the area of Russia, China, India, and their adjoining nations, will become the greatest market on this planet, for the long term, for a period of a quarter-century to a half-century. These areas of the world, which have some high technology—as China does, obviously, India does, and so forth—can not meet their internal needs, by their own high-technology capacity at this time. China, for example, must move from its characteristics of the past, as a coastal economy, a coastal-region economy, to develop the interior of China. This means large-scale infrastructure, it means water systems, it means new cities, it means all kinds of development. It’s a large area. China can not exist without developing this so-called “internal market,” for its continued economic life.

Southeast Asia, including part of China, the Mekong River Valley, is also a major area of large population, of large development. India has crucial problems, it has some advantages. But without this kind of cooperation, India can not, in the long term, solve its problems, either. All of these nations together, have a critical problem of *security*, of national security. And therefore, we’re looking at national and regional security, and economic security and development, as one package. The two go together.

This is what this war drive is aimed against. The war drive did not start recently. It started essentially in this form, really

at the close of World War II, when certain forces in Britain and the United States, decided they wanted to drop the nuclear bomb on Germany, but it wasn’t ready in time. The peace came first. If the bomb had been ready in 1944, the uranium bomb would have been dropped on Berlin. That was the intention. They couldn’t do it because it wasn’t ready. So they waited until a defeated Japan was bombed, on Hiroshima and Nagasaki, not for any sound military reason. Generals of the Army MacArthur and Eisenhower both indicated Japan was a defeated nation: *There was no need to invade the place. Negotiations with Emperor Hirohito were already in progress, before Roosevelt’s death.* These negotiations were continuing. The death of Roosevelt disrupted it. A close friend of mine, subsequently deceased, was involved in those negotiations. *There was no military reason for dropping those weapons on Japan, on Hiroshima and Nagasaki.* Nor any reason for the fire-storming of Tokyo, before the nuclear bombardment.

The Utopians’ Clash of Civilizations Policy

This was set into motion due to what has been called a Utopian policy, as defined by intellectual influences such as H.G. Wells, in his 1928 *The Open Conspiracy*, and by Wells’ collaborator, and the author of the nuclear warfare age, Bertrand Russell, the so-called pacifist: “Kill ’em all. Make the world peaceful for Bertrand Russell.” So what’s happened is that this geopolitical impulse, to prevent the continent of Eurasia, first of Europe and then of Eurasia, from developing an internal economy which is stable and a power bloc against the attempt to run an Anglo-American maritime-based em-



The courageous stand taken by German Chancellor Gerhard Schröder against an Iraq war helped to block the Utopians' "clash of civilizations" policy. Here, Schröder (left) visits the construction site of a Transrapid maglev train in Shanghai in February 2001. With him is Chinese Prime Minister Zhu Rongji.

pire. This was the reason for geopolitics as it was launched towards the end of the 19th Century and during the course of the 20th Century.

So, what we're looking at in the so-called Clash of Civilizations war, as typified by British intelligence operative Bernard Lewis, Zbigniew Brzezinski, and Samuel P. Huntington: What we're seeing here, is a resumption of that geopolitical policy, of disruption of the Eurasian mainland's internal development by aid of operations of that type. And the Clash of Civilizations war, the Middle East war, the threat to Iraq, and so forth and so on, are nothing more than a continuation of that kind of imperial drive, of a certain Anglo-American faction in particular.

What happened is, recently, where I got into the middle of it, again—because I've had some off-and-on influence with the institutions around the Presidency in the United States, as some of you know, from my work on the SDI, inaugurating that and working closely with President Reagan's Administration in launching that; and then more recently, during the period of the Clinton Administration.

I've been involved with, in a significant way, with some of these leading circles—they were undecided as to what to do. I was aware of what the attitudes were in Europe, about this proposed Iraq war. So, I took what I knew of European attitudes, and said, "Europe will not stop this war by itself: They don't have the courage to, they're too much the victims

of an imperial overlordship. But, if forces in the United States are intelligent, they will look to and try to reinforce the resistance to this war among Europeans, and typified by France, Russia, and then again, very importantly, by Chancellor Schröder here in Germany," even though he was not part of the United Nations Security Council operations. That succeeded. We succeeded in preventing the war from being launched in September, in October, November, and so far now.

The danger is not over, but the war party has taken a major defeat. It's frantic, it's terrified, it's desperate, it will do almost anything. If an election in Israel ousts Sharon, then I think the possibility of a Middle East peace is greatly increased, and there's an increasing mood in Israel, and among other relevant circles for such a regime, in which either there is a renewal of the Rabin policy of the Middle East, or an agreement to have two separate states suddenly, and then negotiate from there. Either approach, which has been proposed by Mitzna, in my opinion, would work. And I can say that, in the United States, and outside the United States, and in Israel itself, there's some very important efforts in that direction, but nobody can guarantee, that it will succeed at this time.

So, that's the general situation. I believe, that on the basis of our experience, in at least temporarily stopping this Iraq war, which was done largely from inside the United States, picking up on the resistance to the war in Europe, and that

combination worked. It did not work because of President Bush, it did not work because of the people behind Cheney and Rumsfeld, it worked because people who are involved in the permanent institutions of the Presidency of the United States, banded together in sufficient numbers, and with sufficient influence, to influence the way the policy was shaped.

My belief is, the same institutions are capable of acting, at least politically, together with Europe, and together with some nations in Asia, to bring about a similar approach to the problems of the economy in general, of the world as a whole. I believe that if this is done, it is possible, that we will see that Europe's problems will essentially be solved, in terms of opportunity at least, by new relations to this emerging phenomenon around Russia, China, and India, in Asia generally, and this will be the new market upon which a revived Europe will depend, for the coming 25 years. And the United States will play its own role in that, if we succeed.

The Systemic Crisis Is a Classical Tragedy

Now, the thing I want to present, a few of the problems which stand in the way of getting the solution to both problems: That is, to get the war danger off the table; and secondly, to have the economic recovery program, which enables us to push the war threat off the table.

We are in a systemic crisis. In artistic terms, a systemic crisis is called "a Classical tragedy." A Classical tragedy is not caused by the leaders of a nation. It is caused by the people themselves, and the popular culture. It is caused because popular opinion has reached a point at which what is believed, what governs choices of decisions, like the axioms of a Euclidean geometry, always results in the wrong decision. In other words, this is not a cyclical crisis, it is a systemic crisis. *The system can not survive this crisis.* And we are now at the end of that system. It can no longer survive. Compromises within the system *will not work. You must change the system.*

We have a model for the change in the Bretton Woods agreement which was reached in 1944-45, in launching the postwar reconstruction of 1946-58, in particular, and also efforts which continued in that direction in the United States, until 1964, and continued in Europe until a somewhat later time, until after the 1971-72 decisions, at which time Europe began to collapse, too.

So, going back to that kind of system, or something modelled on it—not quite the same, because in that time, remember, the United States was the only world power, it was the only bastion for setting up the recovery of Europe and other parts of the world. Today, the United States economy is a piece of disgusting wreckage. The United States has *political* power. It has political influence. But it does not have economic power *in any sense*, as it had in 1945, or 1946, on a world scale. We don't even have the power to sustain our own economy, let alone to support others. But, we do have a political position, an historic political position, and political

power; we can intervene to bring together forces around measures which can address problems. In many cases, I believe, *only* the United States could play that role, at this time. Therefore, my objective, of course, is to get the United States, despite the flaws of its present President, and other problems, to take those kinds of actions, on the economic front, which will lead to a change in the world financial and monetary system, while also promoting and launching economic recovery programs, typified by the cooperation between Western Europe, in particular, and the Eurasian countries, who are gathered around the emerging, developing Russian-China-India Strategic Triangle. That is the general hope for civilization, and I believe the United States *should*, and *could*, play that role, despite the imperfections of the existing President.

The Institution of the U.S. Presidency

You know, the Presidency of the United States is a wonderful institution. It has a kind of "one size fits all" quality. You can take almost anything, and make it President, and the Presidency could still function. Sometimes, you require a genius; sometimes you get an idiot; sometimes you get a traitor. You get all kinds. And we've had them all. We've had great geniuses: Washington was a genius. Franklin, who was not a President, but the founder of the nation, was a genius, one of the greatest geniuses of European civilization in his time—though that is not generally known, but that's a fact. Abraham Lincoln was probably the greatest genius to occupy the Presidency of the United States, even though he's, obviously, often deprecated. Franklin Roosevelt was a bit of a genius; not a genius like Abraham Lincoln, but he was a tough bird, and he knew what he was doing. He had a program, and he did it.

So, we've also had people like Truman, who was a disaster; Eisenhower, who played a useful role, but I used to refer to him as "President Eisen-however," because he would do one thing good one time, and something else another. But he was generally not a bad person, and he did some good things. And he made a lot of mistakes: One of the worst of them was called Arthur Burns, who gave us many of our problems today. We also had Nixon, who was no good. We also had Johnson, who was not brilliant, but he was a courageous man on civil rights, and he gets a lot of credit for that. After that, we had disasters generally. As a matter of fact, we had two Presidencies, who were not Presidents. Nixon was not President, he was the acting President; he was the nominal President. Henry Kissinger was the President. Carter was not President. Zbigniew Brzezinski was President. And so forth and so on.

So, we've had a one-size-fits-all Presidency, in which the *institution of the Presidency*, is all of those institutions which are either part of the Executive branch, or are resources tied into the Executive branch. For example, I've never been a member of the government, or the Executive branch, but I've



The U.S. Presidency is a wonderful institution, unique among the world's governments. Left to right: Benjamin Franklin (never President, but a genius who shaped the institution of the Presidency), Abraham Lincoln, and Franklin D. Roosevelt.

done—on several occasions, I've done several very important things of strategic significance, as a private citizen, in conjunction with circles in the permanent government. So, a lot of us are in this orbit, of being part of the Presidency, or being assets of the Presidency, and we generally work together, or fight each other. But when we are united, we can generally get a President of the United States to come to a fairly reasonable decision.

This is the advantage of the United States, with respect to the constitutions of Europe. We have a Presidency, an Executive power, which can not be destabilized by a parliamentary destabilization—not easily. It was attempted twice, it didn't work, in recent times. So, my view is that, despite the weaknesses, which I think are obvious to many of you, of the incumbent President, that we have a one-size-fits-all constitutional institution called the President, and if sufficient forces in the United States, of influence, gather together, and are determined to make something happen, when it's necessary, *it is likely we could succeed.*

So, therefore, we're not talking about something the next President might do. We're talking about something that has to be done very soon, as I mentioned the date January 28th, this coming year, which is going to be a crucial point.

The U.S. Turn Away From Production

Now, what's our problem? I said, "Tragedy."

During the period of 1964, approximately, when we entered the Indo-China War, and shortly after that, when a terrible thing was made the prime minister of England, of the United Kingdom—Wilson. Wilson was a disaster, and what happened after 1964, was a disaster, economically and otherwise. We began a shift, away from the system that had worked

in most of recent history in Europe and the Americas. The system was, *we were a society based primarily on the idea of production*, of productive powers of labor in manufacturing and agriculture, in infrastructure-building, and so forth. So therefore, the sense of personal identity, of the person *in* society, was what they could do to contribute to this improvement of performance of productive power.

In about 1964-65, there was introduced from England, and the United States, into these countries, and into continental Europe, what was called "post-industrial society." Or what is called today, "consumer society." This is matched with free trade, with deregulation; with a cultural transformation, we may say, "cultural degeneration": degeneration of education, where you would no longer recognize university education, as even bad secondary education. Our educational systems have been destroyed. We are destroying the minds of our young people, by the educational system on all levels, including the secondary and university levels, most notably.

We no longer have productive ability. We have a generation, in leading positions in government, both in Europe and in the Americas, who came to maturity, after this change occurred. These are people who have risen from university students, to become heads of governments, or important officials in the private sector, *who never had an ethical, moral commitment to productive values.* We are a post-industrial-oriented society. As a result of that, the people who are running most of the world today, its institutions, have no conception of what a healthy economy is!

For example: Someone will tell you, the United States has got a balanced budget. Or the United States has no inflation. The United States has, probably, one of the highest rates of inflation of any industrialized nation in the world. We lie!

Our figures are fraudulent. We introduced a thing back in the 1980s, that I protested against at the time, which is called a “quality adjustment index.” And what was notable, was that you would take things like automobiles, you’d make this year’s model poorer in quality than the previous year’s model, and say that this represented as much as 40% of an improvement in quality of the vehicle. This was called the quality adjustment index, and it was celebrated, by putting out for the first time, instead of putting a spare tire in the trunk of a car, you put a little thing that looked like it came off a kiddy car, and if you had a flat tire, you pulled the real tire off and you put this funny thing on the place where the flat tire had occurred, and you’d wobble down the road to the nearest repair station. This was called an “improvement”! This resulted in as much as a 40% increase in the counter-inflationary valuation of that automobile.

This was a fraud run by the Federal Reserve System’s statistical department, together with the U.S. Commerce Department. And since that time, until the present, every year: Did you know that the value of a house increases 12% over last year, simply because it exists? Its intangible value is increased. Therefore, even though the prices of real estate represent galloping inflation, because of these frauds, which we perpetrate in our official statistics, it shows we are not suffering inflation. We’re suffering up to 10% to 20% inflation, *per annum*.

Now, we’re at a point, where the official discount rate of the United States is about 1.25% of the Federal Reserve System. Now, if we’re having a 5% to 10%, minimal, rate of inflation, and you’re trying to pump up the economy with financial inputs at 1.5%, what are you doing? You’re doing what Japan did with the yen bubble. You’re issuing Federal Reserve currency desperately, at desperate rates, to pump up bankrupt financial markets, while the rate of inflation is already, at least, between 5% and 10%, varying, depending on what sector you’re looking at.

What is this comparable to? This is comparable to 1923 Germany, between June and November of 1923, when the Reichsbank was pumping money into an inherently inflationary system, until the reichsmark blew out and was bailed out subsequently by the Dawes Plan, from the United States. So, this is not quite as intense as 1923 Germany, but it’s analogous, in what’s happening right now.

So, that’s why we have a systemic crisis. We have lost our rail system, our passenger rail system. You can not—if we don’t have a change in the law, within the next 60 days, you will no longer have a rail system in the United States. If the collapse of United Airlines, American Airlines, and so forth continues, which will be a chain-reaction effect on *all* the major airlines, we will not have a passenger air traffic system in the United States. You will not be able to get, on a commercial basis, from one part of the United States to another. Only in certain regions; beyond that, you won’t.

So, this is a systemic crisis: a change in policy, a destruction of infrastructure, which affects energy systems, which affects water systems, affects education systems, health-care systems; everything that you depend upon, to make a workable economic environment for production, is being undermined and destroyed.

This is a systemic crisis. The only way you get rid of a systemic crisis, is *by changing those values, those rules of the game, those axioms which have caused the crisis*. It is not a matter of adjusting it without changing values. It means you’ve got to say, “Hey, folks! You’ve been stupid, that’s our problem. You’ve been stupid. Don’t blame the politicians, they did what they thought you wanted them to do. So, why are politicians stupid? Because they listen to you, the citizens.” And, this is what’s called in Classical terms, a Classical tragedy.

The Case of Hamlet

A typical case is the case of Hamlet. And I’ve spoken of this before, but it’s important to refer to this issue, here, and on many other occasions, because this goes to the question of leadership in a time of crisis. What kind of leadership can get you out of a crisis? And the lack of that kind of leadership will ensure you have the crisis. Hamlet’s a case of that.

What was the failure, was not Hamlet. The last scene of *Hamlet* makes that clear. Hamlet is dead in the last scene, his corpse is being carried off the stage. And, the damn fool Danes are out there, doing the same thing they did to get to that mess beforehand. So, the tragedy lay in the Danes, the Danish culture! And this was presented by Shakespeare, during the period of James I, which is a very relevant example at that time. And, Horatio out there, speaking to the audience off-stage, while Fortinbras is saying, “Let’s go on and do more of this!”—Horatio, the friend of Hamlet, is standing, saying to the audience, “Let’s reconsider the recent experience, before we make damn fools of ourselves all over again.” Now, Horatio was showing a certain potential of leadership; he wasn’t a leader, but he was a commentator who made the relevant point.

The problem in a crisis, a Classical crisis, *all* Classical crisis, is that the people are the problem. Not because people are bad; people are inherently good, they’re born good. But, because the *culture* is bad. The culture is disoriented. The way the generation which came to power, gradually out of the middle-1960s generation, they’re all, with a few exceptions, bad. Not because they were born bad, but because they inherited a post-industrial culture, which led us away from the things which caused the postwar reconstruction of Europe and other good things during that time. So therefore, a leader is one who is able to convince the people *to change their ways*.

Now, generally this kind of change in ways can occur only when the people themselves realize there is a crisis. When people are willing to say, “Yes, we’ve done something

wrong. Yes, we have to change our ways.” And that’s what our problem is right now: is to get the people themselves to understand that the crisis means, that *they* have to change their ways. Otherwise, this civilization is going the way of the Roman Empire. We’re at the end-phase, we’re at this point where we can no longer continue the kinds of policies, or the kind of policy-making which has dominated us up to now.

It’s simple to do that. As I say, we take the Bretton Woods model and use that as a guide. This time, it will not be the United States issuing money to the world: It will mean a group of leading nations, taking over the IMF in bankruptcy reorganization; taking over bankrupt central banking systems, in bankruptcy reorganization, by state authority; creating, in effect, national banking: That is, in which the banks continue to exist, but they exist under the direction, and protection, of the sovereign governments. The sovereign governments, which are the only agency which is to be allowed to create credit, must use the credit-creating power, and use it in ways which are typified in the German reconstruction phase, by the Kreditanstalt für Wiederaufbau. Those methods work. You get credit out there, and recycled into large-scale projects, you get governments to make treaty-type agreements, on long-term trade. You go into 25-50-year agreements on large-scale projects.

For example: Take this Three Gorges Dam project in China. This is a long-term project, which has required international support, directly or indirectly. This thing has to be financed over a period of its maturity—25-50 years. To develop the Mekong River development project, as it should be developed, from China *all the way down through Southeast Asia*—is a 50-year project. Maybe we can finance our way out of it in 25 years, but we need to think of it as a 50-year undertaking, which we can finance at 1% to 2% maximum, simple interest rates.

The Eurasian Land-Bridge

We do it not because we are interested in making money on the interest. We do it because we are building the economies, based on infrastructure projects, which will be the stimulant, for the growth of employment, and the growth of the private sector, agriculture, industry and so forth. So therefore, nations will agree over long terms, 25-50 years, on credit, as, say, for the Eurasian Land-Bridge program.

We now have in Korea—if somebody doesn’t make a mess of it—the linking of the two parts of the railroad, which will enable you to get freight from Pusan, on the tip of Korea, by modern rail, all the way to Rotterdam, either by way of the Trans-Siberian route, or by way of what’s called the “New Silk Road” route. Also, the same system will take rail systems down through Kunming, through Burma, down through Malaysia, across Bangladesh, and into India.

So, you will have essentially three major spines of transport, coming out of the rim area of Japan, Korea, and so

forth, down through Siberia, through the Silk Road route, the Central Asia route, and down through the coastal road leading toward Africa, across the straits toward Cairo, Alexandria, and into Africa as a whole.

So, this is a multinational effort, which requires resources from many nations: It requires long-term financing. It requires agreements among states, which can keep the thing stable, so it doesn’t blow up in the meantime, with some financial problem. And on that basis, we can cause the world system to grow.

We can use a gold-reserve system—not a gold-standard system, but a gold-reserve system, again; this time, not backed by the U.S. dollar as such, but backed by the authority of an international agency of these banking systems, which are national banking systems. And on that basis, we could maintain, with the aid of the domination of the world market, 50% of the world market should be dominated by these long-range infrastructure development programs. Under those conditions, we can survive.

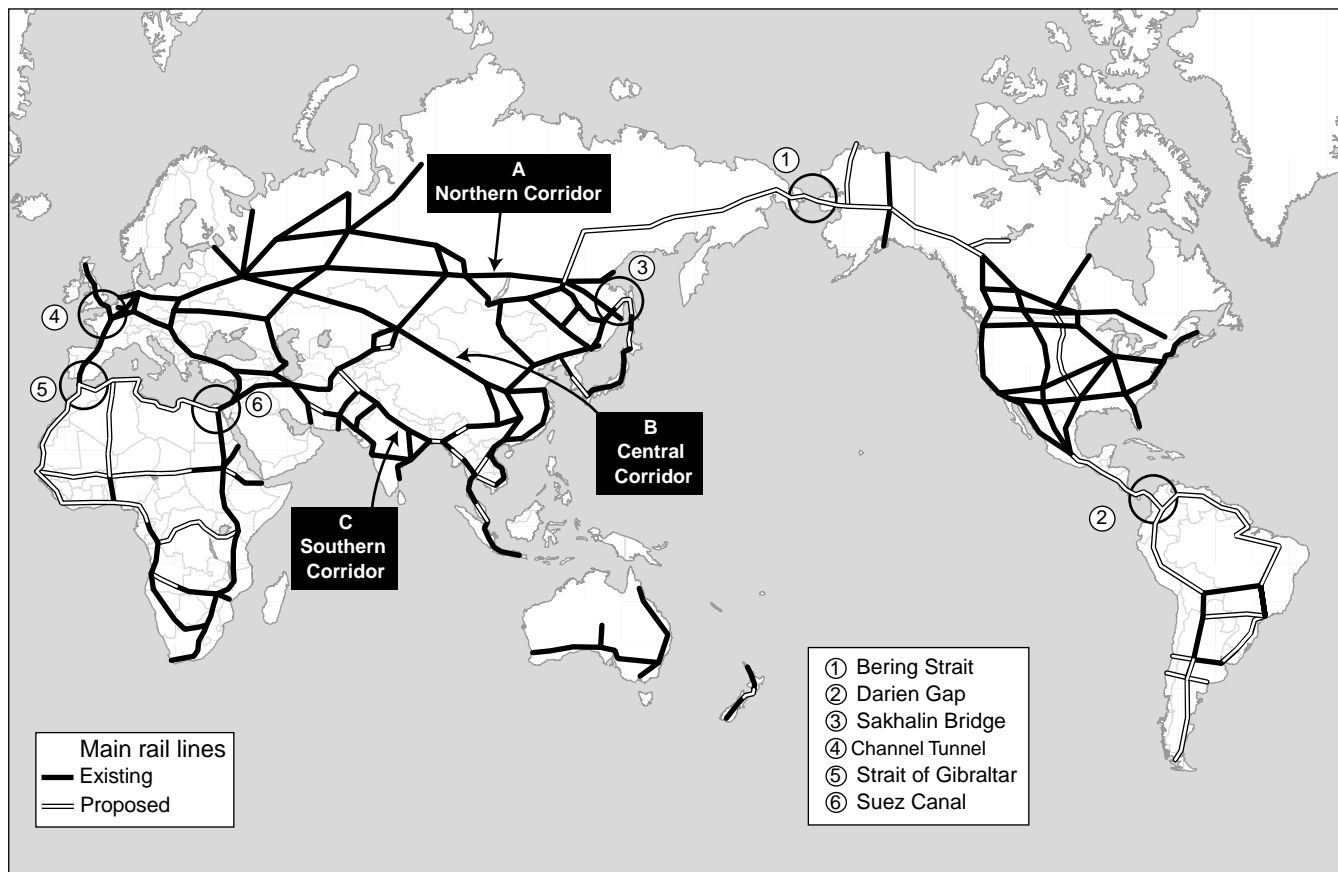
Reject the Hobbesian World-View

Now, let me turn to one very specific problem, among the many problems that this poses. I had a meeting last Spring, the year 2001, that is, in which a number of people of some influence in government, out of government, but influential parties—we had a discussion. And I raised this question about this Land-Bridge, Europe-Eurasian cooperation, as U.S. policy, and a riot broke out, among people who I had previously thought were reasonably sane! What was the problem? And this is the problem we face. They began screaming: “How can the United States *trust* these countries? How can the United States trust these countries? Yes, we can deal with them. But, we’re not going to do this kind of sharing of power on this basis with them, economic power, on this basis!” “Why not?” “Because they’re our competitors! We have to think of a conflict of national interests.”

Now think of this on the edge of war. What does that mean?

First of all, what this represents is the legacy of two of the worst clowns in English-speaking history, Hobbes and Locke. Thomas Hobbes and John Locke. The idea that there has to be, that you have to run society on the basis of some sort of inevitable, *natural conflict among persons, nations, and peoples*. Aren’t we all human? I mean, even Henry Kissinger may qualify as human, under biological examination. Aren’t we all human? Don’t we all have a common interest in humanity? Don’t we all have the same flesh and blood, and the same impulses and desires, really, fundamentally, as needs? Why should we be in conflict? Yes, we may have conflicts, but that doesn’t mean this is a natural condition of man. This is the friction of trying to avoid conflict, as the Treaty of Westphalia of 1648, exemplifies that. And we would think, that after all that work that was done, including by Cardinal Mazarin, to

FIGURE 1
World Land-Bridge



bring about the Treaty of Westphalia, and you read the agreement itself, what it means: You would say, “This proves, and it proved to many in Europe until recently, that no matter how intense the war, how intense the struggle, there is always a way to find peace, and resolution, if you’re willing to admit, that *nations should love one another*.” Which is the Treaty of Westphalia: Nations should naturally tend to love one another. There is no such thing as a natural, axiomatic human conflict. There are human conflicts, but they are by their nature *curable*, because there’s always a higher principle, lurking in the background. We are all human. None of us resemble apes. We’re not. No ape can understand Gauss’s fundamental theorem of algebra. And even though some people try to monkey around with it, that doesn’t do it.

All right, now. What then? Shouldn’t we say, as some people say, Utopians say, “Let’s have one world, let’s globalize everybody”? No. Why not?

Because the communication of ideas, the processes of deliberation, of any people, always come in terms of a culture,

in which their use of language is an expression of the culture. By expressing the culture, and using the language to express the culture, they are able to engage in the equivalent of Platonic-Socratic dialogues with one another. Only by means of that use of culture and language, shared among a people, can a people deliberate, as a body.

Now, if we wish to have a world which is not ruled by dictators, but a world which conforms to what some people call “democracy,” that is, the participation, the willful and efficient participation of people in regulating the aims of their government—maybe not all the details of the government, but the aims of the government—as I’ve emphasized, the aims of government mean: What kind of world are we going to have two generations from now? What are my grandchildren’s lives going to be like? I want that kind of policy. We want governments which respond to that question, that definition of general welfare and national interest. We don’t want it based on making people happy today: We have to be concerned about what is going to make our

grandchildren happy, two generations ahead. Otherwise, it's not a sane policy.

So, you have to have nations, based on this cultural-language function, as a people who is now capable, not of babbling at each other, in incoherent argot, but a people which can think profoundly, as Shelley put it, in the "most profound and impassioned concepts respecting man and nature." And you don't need a simplistic language to do that.

So, therefore, we need highly developed populations, highly developed forms of cultures, highly developed forms of the language of that culture, as a medium of communicating scientific and Classical ideas of culture, among themselves, so that they, as a body, as a nation, can decide what they want. And can enter into discussion with other nations, around *common goals, common missions*.

But, our objective is to end this business, where some people, most people, are stupid, and a few wise guys, who ain't so smart, are running the world. We have to have a system in which government is responsive to, and involves the participation of the people. For that, you need an institution of government called a sovereign nation-state, which is based on a highest possible development and improvement, of an existing culture and language, for the communication of "profound and impassioned ideas concerning man and nature."

Common Aims for Mankind

Therefore, we all have a common interest, and that common interest is, in what? Common aims for mankind, for looking at the state of the world, two to three generations ahead. Deciding what kind of a world we want.

Now, you have that, in a sense, in the Strategic Triangle agreements. You have six nations in Southeast Asia, you have the three up north, you have Russia, you have India, you have other nations coming into this. What do they want? They want a Eurasia they can live in, three generations from now, which will meet their needs, of their people then, of a growing population. They want a relationship with regions such as Western Europe, to supply them, as Germany typifies this—it's the one area, China's the area of growth of German exports; the rest of the picture is pretty much a disaster. They want those exports from Germany! From France; from Italy; from other parts of the world—for their future, for their grandchildren's benefit.

So therefore, we have an inherent agreement, in principle, in interest, among these nations. And therefore, this means that we should come to understand one another better, each nation; we should promote the improvement of the culture of each nation, to come to the highest possible level of development of *its* culture, *its* language, and have an understanding of this process in one nation to another. This is typified by the idea of an ecumenical dialogue, among Judaism, Christianity (if you can find any Christians these days; they're getting scarcer all the time), and Muslims. The obvious thing, obvious. You have to have these profound questions of man's

conception of his own nature, and the purpose of man's existence. These have to be the fundamental questions which motivate society.

So, we have a vital concern, a practical concern, in loving one another, as nations. The idea that we must have a Hobbesian, or Lockean, type of conflict among people, is, itself, the great obstacle.

And whenever you hear that, you're hearing the voice of sickness, mental and moral sickness.

I've got a problem in the United States. I've got people, who are influential people, who are not unfriendly to me—some are friendly—who talk with me, but they have this sickness. The sickness of saying that conflict is the natural condition of relations among nations and peoples. It is not natural—it's unnatural. And therefore, we need all the help we can get, to put that question on the table, and get that kind of discussion. Because I think that that one point is the greatest source of danger to peace. Because I think that every nation in the world would like to be out of this financial crisis, this economic crisis. Most nations of the world would like to be out of this war business. We may have to have military forces. We may have to have justified defenses of nations against some abusive threat. *But, we do not need war as a policy.* We need a policy, as it was called by people such as Lazare Carnot, of "strategic defense." We defend what we're fighting for: What we're fighting for is peace. The objective is peace.

And as long as we think that we have to—as the Utopians do—set up a system of conflict, of managed conflict, by which nations are managed and controlled by outsiders, by which people inside a nation are managed and controlled, I think that the kind of mission to which I'm dedicated, which I've identified here, is in jeopardy. And I would suggest to all of us, that we think about that. I'm committed to that. I need help. And I'm asking you to help me.

Dialogue with LaRouche

Q: [A representative of the Robert Schuman Center for Europe asks about the rise in the price of gold, and the role of gold in LaRouche's financial reorganization.]

LaRouche: Well, no. I've indicated that, under a gold-reserve system, I don't know what the price of gold would be, because I don't know what the price of a dollar is going to be! You know, the dollar has lost almost 20% of its value in the recent period. And this, is a highly defended value. The dollar may be—oh, worth 25% less on euro parity. Who knows?

But, no matter. I've indicated, as a pedagogical illustration: Suppose tomorrow, I had my druthers, and someone in the United States says, "Go ahead and do it." I get these Europeans over, and we will tell 'em, *really*, what's wrong over here, in terms of the system, in which they have to have an emergency agreement. We're going to put the IMF in bankruptcy reorganization—as governments. We're going to cre-

ate a system of national banking, under governments, which are engaged in the financial reorganization of bankrupt major banks and central banking systems. We are going to create an emergency New Bretton Woods.

We are going to have some special features in it, which fit the present reality—that's not going to be too hard to get. You know, good legislation generally runs to six pages. If it goes over ten, it's bad legislation. Because otherwise, you're going to have problems there.

But, we would need a gold-reserve system, which would not be like the U.S. dollar system, earlier: It would be a group of countries, which are signatories to an agreement, which will base the parity of the currency—of a fixed-exchange-rate system—on the basis of *leading nations' agreement to fix it at those prices*. Therefore, we will have to adopt a gold-reserve system, a balance of payments system. I would say, the minimum is \$1,000 a troy ounce; I don't think you can successfully fix a monetary system at a lower price.

It may sound shocking, but you don't realize how much depreciation of currencies has occurred in the past 35 years. The inflation has been tremendous! It's been *managed* inflation, and therefore, people didn't see it coming all at once. But, I would say, what happened back with Nixon, they exploited the fact that the dollar was greatly overvalued! Relative to a gold-reserve system. They probably should have set it at \$100 an ounce, then! And, they wouldn't have had the destruction of the Bretton Woods system, that occurred in '71-'72.

So now, you're talking about \$1,000. It will not come by the price of gold, as a negotiable currency, forcing a system into being. It'll come the other way: It'll come, when governments, or major governments say, "We've got a crisis! We've got to have a fixed-exchange-rate system. We've got to have a 'recovery' program." They're going to call it a "stimulus package," eh?—"to get the economy moving again"—what they're talking about in Germany and elsewhere; a "stimulus package." And, they're going to say in Germany: "Lautenbach Plan." The words "Wilhelm Lautenbach" are going to be said again, and again, more and more. Because that is the model of discussion, from the 1928-1933 period, which presented the alternative to Adolf Hitler. And we're in a similar situation today. So, it'll become that way.

So, the states, governments, just like—look at the German government now: typical. Every government: the U.S. government, the same. They have no solutions! They have no program! And they're not capable of coming up with one on their own. And, they won't. They will not come up with anything that works, on their own—I guarantee that. Whatever Bush and his crowd put forward, no matter how well-meaning they might be, what they will propose *could not work*. So, we're going to have to come in, and show them what will work. And, induce them—that we kindly will let them take some credit for it.

And we'll do it.

But, the way it will come about, is: We will say, as Roosevelt did—in his first pegging of the gold price, after the fall of the British gold standard—we will say, "*This is the price of gold.*" And this will be denominated in terms of reference to a number of leading currencies, which *agree to discipline themselves, to maintain and defend that value of a gold-reserve system*. And, it will be backed up by a system of agreements, on long-term construction projects, like the Eurasia projects: big ones. Look at all the things we have to rebuild in Europe, all the things that have been destroyed, that have to be rebuilt. So, that will do the job.

And, I think we'll get it *that way*, not by trying to get a—floating gold up to, to force a *gold-forcing* of a new system.

The 'Jewish Factor'

Q: I am an Arab journalist. I have three questions. First, can you tell me what is the real background of the masters of American finance? Second, what do you think of the possibilities of war or peace in Iraq? Third, concerning your Presidential campaign: How can it go forward, with the opposition of the Jewish lobby? Also I would be interested to know how many people attend your campaign events.

LaRouche: Well, there's an *intention* to have the Iraq war stopped. But, you have to recognize that the forces behind the Iraq war, as I indicated, did not come yesterday, nor are they specifically Jewish. This is something else.

You have to look back, at a certain faction in Britain, in the United Kingdom—and also, in the United States—which shares the ideas of world-government, as typified by *The Open Conspiracy* of Herbert George Wells, and Bertrand Russell's nuclear policy. Their policy has been, since the 1940s, before the end of World War II: Their policy has been, to establish what is called, today, "a triad of nuclear weapons," land, sea, and air, which will be so terrifying that people will give up their sovereignty to accept world-government. In other words, a new Roman Empire.

What we have lived through, in the artificial conflict which was created between the Soviet Union and the United States, was part of that process. So, we lived through a period, up to the time of the Missile Crisis of 1961-62. This was a phase. We had another phase, which is the so-called "détente policy," which carried through, into becoming increasingly stable, until 1989. Once the Soviet system had collapsed, these fanatics, who had always had this policy of world-government through nuclear terror, went ape!

They started with a geopolitical operation: The first one was "Desert Storm," which was set up by the United States government and the British government. Saddam Hussein was fooled and manipulated into that one. Immediately after, Desert Storm was ended—so it wouldn't run totally out of control; it wasn't because of the goodness of their heart, they stopped the war; it was, they decided that this was a foolish thing to continue at this point—and they went to the next war! The Balkan War! A new Balkan War! A new geopolitical

Balkan War against Europe! And, Europeans fought Balkan Wars, for the self-destruction of Europe!

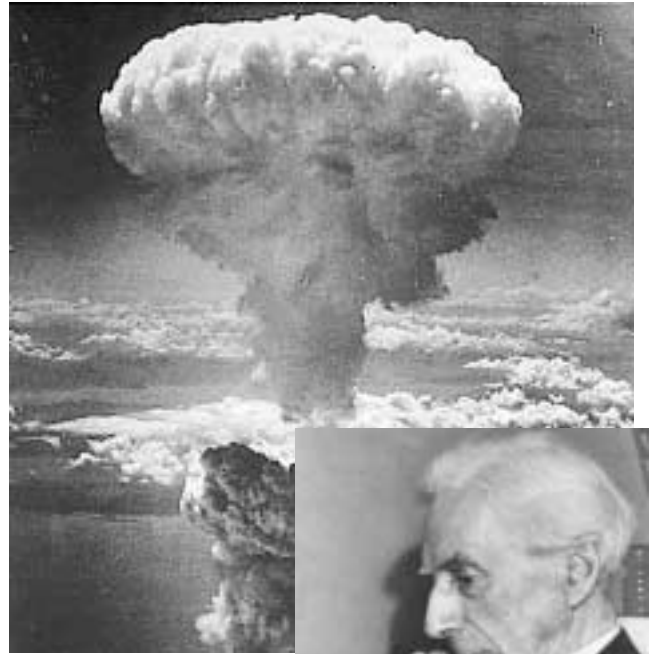
Then, they go on. The next phase, is to go with a Middle East war; and, as I said, in this little speech I gave in Abu Dhabi on this question of the crossroads thing: The Middle East, the connection from the Mediterranean to the Indian Ocean, is a crucial, strategic crossroads, and always has been. In all history. Before oil was recognized, the Middle East has been a strategic crossroads, between the Mediterranean region and the Indian Ocean region. Today, it is a key point of weakness, for all Eurasia. If you can spread a war, out of the Middle East, out into Eurasia, you can prevent Eurasia from developing. Hmm?

So, that's that side of the thing. The danger comes from this specific faction, which sometimes calls itself "pacifist"! Like Moral Re-Armament, which supported Göring! Because, they didn't want people resisting the terror. So you have pacifist movements, like Bertrand Russell: Bertrand Russell was the man who invented the concept of "preventive" or "pre-emptive" nuclear terror, nuclear war! He's considered a great pacifist—well, I guess the dead are peaceful, especially the radioactively dead. So, people are fooled by this stuff. Now, this is where it comes from.

Now, what happens is, as a result of what Hitler did, especially in Poland—and also because of a spin-off of the Tsarist secret police, called Jabotinsky—you had factors loose in Europe, which were able to exploit this question of Jewry, as a weapon. Now, this problem—to the degree it's a problem—because the problem that offends me on the Jewish question, is: What was Judaism, if you didn't have Jabotinsky? Judaism was "Moses to Moses to Moses": From Biblical Moses, to Moses Maimonides, to Moses Mendelssohn. Typified, also, by the Yiddish Renaissance; typified by the Bund, in Eastern Europe. This was Judaism. This was Judaism as known to Europe. This was an integral part of European culture, just as the Arab Renaissance in Spain, or the Arab influence through the Abassid dynasty on Charlemagne; or the Arab influence, the Fatimid and other influences, in Sicily and Southern Italy, as the case of Frederick II [Hohenstauffen], or later through Alfonso Sabio.

So, Jewry represented what? It represented normal people, that, from a standpoint of German culture, German-language culture, were associated, in modern times, with the legacy of Moses Mendelssohn. The contribution of the German Jew to Germany's culture was *immense*. And, it was a product of the liberation of the Jew, which was led *inside Germany*, by Moses Mendelssohn. You take the number of Jewish scientists, doctors, others, artists, and so forth, and the contribution they made to the culture of Germany—not as something added to, but an integral part of the culture of Germany. So, how can you have this problem?

Well, what is called the "Jewish factor" today, is a bunch of gangsters—the guys who call themselves, in Canada and the United States, they went from "rackets, to riches, to re-



To understand the drive for war against Iraq, look at the "world government" policies of Bertrand Russell, which were behind the nuclear bombing of Nagasaki. Russell also called for a pre-emptive nuclear attack on the Soviet Union, should that country refuse to join his utopian scheme.

spectability." And, they're thugs; they're murderers. That is what you have as the "Jewish element" in the so-called "Chicken-hawk" thing—the draft-dodgers who want world war, like Richard Perle and his friends in the United States. This is that problem.

So, there is a factor of Jewish-name involvement, in this Middle East war, but it is not a specifically Jewish problem. It is specifically, if you look at Israel's internal history, you have different tendencies among Jews. For example: You take the case of Moses Mendelssohn's tradition, which is reflected, in a sense, in the World Jewish Congress, under Nahum Goldmann. You had another tendency, which was the David Ben-Gurion [type], which is the labor-Zionist tendency. Then you had an outrightly fascist tendency, explicitly fascist, of the Jabotinsky who tried to strike an alliance, twice, with Adolf Hitler! And, that's the hard core of the Likud!

So, you have different cultural tendencies. And, when you use the name Jewish, or when Arabs, for example, have gotten into this "Jewish thing," and say, "this is a Jewish conspiracy"—it is *not* a Jewish conspiracy! You have *fascists*, who

happen to be Jews. And, they *behave* like fascists, as Sharon showed in what he did in the Middle East, in the recent period. And, what they did before. They're gangsters! You should look at the reports of the election nominations for the slate of the Likud party, in Israel today. It's one of the most disgusting pieces of corruption in modern history. So, it is not a "Jewish" problem, but the Jewish name is *used*, and Jewish gangsters—who have more money than God—are actually behind a good deal of this stuff.

So, naturally, people are justified. But, from the standpoint of those of us who are responsible in statecraft and leadership, we don't use such terms, even though we recognize why other people may use them. But, it's not specifically a Jewish problem.

Then, on the question of this—it's that the system doesn't work; on the change in the officials—the *system* doesn't work. The United States' financial system is collapsing. The monetary-financial system is disintegrating. Nothing can save it, in its present form.

For months before the change occurred, for months before Nov. 5, it was already understood that both would be out, especially O'Neill. O'Neill was going to be out, resign from the office, retire from the office, *after* the Nov. 5 election. That was already decided. The thing went wild—they dumped Lindsey and O'Neill. They looked around to try to get some replacements for Lindsey and O'Neill—and they couldn't get 'em! So, they took these two throwaways, that they scraped out of a barrel, and made one the Economics Adviser, and made the other one, the new nominee for Treasury Secretary. So, this does not mean too much.

What it *does* mean, however, the fact that nobody of *weight* wanted the job, and when top-ranking people don't want to take a job of that importance, you've got to say, "There's something wrong with the job. There's a liability. They don't want to crawl into that barrel." The reason is, the system doesn't work. The system is going to collapse. And what is being done by Greenspan, as an inflationary program, can not possibly work.

My point is clear. I've said it, but is the point clear? *This present world monetary-financial system will collapse, probably within weeks.* It may have collapsed by early January or late January. We're *that* close. There is no possibility that, in its present form, it would ever recover. The European Union in its present form, can not live much longer; not in its present form. It can live in a new form, but not in the present form. The whole world financial system is going under. What you see in Argentina; what you see in Brazil; what you see threatened in Mexico. You've got a lunatic in Venezuela, who complicates the situation. You look at the situation, with the German budget: It can't work! You look at the problems in France: It can't work.

So, the system is finished, and anybody who gets the job, is the next guy to go to the guillotine politically, in effect. So, apart from that, I wouldn't put any importance on the O'Neill/

Lindsey ouster, beyond what I said. The importance is what is *not* raised: The importance is, what are they going to do? As of now, I can tell you, every indication I have from inside Washington, at the top level: *They haven't got a clue, as to what to do!* They haven't got a single idea, what to do. They've got a lot of prejudices, of what they don't want to be "caught" doing. They've got a lot of prejudices of things, they want to "appear" to be supporting. But, they know, that none of them will work. The most common expression I'm getting, from reports from circles I know in the United States, is: You ask them, "What's the President's new economic policy?" "He *has* no new economic policy." And, I'm trying to get the United States to adopt one, and we're working hard at it. We may succeed.

Man in the Image of God

Q: This is Elodie, from France. I'd like to know the basis, of basically, everything that represents a solution to get out of this mess, especially the idea that every single human being *is* in the image of God. And, the question is God: If we're in the image of God, okay, we've got to talk about God. So, what do you have to say on the existence of God? On the question: If we're in the image of God—it's sort of a personality show. Do you want to comment on that?

LaRouche: Actually, if you think it's not relevant—you find out it is! [laughs] One of those questions, that sounds like it comes from somewhere else, but it's actually quite relevant. Because it goes to this question of how do you get people to love one another. They won't get it from reading the Bible. They won't get it from religious services, as such. Those are forms. Those are routines and rituals.

They get it in another way. And I've done—Elodie knows about this, and others here know about it: What I've insisted is, that a remedial approach, to university-level education for people between 18 and 25 should begin from the focal point of Gauss's crucial, fundamental attack on the fallacies of the work of Euler and Lagrange, in Gauss's 1799 paper defining the complex domain—the paper on the fundamental theorem of algebra. That anybody, who does not yet know that—and I mean *know* it, not learn it; know it—does not know the basis of modern science, and can not, probably, answer effectively, the question that Elodie just asked. And, this, of course, pertains to a lot of things.

But, what's the difference between man and a beast? Monkeys, apes, have a potential, at most, on this planet—or ape-like creatures—of several million individuals, under any known conditions of this planet, over the past 2 million years; what we know about it. We have, today, at last report, 6.2 billion people on this planet. That may not be an accurate report, but it's the last one we've seen, and it's a fairly quasi-official one. No ape could do that. How did man do it? Because man is not an ape. You may think Henry Kissinger looks like an ape, but he's not really an ape! He just behaves like one. (Or, maybe the apes will be embarrassed

by my statement. But, anyway.)

The difference is, that man is capable of discovering what we call “a universal physical principle.” No ape can discover that. Man not only discovers these principles, but can communicate them to other people. They are passed down from generation to generation. They can be learned from people thousands of years ago, long dead, by you, today. By reenacting the act of discovery they made, and validating it.

By this power, the discovery of such principles—of two types: both physical principles, that is, man’s action as an individual upon the universe; or man’s *social* action, in communicating such ideas from one person to another—man is able to *change our species power, in and over nature*. That’s the only reason we have billions of human beings, rather than many millions, today.

Now, the simplest way to look at this is—sort of a friend of mine, Vladimir Vernadsky, the famous Russian biogeochemist, who defined what he called the “Noösphere.” He demonstrated, on the basis of physical evidence, that we have three kinds of universal principles operating in the universe. One, from the standpoint of physical chemistry, we call “abiotic.” A second, are physical effects which do not occur, except as a result of the actions of living processes. We call this, “life.” The third, are changes in the physical universe which can be effected by no means except the human mind, the act of discovery and application of discovery by the human mind. Just as we call the action of living processes “life,” the action of the mind to increase man’s power over the universe, is called “spiritual.”

That is the meaning, in Plato, of “spiritual exercises.” Now, therefore, that means that we know, not because of a Bible, not because of some doctrine: We know that every person has this quality of spirituality. Which differentiates *them* from all animal species. This results from the fact, that we are not a species, which is born in the same form as a monkey ancestor is born from a monkey. We’re different: Because we transmit, from generation to generation, elements of principle which we know as “culture.” These cultures have the same effect on the development of the human species, that biological evolution would be assumed to have on an animal species. I’ve sometimes referred to this as a quality of “super-genes”—the transmission of discoveries, from one person to another, from one culture to another, from one generation to another, to form what is called a “culture.” A cultural development process of mankind, is a manifestation of the fundamental difference between man and the beasts. It shows that our *relationship* to one another, as human beings, must be *human* and spiritual, not biological.

Some of our young people have a problem with that.

So therefore, we understand that we *are*: Thus, we know other things, from a scientific standpoint. A universal principle is one which is universally efficient. It’s efficient even where you may not detect its presence; because if it’s univer-

sal, it’s universal. And, if it’s *experimentally demonstrated* to be universal, then it is universal.

So therefore, even before man existed, an efficient principle of spirituality existed in, and ruled the universe. And He’s watching you.

The Future of Latin America

Q: I am past ambassador of Bolivia. Mr. LaRouche, I want to ask you about Latin America’s future: As we know, there is a big change in the politicians. They had elected populists in government. We have a future with the ALCA [Free Trade Area of the Americas] to support Latin American stability, and many other ideas, but what is your thinking on Latin America’s future? And if you agree with the concept of the ALCA—the integration of Latin American economies? Thank you.

LaRouche: I’ve been involved in this for about, oh, I guess, 26-27 years, specifically—since about 1974. But especially since the events of 1982, when I became involved with a man who was a friend, and became a closer friend of mine, the President of Mexico, José López Portillo.

And, we had this war on our hands, this Argentina war, launched by the British, with United States’ participation, in violation of the Río Treaty—flagrant violation. So, in this context, of this ferment, which I was involved in, in raising a fuss about this attack on Argentina, I became involved with López Portillo, and in discussions that Spring. He asked me, “What’re they going to do to us?” I said, “Well, they’re going to take your country apart by next September” (they did it in August, not September, but I’m fairly good on these forecasts).

But anyway, I wrote this *Operation Juárez* paper, at that point. It was published on Aug. 2, just a few days before the crisis broke out, as a guideline. And the President of Mexico, the President of Argentina, and the President of Brazil, and the chief of the junta of Argentina, agreed to support, and to support López Portillo in particular, on this policy. Then, Henry Kissinger went to work—first, on Brazil; and then Argentina, the junta; and then on Mexico itself. And out of this came this great speech at the United Nations, by López Portillo, as President, which was sort of a swan song: He was about to exit the position of President, and he’d already been defeated by the U.S. and other forces on his policy.

But, this policy has always been mine: That there has to be a federation of the states of the Americas, in the form of a monetary-financial-economic body, to deal with certain common economic and security interests. That the United States should support this. At that point, my recommendation was, that we reorganize the *debt* of the United States—that is, the so-called Latin American debt—and use the debt itself as a weapon of investment for creating new investments in the hemisphere; but run it through a separate institution, where you would turn the debt—write it off, in one sense, but then



Mexican President José López Portillo on Sept. 3, 1982, after his nationalization of the banks. LaRouche's "Operation Juárez" plan for Ibero-American economic integration was on the agenda, until continental support for López Portillo's initiatives was blocked by Henry Kissinger.

denominate it, without making it negotiable, and use it in a central facility as a credit-basis for creating expanded investments in the hemisphere.

I think that's the only way, because the nature of the hemisphere, especially when you look at South America, is such, that the infrastructure and related needs—the interrelated ones—are so vast. Let's take the question of power: The organization of power throughout South America, that is a question which you can not deal with very satisfactorily within borders. Brazil can somewhat, in some aspects of it. Other countries can't function, and therefore, you *need* a bloc of nations. The Mercosur [Common Market of the South] idea was a valid one, but then, what happens is, the President of Peru gives a speech, referring to Mercosur, and the United States coups him! He's now sitting in Japan, coupéd, because he made a speech threatening George Soros's personal thieving interests.

And then, of course, in Bolivia, you have the effort, again, to get the "narcos" back in power, to bring back the narco-generals, and that's exactly what's going on. And, the United States is doing nothing about it! Even though the Bush Administration is against the narcotics traffic, the influence of George Soros and the Inter-American Dialogue and so forth is such, that they actually prevent any effective operations against drug-trafficking in South and Central America! And European countries are also involved.

The head of the New York Stock Exchange is a pusher for drugs, because they need the drug money for the New York Stock Exchange. Many of the security problems *inside* the United States, are a result of this drug problem! So, the hemispheric drug-trafficking is also a major question, which

no one can deal with. The United States must cooperate, otherwise the anti-drug policy doesn't work. And the drug policy *in* the Americas, has to be dealt with; otherwise you have no security inside the Americas.

So therefore, you have these kinds of bases: Straight economic cooperation; monetary-financial reform. But, it must be done on a state basis. Why? Very simply—to be emphasized, as I'm sure you know—but, the point is: capital. Not just financial capital, but real capital, which has to be financed. Because capital improvements in the Americas: We're talking about 25- to 50-year projects. The Amazon, for example, is almost a bottomless opportunity! The mineral wealth, underneath the rain forest, is tremendous! The rain forest is an engine of power, beyond belief! People don't realize how powerful that Amazon system is, in terms of a power. So, these things require long-term—or, Patagonia: Tremendous potential!

But, this requires multi-state, international cooperation, in long-term agreements on infrastructure development, across states. So, you need this kind of structure. Then, you also need, as was recognized in the Strategic Triangle in Asia—also, economic security, and security in general, are two sides of the same coin. So, the nations that are going to cooperate economically, for economic security, often is the right vehicle to cooperate for other kinds of national security.

Yes, we *do* need that. I think that what you're going to find, with the United States no longer qualified to play the role it played in the 1940s-1950s, that we're going to have to have groups of blocs of nations in various parts of the world, which, as a group—like the Strategic Triangle—work together as a cooperating group; and then you have cooperation

among the groups of cooperating groups—will be the form of the organization of the planet, in my best estimation.

The Basis for Natural Law

Q: I am from Copenhagen. I was wondering: You talk about the Anglo-American empire, and how the Schiller Institute wants to prevent a lot of their actions, like the war against Iraq, and [changing] the financial system. And, what you think, that we are aware of a fall of civilization; does that mean that they are not aware of it? That's one thing.

And, if they are aware of it, why don't they do anything? And if they are not aware of it, why don't they infiltrate the Schiller Institute? And, if they are all aware of the fall of this civilization, why are they not trying to prevent any existence of the Schiller Institute? I can not see whether there is any infiltration here or not. This is one thing.

The other thing—I'm sort of—in history, we see, for instance, that it is clear that there is Plato versus Aristotle. It is clear there is Gauss versus Lagrange. And it is clear that it is God versus Satan. But, what we are witnessing today: It is not clear what is the good side and the bad side. Is it just a paradox, that humans [can not] see it in the present? Or is it just the history, and it becomes clear when history gets past the present?

LaRouche: You have to look at this thing in two ways, as, politically, we have to look at this *not* from a religious standpoint. Because we don't want religious conflict. So, therefore, we have to find, what are called “terms of natural law,” for dealing with all questions that touch upon these kinds of confused issues. But, they are—as Elodie asked this question earlier about God and so forth—we can answer that question. We can answer that question with reference to Gauss. We don't have to say, “Somebody taught us”; or, “We read it in a book”; or, “A lot of people believe this.” That's not my authority. I've no right to go around imposing somebody else's book on somebody else. But, if I know something, I can tell them what I know.

So, in dealing with these kinds of conflicts, we have to start from knowledge, that we know, and not try to teach somebody second-hand knowledge—which is not really knowledge, because, if you don't know yourself, you don't know it. So, if you want to believe in spirituality: Discover what it is! Know it! If you want to believe in God, discover what God is. Know it. Know Him personally! You can know it. Then you can teach it.

And you can do that in politics. We have to do it in politics, because, we have to conduct politics morally. “Morally” does not mean, following a set of precepts we read from a book. “Morally” means, that we must look ahead at the future of mankind. We must honor the past of mankind, too. Imagine: Look how much suffering there is the world. Look at somebody whose grandfather was tortured to death, who was trying to do something good. What can you do, for your dead grandfather? One thing: *You can change the outcome of his having*

lived. So, you're morally accountable for that, as you are for the future of generations. What do you do, for the future generations? That's your personal accountability.

That is the accountability *of the state*, the moral responsibility of the state. The state is a quasi-immortal agency, which must assume immortal responsibilities: of justification, for those who suffered in the past, if possible. A man made a discovery; he was denounced. If the discovery was right, you honor [him] for that discovery. And use it! Therefore, his life is not wasted: He has been justified, even after he's dead, in a practical way. And the same thing for the future.

That's the way I think we have to approach these things. We have to establish the idea, *there is a natural law*, which is a moral law, which does not depend upon anyone's *teaching* it, but it does depend upon our *agreeing* with it. Which means, that, in my approach to ecumenical questions, which is one of the things I have to deal with; I'm dealing with a world, which, in addition to the various currents of Islam, of Christianity, Judaism, I have to deal with the cultures in China; the cultures in India, which are highly complicated structures; and therefore, I must find a common basis for dealing with all human beings, no matter what their denominations are. And thus, I must find a basis, in truth, of knowledge.

That's why I refer to the Gauss [proof]. That's why I told the youth movements, “Use this Gauss example as a starting point, a reference point.” Because you need to have a sense of truth, which is independent of any prejudice. And we must, as nations, bind ourselves to justice, governed by the idea of truth. So we injure no one; we benefit everyone. But we don't assume a religious authority. And that's the way, I think, to approach these questions.

There is a moral law. We can know it. Our universities and secondary schools should be primarily emphasizing, giving young people the knowledge they need to *know*—not to learn—but to know.

Look, for example: You, obviously, are a younger person; you passed through adolescence, you know it's a terrible time, when people commit suicide, and all kinds of silly things like that, waste their lives. Because they have a question of identity, between child identity, and adult identity. So that if a person at the age of 27 acts like a 15-year-old, you say, they're insane. Whereas if a person who's 15 years old, acts like a 27-year-old, you may say, he's insane—because youth is different. But, we, in a sense, have to supply, from the time of youth on, a sense to young people (and to others), a sense of what the truth is—not a truth taught to them, but a truth they're guided to discover, for themselves. And we find that that truth can be pretty much universal, and it's pretty much sufficient for us to act together on. So, we can bring all kinds of people together, from different backgrounds, and we ought to be able to agree, to love one another, and to act on a common sense of what natural law is.

And, if somebody says, “Fine, my religion teaches it,” say, “That's fine.”

The Lautenbach Plan And Its Consequences

Here is the translated speech by Helga Zepp-LaRouche, chairman of the Solidarity Civil Rights Movement (Bürgerrechtsbewegung Solidarität, or BüSo), to EIR's seminar in Berlin, on Dec. 18.

I would like to speak today on the subject of the economic debate which occurred during the early 1930s—which is normally a taboo subject nowadays. What I hope will become clear from what I shall say: One of the most astounding phenomena is the fact that today, virtually not a word is spoken about the discussions which went on during the early 1930s, and the fact that hardly anyone today knows anything about those discussions.

Today, the system of globalization, of the free-market economy, is hopelessly bankrupt. And anyone who has not yet recognized that fact, I would ask them to please read a speech by one of the U.S. Federal Reserve governors, a man by the name of Ben S. Bernanke, who a few weeks ago delivered an astounding speech which, at the moment, is the hottest topic among all the top insiders in London, Wall Street, and Zurich, because he committed the absolutely monstrous violation of a taboo, by saying that today, with all our modern tools for increasing the money supply, it is much simpler to create liquidity in so many ways, than it was during the times when one needed an old-fashioned printing press in order to print the stuff; and that this is basically possible today through all sorts of electronic means. And by doing so, he basically blurted out the marketeers' best-kept secret up to now, namely, that if the system is reaching the end of its rope, and a domino effect is becoming a real threat, with large banks going bankrupt, mega-corporations going bankrupt, bubbles popping, and then the so-called aggregate risk—i.e., if one market sector goes bankrupt, then, because of the interconnectedness of all market segments, the entire global system blows up—that then, the last remaining resort, is to print money, just as the Reichsbank did in 1923. Only with the difference that, back then, as you know, it was confined to Germany, whereas today, because of globalization, the effect is worldwide. And as we ought to recall from past history, hyperinflation—because this Mr. Bernanke was talking about nothing else but that—is what robs the man in the street, the little people, of their last scrap of savings. Hyperinflation gobbles it all up.

And that's precisely where we're at right now. Latin



Helga Zepp-LaRouche, at the Berlin seminar, calls for a broad public debate about Germany's history in 1930-33, and about the economic policy options that could have prevented Hitler's seizure of power.

America was already mentioned: Argentina has halted its payments on its foreign debt, and has said, "We're not going to pay any more." Now, that was only \$800 million, but the important aspect of it, was its effect as a signal that the country is facing the utter disintegration of its territory, and so they have said, "That's it! No more!"

The situation in Brazil is dramatic. On Jan. 1, the new President, "Lula" da Silva, will be sworn into office. There is rampant hysteria over what Brazil is going to do with its \$500 billion foreign debt. My husband was right, when he said that no other country is a better demonstration of how hopelessly, unsalvageably bankrupt this system is. Because Brazil has two options: Either it capitulates, and makes an attempt to fulfill the IMF conditionalities, in which case it will, in short order, go the way of Argentina, i.e., the country will collapse; or, it will say "No!"—and in that case the IMF is equally finished, because the sheer amount of [Brazil's] indebtedness, \$500 billion, is enough to bring some mega-banks in the United States, but also in Spain and elsewhere, to their knees.

But in Japan it's even worse: bank crisis, depression everywhere you look.

The actual epicenter of the crisis shifted to the United States some time ago. America's infrastructure is disintegrating, and it is facing the prospect of no longer having a railway or airway system, because if United Airlines, which declared bankruptcy last Monday, goes the same way as Pan Am, Bran-



President Hindenburg (right) named Adolf Hitler as Germany's Chancellor, after the foolish Social Democrats and other opponents of Nazism failed to support the Lautenbach Plan for state-sponsored credit for infrastructure projects.

iff, and other airlines, then it's well on its way to being liquidated, and—well, I guess you'll still be able to get around the country in a Greyhound bus, or on foot, but that might not be particularly efficient! The collapse of the dollar was already mentioned. We are currently basically in the final *weeks*—my husband has said, very courageously (as he normally is, anyway) that the world financial system is so far gone in its collapse, that we're talking about a matter of weeks, about January, about only a few months. And this is, without a doubt, what is shaping the main dynamics of the economic crisis here in Germany—even though, of course, there do also exist some home-made problems as well, which have to do with the general cultural paradigm-shift over the past 35 years.

Danger of 'Emergency Decrees'

You will recall that about one month after the election, the re-election of the Schröder government, comparisons with the Brüning government were being made, on the one side, by Mr. [Oskar] Lafontaine [of the Social Democratic Party], who said that [German Finance Minister Hans] Eichel's austerity policy is the same as what Brüning did—and Heinrich Brüning is the person who paved the way for Hitler, [is the person] whose austerity policy brought on the collapse of the Weimar Republic.

But Brüning has also been brought up by the right-wing populist Prof. Arnulf Baring, who even went so far as to call for the trashing of Germany's Constitution, demanding that

the Basic Law be revised, because unfortunately it does not contain an Article 48—i.e., the clause which made it possible for Brüning to issue his Emergency Decrees. And Baring also called for people to take to the streets, and to man the barricades in order to topple the current government. So, he's been quite the radical.

I would like to examine this historical period a bit more closely. All this might perhaps be well-known to some of you, but I shall say some things that are perhaps not so well-known to you. Back then, during the era of Müller, of the Müller government, and through Brüning, to Franz von Papen, to Kurt von Schleicher, the failure of democracy was quite evident to all, because no party in the Reichstag had a concept of how to deal with the collapse of the liberal system. And part and parcel of this liberal system, was, of course, the war reparations payments which Germany had to pay. At the point when the grand coalition under Müller collapsed, this

led to a series of presidial regimes, each of which failed in turn. And von Schleicher, who *theoretically* could have averted the catastrophe, came into power much too late, in December 1932, at a point when the Anglo-Americans' pressure on Hjalmar Schacht to bring Hitler to power, was much too great, and the situation was just too far gone to change course.

We're in a similar situation today: None of the parties has any idea what to do. The systemic collapse today is far worse than the Great Depression of the 1930s, but there are certain parallels: We've taken the charts of stock prices from 1918 to 1940, and have superimposed these onto those from 1980 to the present, and in fact the curves match perfectly.

But the systemic crisis today is far, far worse. Two continents have already collapsed de facto—Africa, and we are already witnessing the traumatic disintegration of Latin America. Back then, America was the biggest lender; today, on the other hand, America is the biggest *debtor* in financial market history.

The danger, therefore, is that chaos, or even a revamped version of Article 48, or perhaps a dictatorship, is looming on the horizon.

Defend the Schröder Government

I would therefore like to set this forth at the outset: Our position is to seek to defend this Schröder government—not because Schröder's economic policies are any great shakes, but because in the present constellation of forces, Germany,

and even Schröder himself, with all his problems, has become the fulcrum of opposition to a new Brüning policy. And therefore we must see to it, that we change Schröder's policies, and not replace him altogether.

Because what's at stake here, is quite clear: Schröder himself is still undecided. He can decide this way, or that way: He can, like Thomas Schmidt (whose past is extremely interesting, by the way, in the 1960s and 1970s), who writes today in the *Frankfurter Allgemeine Zeitung*, that if Schröder, with cool calculation, sets into motion the systematic undermining of the social state, then he couldn't be touched by his competition, and so he should show leadership in dismantling the social state—so proposes Thomas.

Because you must consider the fact that none other than an individual by the name of Peregrine Worsthorne—who, interestingly, is the stepson of Montagu Norman, the man who financed Hitler and brought him to power, the former head of the Bank of England—wrote already back on April 2, 1996, in the *Sunday Telegraph*: "I'm not saying that we must move directly from the social state into a police state," but "*welfarism* is an idea whose time has passed. . . . For many of 'our people,' life in the late 20th and in the 21st Century will be repulsive, brutal, and short as well." And this, of course, is a reference to the life-shortening health-care reforms which enter the picture whenever the social-welfare state starts being dismantled.

A very interesting article was written on Nov. 24 of this year by a certain Prof. Herbert Giersch in *Welt am Sonntag*. Professor Giersch was formerly one of the "Five Wise Men," headed up the World Economic Institute in Kiel, and is a neoliberal of the Mont Pelerin Society stripe; but nevertheless, he writes the following in his article on the current economic situation:

"Seventy years ago, when the worldwide economic crisis erupted, a group of noted economists of various persuasions, including Wagemann, Woytinsky, Baade, Lautenbach, Lombard, Loewe, and Lederer, sought to build enthusiasm among the political class and in public opinion, for its policy of active government expenditures. Quite probably it could have cost the National Socialists their victory in the Summer of 1932."

I don't know whether it's clear to you, what a tremendous bombshell that statement is. It means that for the first time, a so-called regular professor—albeit a retired one, but still a quite regular one—has stated something which before then has only been stated in that precise form by Mr. LaRouche, by myself, and by the BüSo generally, namely, that if Germany's economic policy had been changed in time, Hitler's rise to power could have been prevented.

One would assume that this is a theme which would be of great interest in Germany—so one would assume. Because at the time, there existed a broad coalition of social forces—the so-called reformers, whose members during the early 1930s included the General German Trade Union Alliance (*Allgemeine Deutsche Gewerkschaftsbund*, ADGB), and also a

group of economists around such people as [Wilhelm] Lautenbach—who at the time was a high official in the Economics Ministry—but also industrial bankers—all of whom were proposing varying concepts of how unemployment could be eliminated through the generation of productive credit.

And let us recall that at precisely the same time, namely around 1933, Franklin D. Roosevelt in America was implementing his New Deal policy, which included productive credit generation, and led America out of the Depression. One can truly say today, that if the same policy had won the day in Germany—that is, the policy which Woytinsky and Lautenbach were urging—Hitler would not have seized power, and World War II probably wouldn't have had to occur.

And this makes it all the more astounding, that this economic debate, which raged from 1930 to 1932, is almost completely swept under the rug in Germany today. Instead we get the widespread myth that it was the Nazis, and Hjalmar Schacht and Hitler, whose job-creation programs succeeded in eliminating unemployment. Nothing can be further from the truth—as I shall now elaborate.

The Woytinsky Program

On June 28, 1928, Müller formed his grand coalition. The stock market crashed in 1929, and in 1930 a crisis erupted within the coalition over how to finance unemployment insurance, leading to Müller's resignation. In March 1930, there were 537,000 more unemployed than there had been in March 1929. Then, on March 30, President Paul von Hindenburg assigned Brüning the task of forming a new coalition government. After Brüning entered office, the annual increase in unemployment climbed to 1,432,000 in April, and then, after the first Emergency Decrees, to 2 million. After Brüning implemented further deflationary measures in December 1930, unemployment in March 1931 was 2.8 million higher than it had been in March 1929. On Dec. 8, 1931 there was yet another Emergency Decree, which included wage cuts by up to 10%, drastic price cuts, and a 6% ceiling on interest rates. And the number of unemployed kept on rising, to 6 million in March 1932.

On the heels of this came the election victory of the NSDAP [National Socialist German Workers Party, or Nazis], which on July 31 won 37.4% of the popular vote, entitling them to 230 seats in the Reichstag, making them the country's strongest political force.

During this period of high drama, stretching from 1930 up through early 1933, there were various forces which presented ideas on how to revive the economy. The most important role was that played, on the one side, by the General German Trade Union Alliance, which had approximately 5 million members, making it the biggest single organization in Germany: 80% of all organized workers belonged to it. And the leading intellect behind these proposals was Wladimir Woytinsky, who was chief of the ADGB's Statistical Department, and who had emigrated to Germany from St. Petersburg

in 1922, and who had been leading the Statistical Department since 1929.

In the spring of 1931, Woytinsky proposed an international program to end the economic crisis. To begin with, he asserted the idea that Brüning's deflation policy was only making the crisis worse. He wrote a number of articles about this, and in 1931 he published a book, in which he pointed out the qualitatively new character of the worldwide economic crisis, whereby the so-called automatic capitalist mechanisms no longer functioned, but whereby only anti-deflation measures could be agreed upon by consenting nations, thereby making it possible to increase purchasing power. And this additional purchasing power would have to be applied productively, i.e., put toward the creation of new jobs in public projects.

Woytinsky harshly attacked the mania for cutting wages and social services (today we could call it the "Eichel-cutting mania"¹), and on March 9, 1931 there was an executive board

1. In German, a pun: Eichel also means "acorn" or, in slang, "head of the male sex organ."

Hitler's Rise to Power

March 28, 1930: Heinrich Brüning becomes Chancellor, but lacks a parliamentary majority. Governs by emergency decree.

May 30, 1932: Brüning government falls; Franz von Papen becomes Chancellor, with no majority in parliament.

July 1932: Parliamentary elections. Nazis win 37% of the vote—far short of a majority, but they are easily the biggest party in the Reichstag.

November 1932: Parliamentary elections. Nazis lose 2 million votes, though remaining the largest party in the Reichstag.

Dec. 2, 1932: Von Papen government collapses. Kurt von Schleicher becomes Chancellor, repeals emergency decrees.

Jan. 4, 1933: Von Papen and Hitler meet secretly to plot the downfall of the Schleicher government.

Jan. 23, 1933: Schleicher tells President Hindenburg that he doesn't have a majority in the Reichstag, and asks for emergency powers to rule by decree. Hindenburg refuses.

Jan. 28, 1933: Schleicher resigns. Von Papen is entrusted by Hindenburg with forming a government involving Hitler.

Jan. 30, 1933: Hitler is named Chancellor of Germany, with von Papen as Deputy Chancellor.

meeting of the ADGB, at which Fritz Tarnow, chairman of the Woodworkers Union and ADGB plenipotentiary for job-creation programs, along with Wilhelm Eggert, called for an international program to end the world economic crisis.

Woytinsky published his first major articles in June 1931, in the theoretical journal *Die Arbeit*, where he pleaded with the ADGB to adopt an active economic policy. He wrote:

"Labor organizations that rely on the self-healing forces of the capitalist economic order, run the risk of slowly bleeding to death. For some years now, Germany's working people have been waging a difficult, defensive struggle, and the worse the crisis becomes, the more unfavorable the conditions will become under which that fight is waged. Our labor organizations have lost their freedom to maneuver; no longer can they choose either the time or the objective of their conflict with the adversary. They are forced, each time, to fight whenever and wherever it best suits the other side. . . .

"Targetted, far-reaching measures to revive the economy have never been more necessary than they are right now. The labor movement needs an *economic-policy action program*, which can show workers and other layers of the population, that the Social Democracy and the trade unions see a way out of the economic abyss. But at present, we have no economic-policy action program; all that we have, is a list of social demands, which we try our best to get adopted. We have definite positions on assorted individual economic policy questions. But a *program*, this we don't have!"

He then demands that the ADGB take a proactive stance on economic policy—i.e., instead of a passive "meteorological" attitude of mere observation, an active attitude such as in the practice of medicine, whose task is to heal the sick, to reduce suffering, and to halt the spread of disease; and economic research ought to be guided by similar objectives. There must be "factors brought into play, which will spur every entrepreneur to expand their field of economic activity. In accordance with this, we must explore opportunities to complement inadequate economic initiatives taken by private firms, with public job creation." Agreements must be made among nations for increasing purchasing power. What is required, is a creative offensive, and not merely defensive skirmishes.

To counter the argument that such an active intervention would be inflationary, Woytinsky wrote:

"But, on similar grounds, in the treatment of a serious, life-threatening illness, one would rule out the administration of a medicine, solely because it is a *poison*. The physician, however, does not hesitate to use various poisons as medicines. . . . If the physician had to renounce all use of poisonous substances as medicines, he would be condemned to the same impotence as that of an economic policy which, out of fear of inflation, rejects all anti-deflationary measures out of hand."

And thus the only remaining option is an active conjunctural policy which takes on the worldwide economic crisis. And therefore, a worldwide economic policy is required.



Trade union economist Wladimir Woytinsky rejected Brüning's deflationary policy, and called for an international job-creation program to end the depression.

He writes: "All nations are suffering because the world economy is sick. Therefore they must all concentrate their powers upon taking joint action to overcome the world crisis." Today, we would call this the Eurasian Land-Bridge.

In Point 3 of this action program, he writes:

"No country is . . . harder hit by the worldwide crisis, than Germany is; and within Germany, working people are the class that suffers most from the economic depression. In keeping with this, it is Germany which must take the initiative in forceful international policy to combat the world crisis, and the German working class (trade unions and Social Democracy) must claim and assume the role of conveyor of the idea of an activist world economic policy."

In Point 6 he writes:

"The funds freed up by international money-creation policies, must be applied toward job creation, and for the realization of a grand plan for European reconstruction."

That's the 1930s version of what we proposed for Europe in 1989 with the Productive Triangle, and of what the Eurasian Land-Bridge represents for Europe today.

On Dec. 31, 1931, Woytinsky, Fritz Tarnow, chairman of the Woodworkers Union, and Fritz Baade, the agricultural policy spokesman of the Social Democratic Party (SPD) faction in the Reichstag, published their "Theses on Combatting the Economic Crisis," and presented them to the ADGB's executive committee. It contained the proposal to create new jobs for 1 million unemployed, and to that end, a sum of 2 billion reichsmarks was to be made available in the form of a cash loan from the Reichsbank.

On Jan. 26, 1932, the so-called job-creation program, dubbed the "WTB Plan"—for Woytinsky, Tarnow, and Baade—was presented, which included the idea of issuing long-term credits with low rates of interest and amortization; such credits would then be cashed in by Reichskredit AG, and they would be discountable at the Reichsbank.

The ADGB voted to adopt the WTB Plan, but the SPD under Otto Wels, along with the SPD's so-called economic

experts Hilferding, Naphtali, and Bauer, were opposed to it. As Woytinsky wrote later on in his autobiography:

"It seems to me that I saw—physically, with my eyes—how Brüning was leading Germany to a tragic end. . . . Brüning, however, must not be blamed altogether harshly for his errors. He shared his false ideas with many of his advisers in his own and the Social Democratic Party. Had the latter not supported his policy, he might have abandoned it."

Lautenbach's Intervention

That's what was going on on the trade-union side. In parallel to that, on Sept. 16-17, a secret conference was held by the Friedrich List Society, with Dr. Wilhelm Lautenbach, Reichsbank President Hans Luther, SPD economist Rudolf Hilferding, and others in attendance. And there Lautenbach presented his extremely important—I can really only recommend that each and every one of you thoroughly read this memorandum, titled "Possibilities for Reviving Economic Activity, by Means of Investment and Expansion of Credit." Lautenbach wrote there: "The natural course for overcoming economic and financial emergency," is "not to limit economic activity, but to increase it, because the market, in the current conditions of simultaneous depression and world monetary crisis, no longer intervenes."

Normal market mechanisms are no longer adequate; they do not provide any positive direction. He writes:

"For, at this very moment, we have the paradoxical situation, that, despite the fact that we have made extraordinary cuts in production, demand is still continually lagging behind supply. And thus, we have chronic production surpluses, which we don't know what to do with. The task of finding some way to turn these surpluses into things of value, is the real, and most urgent problem for our economic policy to solve; and, in principle, it is relatively simple to do that: Surpluses of physical goods, unutilized productive plant, and unutilized labor power can be applied toward meeting a new economic need—a need which, from an economic standpoint, represents a capital investment. We can conceive of such tasks, as . . . public works, or works carried out with public backing, which for the economy would mean an increase in our national wealth, and which would have to be done anyway, once normal conditions returned (road construction, desirable improvements and expansion of the railway system, and the like). . . .

"With such an investment and credit policy, the imbalance between supply and demand on the domestic market will be remedied, and all production will once again be given a direction and a goal. If, however, we fail to institute such a policy, we are headed for inevitable, continued further collapse, and the complete gutting of our national economy, moving into a situation that will force us, in order to avert a domestic catastrophe, into taking on short-term public debt purely for purposes of consumption; whereas today, it is still within our power, to preempt this credit for productive purposes, and

thereby to bring both our economy and our public finances back into balance.”

He was saying that we have two possibilities: Either we create credit right now for investment, or else, in very short order we will have to do it anyway, but merely in order to finance unemployment—exactly the situation we have today.

More Reform Proposals

Hans Schäffer, state secretary in the Finance Ministry, lent his full support to the Lautenbach Plan, and as late as September 1933 wrote a memorandum about it. A similar proposal was also made by Ernst Wagemann, head of the Reich Statistical Office and of the Institute for Conjunctural Research. In January 1932 he published a great number of copies of his own plan, which involved the creation of 3 billion reichsmarks for the creation of jobs.

This theme went very much in favor of the reformers at the time, because of the crisis during the Summer of 1931, which had thrown the entirety of the Reichsbank Law, and also the Young Plan for reparations payments, into the wastepaper basket, because everything was coming apart—just as the Maastricht Treaty and its Stability Pact is flying apart today. For, it is precisely at points when such apparently set-in-stone situations become unsustainable, that such reforms can actually be implemented.

On Jan. 29, 1932, Schäffer wrote in his diary that the Chancellor—i.e., Brüning—was particularly incensed over Wagemann, because the latter had claimed he had created the impression with the trade unions that there existed some means other than the deflation policy, to improve the situation. And secondly, Wagemann’s proposals could spell big trouble for the reparations payment program.

What he is referring to here, is the fact that many historians today have surmised that with his deflation policy, Brüning wanted to intentionally ruin the economy in order to make the point that Germany could not pay the reparations. At the time, there were indeed negotiations for debt relief, the so-called Hoover Moratorium. But that came too late for Brüning, and this terrified him; he had an image of himself as a marathon runner, who was only 100 meters away from the finish-line, but who couldn’t run the final stretch.

And thirdly, Schäffer wrote in his diary, it is to be feared that the National Socialists, who up to then had sought in vain for a credible monetary policy, would adopt Wagemann’s plan, and could derive an advantage therefrom.

But that was by no means the actual situation, because all of the proposals for reform had been made by democrats—by Social Democrats, by trade unionists—and not by the National Socialists, who then, in the Nov. 6, 1932 elections,



Gen. Kurt von Schleicher was the last Chancellor of the Weimar Republic. His call for a broad-based alliance of the labor movement and the army came too late, and was rejected by the Social Democrats.

came in with 2 million fewer votes than previously. Hitler himself expressed thoughts of suicide as an ultimate option, in the event that the movement collapsed.

Von Papen was to form a new government in November 1932, and he made the insane proposal to dissolve the Reichstag, and to base his support solely on the Reichswehr (Army). General von Schleicher warned President von Hindenburg that in view of the right-left confrontation, this would lead to civil war. Hindenburg wanted to name von Papen Chancellor nevertheless, but all but two members of his Cabinet voted for von Schleicher instead.

Von Schleicher was installed as the Weimar Republic’s last Chancellor on Dec. 2, 1932. He was firmly convinced that the republic could only be defended by forming a broad-based alliance of the labor movement and the Reichswehr. And beginning in November 1932, he sought to build this so-called “Diagonal Front,” a broad coalition of diverse social forces which, together, could implement this economic stimulation program.

Theodor Leipart, the chairman of the ADGB, was in favor of this Diagonal Front. The German Catholic Trade Union Movement, both the Christian Trade Union and the Free Trade Union, the Reichsbanner [militia arm of the Social Democratic Party], the German Retail Employees Union, the Stahlhelm, the German Association of Municipalities and Counties under its president, Dr. Gerecke—all of these people were prepared to support von Schleicher in carrying out this program. Dr. Gerecke himself had worked out a job-creation program for the von Schleicher government, one which was in line with the proposals made by the Lübeck industrialist Dräger and his circle.

Dräger had made similar proposals: He wanted to first



“If people are already talking now about Brüning,” said Zepp-LaRouche, “if people are already talking now about the Lautenbach Plan and the other reforms, then it is high time for us today to study the mistakes of the 1930s, so that we do not repeat those failed policies.” Here, Nazi troops in Prague in 1939.

make 3 billion reichsmarks available, and if this test were successful, then an additional 5 billion, and ultimately a total of 10-20 billion reichsmarks over the course of the decade. But unfortunately this plan was not adopted, and although von Schleicher did issue a very notable government declaration on Dec. 15, 1932, the stupidity of the Social Democrats became one of the chief domestic reasons why it failed. Specifically, Rudolf Breitscheid, leader of the SPD’s parliamentary faction, stated at the time: “We’re not going to hold any talks with a reactionary general!”

And then, on Jan. 11, 1933, the SPD expressly forbade ADGB chairman Leipart from holding any further discussions with von Schleicher. As is well-known, three weeks later came Hitler’s seizure of power—an act accomplished with the assistance of Hjalmar Schacht and certain Anglo-American financial circles.

But today we can say with absolute certainty, that if Woytinsky’s proposals, and those of Lautenbach, had been implemented in 1931, the conditions would not have existed for two years as they did, making it possible for the Nazis to seize power. And if von Schleicher had had even a mere six months’ time to implement his program, the same would have been true. Which is to say that if, in Germany, people had been able to follow the same policy as Franklin Delano Roosevelt in America, in all probability, World War II would never have happened.

The Lesson of History

And if we are to learn *anything at all* from this history, we should really say the following: If people are already talk-

ing now about Brüning, if people are already talking now about the Lautenbach Plan and the other reforms, then it is high time for us today to study the mistakes of the 1930s, so that we do not repeat those failed policies. Today we have, in the form of the New Bretton Woods proposal, the Eurasian Land-Bridge, quite concrete proposals as to how the Lautenbach-Woytinsky Initiative can be implemented.

And that is not just whistling in the dark: By a majority vote, the Italian Parliament has already voted its approval of my husband’s proposal for a new financial system, one that is oriented not toward speculation, but rather toward production. The Italian Super-Economics Minister Tremonti, who is also directly influenced by my husband’s ideas, has called for a “New Deal” for Europe. My husband has already spoken today about how the Russia-China-India Strategic Triangle is already working together; and thus, within the Eurasian Land-Bridge, we would have an entirely natural orientation for German export markets.

I think we are in a situation today, in which we shall *not* have the situation where, 70 years from now, someone will be asking: “Why weren’t these proposals adopted in 2000-03, either?” and where no one knows what the outcome might be. Today, the main threat is chaos, and worldwide collapse.

I would like to urgently call upon you all—my husband has already said “Help me,” and I say the same: “Help me, too, to implement this policy in Germany, and, for starters, to lead a broad public debate about this 1930-33 period, and about the options that existed at that time, and to draw the right conclusions from it.”

Sharon and His Mafiya Allies Plot Israel Election Theft

by Jeffrey Steinberg

On July 16, 2000, as President Bill Clinton was huddled with then-Israeli Prime Minister Ehud Barak and Palestinian Authority President Yasser Arafat at Camp David, attempting to hammer out a final peace agreement between Israel and the Palestinians, 150,000 Israelis turned out in Tel Aviv's Kikar Rabin, to hear Ariel Sharon and other leading Israeli Jabotinskyite fanatics denounce peace and call for Barak's ouster.

Five years earlier, a similar mobilization of radical West Bank settlers, "Greater Israel" racists, and "Jewish underground" terrorists was directed against then-Prime Minister Yitzhak Rabin, the architect of the Oslo peace accords, and set the preconditions for his Nov. 4, 1995 assassination. The assassin, Yigal Amir, came from the ranks of the Sharon and Benjamin Netanyahu-led anti-Rabin mob.

The July 2000 protest rally against a Barak "sellout" at Camp David marked the public launching of Ariel Sharon's drive to overthrow the Barak Labor Party-led government, trash the peace process, and launch a regionwide "strategy of tension"—which had been designed in 1996, by American advisers to Sharon's Likud party, who now happen to be senior Bush Administration officials, centered in the offices of Vice President Dick Cheney and Defense Secretary Donald Rumsfeld. Their goal: to bury the Oslo peace process in a sea of Palestinian and Arab blood.

Echoing earlier public calls for the assassination of Rabin, Sharon told the Tel Aviv crowd, "Before us . . . is a prime minister who threatens his people with terrorism, with war, with an Intifada, and enlists world leaders, ministers, and political activists to join in his threats. A responsible, experienced prime minister would limit himself to one sentence. He would say: 'Israel is strong. You have been warned. . . .' Barak's peace is a mistaken and a bad peace. . . . I want to hear

from Camp David that Arafat has given up East Jerusalem and the Old City, that he gave up the Jordan Valley, the airspace over Judea and Samaria" (the last referring to the West Bank).

Sharon was joined on the podium by Israel's two leading wannabe-Nazi advocates of the "ethnic cleansing" of all Arabs and Palestinians from Israel, the West Bank, and the Gaza Strip—Avigdor Lieberman and Rehavam Ze'evi (Ze'evi was assassinated, gangland-style, in 2001, days after resigning as a Tourism Minister in Sharon's government). The rally was also addressed by Natan Sharansky, the head of Yisrael Ba'Aliya party.

The coverage the next day in the *Jerusalem Post* revealed that the vast majority of participants in the rally were West Bank settlers, and that the rally had been bankrolled by multimillionaire New York City landlord, and fanatical Sharon backer, Sam Domb.

What none of the media coverage at the time revealed, however, was that one of the major hidden hands behind Sharon's drive to wreck the peace process and install a fascist war Cabinet, was a collection of Russian "Mafiya" dons and American organized crime figures, whose own longstanding goal was to install their ally Sharon in power, and complete the process of transforming Israel into a Mafiya "mini-state," a goal first set out by Meyer Lansky in the 1960s. The Lansky Plan was exposed in *EIR*'s groundbreaking March 1, 1986 report, "Moscow's Secret Weapon: Ariel Sharon and the Israeli Mafia." In a most prescient introduction to that report, Lyndon LaRouche had warned of American government complicity in Sharon's rise to power: "Unless we purge the 'sleaze-ball' element from positions of security and policy-shaping without our government, Sharon's takeover of Israel is unstoppable, and we shall not long continue to have a

United States.”

This year’s Israeli election, scheduled for Jan. 28, which will pit incumbent Likud Prime Minister Sharon against Labor Party Chairman Gen. Amram Mitzna, is rapidly evolving into a referendum on the Mafiya’s total consolidation of power in the Jewish state. According to one well-placed Washington source, the Russian Mafiya, along with American Christian Zionists and U.S. right-wing Jewish gangsters—the heirs of the original Meyer Lansky National Crime Syndicate—are pouring millions, perhaps billions of dollars, into Sharon’s campaign coffers, to steal the elections for Knesset (parliament), which will also determine the next government.

Lucky Loutchansky

The role of Sam Domb in bankrolling the Tel Aviv kickoff rally for Sharon’s 2000 election campaign, already provided evidence of the Mafiya hands behind the “butcher of Sabra and Shatila.” Domb, also a financial backer of former New York City Mayor Rudolph Giuliani (R) and New York Gov. George Pataki (R), had briefly grabbed headlines, in 1993, when he managed to wrangle an invitation to a Democratic National Committee fundraising event at the White House, hosted by President Clinton. Domb’s guest at the event was Grigori Loutchansky, already notorious as the head of Nordex, an Austria- and Russia-based “trading company,” identified by Interpol as *the* major front for Russian organized crime.

By the time Domb tried to bring Loutchansky to a second Clinton fundraiser two years later, practically every major law enforcement and intelligence agency in the world had opened up investigations of the Latvian-born Loutchansky and Nordex. At the urging of the U.S. National Security Agency (NSA), Loutchansky was disinvented.

Not easily put off, Loutchansky did succeed in getting his Nordex partner, Ukrainian mob boss Vadim Rabinovich, a seat at a September 1995 Clinton-Gore fundraiser at the Sheraton Bel-Harbor Hotel in Miami, according to best-selling investigative author Robert I. Friedman. At the time of Rabinovich’s participation in the campaign event, he was on a State Department watch-list of criminals to be barred from entering the United States. He had served eight years in a Ukrainian prison for theft of state goods, reported Friedman, in *Red Mafiya: How the Russian Mob Has Invaded America* (Boston: Little Brown & Co., 2000; see *EIR*, Feb. 9, 2001).

On July 8, 1996, *Time* published a dossier on Loutchansky, which was based on an Oct. 26-27, 1995 meeting, comprised of Interpol representatives from 11 nations, assembled at the agency’s Lyons headquarters, devoted exclusively to Loutchansky and Nordex. A classified report from the German intelligence agency BND on Loutchansky, obtained by *Time*, charged that Nordex had been created as an espionage front “to earn hard currency for the KGB.” The

report continued, “Nordex subsidiaries are alleged to be defrauding Russian firms, i.e., the Russian state, of several millions in hard currency annually. Nordex is allegedly involved in money-laundering activities for third parties, as well as other criminal activities. Further evidence suggests involvement in the international arms trade as well as the smuggling of narcotics and nuclear material across the Baltic.”

One of Loutchansky’s Russian partners-in-crime was former Prime Minister Viktor Chernomyrdin, according to the *Time* report and numerous law enforcement documents, including a Russian Federal Security Service (FSB) study. “According to the secret Russian FSB report obtained by *Time*,” the magazine reported, former Soviet Deputy Prime Minister Vladimir “Shcherbakov”’s dacha on the outskirts of Moscow was used by Loutchansky for meetings with Prime Minister Viktor Chernomyrdin. . . . Before he became Prime Minister, Chernomyrdin was chairman of Gazprom, the giant Russian natural-gas company, and a frequent visitor to Nordex in Vienna, according to Austrian sources. . . . When Chernomyrdin became Prime Minister in December 1992, according to the Russian FSB report, a politician said, ‘They might as well engrave Nordex’s name on Lenin’s tomb.’ ”

Loutchansky’s access to the Democratic Party and the Clinton White House, according to former Administration officials, came via Vice President Al Gore, who was also one of Chernomyrdin’s biggest Washington boosters. On Nov. 23, 1998, the *New York Times* had revealed that Gore suppressed CIA intelligence, dating back to 1995, that Chernomyrdin had amassed a personal fortune of \$5 billion, during his tenure as Gazprom chairman and Prime Minister. According to the *Times* account, when Gore personally received a copy of the CIA dossier on his Russian friend, he sent the document back to Langley “with barnyard epithets scrawled across its cover. The Vice President,” the *Times* continued, “did not want to hear allegations that Mr. Chernomyrdin was corrupt, and was not interested in further intelligence on the matter.”

A few days after the *New York Times* story broke, the *New York Post* added further details to the Gore-Chernomyrdin coverup. *Post* financial columnist Jack Dizard wrote that Gore’s national security aide Leon Fuerth “has his fingerprints all over this week’s scandal about the cover-up of Chernomyrdin’s and [Anatoly] Chubais’s organized crime connections. . . . Fuerth’s role in this might become an issue when people look at Gore’s record.”

Several years earlier, Fuerth was credibly accused in the *Washington Post* of being the Likud “mole” inside the Clinton-Gore White House, providing then-Israeli Prime Minister Netanyahu with advance information on the American Middle East diplomatic strategy, to enable Likud leader Netanyahu to parry every effort by President Clinton to force Israel to uphold the Oslo Accords.

(On July 8, 1996, Prime Minister Netanyahu received a

hand-delivered document, “A Clean Break: A New Strategy for Security the Realm,” spelling out how Israel could abrogate the Oslo Accords, and pursue a permanent annexation of the West Bank and Gaza, among other policies. The paper had been prepared for him by Richard Perle, currently, chairman of Rumsfeld’s Defense Policy Board; Doug Feith, currently Assistant Secretary of Defense for Policy; and David Wurmser, special assistant to State Department chief arms control negotiator John Bolton, among others [see *EIR*, Sept. 20, 2002]).

Loutchansky’s ‘Offer’ to Bibi Netanyahu

Loutchansky experienced no obstruction when he invoked his Right of Return and took up Israeli citizenship. His Mafiya capital bought him instant access to the highest levels of Israeli politics. According to Friedman’s *Red Mafiya*, Natan Sharansky, the former Soviet “refusenik,” head of Israel’s Russian emigré party, Yisrael Ba’ Aliya, and a Sharon Cabinet minister, readily admits that he took millions of dollars from Loutchansky—even after officials from the U.S. State Department, the Congress, and the CIA begged him to stay away from the Russian mobster. “We told Sharansky to stop taking money from Loutchansky,” said Jonathan Winer, a Clinton senior State Department official and expert in international organized crime.

Friedman also reported that, just prior to the 1996 Israeli elections, Sharansky introduced Loutchansky to Likud candidate Bibi Netanyahu. The Israeli press reported, at the time, that Netanyahu took \$1.5 million from Loutchansky; other media accounts placed the figure at over \$5 million. Netanyahu admitted being offered cash from the Russian mobster, but denied that he took it.

Winer, who probed the transactions for the Clinton Administration, complained bitterly, “The Likud is corrupt, and Bibi is disgusting. He’s had meetings with Loutchansky and Kobzon—criminals promoting their own interests.”

Joseph Kobzon was identified in a CIA report as Russia’s “crime czar.” One of the Soviet Union’s and Russia’s most popular singers, Kobzon was twice elected to the Duma, the lower house of the Russian parliament; was a member of the Russian Olympic Committee; and the dean of the School of Popular Music at Moscow’s Music Academy. An FBI classified document, obtained by Friedman, called Kobzon the “spiritual leader” of the Mafiya in Moscow, who was “highly respected . . . because of his intelligence, contacts, shrewdness and ability to help when [organized crime] groups get into trouble.”

Another Russian Mafiya figure who poured money into Sharansky’s pockets was Grigori Lerner, identified by author Jeffrey Robinson, in his book *The Merger—The Conglomeration of International Organized Crime* (Woodstock, N.Y.,: Overlook Press, 2000) as the mob’s number-one money launderer. Lerner, on at least one occasion, gave Sharansky

\$100,000, by the Cabinet minister’s own admission.

Lerner established the Israeli-Russian Finance Company, with headquarters in Limassol, Cyprus, in partnership with Russia’s Promstroi Bank. Limassol was exposed in the 1986 *EIR* Sharon report as the location for secret meetings between Sharon and top Soviet intelligence and crime figures. By November 1995, Lerner had won limited approval from the Bank of Israel, to carry out securities transactions. With a network of offshore operations in Panama, the Caribbean, Mauritius, and Luxembourg, Lerner was soon laundering money in and out of Israel, for the Russian Mafiya, Italian organized crime families, and Colombian drug cartels.

Lerner, alone, among the top Russian Mafiya dons enjoying the fruits of Israeli citizenship, did time in an Israeli jail. He was arrested on May 12, 1997, as he was boarding a plane for the United States. Although he was under investigation for fraud and bribery in Israel, Lerner’s arrest actually came as the result of intense pressure from Russian prosecutors, who had linked Lerner to the assassinations of several Russian “bankers,” including one of his partners at Promstroi Bank. Lerner spent a grand total of ten months in jail, after which he struck a plea agreement with Israeli prosecutors, in which he agreed to leave the country for six years and pay a fine of \$1.4 million. In return, all the murder probes were shut down.

Another leading Israeli law enforcement official who locked horns with the Russian Mafiya was Lt. Gen. Hezi Leder, who was head of Israeli police intelligence in the mid-1990s. Leder prepared a three-page assessment for Prime Minister Rabin, shortly before Rabin’s assassination, warning, that “Russian organized groups [have] become a strategic threat” to Israel. Rabin responded to Leder’s memo by setting up an inter-agency task force of top Mossad and Shin Bet officials, to wage a war against the Mafiya. After Rabin’s assassination, his terrorized successor, Shimon Peres, halfheartedly continued the project; but, when Netanyahu was elected Prime Minister, he immediately shelved the entire effort.

By the time Netanyahu was running for Prime Minister in 1996, in the wake of the Rabin assassination, the Russian Mafiya factor had become so prominent, that some top Israeli law enforcement officials broke their code of silence and went public with their concerns. Moshe Shahal, the country’s chief of internal security, warned that “Elements of the Russian Mafiya are effectively trying to control Israel. The gangsters are now trying to buy and influence politicians,” he warned. Shahal and others warned of credible reports that the Russian Mafiya was prepared to spend between \$1.5 and \$4 billion to “secure political power,” according to Robinson.

According to *Red Mafiya*, in June 1996, the Committee of the Controller held a top-secret Cabinet meeting to present evidence that Russian gangsters had hand-picked a number of candidates for local and national office. The scandals now rocking the Likud Party, on the eve of the Jan. 28, 2003 elec-

tions, raise the question of whether *any* candidates on the Sharon slate are free from Mafiya contamination.

Friedman, in *Red Mafiya*, stated the case with characteristic bluntness: “With two decades of unimpeded growth, the Russian Mafiya has succeeded in turning Israel into its very own ‘mini-state,’ in which it operates with virtual impunity.” General Leder seconded the assessment: “We know how to deal with terrorist organizations. We know how to deal with external threats. This is a social threat. We as a society don’t know how to handle it. It’s an enemy among us.”

The Real ‘Godfather’: Marc Rich

EIR’s ongoing investigation into the Russian Mafiya’s current drive to consolidate a vise-like grip over Israel, via Sharon’s re-election on Jan. 28, has found that all roads, eventually, lead to Zug, Switzerland and fugitive commodity trader Marc Rich. If the Russian Mafiya has one “Godfather,” it is Rich.

Rich, up until his December 2000 pardon by President Bill Clinton, had been facing 325 years in jail in the United States, on a 1983 Federal indictment for trading with the enemy (Iran) and tax evasion. But those charges represented only a hint of the true story. By the time Rich and his partner, Pincus Green, fled from the U.S. indictments, and set up shop in Zug, they had already emerged as the world’s leading sanctions-busters, providing embargoed oil from Khomeini’s Iran and the Soviet Union to the apartheid regime in South Africa, in exchange for a virtual monopoly on some of Africa’s and the Soviet Union’s most precious metal reserves.

Rich, for decades, had the exclusive foreign contract to market Russian minerals and precious metals; his Soviet and Russian ties also involved massive international arms sales—some recent deals, reportedly, in partnership with Viktor Bout, the most notorious of the Russian black market gun-runners, who shares a base of operations with Rich in the tiny Arab Emirate of Sharjah, a well-known smugglers’ haven, adjacent to the money-laundering capital of the Persian Gulf, Dubai. Bout has been linked to major arms sales to the Afghan Taliban, and to Liberia’s Charles Taylor and the murderous Revolutionary United Front (RUF) rebels in neighboring Sierra Leone. Rich, long ago, established Liberia and Sierra Leone as two of his major African bases, dealing in “blood diamonds.” Further, Bout’s arms sales to the Taliban were carried out with Vadim Rabinovich, Loutchansky’s Ukrainian Nordex partner!

Rich’s links to the Russian Mafiya, however, long predated his flight to Zug. As *EIR* first documented in the March 17, 1988 Special Report, “The Kalmanowitch Report: Moscow’s Moles in the Reagan-Bush Administration,” Rich sponsored the original Russian mob migration to Brighton Beach, Brooklyn, which began shortly after the U.S. Congress’ passage of the Jackson-Vanek Amendment, linking all U.S. trade with the Soviet Union to Moscow’s treatment of

Soviet Jewry. Beginning in the mid-1970s, Soviet Jews began a mass migration to the United States and Israel. Many immigrants, whether or not they were actually of Jewish parentage, were Russian mobsters, some having served long sentences in the gulag for their lucrative black market activities, often in league with equally corrupt Soviet Communist Party and KGB apparatchiks.

According to Friedman, one of the first bosses of the Brighton Beach Mafiya, Evsei Agron, had become a *vor v zakonye* (“thief-in-law”) while serving seven years in a Soviet prison for murder. In 1971, he left the Soviet Union, and set up a gambling and prostitution ring in Hamburg, Germany, before arriving in the United States in October 1975.

He was greeted, upon his arrival in Brooklyn, by Rabbi Ronald Greenwald, one of Marc Rich’s most trusted operatives, who would handle all of Rich’s American business dealings, after the oil and metal trader fled to Switzerland. Greenwald introduced Agron to Murray Wilson, one of the Lansky Syndicate’s most efficient money-launderers, who was, at the time, working for the Genovese crime family.

Greenwald ushered the Russian gangsters into the world of bigtime organized crime, from Las Vegas casino skimming, to a multibillion-dollar-a-year gasoline tax evasion scam.

Agron’s successor as Brighton Beach Mafiya crime lord, Marat Balagula, extended the Russian underworld’s reach to mineral-rich Africa—with Greenwald and Rich providing all of the connections. In 1977, Greenwald, exploiting Rich’s sanction-busting ties to South Africa, was named as the Ambassador to the United States, from the newly established “independent” bantustan of Bophuthatswana. Rich, Greenwald, and Israeli Likud operative—and soon to be busted KGB spy—Shabtai Kalmanowitch, created a front company, B International, which ran the bantustan—in league with casino mogul Sol Kurzner, whose Sun City casino resort became a favorite money-laundering vehicle for the Israeli Mossad, as well as international crime syndicates. Rich’s other “cut” in the Bophuthatswana deal, was control over the bantustan’s platinum mines—which produce one-third of the world’s output of the precious metal.

In 1985, Rich, Greenwald, and Kalmanowitch—backed up by their Russian Mafiya underlings, and a team of “former” Mossad and Israeli Defense Forces operatives—all allied with Ariel Sharon—staged a coup d’état in the diamond-rich West African state of Sierra Leone. Rich and Kalmanowitch gobbled up the country’s diamond, gold, and iron mines, and looted the place blind. A full 85% of Sierra Leone’s diamonds were smuggled onto the black market through Russian Mafiya, Mossad, and other routes, controlled by Rich and Kalmanowitch.

In April 1987, according to Interpol documents obtained by Friedman, Kalmanowitch and Greenwald got caught in a multimillion-dollar check-kiting scheme, targeting Merrill

Lynch. Scotland Yard arrested Kalmanowitch in London, and extradited him to the United States. Free on bail, Kalmanowitch fled to Israel, where he was promptly arrested—on charges of spying for the Soviet KGB!

Even in jail, Kalmanowitch continued his collaboration with Rich. His bodyguard in the Israeli desert prison, Monya Elson, another Russian Mafiya thug, who was busted in 1984 for smuggling cocaine between the United States and Israel, returned to Brighton Beach in 1990, to take over as Mafiya boss-of-bosses.

Rich, in the meantime, was busy creating the black infrastructure through which hundreds of billions of dollars worth of Russian state assets would be smuggled out of the collapsing Soviet Union into Swiss, Israeli, Cypriot, Antiguan, and other offshore dirty-money havens.

In June 2002, Swiss, Italian, and U.S. law enforcement agents carried out a major crackdown on Russian Mafiya operations, dubbed “Operation Spiderweb.” According to Bologna, Italy chief investigative magistrate Paolo Giovagnoli, the probe produced evidence linking Marc Rich to the Mafiya operations, running through the Bank of New York, owned by another Swiss-based Rich business crony, Bruce Rappaport. Rappaport also is a partner of Ariel Sharon intimate Arie Genger.

According to news accounts of “Operation Spiderweb,” Interpol and British police documents also established that Marc Rich was the partner of Grigori Loutchansky in the 1989 launching of Nordex, which was “created by the old guard of the communist regime to allow the exodus of U.S.S.R. Communist Party funds before the Soviet Union’s collapse.”

The investigation showed that Rich’s Swiss company, Glencore International AG, had intricate ties to both Nordex and another Russian front company, Benex, which used the Bank of New York to launder stolen Soviet and Russian assets—many of which wound up, along with the thieves themselves, in Israel. Israel, to this day, has no laws prohibiting money laundering.

From his Zug base of operations, Rich established a string of tax-exempt foundations, including the Marc Rich Charitable Foundation and a sister foundation in Israel. Rich’s “charitable” activities in Israel are run by a former senior Mossad operative, Avner Azulay. Rich has boasted that his charitable activities have included the financing of international Mossad operations—including the airlifting of Ethiopian Jews to Israel in the early 1990s. Rich’s “charitable” activities in Israel, according to several U.S. and Israeli intelligence sources, should be viewed as one major source of Russian Mafiya cash into the Sharon campaign.

Clinton Was Set Up

The Rich pardon, which blew up immediately in the face of President Clinton, was orchestrated, in fact, by some of the ex-President’s most ardent enemies, within Israel and within his own U.S. Democratic Party, including the friends of Al

Gore and Joe Lieberman, led by Michael Steinhardt, the son of Meyer Lansky syndicate jewelry fence, “Red” Steinhardt. Steinhardt launched the Rich pardon effort in late 1999, in league with two top “former” Mossad officials, Zvi Rafiah and Azulay.

Rafiah had been the Israeli controller of a nest of spies and agents-of-influence, operating in the 1970s on the staff of the Senate Foreign Relations Committee. The pivotal player in the Rafiah-run spy network was Stephen Bryen, who served as staff director of the Near East Subcommittee, a position that gave him access to classified Pentagon documents on all the Arab military forces. Other allies of Bryen in the Senate-based spy cell, reportedly included: Richard Perle, Elliott Abrams, Frank Gaffney, and Steven Emerson.

In February 1978, Bryen was seen passing Pentagon secrets to a delegation of Israeli Defense Ministry officials at the Madison Hotel, in Washington, D.C. It took a major effort by top Zionists in the U.S. Justice Department to cover up the Bryen spy operation. Rafiah left his diplomatic post at the Israeli Embassy, only to return to the U.S. capital shortly after—as the business representative of several Israeli arms manufacturers.

While President Clinton took a big political hit over the Marc Rich pardon, and may still be facing legal problems down the line, the actual architect of Rich’s escape from the clutches of American prosecutors is riding high in the Pennsylvania Avenue corridors of power: Lewis Libby, the chief of staff and national security aide to Vice President Dick Cheney, was, for more than 15 years, Marc Rich’s attorney, fending off Federal investigators, and, eventually, playing the key behind-the-scenes role in orchestrating the pardon.

Libby was the law partner and protégé of Leonard Garment, the Richard Nixon attorney, who later emerged as one of the central damage-control operatives for Sharon, “Dirty Rafi” Eytan, and other Likud spooks, following the U.S. arrest of Israeli spy Jonathan Pollard in November 1985.

Garment appointed Libby to handle all of Rich’s legal affairs for their firm, Dickstein Shapiro. The only time that Libby did not handle the Rich account, was when he served in the Reagan and George H.W. Bush Administrations—as the deputy to his other mentor, who is today Deputy Secretary of Defense, Paul Wolfowitz. Following the Pollard arrest, Wolfowitz’s name had appeared on the list of suspected Pollard handlers, inside the U.S. national security establishment. The list, which also included Bryen and Perle, was compiled by the General Counsel to the Secretary of Defense.

With Rich and the Russian Mafiya’s ties extended all the way up into the Office of the Vice President of the United States, it is no wonder that Ariel Sharon boasts that Israeli-American ties have never been tighter.

All that may change later this month. For Israelis, Jan. 28, 2003 represents an opportunity to end the Mafiya state of siege, which has already brought the country to the brink of self-destruction.

Sharon Faces Election Scandal, Threatens War

by Dean Andromidas

Reacting to the worst election scandal in the history of Israel, which is engulfing his Likud party, Prime Minister Ariel Sharon has launched a major war propaganda campaign for the Jan. 28 general election. Sharon and his cronies, through public statements and leaks to the press, have generated wild headlines: “Masses of Israelis To Head Overseas in the Event of Attack”; “Americans Hint at Attack Date To Allow Election Deferral”; “Israel on High Alert January 15th”; “U.S. Embassy Moving to Eilat in Event of War”; and “Threat of Black Death Looms.” Syria has even been accused of hiding Saddam Hussein’s weapons of mass destruction.

Far more serious is the very real escalation of violence Sharon has initiated in the occupied territories. It has counted tens of Palestinian deaths and, after more than a month’s hiatus, sparked Palestinian revenge attacks on Israelis. This violence reinforces the disorientation and despair of the Israeli population, Sharon’s hope to cling to power.

Speaking before high school students on Dec. 30, Labor Party Chairman Amram Mitzna denounced Sharon for “spreading the clouds of war and fear,” to distract the public debate away from the fact that Sharon has led Israel into a state of collapse, and now threatens to allow organized crime to take over the country. “The war in Iraq is not our war,” Mitzna said. “The probability is low that Iraq will attack us, and Iraq’s ability to attack is much lower than it was during the Gulf War.” Mitzna then hit the election scandal, declaring, “Anyone who votes Likud will end up with a government infiltrated by organized crime. Soon we will have a Knesset [parliament]—or perhaps a government—controlled by organized crime.”

This threat should also seriously worry the United States, Europe, and all those wishing to avoid a new Middle East war. But international media have all but ignored what is clearly Israel’s most devastating scandal ever. Known organized crime figures secured the nomination of top members of the Likud party, including Sharon’s son, to the best slots in the Likud candidates’ list for the Knesset election. The scandal follows *EIR*’s exposé of the U.S.-based financial apparatus which has illegally funded Likud campaigns for the last two decades, particularly those of Benjamin Netanyahu and Sharon.

Sharon’s Gangsters Take Over Likud

As reported in *EIR* on Dec. 27, 2002, the election scandal broke open as Likud members, seeking votes from among the

3,000 members of the Likud Central Committee, in order to be nominated to the party’s candidates list, filed complaints reporting widespread demands for cash for votes, by so-called “vote contractors.” The latter included senior members of the Central Committee who were well-known organized crime figures. Since Dec. 17, when the police made their first arrests, more than a dozen Likud activists have been questioned intensively by Israel’s National Fraud Squad. Since then the media have been filled with exposés of the sleaze that has permeated the Likud. On Dec. 30 the police contacted Deputy Infrastructure Minister Naomi Blumenthal for questioning.

The Prime Minister’s response has been to hire U.S. neo-conservative campaign spin-doctor, Arthur Finkelstein, who has advised throwing a few of the “tainted” Likud members to the lions, in order to save Sharon’s own skin and in the hope that Likud can win the election, in which it was massively favored only a month ago. Thus, Sharon threw Blumenthal out of his government on the pretext that she chose to remain silent under police investigation.

But these tactics have only created a “rat against rat” atmosphere throughout the party. Refusing to be meat for Sharon’s lions, Blumenthal stated her “shock” at Sharon’s action, and that he had made “no effort” to speak with her to find out the facts, “preferring to turn her into a scapegoat.” Blumenthal’s associates said they were “amazed” that Sharon “preferred to deal with Blumenthal and not with another Likud candidate who chose to remain silent in the non-profit organizations affair.” This is a reference to Sharon’s son Omri, who zipped his lip in the investigation earlier this year into the illegal financing of his father’s 1999 primary campaign by dirty money from the United States.

Blumenthal’s campaign chief, Benny Mazgini, told Israel’s Army Radio, that he would testify that Ariel and Omri Sharon both acted illegally in the primary, and in the party’s massive membership drive—coordinated by Omri Sharon—which brought gangsters on to the Likud Central Committee. “I will give testimony on what I saw and how things were handled. I will tell the police how people were registered, who controlled them, and how the mafia and underworld heads joined the party.” The police reportedly are already investigating these charges, and have identified the center of the corruption as Sharon’s role in allowing the entry of well-known gangsters into the Likud Central Committee.

The *Jerusalem Post* reported on Jan. 2 that the police are also investigating a meeting, in which Sharon’s cronies were able to fix the voting rules at the Dec. 8 Likud Central Committee convention to the benefit of Sharon-backed candidates. The meeting included not only these candidates, but the Likud’s director general Arik Brami, and Uri Shani, who was co-president of the Likud convention. Shani is famous for being Sharon’s top crony for over 20 years, and is already under police investigation for his involvement in the illegal financing of Sharon’s 1999 campaign.

One candidate present at the meeting told the *Jerusalem*

Post, “Everything was planned in advance, just like in the mafia. . . . I knew this deal-making would end up hurting the party, and the investigation of the past weeks proved me right.”

The Moussa Alperon Gang

EIR revealed the role of the “Moussa Alperon Gang” in the Likud Central Committee, in its Dec. 27 issue. In addition to Alperon, the gang includes Reuven Gavrieli, whose niece won a high slot in the Knesset candidates list; and Shlomi Oz, an ex-convict, whom Omri Sharon calls his “good friend.” This group was responsible for the so-called “Big Deal,” which ensured the candidacy of both top party members and shady newcomers.

In a hard-hitting investigative report, Israel’s Channel 2 TV revealed the involvement of Shlomi Oz in criminal embezzlement and how he won access to government contracts worth millions of dollars. Channel 2 reported that Oz was involved in the affair of the Trade Bank, which collapsed last April when it was revealed that one of its directors, Etty Alon, embezzled over \$50 million. Alon claimed she took the money to pay off the gambling debts of her brother, Ofer Maximov. Thousands of depositors lost their life savings.

Channel 2 reported that when the bank crashed, Shlomi Oz was in a Bucharest hotel room with Maximov, along with two other organized crime figures, Yossi Malka and Gabi Ben-Haroush. The latter two are members of the “Jerusalem gang,” and Malka himself is on trial for having kidnapped Maximov in order to collect the gambling debts.

The story was not just an exposé of Oz, whom everyone knows to be a gangster, but of how corrupt Likud politics has become. According to police records, the above information was collected through tapping Oz’s cell phone, registered to his Tzevet Bitahon security company. This company not only guards Likud headquarters, but also the offices of Prime Minister Sharon. Channel 2 revealed that Tzevet Bitahon was also able to win the contract to secure six of the major international entry points into the State of Israel. That contract was approved by the Chairman of the Israeli Airports Authority, Zviky Shalom, the brother of Finance Minister and Sharon cohort Silvan Shalom.

Now it is revealed that other friends of Oz are implicated in financing the Likud campaign. One Benny Ravizada, king of the “gray market” loan sharks, who was indicted for being involved in the \$50 million Trade Bank embezzlement, turns out to be a key funder of the Likud. Police are investigating an illegal contribution of \$1 million he and his associates made through his dirty-money network. The Israeli daily *Ha’aretz* reported that Ravizada also contributed to the 1996 campaign of Likud member Moshe Katzav, who is currently the President of Israel!

The same Ravizada is friends with the third member of the troika of gangsters on the Likud Central Committee, Reuven Gavrieli, who ensured a place on the candidates list for his niece, Inbal Gavrieli—a cocktail waitress who had only de-

cidated to enter politics a few weeks earlier. Her father, Shoni, owns the Ariana night club where he hosted “election rallies” for his daughter, wining and dining Sharon’s top ministers, including Police and Security Minister Uzi Landau.

EIR has learned that Reuven Gavrieli operates casinos in Romania and Georgia, for which country he is an “honorary consul” with diplomatic license plates. In the 1980s and 1990s, Gavrieli operated a string of casinos in Turkey, until casino gambling was declared illegal a few years ago. His partner at the time was Omar Luftu Topal, known as the “casino king” of Turkey and key player in the Turkish organized crime scene. Topal was assassinated in July 1996 when he got caught up in the organized crime links that stretched from former Turkish Prime Minister Tansu Ciller, to the Turkish secret services, the Turkish mafia, and the terrorist Kurdish Workers Party (PKK). His assassination was said to have been ordered by Ciller.

One of Gavrieli’s business acquaintances told *EIR*, “You know, when I first met Gavrieli, he looked like a gangster; you know, the type you want to walk away from.”

Moussa Alperon, leader of this collection, offered his resignation from the Likud in late December because he was “damaging the party.” But after Sharon’s education minister and the Likud’s own wicked witch, Limor Livnat, issued an arrogant statement bidding “good riddance” to Alperon, he said that he was so “hurt” that he would withdraw his resignation and was ready to “expose their mafioso ways”—reveal the Likud’s complicity in all his activities, a trail which will lead to directly to Sharon. Alperon’s buddy Shlomi Oz has also officially resigned; this will not prevent the police from questioning Omri Sharon about his “good friend” Oz.

Sharon’s Grand Mafia Design

As the news emerged of the role that gangsters are playing in the Likud party leadership, it was revealed that Sharon wanted to dismantle the Israeli Civil Service Commission, the independent body that oversees the appointment of civil servants. The move was stymied through the intervention of Attorney General Elyakim Rubinstein, despite his known sympathies with the Likud. It was an obvious attempt to remove an obstacle to Sharon’s appointment of picked cronies throughout key civil service positions, including the police, security services, the post office, and the government’s own regulatory agencies.

Sharon ordered Likud representatives on the Israeli Election Commission to block an attempt to keep Baruch Marzel from the number-two election slot in the Knesset list of the ultra-right-wing Herut party. The Attorney General and the Chairman of the Commission recommended Marzel be struck from the list as one of the founders of the fascist Kach party, which is officially an illegal terrorist organization under Israeli and U.S. law.

Sharon then ordered the Likud commission members to vote to ban Israeli Arab Knesset members Ahmed Tibi and Azmi Bishare, allegedly for making statements against the

Central Bank Warns

According to Dec. 30 reports from wires and Israel's daily *Ha'aretz*, the governor of the Central Bank of Israel has warned that a major Israeli bank could go bankrupt in the immediate period ahead, and—more remarkable—has called for a national economic infrastructure investment policy as the only means to stop the economic collapse which has characterized Prime Minister Ariel Sharon's term. Sharon immediately mooted replacing the governor, David Klein, with a Likud party figure.

David Klein had told *Ma'ariv* in a Dec. 27 interview that "it is not beyond the realm of belief that a major bank will collapse." This, within an environment in which the Israeli shekel has been collapsing against the dollar for over a year, caused another loss of 0.55% as of Dec. 27. Later, the Central Bank governor qualified the statement, saying that he was not identifying a specific bank, but was making a generic warning.

But in the more important statements on Dec. 30, Klein

urged that Israel immediately begin to make investments in physical infrastructure—railroads and other ground transportation, electricity, gas, water, sewage, ports, and communications—insisting that overcoming the deficit in these areas is a precondition for economic growth.

Klein also called for reducing the number of government ministries; creating a socioeconomic cabinet, divided away from the security cabinet; and blocking the use of cheap foreign laborers, by raising the costs of hiring them (presumably by taxes or by forcing employers to pay higher wages).

Prime Minister Sharon responded angrily to the publication of these policy proposals, demanding an explanation from Klein. *Globe-online* reported that Sharon's office "is using crude language to describe [Klein]."

Sharon, according to the same reports, is now considering replacing Klein with Yaakov Ne'eman. A former finance minister, Ne'eman is a go-between for the Likud and American dirty-money donors, such as Merv Adelson, for whom Ne'eman was formerly an attorney. Ne'eman is on the World Bank central committee.

State of Israel. This, too, was in opposition to the recommendations of the Commission chairman. The move is an obvious attempt by Sharon to provoke an Israeli Arab boycott of the election, which would sabotage the peace camp's efforts to win a majority in the next Knesset.

These moves are part of Sharon's grand design for an Israeli that will be willing to carry out his fanatic designs for a "greater Israel." For this he needs a political base that will support the continuation of a perpetual state of war between Israel and its Arab neighbors. In the past two years, Sharon has built up a *military* leadership who share his own hard-line views. Through these elections, he seeks a political base of obedient or corrupt cronies and organized-crime business interests. Sharon himself is unmistakably the top gangster in the Likud. He enjoys the backing of key players in international organized crime (see accompanying article), who make Moussa Alperon, Shlomi Oz, and their ilk look like street corner punks. His dictatorship would make Israel the world capital for organized crime. And, unlike a Latin American "cocaine republic," Sharon's outlaw state will have weapons of mass destruction.

Doom and Gloom in Likud

But Sharon's plan may defeat itself. In three weeks of continuous scandal, Likud has taken a beating in the polls, and could even lose the elections. At the end of November, polls were predicting 41 seats for the Likud, more than double its current strength. But current surveys predict no more than 31 Knesset seats, and falling. On Dec. 25, the Likud held its big event launching its campaign. Only Sharon and his crony,

Jerusalem Mayor Ehud Olmert, were allowed to speak. Then Limor Livnat attempted to lead the crowd of a scant 100 activists in patriotic songs; in minutes, they began to leave. *Ha'aretz* reported on Dec. 26 that party activists, including Likud mayors who are supposed to lead the campaign at the grassroots level, say no one has been given directives or campaign funds.

Ha'aretz quoted Lior Katzav, a local mayor and brother of Israel's President, about a colleague who went to Likud headquarters to collect campaign instructions. "He told me," Katzav related, "that as a longtime Likud member, he had never seen such a thing, that he found the large building like a haunted house. The workers were afraid to talk, and everyone was busy reading newspapers about corruption-related affairs. . . . Finally they told him that there wasn't any more budget and there was no lists and there was no anything." Of his own city, Katzav said, "The people of this town do not believe that the elections will change anything. They are disappointed and despairing. I meet citizens and I see their burned-out looks. I meet the regular activists and I see that the fire has gone out of their eyes. Their enthusiasm is gone." Katzav then relates how he himself had to pay 10,000 shekels to a vote contractor in his failed bid to get on the Likud Knesset list; Benjamin Netanyahu and the latter's crony Yisrael Katz double-crossed him, for a deal with Sharon, so that Omri Sharon would be on the list. "Pick up the phone to people and call them to come to activities and they'll tell you, 'No thanks, we're not interested.'" Likud members are fed up with what happened at the elections for the list of Knesset candidates. . . . They tell you that they aren't prepared to work for this list."

Iran's Diplomacy Aims At Eurasian Cooperation

by Muriel Mirak-Weissbach

One of the thorniest questions in international politics has been, how tensions between nuclear powers Pakistan and India can be relaxed, and an adversary relationship transformed into one of cooperation. Now, prospective progress on this front is emerging from what might seem an unexpected quarter: the Islamic Republic of Iran. Since the recent state visit of Iranian President Mohammed Khatami to Islamabad, Pakistan on Dec. 23-25, hopes have been rising that Iran may prove to be a special kind of mediator—not a diplomatic mediator, regarding, for example, the issue of Kashmir, which has to be settled bilaterally—but a mediator of economic cooperation agreements which could lay the basis for durable peace.

Khatami made clear that he understands this perspective strategically, as an intervention to thwart attempts at regional destabilization. In a press conference in Islamabad on Dec. 24 with Prime Minister Mir Zafarullah Khan Jamali, he stated, "This is our region, and we must use all our available resources for the cause of development of the region. Some forces do not want to see development and progress in this region. . . . We will do everything for the cause of development. We will do everything possible to reduce tensions between the two countries."

At the banquet hosted by Pakistani President Pervez Musharraf, Khatami noted Iran's privileged position: "We have good relations with both countries, and can play an important role in defusing tension between the two. We have made efforts in the past to iron out the differences between the two neighbors." President Musharraf, in return, expressed his appreciation of "Iran's efforts to defuse tensions between Pakistan and India."

Pipeline for Peace

Khatami's concrete proposal is that a gas pipeline be built from Iran into India, via Pakistan. Iran and Pakistan agreed to a feasibility study for the \$4 billion project last year, and both India and Pakistan have signalled their eagerness to see it implemented. In India, there has been discussion as well of a direct pipeline, under water, between Iran and India, which would bypass Pakistan. Supporters of this option prefer it because of concerns about the security of the overland route. Khatami made clear, while in Pakistan, that he understood this: "There is no problem between Iran and Pakistan to undertake the gas pipeline project," he said, "but in this regard there is a need to remove some of the security concerns of India."

During the talks, Pakistani Foreign Minister Mian Khurshed Mehmood Kasuri told Iran's IRNA news agency on Dec. 23, "We are ready to guarantee the security of this pipeline, . . . because economic issues should not be mixed with political ones." More precisely, it is because economic interests on all sides would benefit, that the political issue could be improved. Speaking also to IRNA, General Musharraf gave his full support to the proposal, saying it would be beneficial especially for India, because "it is pushing for industrialization on a larger scale, and presently is importing liquefied gas." Musharraf said Pakistan would attend if a tripartite meeting on the project could be arranged, to help bring it from discussion to realization. He expressed his confidence in Iran's role as go-between: "I think it is only Iran that can convince [India] to push through with the gas pipeline."

The pipeline was not the only project on the table. In addition to plans for expanding trade, which Musharraf stressed as a priority, completion of new railway connections was also discussed. Accompanying Khatami were the Iranian ministers of defense, foreign affairs, and transportation. The last, Ahmad Khurram, announced on Dec. 24 that, with the completion of the Kermanshah-Zahedan rail link, Iran would be able to offer Pakistani pilgrims a safe and comfortable journey to Saudi Arabia's Islamic holy places. In addition, the completion of the link will provide access to Europe and Central Asia, he said. In fact, it is one of the crucial missing links in the continental Eurasian Land-Bridge.

Pakistan's Minister for Industries and Production, Liaquat Ali Khan Jatoi, characterized the Iranian visit as marking the beginning of a new era between it and Pakistan. Three agreements and a memorandum of understanding were signed, and the prospect of joint work toward infrastructure development in Afghanistan was also raised by Jatoi.

Relations between Pakistan and Iran, though reaching back far in time, had undergone a severe crisis while the Taliban regime in Afghanistan enjoyed Pakistan's support. Not only did Taliban forces systematically harass pro-Iranian Shi'ites, but the regime also was responsible for the execution of Iranian diplomats and journalists in the Summer of 1998. The flood of drugs from Afghanistan has continued to be a destabilizing factor in Iran.

Since the overthrow of the Taliban regime, relations between Islamabad and Tehran have improved, although the "Talibanization" of Pakistan which has followed, remains of great concern to Iran. This is also a major issue for India, a fact well known to the Iranians. When Khatami was asked in Pakistan to comment on brutalities against Muslims in the Indian state of Gujarat, he answered by denouncing brutalities of *all* types *wherever* they occur. Khatami then said, "The major problem is sectarian violence and sectarian differences, and we have to free ourselves from this sinister phenomenon," obviously referring to the Taliban phenomenon, as well as the conflict between Sunni and Shi'ite Muslims in Pakistan. He added, "We should try to build a world where people can live in peace." Khatami urged Muslim clerics to work in unity "to

help forge unity in the ranks of Muslim *Ummah*. . . . “Our enemy is united; so we also need to work in unity.”

Next Stop, India

Musharraf will not have to wait long, to see whether the hopes placed in Khatami’s diplomacy are well-founded, as the Iranian President is scheduled to make a state visit to India. The Indian government officially announced that Khatami would visit New Delhi and would be the guest of honor on Jan. 26, India’s Republic Day.

The visit is important, not only because of Pakistani-Indian relations, but, more broadly, because of Iran’s growing association with the “Strategic Triangle” of Russia, China, and India. Due to its vigorous foreign policy, since the fall of the Soviet Union in 1991, based on developing transportation infrastructure links through Central Asia and into China, Iran has established itself as the “second pillar,” after China, of the Eurasian Land-Bridge. Recently, with the agreements for a North-South transportation corridor, Iran has become a link between Russia and India. Thus, it is to be expected that during his visit to New Delhi, Khatami’s discussions will reflect a broader geographical and strategic context.

In India, too, the emphasis will be on economic cooperation as the basis for regional stability. It was no coincidence, that as the Indian government officially announced Khatami’s

visit, a first major contract was signed between the two countries for oil exploration. The deal, signed on Dec. 25, in Tehran, is for exploration in the Iranian oil field Fars Bloc. The contract, worth \$27 million, was clinched by a consortium including ONGC Videsh Ltd (OVL), Indian Oil Corporation (IOC), and Oil India Ltd (OIL), which signed with the National Iranian Oil Company (NIOC). In the Fars oil field, OVL and IOC will hold 40% each, while OIL will have 20%. It is expected that over 500 million barrels will be found.

The managing director of the Gas Authority of India Ltd (GAIL), Prasanto Banerjee, outlined the immense potential for further cooperation with Iran, telling IRNA on Jan. 1 that since Iran has the second largest gas reserves in the world, and India is one of the largest gas consumers in Asia, the possibilities are unlimited. He announced that GAIL, which controls the total distribution network of gas in India, was negotiating with a petrochemical marketing agency in Iran, to handle global marketing of its petrochemicals.

An Indian Foreign Ministry official said that the upcoming Iranian state visit would strengthen the two countries’ strategic relations, and mentioned the Iran-Pakistan-India pipeline: “The security of the said pipeline, and our troubled relations with Islamabad, are the main obstacles in finalizing that project.” Another ministry official said India hopes to expand trade with Iran through Chabahar Port, and thence

Khatami Hails Role for Pakistan’s National Poet

Pakistan’s *Daily Times* editorialized on Dec. 28:

“Visiting Iranian president Seyed Muhammad Khatami has leaned on the legacy of Allama [Muhammad] Iqbal to express his ‘unorthodox’ views on Western civilization. He told an audience in Islamabad that ‘Western culture is a conveyor of spiritual, artistic and philosophical creations; we, therefore, cannot and must not deprive ourselves of it, simply because of our dislike of the oppressive political and economic measures taken by the Westerners against the non-Western world—a fact which the fair and judicious political and economic thinkers and politicians of the West candidly confirm. Nor, of course, can we reject or discard our own cultural and spiritual heritage in the name of facilitating our scientific and cultural development.’ President Khatami thought that the shallow-minded among us were those who neglected the intellectual tradition of the West and focused merely on Western politics; he was equally against those who embraced the superficialities of the West and rejected their own Islamic values.

“Allama Muhammad Iqbal was an Islamic genius whose writings readily lend themselves to the kind of

thoughts that President Khatami wanted to express. . . . After Ali Shariati, Khatami’s view is the first really frank admission of the greatness of Iqbal as a thinker of Islam’s modern age. He has wisely taken recourse to Iqbal’s dialogue with the West to push forward his own policy of establishing communication with those centers of learning in the West that disagree with policies of Western ‘discrimination’ against the Islamic world.”

After Khatami’s departure from Pakistan, a seminar dedicated to the work of Iqbal was held on Dec. 28 in Islamabad, under the auspices of Allama Open University and the Cultural Consulate of Iran, featuring speakers from Iran, Pakistan, and Bangladesh.

One of Iqbal’s admirers, Prof. Annemarie Schimmel, in her book *Islam—An Introduction*, describes his thought in these terms: “The philosophy of the Ego, of the continuous unfolding of the individual’s creative powers, as preached by Iqbal, is not only the basis for his thoughts about the individual human being, but also for his political philosophy. The community too has to utilize and unfold all its inherent possibilities. Only by doing so can it be tolerant . . . for tolerance is the attitude of the strong who respect the other’s personality.”

But Iqbal—himself an Indian—also conceived of a separate state for India’s Muslims, which was realized as Pakistan after his 1938 death.—*David Cherry*

to Afghanistan.

Just as President Khatami was engaged in talks in Islamabad, Russian Atomic Energy Minister Alexander Rumyantsev was in Tehran, to work out the final details of his country's nuclear cooperation program with Iran. This immediately made headlines in the U.S. and British press, where the cry was: Russia is supplying "axis of evil" member Iran, with nuclear technology!

Russia and Nuclear Energy

Rumyantsev took the wind out of the sails of such war-mongering propaganda, telling a press conference at his ministry, on his return from Iran on Dec. 27, that the main purpose of the trip was to check the construction of the nuclear power plant in Bushehr. This plant, begun by the German firm Siemens, had been abandoned at the time of the 1979 Iranian revolution, and later reactivated with Russian assistance. It is to be fully operational by the end of 2003. Rumyantsev stressed that Russia considers Iran both an economic and a strategic partner. As for the scare stories about Iran's "atomic bomb," he said repeatedly that Iran was using nuclear technology for purely peaceful purposes, that it has no nuclear weapons programs and will not have them in the foreseeable future. The International Atomic Energy Agency (IAEA) continues to inspect Iran's facilities regularly, and has never found anything suspect. In 2001, Rumyantsev said, the IAEA made 60 checks of Iran's nuclear facilities, including Bushehr, and concluded that there were no military programs. A similar number of checks occurred in 2002. He confirmed that Russia and Iran are working on a long-term agreement, in areas including atomic energy; plans have mentioned up to six further nuclear plants over the next 12-15 years.

The first step is the completion of Bushehr. Some 1,200 people are working there, 40% of them Ukrainian and 60% Russian. Their numbers are expected to increase over 6-8 months, because of the need for extra manpower for the assembly of heavy equipment. "The first batch of fuel for the Bushehr nuclear plant produced by Russia is ready and packed. Russia is trying to make necessary preparations for its shipment," Rumyantsev was quoted by IRNA. Supplying the fuel is contingent on a signed agreement for the return of the spent fuel to Russia. This agreement, he explained, had been reached in principle, and President Khatami had said Iran favored the idea. Now the final text is being worked out by the respective ministries; he expected it to be signed in January.

All things considered, Iran's foreign policy effort to secure regional stability through mutually beneficial economic cooperation agreements, is eminently viable. If it can forge economic ties between Pakistan and India, establishing the basis for trust, while strengthening its economic and strategic relations to Russia, the entire region will benefit. Khatami should be taken at his word: "This is our region, and we must use all our available resources for the cause of development of the region."

No 'Allende Solution' For the Chávez Problem

This statement and dossier on the Venezuelan crisis, and the history of Venezuelan President Hugo Chávez, was issued on Dec. 21, 2002 by the LaRouche in 2004 Presidential campaign.

U.S. Presidential pre-candidate Lyndon LaRouche expressed his concern over the dangerous and rapidly degenerating political situation in Venezuela, and in particular over the added complications arising from the highly unstable and erratic behavior of President Hugo Chávez. Chávez's apparent personal state of clinical insanity represents a significant security threat to the Americas. This, added to the overall explosive situation throughout the hemisphere, threatens to become the detonator which sets off the entire bomb.

LaRouche emphasized that, in his capacity as a leading candidate for the Democratic Party nomination for the 2004 Presidential elections, it would be negligent on his part not to draw attention to this urgent matter, and to emphasize the urgency of choosing the best path towards its solution.

There is substantial evidence that Chávez is actually clinically insane. This evidence, which we indicate below, must be duly assessed, LaRouche urged. If Chávez is as insane as appears to be the case, then a prompt, quiet, non-bloodily solution must be found and agreed upon by the relevant parties, under which Chávez would be induced to step down from office, perhaps with the assistance of suitable friendly professional advice.

LaRouche emphasized that such an approach is called for immediately, lest others might concoct very bad alternatives to the current Venezuelan chaos, such as coups, assassinations, and other approaches that will only trigger a chain reaction and spread the problem across the region. LaRouche stated emphatically, "We don't want an 'Allende solution' to the Chávez problem."

LaRouche also rejected the idea, currently promoted by the Inter-American Dialogue and other bankers' think-tanks, of using the Organization of American States (OAS) to orchestrate a supra-national intervention into Venezuelan affairs, in violation of that country's national sovereignty. This mechanism was employed in 2000 by Wall Street and the U.S. State Department, in order to overthrow the Fujimori government in Peru, which established a terrible precedent for the hemisphere.

LaRouche reiterated that his policy for the Americas is in the tradition of John Quincy Adams, Abraham Lincoln, and Franklin Delano Roosevelt, where a community of principle

among perfectly sovereign nation-states is the framework in which mutually beneficial economic development tasks are jointly undertaken.

The Chávez Dossier

The essential evidence of Hugo Chávez's insanity is to be found in what masquerades as his "religious" or "theological" views. Typical were his heady remarks after his forces won 120 out of 130 seats for the Constituent Assembly in July 1999 elections:

"The victory of the patriots has been pulverizing! . . . You are either with God or the devil, and we're with God because the voice of the People is the voice of God. . . . Now Chávez is not Chávez; Chávez is the People, and the People cannot be stopped! We'll win with God's favor and the People."

Before Chávez ever ran for President of Venezuela, LaRouche identified the two years from 1992 to 1994—in which Chávez was jailed under horrendous conditions—as a critical period in turning Chávez from an ordinary fool, into a mental case, producing a "miraculous metamorphosis" in his world-view. The specific form of his insanity became the

textbook Romantic fascist dictum of *Vox Populi, Vox Dei*: "The Voice of the People is the Voice of God." The controlling sense of personal identity of victims of this outlook—such as Napoleon Bonaparte, or Adolf Hitler—is that of ethereal unity with "the People," and thus with "God." The victim thereby feels entitled to act like a Roman Caesar, displaying impunity and disdain towards other mere mortals.

Since assuming the Presidency in February 1999, at any point at which he has been challenged, Chávez has asserted that dictum, with increasing fervor, as justification for his decisions. When the courts overruled him, he asserted that he is bound by no law or institution, because he represents the People, and thus, by derivation, his is the Voice of God.

As the crisis has grown, Chávez's assertion of "Vox Populi" has taken on increasingly "religious" tones, as the Venezuelan population, too, has become increasingly overtaken by charismatic religious movements of various denominations. Each of these reports hearing divine "voices" telling them what they must do—and each coheres, to an uncanny degree, with the role which the international oligarchical elites would have them play within those elites' overall game-plan for Venezuela.

In April-May 2000, Chávez attempted to force the Catho-

Venezuela Facing Civil War

As the New Year opened, the existential crisis of Venezuela had reached a dramatic stage, and continued to escalate. The nation remained paralyzed by a general civic strike that began exactly one month earlier, on Dec. 2, as marches of hundreds of thousands were held in the capital, Caracas, two and three times a week right through Christmas and New Year's. Over the course of the strike, which has shut down the dominant oil industry, the opposition's demands have hardened, as they insist the strike will not end until the lunatic, terrorist-linked Jacobin President, Hugo Chávez, leaves office, and new elections are held.

The opposition, however, has offered no positive plan of government, and no vision for the future upon which to win over the primarily poor people who support Chávez out of anger and desperation. Rather, they have adopted an approach that would strengthen the terrorist element which has surrounded President Chávez. Worse, international forces associated with the war-mongering "Chicken-hawk" neo-conservative faction in the U.S. government, are heavily deployed with elements of the anti-

Chávez opposition in Venezuela to use that country's crisis to launch "anti-terrorist" supranational military action in Venezuela and elsewhere in Ibero-America. Such an approach would only succeed in igniting general right-vs.-left warfare across the continent.

Chávez, for his part, reiterated on Dec. 29, during his regular Sunday multi-hour television spectacular "Hello, President!" that "I'm never going to leave," because he's so "happy, very happy," in office. He then used his Jan. 1 message to the nation to rally the hard-core Jacobin apparatus which surrounds him, to prepare for battle in 2003, to defend their "revolution."

One of Chávez's closest military allies, Gen. Raúl Baduel, commander of the Army's 4th Armored Division and its special forces brigade, chose to give an interview on Dec. 29, defending the Chávez project, to one of the top people active in the terrorist support apparatus in the Americas, Heinz Dietrich Steffan. Baduel's interview was published by *Rebelión*, an Internet website which serves as a clearinghouse for the propaganda of every terrorist group in the Western Hemisphere. Next to the interview with Baduel, for example, *Rebelión* posted a communiqué from the Central Command of the Colombian-based FARC narco-terrorists.

The Baduel interview served to highlight the strategic alliance that Chávez has maintained with the FARC in recent years.

lic Church hierarchy to bow before him, arguing that “Christ was resurrected from the dead, to become the People”; since Chávez, in his own mind, represents the People, he threatened to unleash “legitimate violence” against those in the Church who opposed him. In so doing, he presented himself at the same time, as a dyed-in-the-wool Catholic.

Then in January 2002, Chávez announced he had become a born-again (Protestant) Evangelical Christian, only to retract the statement four days later. Meanwhile, Chávez’s disaffected wife, Marisabel Rodríguez, has shown up at born-again (Protestant) Christian rallies, to urge Chávez to mend his ways.

‘Hyperkinetic and Imprudent Man’

Chávez’s most recent public display of clinical dissociation came in a rambling, five-hour presentation on his national TV/radio show “Hello, President,” on Dec. 15, 2002. There Chávez ordered Army troops to ignore any rulings by the courts which were unfavorable to him, and to follow no one’s orders but his own. As for those calling for his resignation, he retorted:

“Chávez will leave only when God commands, because I am in the hands of Christ. . . . He is the commander, and when He speaks I obey, understood? And secondly, [I obey] the People. And I assume the voice of the People is the voice of God. I will not leave because of pressures from a group of businessmen, a group of coup-makers, a group of fascists.”

From this substratum, numerous secondary expressions of Chávez’s insanity are nourished, some of which have been noted in the public media. For example, *The New Yorker* magazine published a profile of Chávez in its Sept. 10, 2001 issue, written by Jon Lee Anderson, which contained a report on the author’s interview with Chávez’s psychiatrist, Dr. Edmundo Chirinos. Dr. Chirinos, who considers himself a supporter of the Venezuelan President, explained that Chávez “prefers to embrace dreams that seem impossible to achieve, rather than confronting the harsh realities of life.”

Anderson summarized Dr. Chirinos’ description of Chávez, as “a hyperkinetic and imprudent man, unpunctual, someone who overreacts to criticism, harbors grudges, is politically astute and manipulative, and possesses tremendous physical stamina, never sleeping more than two or three hours a night.”

Anderson also interviewed officials at the prison where Chávez was incarcerated in the early 1990s, including the secretary of the prison psychologist from that period. “Every morning, he [Chávez] sat in a chair in the open-air caged yard that had been built specially for him outside his cell,” they reported. “There was a plaster bust of Simón Bolívar there, and he would speak to it.” He would turn the head around to face him for the conversations, they reported.

Anderson also noted that Chávez’s aides today report that he is a “caffeine addict,” who used to drink 26 cups of espresso a day, until his staff managed to wean him down to “only” 16.

IMF Orders Closure of Colombia’s Symphony

by Javier Almario

To comply with budget cutbacks ordered by the International Monetary Fund (IMF), and with a barely concealed zeal to suppress Classical music in Colombia, the government of President Alvaro Uribe Vélez is on the verge of shutting down the Symphony Orchestra of Colombia and the country’s National Band.

In protest, the National Band and the Orchestra decided to launch an unusual protest in the early weeks of December 2002. Through concerts before the media and in public plazas, the musicians have come out in defense of the institutions they work for, and one of the “weapons” they are using is Mozart’s well-known serenade, *Eine Kleine Nachtmusik*.

The first announcement on public policy regarding these cultural institutions was made by Rudolf Hommes, former finance minister under then-Colombian President César Gaviria (1990-94), and the person responsible for having applied the infamous policy of “opening” to unrestricted imports and economic globalization, that left the economy—and the state’s revenues—in ruin. In an article appearing in the Nov. 26 edition of the daily *Portafolio*, Hommes stated that it was necessary to “resign ourselves to make the decision to allow the disappearance” of the Symphony Orchestra, since that institution “absorbs 20% of the lean operating budget of the Culture Ministry.”

A Culture of Usury Instead

Hommes is widely known as the “Rasputin” of President Alvaro Uribe, and was first proposed by Wall Street’s bankers as financial minister for Uribe’s government. However, his all-too-visible ties to Wall Street, and in particular with Violy Byorum & Partners—a company which has played a major role in orchestrating power-sharing negotiations with the narco-terrorist FARC—frustrated his aspirations. But Hommes has become a newspaper columnist and quite a show biz personality, and his interviews and commentaries in the press—ranging from defense of homosexuals’ “right” to marry, to threats against government officials, to simplistic advice on the economy—(“buy cheap and sell dear”)—appear in all the media.

Every time the Uribe government threatens to go outside the confines of IMF dictates, Hommes comes out as a kind of demolition club to prevent the slightest deviation. Uribe tried to defend Colombia’s agriculture with tariffs, and Hommes set his Wall Street contacts in motion to sink that initiative.



The Colombian Symphony Orchestra is one of only two in the entire country; yet it is threatened with disbandment in budget cuts demanded of Colombia by the IMF. By contrast, Germany still has 500 publicly supported orchestras.

Uribe announced that his government would promote the idea of children playing Classical musical instruments, and now Hommes comes out with the idea of smashing that musical genre. In his article, he shamelessly urged the Symphony Orchestra to finance itself by organizing “mariachi bands to serenade the girlfriends of Bogota’s yuppies.”

Culture Minister Adriana Mejía repeated Hommes’ argument, insisting that the Symphony Orchestra and National Band are “an onerous burden which annually costs the State \$1.2 million.” What neither Hommes nor the minister say is that the government is spending \$1.2 *billion* in bonds of the Financial Institutions Guaranty Fund to rescue the national banks (which are little more than branches of the international banks) from imminent bankruptcy; and more than 50% of the budget is dedicated to servicing the foreign and domestic debt. If the government were to stop paying that subsidy to the private national and international banks, Colombia would have a zero deficit.

The debate that Hommes began coincided with the visit to Colombia of IMF director Horst Köhler, who demanded that the government apply all the reforms designed by the Fund, among these a cutback in pensions and on health and education expenditures. The IMF wants the deficit reduced from nearly 5% of the GNP to 2%—without, of course, cutting payment on the debt. So what goes, instead, is the Colombian people’s health, education, pensions, and Classical culture.

If the Colombian people do not defend the Symphony Orchestra, the next assault will be against the music departments of the state universities, which have been described by the “experts” at the Finance Ministry as inefficient from a “cost-benefit” standpoint, because they give individual classes to instrumentalists—as compared to the presumed ef-

ficiency of law classes, where one teacher has 100 students per class.

It would not be the first time that Hommes has “disappeared” an orchestra. When he was Finance Minister (1990-94), he forced the provinces of Colombia to carry out severe budget adjustments, and in the process, the symphony orchestras of Valle, Antioquia, Medellín, and the Orchestra of the Caribbean were all cut, reduced to unstable groups which, in order to survive, only come together when they are paid for a performance.

Cultural Optimism the Real Target

Added to Hommes’ neoliberal ideology is the “neo-Maoist” thinking which permeates not only Hommes’ arguments, but those of the Culture Ministry over the past few years. Mao Zedong, during the years of the so-called “Cultural Revolution” in China, decided to eliminate Classical music, with the argument that it was “Western” music which was perverse and bourgeois, and that the only valid music was Chinese folk music. Mao ordered the destruction and burning of all pianos, violins, ’cellos, and other symphonic instruments, as well as of recordings and scores of Classical music, in his zeal to preserve backwardness. Musicians and many other professionals were sent into forced labor, as part of a so-called “re-education” program. Three generations of Chinese suffered this brutal cultural repression.

By the same path, the Virgilio Barco government eliminated the Colcultura Chorus in 1986 because, according to Barco, the Colombian population had no right to listen to an opera chorus, since that wasn’t “our culture.” In late 2001, supposedly for budgetary reasons, the Santa Fé de Bogotá Chorus, the only professional chorus in all of Colombia, was eliminated.

The late culture minister Consuelo Araujo Noguera stated in 2000, during the Andrés Pastrana government, that it was absurd that the culture budget be spent in sponsoring “foreign music” like opera, or that the state universities were involved in teaching Classical music; instead, she directed, efforts should concentrate on the promotion of *vallenato* popular lamentations.

Current Minister Adriana Mejía stated that the symphonic genre “has no national representation,” and left it implicit that it was preferable to spend money on *papayera* bands in the different provinces, exclusively dedicated to dance music.

Hommes revealed the same neo-Maoist mentality when, upon leaving the Finance Ministry to take a post as dean of Los Andes University—which aspires to be the Harvard University of Colombia—he not only threw out all economics professors who opposed globalization, but also launched an attack on the Music Department. He failed to do away with the Department, but he did succeed in eliminating its music program for children.

Perhaps what Hommes really seeks to eliminate is any sense of optimism within the Colombian population, espe-

cially that which stems from Classical culture. A brutalized population will feel hopeless to oppose the enforcement of IMF policies, the same policies which have bankrupted the economies of nearly every nation on the planet.

Interview: Liz Angela García

'We Are the Nation's Real Educators'

Liz Angela García is the acting concertmistress of the Colombian Symphony Orchestra. She was interviewed for EIR by Javier Almario and Maximiliano Londoño.

EIR: Before being concert mistress of the orchestra, you studied in Germany. How many German orchestras are financed by the State, be it national, state, or municipal?

García: There are 300 state orchestras in Germany. There is at least one orchestra in every city. In Munich, where I studied, there are five orchestras, and of these five, two are immense: the Symphony Orchestra of Munich and the University Orchestra. They are very complete orchestras. In Berlin, there were seven orchestras. Of course, with the unification of East and West Germany, some fused; but in any case, there are still five orchestras in Berlin. As I said, there is at least one orchestra in each city, and all are financed by the state.

EIR: Are there private orchestras in Germany?

García: In Germany, the orchestras are all state-run, although I don't know if perhaps in the past two years, they may have created some private ones. I don't believe so.

EIR: I know it is disproportionate, but how would you compare Germany with Colombia in this regard?

García: In Colombia, there are only two orchestras, the Bogotá Philharmonic and the Colombian Symphony orchestras, which have survived with great difficulties. In reality, there are only these two.

EIR: And if there are only these two, why do they want to do away with them?

García: It is a policy that the State has adopted, following the absurd model of privatization and globalization.

EIR: The first to speak publicly about eliminating the Symphony Orchestra was Rudolf Hommes, former finance minister and adviser to Colombia's President Alvaro Uribe Vélez. What official information do you have on this?

García: Officially, nothing. What happened simply is that



Concertmistress Liz Angela García has become a spokesman for the orchestra, campaigning against its "disappearance."

after Hommes' article came out, some of the musicians of the Orchestra went to the Planning Ministry for information about the budget, and discovered that our budget had disappeared, and had been assigned to other activities. So, it was this information, plus other information we had received that there was a plan to wipe out the Orchestra, that led us to launch this campaign in defense of the Orchestra and culture in Colombia.

EIR: To paraphrase former Colombian President Ernesto Samper, at the most heated moment of the scandal of drug-money financing of his campaign, is this being done "behind the back" of President Uribe, or did he personally make this decision?

García: I'm afraid that the President personally approved this decision.

EIR: Isn't this contradictory, given that the President said he was going to promote the idea of children learning to play musical instruments, because a child who takes up an instrument is a child who will never take up a weapon for any terrorist group?

García: Completely contradictory. It is a problem of defining which way the country is going to go. It is absurd to encourage children to learn music and to play instruments, and at the same time, to close orchestras. The greatest aspiration of a music student is to belong to the Symphony or Philharmonic orchestras. It is very good that the conservatories, the music schools, and the academies generate interest in music, but they also have to produce music at a professional level.

We are 75 musicians, the majority very young, who, with the proper support and publicity, could reach many more people and participate more in the musical education of those children and youth who are training.

EIR: A recurring argument among those who, in the name

of the International Monetary Fund, want to eliminate the budget for Classical music, is that this is so-called “foreign music,” which is not part of our native culture. With that argument, then-President of Colombia Virgilio Barco eliminated the Colcultura Chorus and the Opera of Colombia, and eliminated state financing for opera. That same argument was used by the late minister Consuelo Araujo Noguera, who alleged that nearly all the culture budget was being used to promote “foreign music” like opera and Classical orchestras; and she encouraged the *vallenato* as cheaper, and our “own” music.

García: I think that all music has its place. And we aren’t talking just about the *vallenato*, but also all of our folkloric music: *bambucos*, *pasillos*, *llanero* music, and Indian music. But, in addition to this music, which we consider our own, it is necessary for everyone to discover universality, with the composers and music of other countries—especially music that has transcended to a universality.

Some think that the only thing that is authentically ours is Indian music. But there is also the influence of the population that came from Africa, that came from Spain, and the influence of the other European countries. Our culture is definitely European. In the final analysis, music is universal.

EIR: And the “Indian” music that has been preserved to our time was composed after the Spanish priests explained the diatonic scales, and taught the writing and reading of music, to the Indians. On the other hand, the accordion—so indispensable to the *vallenato*—was brought to the Caribbean by British and French pirates.

In Colombia, violins are produced, but accordions are all imported.

García: And what about the language? We speak and communicate in Spanish, and not in Indian dialects. Our cultural roots are European, with our own Colombian characteristics. The Symphony Orchestra is a Colombian expression of a universal culture, which took a lot of time and effort to come to fruition, and to take the form it has today. It is an effort that requires musicians with good training and very good discipline, who are chosen rigorously and carefully. The majority of the Orchestra musicians are Colombian. We have performed excellent Classical orchestral arrangements of Colombian music, we play for the Colombian people and we perform universal music for a Colombian public.

Nor can we say that the *vallenato* should be encouraged because a lot of people listen to it, and that relatively few people listen to us. We can’t concentrate solely on numbers. Quality also counts. That is what the Orchestra represents; with our quality, we are offering a great example to future generations. The music so popular today is more a phenomenon of the communications media than of musical training.

We are the real educators. With all due respect to Mr. Hommes, he doesn’t know what he’s talking about. Music, culture, and the education of a people are very important for

any nation and for its economy. There are many values that cannot be counted in numbers or in money. The areas of education and artistic expression cannot be closed to our country.

EIR: What do you think the Symphony Orchestra needs, to be able to function better?

García: There are many things that must be done, especially in the area of publicity. Because of such a reduced budget, there is no publicity so that the public knows what the Orchestra is doing. Only rarely are posters printed up to announce concerts and there is absolutely no coverage on radio or television. Another problem is that the Orchestra doesn’t have a home, so the people don’t know how to find us. We perform in one place one day, and in another the next. We are traveling musicians. The result is that we don’t have the public we would like to have. The people who go to our concerts do so because they hear a rumor that the Orchestra is playing somewhere.

EIR: Luis Biava, who was director of the Symphony Orchestra of Colombia, is now the director of the Philadelphia Orchestra, and wrote a letter in defense of the Symphony Orchestra. If the orchestra is shut down, do you think this will encourage a “brain drain”?

García: There already is a very large “brain drain” out of the country. I believe that some of the musicians will try to find jobs abroad, and that this will send a message to youth in training, to the effect that they will have no future in their profession in Colombia.

But I am optimistic, because the public is supporting us, and that public includes influential intellectuals. We are receiving innumerable letters of support. Also, we are going through the best musical period of the Orchestra, given that Maestro Irving Hoffman has done an excellent job.

EIR: You belonged to the Philharmonic Orchestra of Bogotá. Do you think the situation for the Philharmonic is better?

García: I don’t think so. In fact, when I was named assistant concertmistress of the Symphony Orchestra, the place that I left in the first violins [of the Philharmonic] was never filled.

EIR: How do you feel about going from your role as acting concertmistress to political spokesperson for the Orchestra?

García: A little strange. Well, I am not political spokesperson for the Orchestra, but I have had to publicly defend it with arguments, although I would much prefer to contribute to the country with my violin. We have all had to put aside our rather isolated roles as musicians, to talk with congressmen and journalists, improvising speeches and so forth. We have all become spokespersons for the Orchestra. The result of this crisis is that we have all gone through a very accelerated process of becoming more aware, which is a good thing, and I am optimistic that we are going to win this battle.

An Opportunity, Not a Threat

The real issue of the Korean Peninsula, for Eurasia as a whole and for the United States, is the one not mentioned in all the factional punditry—it is the global financial/economic collapse under way, and the possibility of its solution. The Korean Peninsula—as Secretary of State Powell only just intimated in an afterthought to his Dec. 29 television interviews—offers a potential for economic breakthrough for Eurasia as a whole, which would also be of the greatest importance to the revival of the United States economy, through cooperation in the building of the Eurasian Land-Bridges and associated modern transport and other infrastructure.

Look at the potentials for Germany's technology-export economy, now mired in depression and pessimism, of the "mag-lev" transport revolution just launched in China and able to spread across Eurasia. Just such a potential lies in the developments which had been under way on the Peninsula, with the opening of the Demilitarized Zone for the first time to let through the construction of Inter-Korean railroads and roads.

Behind these surprising developments was a longstanding desire of the great majority of Koreans for re-unification, reflected again in the recent South Korean Presidential elections. But both former President Kim Dae-jung and new President Roh Moo-hyun have gone beyond that. They both insist that the new "Iron Silk Road" which can connect Tokyo and Pusan all the way to Rotterdam by direct, multiple high-speed rail lines, passing through both Russia and China, is an opening for economic recovery for Europe and all of Eurasia. This can drastically cut transport times for both passengers and the most important categories of freight, throughout the nations of more than 3 billion people, and create backlogs of orders and skilled employment in many of those nations in the process.

But this requires, first of all, that the major governments affected—most importantly including the Bush Administration in the United States—admit the world is in an economic emergency crisis, drop the

"threats" policy debates and adopt recovery policies! Then, Korea becomes an opportunity.

As Lyndon LaRouche has put it forward since his Dec. 15 "Korea and World Peace" statement: From that policy standpoint, the only sane one, the United States has no need to "save face" by refusing to negotiate except under pre-conditions and pre-concessions. It has no need to "take this crisis to the UN Security Council," which would leave its allies in East Asia out in the cold. It has no need to tolerate "containment" schemes from the chicken-hawks, since it is the global economic collapse—not North Korea—which needs to be immediately "contained" and reversed.

These are all the wrong strategy anyway. The United States is not threatened by war; nor do nuclear weapons proliferate war, as history has shown. The United States can, instead, create positive alternatives which nobody "in this neighborhood" will refuse. It's a policy the United States needs at least as much as East Asia does; and it allows the United States to drop "preconditions" and aid a stable and durable peace in the region.

The issue is that the international monetary and financial system is coming down. We need a New Bretton Woods monetary order quickly, and one which is based on credit issuance for high-technology reconstruction and infrastructure projects. The nations of the "Strategic Triangle" China-Russia-India, and those of East and Southeast Asia, are formulating and initiating such projects in transport, in Mekong River basin development; and the Korean Peninsula is crucial to this.

This is LaRouche's policy, as he indicated in his brief but crucial Dec. 15 statement that it needs to begin with major and unconditional food aid, which, though not conditional on any other issue, can lead to broader agreements for peace through economic development. Without that approach, no amount of armchair debating over threats, will do anything but make matters worse. The United States has to have the *intention* to solve the real problem, not the false problems that arise from imperial fantasies.

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- PEORIA COUNTY
Insight Ch. 22
Sundays—7:30 pm
- SPRINGFIELD Ch.4
Mon-Fri: 5-9 pm
Sat-Sun: 1-5 pm

INDIANA

- BLOOMINGTON
Insight Ch.3
Tuesdays—8 pm
- DELAWARE COUNTY
Comcast Ch. 42
Mondays—11 pm
- GARY
AT&T Ch. 21
Monday - Thursday
8 am - 12 Noon

IOWA

- QUAD CITIES
Mediacom Ch. 19
Thursdays—11 pm

KENTUCKY

- BOONE/KENTON
Insight Ch. 21
Mon: 4 pm; Sat: 5 pm
- JEFFERSON Ch.98
Fridays—2 pm

LOUISIANA

- ORLEANS PARISH
Cox Ch. 78
Tuesdays & Saturdays
4 am & 4 pm

MARYLAND

- ANNE ARUNDEL
Annapolis Ch.20
Millenium Ch.99
Sat & Sun: 12:30 am
- MONTGOMERY Ch.19
Fridays—7 pm
- P.G.COUNTY Ch.76
Mondays—10:30 pm

MASSACHUSETTS

- BRAintree
AT&T Ch. 31
BELD Ch. 16
Tuesdays—8 pm
- CAMBRIDGE
MediaOne Ch. 10
Mondays—4 pm
- WORCESTER—Ch.13
Tue.—8:30 pm

MICHIGAN

- CALHOON
ATT Ch. 11
Mondays—4 pm
- CANTON TWP.
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm
- DEARBORN
Comcast Ch. 16
Zajak Presents
Mondays: 6-8 pm
- DEARBORN HTS.
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm
- GRAND RAPIDS
AT&T Ch. 25
Fridays—1:30 pm
- KALAMAZOO
Thu-11 pm (Ch.20)
Sat-10 pm (Ch.22)
- KENT COUNTY
Charter Ch. 7
Tue: 12 Noon,
7:30 pm, 11 pm
- LAKE ORION
Comcast Ch.65
Mondays & Tuesdays
2 pm & 9 pm
- LIVONIA
T/W Ch.12
Thursdays—5 pm
(Occ. 4:30 pm)
- MT.PLEASANT
Charter Ch. 3
Tuesdays—5:30 pm
Wednesdays—7 am

MINNESOTA

- ANOKA
AT&T Ch. 15
Mon—4 pm & 11 pm
- BURNSVILLE/EGAN
ATT Ch.14,57,96
Tuesdays—5:30 pm
Saturdays—9 pm
Sundays—10 pm
- CAMBRIDGE
U.S. Cable Ch.10
Wednesdays—2 pm
- CO. SPRING
U.S. Cable Ch.10
Wednesdays—5 pm
- COLUMBIA HTS.
MediaOne Ch. 15
Wednesdays—8 pm
- DULUTH
Charter Ch.20
Mondays—9 pm
Wednesdays—12 pm
Fridays 1 pm
- FRIDLEY
Time Warner Ch. 5
Thursdays—5:30 pm
Saturdays—8:30 pm
- MINNEAPOLIS
PARAGON Ch. 67
Saturdays—7 pm
- NEW ULM—Ch.14
Fridays—5 pm
- PROCTOR/
HERMANTOWN—Ch.12
Tue. btw. 5 pm-1 am
- ST.CLOUD AREA
Charter Ch.10
Astound Ch.12
Thursdays—8 pm
- ST.CROIX VLY.
Valley Access Ch.14
Thursdays—4 & 10 pm
Fridays—8 am
- ST.LOUIS PARK
Paragon Ch. 15
Wed., Thu., Fri.
12 am, 8 am, 4 pm
- ST.PAUL (city)
SPNN Ch. 15
Saturdays—10 pm
- ST.PAUL (N Burbs)
AT&T Ch. 14
Thu—6 pm & Midnite
Fri—6 am & Noon
- ST.PAUL (NE Burbs)*
Suburban Ch.15
St.PAUL (S&W burbs)
AT&T-Comcast Ch.15
Tue & Fri—8 pm
Wednesdays—10:30 pm
- SOUTH WASHINGTON
ATT Ch.14—1:30 pm
Mon, Tue, Wed, Thu

MISSISSIPPI

- MARSHALL COUNTY
Galaxy Ch. 2
Mondays—7 pm

MISSOURI

- ST.LOUIS
AT&T Ch.22
Wednesdays—5 pm
Thursdays—12 Noon

NEBRASKA

- LINCOLN
T/W Ch. 80
Citizen Watchdog
Tuesdays—7 pm
Wednesdays—10 pm

NEVADA

- CARSON—Ch.10
Wednesdays—7 pm
Saturdays—3 pm
- RENO/SPARKS
Charter Ch.16
Fridays—9 pm

NEW JERSEY

- HADDON TWP.
Comcast Ch. 19
Sundays—11 am
- MERCER COUNTY
Comcast*
TRENTON Ch. 81
WINDSOR Ch. 27
MONTVALE/MAHWAH
Time Warner Ch.27
Wednesdays—4 pm
- NORTHERN NJ
Comcast Ch.57*
PISCATAWAY
Cablevision Ch.71
Wed—11:30 pm
- PLAINSBORO
Comcast Ch. 3*

NEW MEXICO

- ALBUQUERQUE
Comcast Ch. 27
Mondays—3 pm
- ANTHONY/SUNLAND
T/W Ch. 15
Wednesdays 5:05 pm
Fri. & Sat.
7 pm or 8 pm
- LOS ALAMOS
Comcast Ch. 8
Mondays—10 pm
- SANTA FE
Comcast—Ch.6
Saturdays—6:30 pm
- TAOS—Ch.2
Thursdays—7 pm

NEW YORK

- BROOKLYN
T/W Ch.34
Cablevision Ch.67
Tuesdays
3:30 pm, 11:30 pm
- BUFFALO
Adelphia Ch.18
Wed.—12:30 pm
- CHEMUNG/STUEBEN
Time Warner-Ch.1
Mon., Fri.—4:30 pm
- ERIE COUNTY
Adelphia Intl. Ch.20
Thursdays—10:35 pm
- ILION—Ch. 10
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Saturdays—11:30 pm
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Thursdays—7 pm
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- JOHNSTOWN—Ch.16
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- MANHATTAN—MNN
T/W Ch.34; RCN Ch.109
Alt. Sundays—9 am
- NIAGARA COUNTY
Adelphia Ch.20
Thursdays—10:35 pm

ONEIDA—Ch.10

- Thu—8 or 9 pm
- PENFIELD—Ch.15
Penfield Comm. TV*
- QUEENSBURY Ch.71
Thursdays—7 pm
- RIVERHEAD Ch.70
Thurs.—12 Midnight
- ROCHESTER—Ch.15
Saturdays—3 pm
Mondays—10 pm
- ROCKLAND—Ch.71
Mondays—6 pm
- SCHENECTADY Ch.16
Mondays—3 pm
Wednesdays—8 am
- STATEN ISL.
Time Warner Cable
Thu.—11 pm (Ch.35)
Sat.—8 am (Ch.34)
- TOMPKINS COUNTY
Time Warner
Sun.—9 pm (Ch.78)
Thu.—5 pm (Ch.13)
Sat.—9 pm (Ch.78)
- TRI-LAKES
Adelphia Ch. 2
Sun: 7 am, 1 pm, 8 pm
- WEBSTER—Ch.12
Wednesdays—9 pm

NORTH CAROLINA

- HICKORY—Ch.3
Tuesdays—10 pm

OHIO

- CUYAHOGA COUNTY
Ch. 21: Wed.—3:30 pm
- FRANKLIN COUNTY
Ch. 21: Sun.—6 pm
- GRANIN COUNTY
Adelphia Ch.30
Daily: 10 am; or
12 Noon; or 2 pm;
or 12 Midnight
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OREGON

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Betw. 5 pm - 9 am
- WASHINGTON ATT
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Ch.23: Regional Area
Ch.33: Unioncorp. Towns
Thursdays—8 pm
Sundays—9 pm

RHODE ISLAND

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- STATEWIDE
R.I. Interconnect*
Cox Ch. 13
Full Ch. 49

TEXAS

- DALLAS Ch.13-B
Tuesdays—10:30 pm

EL PASO COUNTY

- Adelphia Ch.4
Tuesdays—8 pm
Thursdays—11 am
- HOUSTON
Houston Media Source
Tuesdays—5:30 pm
Saturdays—9 am
Mon, 1/13: 5 pm
Mon, 1/20: 5 pm
- RICHARDSON
AT&T Ch. 10-A
Thursdays—6 pm

UTAH

- CENTRAL UTAH
Precis Cable Ch.10
Aurora
Centerfield
Gunnison
Redmond
Richfield
Salina
Sundays & Mondays
6 pm & 10 pm

VERMONT

- GREATER FALLS
Adelphia Ch.8
Tuesdays—1 pm

VIRGINIA

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Tuesdays—9 am
- BLACKSBURG
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- CHESTERFIELD
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Thursdays—7 pm
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Thursdays—2 pm

WASHINGTON

- KING COUNTY
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- KENNEWICK
Charter Ch. 12
Mondays—12 Noon
Thursdays—8:30 pm
- PASCO
Charter Ch. 12
Mondays—12 Noon
Thursdays—8:30 pm
- RICHLAND
Charter Ch. 12
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Thursdays—8:30 pm
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WISCONSIN

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- MARATHON COUNTY
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Fridays—12 Noon
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Mondays—7:30 pm
Wednesdays—11 pm
Fridays 1 pm

WYOMING

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Thursdays—5 pm

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