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Daniel in the Lions' Den: Kim Dae-Jung Visits Bush
Berlin Seminar Offers Policy for Worldwide Recovery
LaRouche Takes On 'Project Democracy' Crowd in Peru

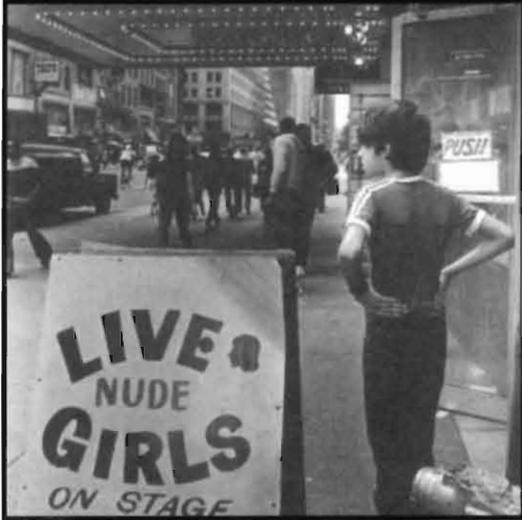
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From the Associate Editor

This week's issue gives you an impressive overview of the interventions being carried out by the LaRouche movement internationally, at this time of deepening economic, financial, and political crisis. We have speeches by Lyndon H. LaRouche, Jr. to audiences in Lima, Peru and Berlin, Germany, along with a national mobilization in the United States which has strategic international importance: the battle to save D.C. General Hospital from shutdown by financial sharks and Confederate Congressmen.

In his speech to an *EIR* seminar in Berlin, LaRouche took up a theme that he has often treated in the past: the precedent of Franklin D. Roosevelt's Presidency, in dealing with the Great Depression. *But*, LaRouche emphasizes, we would be fools to attempt to simply apply Roosevelt's programs to our own time—a time in which the problems we confront will soon be *far worse* than what Roosevelt had to deal with. The key thing to consider, is Roosevelt's *intention*, as it differed from the intention of his political opponents. And the crucial issue there, is summed up by the "general welfare" clause of the U.S. Constitution.

"Just as the crisis of 1929-1933 brought President Franklin Roosevelt's advocacy of the general welfare to power," LaRouche told his Berlin audience, "so the onrushing collapse of the U.S. economic policies of the past thirty-odd years, may signal another turn, back to the general welfare, like that of 1932-1933. If that turn were to occur, the tendency would be for the U.S. to mobilize itself for the kind of cooperation with Eurasia which I have indicated.

"That is a big 'if,' but it is the best option available to the world today."

That is the strategic context in which the fight to save D.C. General Hospital looms large. Can Americans be mobilized, as the citizens of East Germany were in 1989, to put aside their petty, day-to-day obsessions, and demand that their leaders act in the interest of the general welfare? Or will they respond like those legislators who are right now passing the buck, saying, "I'm not on that committee," or "Why don't you talk to so-and-so," or "I have to go along, to get along"? That is the challenge now being put to each and every person who is reading this magazine.

Susan Welsh

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Citizens march to save D.C. General Hospital, March 8, 2001.



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The last time Lyndon LaRouche made a public appearance in Berlin, on Oct. 12, 1988, his remarks concerning the perspective for German reunification, and the re-establishment of Berlin as its undivided capital, sounded a prophetic note. Just over one year later, the communist system came crumbling down, and German reunification was a reality soon thereafter.

LaRouche was welcomed again in Berlin, on March 5, to keynote an *EIR* seminar, this time addressing the perspectives for recovery from the ongoing worldwide financial and monetary breakdown crisis. The conference centered on the theme, "America: From Economic Miracle to Nightmare: How To Overcome the Financial and Economic Crisis."

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"We Have To Represent Ourselves."

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Agenda for National Energy Emergency Action

Demands for Federal Action

for Electricity Price Caps,

Ending Speculation

As of the first week of March, demands intensified, in Congress and in state legislatures, for Federal intervention to stop the out-of-control energy hyperinflation and economic breakdown.

■ **Letter to Bush:** On March 6, a group of 26 Congressmen from the Western states sent a letter to President Bush, stating, "As this crisis deepens, and its economic impacts become more pronounced, it becomes increasingly apparent that Federal action is necessary to prevent this problem from injuring our economy on a longer term basis. . . . We believe a wholesale price cap should be employed to address this situation, and that such a cap can be structured to ensure that it is short term and does not act as a disincentive for the creation of new generating capacity."

Signers of the letter to Bush included 25 Democrats and one Republican, all from the Western states. Washington: Inslee, Dicks, Smith, Larsen, Baird, McDermott. Oregon: DeFazio, Hooley, Wu, and Blumenauer. California: Hunter (R), Farr, Baca, Bacerra, Sherman, Capps, Lee, Honda, Taucher, S. Davis, Napolitano, Millender-McDonald, Schiff, Condit, Ber- man, and Thompson.

■ **Congressional Hearing March 6:** Twenty-five Congressmen testified to the House Commerce Committee's Subcommittee on Energy, with the most vocal demands for Federal intervention coming from the California and Northwestern Representatives. Jay Inslee denounced the

stonewalling by the Energy Task Force, headed by Vice President Dick Cheney, which for three weeks has refused to answer Inslee's repeated messages. The letter requested "an opportunity to meet with you and the Administration's energy task force."

Inslee told the committee that at the Democratic Party retreat in Western Pennsylvania earlier this year, Inslee raised his proposal for cost-based electricity pricing to Bush, who had made a pointed gesture to attend. Inslee said, "The President expressed disinclination—to put it mildly," and Bush told Inslee, "Talk to the Vice President." Whereupon, Inslee tried for three weeks, but Cheney and the task force refused to reply.

Inslee, Rep. Bob Filner (D-Calif.), and others reported details at the March 6 hearing, of the severe economic dislocation in their districts. They denounced the hyper-speculation by the energy cartel. Filner filed criminal charges on March 5 against certain of the energy cartel companies.

Among the activist grouping of Congressmen, is Republican Duncan Hunter, from San Diego. Hunter and Filner are calling for a municipal utility, to ensure reliable, reasonably priced electricity.

Strong Remarks at Hearing

The following excerpts are from remarks at the March 6 House Commerce Committee Subcommittee on Energy hearing (third in a series) on the "Energy Crisis in

California and the West" (Panel I), and on a "National Energy Policy" (Panel II):

■ **Rep. Bob Filner:** "We were first to deregulate, with total deregulation in San Diego; and look what happened when it kicked in. The first month last Summer, the electricity price doubled; the second month, it tripled. Scores of small businesses closed. . . . This is not a crisis of supply and demand. There is no cost relationship to these prices. Natural gas had not yet entered the equation. . . . Even though FERC [Federal Energy Regulatory Commission] found prices to be unjust and illegal, they took no action."

The cartel "robbed the city, robbed the state, robbed the region, and robbed the country. . . . The state is paying \$2 million an hour, now, for electricity; \$45 million a day. The energy cartel has taken \$20 billion out of the state in the last eight months. It's regional, and it's national. . . .

"The President announced: 'hands-off, let the markets decide,' [but] there ain't no market. There's a small energy cartel" making huge profits. "Our bill, HR 268, is for cost-based rates for the region, instead of these excessive costs. There should be a refund of money to the utilities and consumers of California." He described Duke Energy gaming the markets.

He said, "FERC must take action on price stability and sanctions" against the companies. Filner announced that he had filed criminal charges against the cartel companies. "It's grand larceny. Attempted theft. Murder. Killing off of businesses."

■ **Rep. Jay Inslee:** Inslee said that there is destruction in his state from two disasters: the earthquake, and the energy catastrophe. He told of people with two jobs, having to go to food banks because of energy bills. Inslee said that there must be "short-term, cost-based wholesale price caps." The bill is the Eshoo-Hunter bill

(HR 238), for interim caps. He continued, that FERC has the authority; the tool is in the tool box. FERC can establish short-term, cost-plus rates. "There are criticisms, but they can be answered. The Administration says they are concerned about action being long-term. Well, set a time limit. Or set a trigger for expiration, such as reaching a certain reserve level of capacity." As for the criticism that a wholesale price cap would be a "disincentive to new generation capacity," he proposed to exempt new capacity from the price cap.

We have a crisis. We must "do something as a circuit-breaker" to what's going on right now.

During questioning, Inslee hit on these points again saying, "There were many times when price caps were imposed, and then removed. For example, under Nixon."

When pressed about price caps causing "disincentives" to the energy industry to invest, Inslee shot back, "*If the economy goes to heck in a handbasket*, it will be more than a disincentive to industry."

■ **Rep. Peter DeFazio:** Not present because of travel problems, DeFazio released a statement on his testimony. Excerpts from the release: There are "two key causes of the volatile energy market in the West—the 1992 Energy Policy Act and market manipulation by energy companies. He has introduced legislation, HR 264, to repeal FERC orders 888 and 889, which deregulated the wholesale energy market, and allowed states to deregulate retail energy markets. His legislation would return the United States to the pre-1992 system of regulated utility monop-

lies and cost-based-plus pricing."

His statement continued: "Let me be clear at the outset. The energy debacle in the West is not just a regional problem, requiring regional or state-specific solutions. Rather, the midguided energy deregulation wave, set in motion by the U.S. Congress in 1992, is a threat to the well-being of the entire nation and will require leadership from the highest position of power in our national government to solve.

"Unfortunately, the White House, the DOE [Department of Energy], and the FERC seem content to let the bloodletting and obscene profiteering continue unimpeded. I guess we shouldn't be surprised since the chief beneficiaries of this massive transfer of wealth from taxpayers to energy companies just happened to contribute huge financial sums toward the election of the current Administration. . . .

"Support is building for re-regulation, which is the best long-term solution. To those who say we're already too far down the road, I would offer the analogy provided by Jude Noland in a recent column in the newsletter *Clearing Up*, "That's like saying you can't turn around when you come to a "road-closed—bridge out" sign on the highway.' "

State Action

■ **Texas:** Two legislators from Houston have filed House Bill 2107, to require Reliant Energy to return \$2-3.5 billion in "unintended windfall excess earnings." California Congressmen have filed a similar bill. (Particulars on the Federal and state bills are identified below.)

■ **Nevada:** On March 2, national re-regulation leader, state Sen. Joe Neal (D-Las Vegas) introduced SB 269, a full-fledged energy re-regulation bill for his state. The 24-page document specifies repealing all deregulation statutes since 1997, and returning the state to its pre-deregulation condition, under authority of the state's Public Utility Commission. Many other states are postponing deregulation, or modifying it, but Neal's initiative points the way to substantive action for Federal re-regulation. An interview with Senator Neal follows this Update.

■ **California:** Gov. Gray Davis (D) continues to pursue his plan for a state power authority, new state bonded indebtedness of some \$12 billion, and hopes to sign long-term contracts with the electric and gas merchant companies. Characteristically, Enron, the biggest Bush Administration backer, is refusing to even sign with the state.

LaRouche Re-Regulation Lobbying Blitz

Fuelling the national re-regulation drive is Lyndon LaRouche's Presidential campaign and the LaRouche political movement's policy fight for energy re-regulation, based on the Constitutional "general welfare" concept. On March 7, delegations of Californians lobbied in Sacramento; on March 8, similar delegations visited legislative and other offices in Austin, Texas. Many other states, from Michigan to Iowa and Nebraska, are under similar pressure, along with labor, farm, and other constituencies. (Details below.)

than 40% of demand, which it will have to pay top price for.

■ **Natural Gas, Propane:** Nationwide, hyperinflated gas prices are causing economic havoc. Propane is also in short supply. Rep. Bud Cramer (D-Ala.) reported to the March 6 House Energy Subcommittee hearing, on his personal and district situation. "My last gas bill was \$400, twice the \$200 a year ago." Poultry growers are threatened with disaster: A year ago, propane was 17% of an Alabama poultry grower's gross receipts; now propane is 61% of gross receipts.

■ **Petroleum and Gasoline:** Gasoline might hit \$2.50 per gallon this Summer, according to forecasts reported in the March 7 *USA Today*.

I. Scope of Energy Crisis:

Physical Economy

■ **Electricity:** In February, electricity use in California was down 8%, according to Rep. Mike Honda (D-Calif.). He reported to the House Energy Subcommittee hearing that during the blackouts, 100,000 workers in the Silicon Valley were unable to work; millions of dollars were lost.

"The situation in California could reach catastrophic proportions" this Summer, warns the new report out from the Western Independent System Operator. The ISO

states, "It is a virtual certainty that peak demand will go unmet during many hot Summer days," that is, there will be blackouts. The report warns that the state will not have enough electricity under contract to avoid buying on the spot market (which last Summer peaked at more than \$1,500 a megawatt-hour), when the demand is the greatest, and the price is the highest. In the worst case, which is the most realistic, the state will be short 21,000 MW, or more

■ **Mining, Manufacturing:** Mining and industrial activity of all kinds, as well as small businesses, are reeling from the effects of months of hyperinflation and supply crises.

On March 5, Greg Strickler, the president of Montana Resources, a mining firm, gave a statement to Montana legislators saying that there must be “an immediate return to a full regulation of Montana’s electricity market.” The *Montana Standard* published details on March 6. In January, when prices were over \$200 per megawatt-hour, the company pulled the plug on a pump that removes water from one mine, shutting the mine down. Until last June, when its long-term contract expired, Montana Resources had been paying \$28 per MWh for power. Recently it has been paying an average of \$158. Mine workers have a rally set for Helena on March 6, and company men plan to attend.

■ **Agriculture, Food Supplies:** From row crops, to vineyards, the prospect of

shortages of nitrogen fertilizer, and sky-high prices means disaster. Growers in the big farm belt states (Nebraska, Iowa, Illinois), who normally alternate soybeans and corn, are dropping plans for a corn crop, because it requires nitrogen fertilizer. The follow-on effect in the food chain will be catastrophic.

■ **Social Hardship:** A recent survey by the National Energy Assistance Directors’ Association shows that 26% more households are asking for help on energy bills this year. This is an increase of 1.1 million households requesting funds from the Low Income Home Energy Assistance Program (LIHEAP) over last year. With 48 states and the District of Columbia reporting, 20 states showed an increase greater than the 26% national average. Four states had an 80-100% increase: Georgia (97.7%), Louisiana (91.9%), New Mexico (100%), and Oregon (82.4%). Oklahoma and Washington state had over 50%, and five others (Colorado, Illinois, Nebraska, Tennessee, and West Virginia) had increases of 40%

or more. Only Texas and Mississippi failed to respond.

U.S. Sen. Jeff Bingaman (D-N.M.) introduced, on Feb. 14, Senate bill 352, seeking an increase for LIHEAP funds because high energy costs and cold weather have resulted in “natural gas bills 70-100% higher than last year. . . . Farmers, especially, are seeing huge increases . . . and are looking at dramatically higher fertilizer prices this Spring.” He noted that most states had already depleted their LIHEAP funds, thus an emergency exists. The bill has been referred to the Senate Energy Committee, but Bingaman intends to attach it as an “amendment to any fast-moving legislation”—maybe even the bankruptcy bill. In effect, more Federal money to LIHEAP, without re-regulation of energy prices and supplies, means more money into the “jaws” of the energy cartel. In fact, House Majority Whip Tom DeLay (R-Tex.) and the Bush Administration are backing more LIHEAP funding.

II. Scope of Energy Crisis:

Financial

Unpayable energy prices are creating shock waves toward all-out financial chaos, unless re-regulation is employed.

California: On March 1, Pacific Gas & Electric defaulted on another \$1.21 billion worth of payments to electricity suppliers, and made a partial payment to the Independent System Operator, which has been buying power for the utility since late January.

Also on March 1, the ISO sent a report

to FERC showing that merchant wholesalers overcharged ISO \$562 million during just December and January. Recent figures show that the total cost of electricity to California during the two cited months—more than \$11 billion—well outstripped the \$7 billion California paid for the entire year of 1999!

The ISO calculated the cost of production, and added a 10% profit to come up with its numbers. The report states that

two-thirds of the charges to California during those two months were found to be “excessive.”

In December, under pressure from the state, FERC had found that some suppliers were not charging “fair and reasonable” rates, which FERC has the authority to enforce. The agency has done nothing about it.

■ **New York City:** Con Edison, forced by deregulation to sell off most of its generating capacity, has appealed to FERC, to protect it from anticipated hyperinflation this Summer, on the electricity spot market. Last Summer, which was not hot, Con Ed found itself paying more than \$1,000 per megawatt-hour for power, when the price spiked.

III. Energy Infrastructure:

Crises and Reactions

■ **Drought:** It may be the driest year ever on record in the Pacific Northwest, in the estimate of the *Seattle Times* of

March 7. The generating plants of Puget Sound Energy were turned off at the end of February, when the reservoirs behind

the dam went dry. Reservoir levels in one dam lake are 125 feet below full. The regional Bonneville Power Administration is already telling California not to expect the 5,000 MW it would normally have available for export during the Summer. The four Northwestern states rely on Bonneville for over half of their power. The Canadian Rockies are also in drought.

IV. Policy Response:

Federal Level

Administration

FERC's Hebert to go? The heat is so intense for Federal response now, that rumors are circulating that the White House will make a designated fall-guy out of Curt Hebert, head of FERC. Hebert is toeing the Bush/energy cartel line of non-intervention into "the markets." But, Hebert was a laughing-stock at the Feb. 28 House Energy Subcommittee hearing, for blathering incoherently when confronted by Rep. Charles Norwood (R-Ga.), on how energy price spikes are up far higher than any claimed increase in demand.

Congress

The following is a partial list of bills toward re-regulation.

■ Senate:

S. 26: "To impose interim limitations

on the cost of electric energy to protect consumers from unjust and unreasonable prices in the electric market."

S. 80: "To require FERC to order refunds of unjust, unreasonable, unduly discriminatory or preferential rates and charges for electricity, to establish cost-based rates for electricity sold at wholesale in the Western Systems Coordinating Council."

S. 287: "To impose cost-of-service-based rates [meaning to cover cost of production, and a reasonable return on invested capital] on sales by public utilities of electric energy at wholesale in the Western market."

The above are sponsored by Dianne Feinstein and Barbara Boxer (both D-Calif.). A House companion to S. 26 is sponsored by Anna Eshoo (D-Calif.) and

Duncan Hunter, and others. A House companion to S. 287, is HR 268, sponsored by Bob Filner.

On March 15, the Senate Energy Committee is scheduled to take testimony on the three bills proposed by Feinstein and Boxer. The hearing was to have been on March 1, but was postponed by the Committee, whose Chairman is Frank Murkowski (R-Ak.). He backs bills for big tax breaks and other giveaways to the energy cartel; and a bill to eliminate the 1935 Public Utilities Holding Company Act.

■ House of Representatives:

HR 264. To repeal FERC orders 888 and 889, which deregulated the wholesale energy markets, and allowed states to deregulate retail markets. Would return the United States to the pre-1992 system of regulated utility monopolies and cost-based-plus pricing. Introduced by Rep. Peter DeFazio (D-Ore.) et al.

March 20 is the next Commerce Committee Energy Subcommittee hearing (the fourth one), which is to take more testimony on California's crisis from power experts.

V. Policy Response:

State and Local Initiatives

■ **LaRouche lobby days:** Constituency leaders around the country, using Lyndon LaRouche's "On the California Energy Crisis" policy document (www.larouchein2004.com)—calling for re-regulation of energy (using Chapter 11 bankruptcy protections and similar measures)—met with hundreds of state legislators and their staff, during the first week of March. These organizing blitzes included state capitals in California (March 7), Texas (March 8), Iowa (March 8), Michigan (Feb. 28), Illinois (March 6), and Minnesota (March 8).

The groundswell for return to re-regulated energy, and also for re-regulating health care, agriculture, trade, and other areas, is growing rapidly, but only the LaRouche organizing drive is providing leadership. In California, many citizens are holding back from supporting and

demanding that Governor Davis act against the deregulation machine. Therefore the situation persists, where the Governor and other officeholders can say, "Don't attack us; we have no choice but to go along."

State Initiatives

■ **Nevada:** Senate Bill No. 269, introduced March 2, by Senators Neal and Schneider, with joint sponsors Assemblymen Arberry and Williams, in summary, "Repeals provisions pertaining to competitive provision of retail electric and natural gas service."

The bill repeals all deregulation measures made, beginning in 1997, and returns the state to its former regulated condition, giving authority to the Public Utilities Commission for oversight of power and fuels. SB 269 is in the Commerce and La-

bor Committee, and hearings will be scheduled. (See www.leg.state.nv.us/71st/bills/sb/sb269.html.)

At a hearing to be scheduled in March, in the Nevada Legislature, Sen. Joe Neal (D) will give a presentation making clear that there no grounds for tolerating the "Big Lie" that energy supply is out of line with demand, and therefore, that imbalance is the cause of energy hyperinflation.

■ **Iowa:** House Resolution No. 6 was introduced in January by Democratic Legislators Steve Richardson and David Schrader. The two-page measure begins: "A House Resolution requesting the United States Congress to enact legislation requiring the Federal Energy Regulatory Commission to regulate the price of the production and transmission of natural gas."

The Resolution reviews the history of Federal deregulation of natural gas, beginning in 1978, and describes the economic devastation now taking place in agriculture, industry, and peoples' lives. It "urges the United States Congress to enact legislation to restore regulation" of natural gas. (See www.legis.state.ia.us.)

Bush Blitzkrieg Rolls Over Congress

by Anita Gallagher

The Bush Administration has run roughshod over the Democratic opposition in the U.S. Congress, with blitzkrieg victories on the bankruptcy bill, ergonomics regulations — undone in 36 hours in both Houses — and, on March 8, the Bush tax-cut plan, the centerpiece of Bush's economics program, passed the U.S. House of Representatives 230-198.

On March 6, Rep. Jay Inslee (D-Wash.) and 25 other Representatives, including Duncan Hunter (R-Calif.), released an open letter to President Bush, asking Bush and his energy task force to meet on the Western states' urgent energy crisis. Three weeks earlier, Bush had displayed his arrogance by personally telling Inslee to talk to Vice-President Cheney — who then refused to take his calls.

On March 7, a shell-shocked House Minority Leader Dick Gephardt (D-Mo.), looking at Democratic troops who had rolled over in the face of rapid-fire, successful Republican drives to drastically reduce bankruptcy protection for individuals, annul workplace ergonomics safety regulations which had been worked on for ten years, and give nearly \$1 trillion in tax cuts over the next decade to mainly the wealthiest Americans, told the press that bipartisanship was ended. He said the White House was no longer demonstrating a desire to work together with Democrats. May as well say, the wolf was no longer demonstrating a desire to be Little Red Riding Hood's grandmother! Poor, cooperative Dick Gephardt! He should have listened to Lyndon LaRouche, and fought against Ashcroft.

This should now remind thinking Congressmen, and others, of Hitler's rapid expansion of his powers after he was narrowly installed in the Chancellorship of Germany on Jan. 30, 1933, as a minority figure in a government coalition. Using the pretext of the Feb. 28, 1933 Reichstag fire, Hitler vastly increased his powers through emergency decrees enacted in March 1933, which allowed him to eliminate all opposition. LaRouche warned the Congress of such a rapid consolidation of power by Bush in his January 3, 2001 webcast. He urged the Democrats to fight while they still had the power, against the nomination of John Ashcroft for U.S. Attorney General, which he called "a deliberate provocation." Congress had to "jam up the works on this," to force Bush to withdraw the nomination. Through the mobilization of LaRouche Democrats, 42 Senate votes — enough for a filibuster — were cast against Ashcroft, but the Democratic leadership, engaging in "bipartisanship," quit the field without a fight.

The Way It Is

An ominous sign of the new realities in the House was the first major piece of legislation it passed on March 1: a bill pushed relentlessly by the credit-card industry, to make it harder for consumers to wipe out their debts and get a fresh start by declaring personal bankruptcy. Although Republicans have only a five-seat advantage in the House, the bill passed by a whopping 306-108 vote, and included "yes" votes from 93 Democrats. Some 1.2 million Americans filed for personal bankruptcy last year — victims of Loser Al Gore's "endless prosperity."

The bankruptcy bill is now expected to pass the Senate, and President Bush has indicated he will sign it. President Clinton vetoed almost identical legislation last year. Political contributions by credit-card companies doubled from the 1996 election to that of 2000 — increasing to a whopping \$9.2 million. In fact, the biggest single contributor to Bush's campaign was MBNA, the largest credit-card issuer in the United States. Citigroup and Morgan Stanley Dean Witter, the number-2 and -3 largest card issuers, also number among Bush's top ten contributors.

On March 6, another cooperative Democrat, Senate Minority Leader Tom Daschle (D-S.D.) (who said on national television that he would not support a filibuster against Ashcroft), was ambushed by Republicans, who rammed through a vote striking down the new ergonomics regulations which Clinton had signed as one of his last acts in office. The Republicans met daily in House Majority Whip Tom DeLay's office, plotting to use an obscure rule to ram this through the Senate and the House. It passed the 100-member Senate, divided 50-50 between Democrats and Republicans, with 56 votes — six Democrats defected to vote for it.

The next day, after only one hour of debate, the House voted 223-206 to kill the regulations, aimed to stop on-the-job repetitive motion injuries. The law of the U.S. was changed in a mere 36 hours. Gephardt seemed to be struck dumb: "This takes your breath away — that they would come in here in one week, in two days, and rip this thing [ergonomics] out that took ten years to do the scientific work to find out what ought to be done." The *Washington Post* chortled: "[T]he balance of power has shifted dramatically in Washington. . . . So for groups such as business, there is new incentive to try what might have been impossible only a few months ago."

On March 8, one day after its ergonomics triumph, the Bush blitzkrieg rammed its "crown jewel" legislation through the House, with a 230-198 vote in favor of the tax reductions for the rich.

As the coda to this debacle, House Speaker Dennis Hastert (R-Ill.) took center stage and proclaimed, "Who among us can say that the economy doesn't need a little encouragement? [Cutting taxes] will give consumers more money to pay off credit-card bills. It will give families more money to pay off high energy bills." As Hastert's soul-sister Marie Antoinette famously said, "Let them eat cake."

LaRouche Takes On Project Democracy at Public Accountants' Forum in Peru

U.S. statesman Lyndon LaRouche went head to head with Project Democracy's hatchetmen in Peru, in a Feb. 23 interactive video conference, sponsored by the Association of Public Accountants of Lima, and attended by 400 people in that city. The debate, excerpted extensively below, pitted LaRouche's global strategy to save nations and peoples from the catastrophe now hitting as the world economy disintegrates, against Project Democracy's strategy of using fraudulent "anti-corruption" witch-hunts to tear apart governments across the globe.

Exactly a year ago, the Lima Accountants Association had sponsored a first video-conference by LaRouche. Attended by 500 people, it established LaRouche as the strategic reference for nationalists throughout the course of their hard-fought battle, ultimately lost, to defend Peru from takeover by the Project Democracy narco-machine. (See *EIR*, March 10, 2000, *Conference Report*, for the full transcript of that dialogue.)

Intimidation, Baiting Fall Flat

Today, Peru is a different country, as Luis Vásquez reports in his article in this issue. Yet, for all the police-state measures being taken by the Project Democracy crowd now running the country, under conditions of worsening world crisis, Project Democracy's grip upon Peru is not secure. The last thing those international interests wanted to happen, was for Peruvians to have direct access to LaRouche again. There was a brawl and a half to try and shut down the conference in advance. When the intimidation tactics did not work, the Project Democracy machine decided to take on LaRouche, in a direct debate. Two of the five prominent Peruvians who joined the panel which responded to LaRouche after his opening presentation, came to challenge LaRouche. Unable to counter LaRouche on matters of international economics, the two attempted to bait LaRouche on the issue of corruption, but found they had opened the door, instead, to the most devastating indictment of the actual source of the corruption inundating nations around the world: the British system of liberal economics which Project Democracy defends.

The full exchange was carried live on a simultaneous international, bilingual webcast over *EIR*'s website, www.larouchepub.com, and remains available, in English and Spanish, in the site's archive.

LaRouche: New Bretton Woods System Is Needed

On Feb. 23, 2001, Lyndon LaRouche addressed the Association of Public Accountants of Lima, Peru, by international video-conference hook-up. The full exchange was carried live on a simultaneous international webcast over EIR's website, www.larouchepub.com, and remains available in the archive. Excerpts from the dialogue follow. EIR has translated the questions from Spanish, and added subheads.

Introduction from Peru

Roberto Alva Sánchez: Ladies and gentlemen. I wish you a very good evening. On behalf of the Finance Committee of the Association of Public Accountants of Lima, I have the pleasure of welcoming you to this international video-conference, being transmitted from the United States of America, and entitled "The Challenge of Foreign Investment, Considerations on Country Risk."

Our guest is Dr. Lyndon LaRouche, international speaker and financial expert. We are joined at this time, by the following panelists: Dr. Dennis Falvy Valdivieso, former dean of the Association of Economists of Lima, and economic and political commentator for the newspaper *La República*; Dr. Luis Lizárraga Pérez, senior professor of finance at the University of Lima; and economist and engineer Luis Vásquez Medina, executive director of *EIR* in Peru.

We will now go to the United States, and to Dr. Lyndon LaRouche, whom we receive with warm applause.

Lyndon LaRouche: Thank you very much.

As you probably have observed from the international press, and sources you may have available to you otherwise, at present the international financial system is in a collapse phase. Because of the nature of the situation, because there are no clear decisions from governments on how to deal with this collapse phase, there's a certain amount of uncertainty of where the world goes from here. We can define options, we can define probabilities, but we cannot provide certainties, because the certainties will depend upon what kind of decisions are made.

For example, I would indicate the situation inside the



The interactive videoconference of the Association of Public Accountants of Lima on Feb. 23. Lyndon LaRouche is visible on the screen. The conference turned into a hot debate between LaRouche and two of the five panelists who were invited to respond to his address.

United States:

The United States was hit in this time, with a major deregulation crisis in energy supplies. This affected, to some degree, petroleum supplies, but more emphatically, electricity distribution and gas distribution inside the United States. It affected, largely, utilities. We have had rates of increase of costs of electricity of 400% and so forth, and higher in some areas. There's wild speculation in this field. There are now major moves in various parts of the United States, to reverse this, and to immediately restore measures of regulation. There is a campaign by the leading trade union organization in the United States, to hold meetings in the coming period, calling for re-regulation: that is, to put the system back under Federal and state regulation of public utilities, of the type we had prior to the Carter Administration, in part, prior to these deregulation measures, which have happened recently.

We have, at the same time, a major collapse in the financial markets. We have it almost daily. The chairman of the Federal Reserve System is pouring in billions of dollars of newly printed money, in the form of repurchase agreement types of money, to try to keep the Nasdaq from collapsing below the 2000 index. The Dow is very soft.

The Collapse of the Importer of Last Resort

In Europe and Japan and so forth, we have generally collapsing markets. We're in a period which is characterized by a collapse of the role of the United States, as what became known as the importer of last resort.

Over the period since 1971, of course, there's been a transformation in the world economy, with the Nixon decision, and

the following 1972 Azores decision, in which we established a floating-exchange-rate system. This, of course, was a disaster for the countries of South and Central America, in particular, and for other countries—the floating-exchange-rate system—which has caused the multiplication of the formerly existing debts, and an accumulation of debt. It's been a disaster for most of these countries.

But we've come to the point now, in the recent period, particularly since the 1980s, in which the United States, more and more, relied upon exporting its work to cheap-labor markets abroad, and relying upon these sources, while shutting down U.S. manufacturing and things of that sort. So, therefore, the United States was operating recently, on a very large current account deficit, which, in one estimate I had, was running as high as a \$600 billion-a-year rate.

In addition, the United States was living on the basis of a large influx of foreign exchange, in short-term investments, into the U.S. financial markets, because the profit rates were indicated to be high here.

Now, that's in question. The financial markets in the United States are collapsing. The Nasdaq is in a disaster, and the effect is, the collapse of U.S. purchasing power, and the collapse of the flow of revenue into the United States for investment, has resulted in the collapse of imports into the United States, which has affected Asia—Japan, Korea, China, and so forth—and other countries. Canada, for example, is heavily hit.

So now, we have a chain-reaction collapse of international markets, as a result of a decline of the U.S. market, as an importer of last resort for many countries. Mexico will be

very hard hit by this. Mexico has up to 40% vulnerability in its total income, through exports largely to the United States.

So, this is the kind of crisis we face.

The Lessons of 1929 to 1965

My approach to the thing, is to recommend to my government, that it change its policy, and return to the lessons we learned from the period of 1929 to 1933. We're now in a crisis which is somewhat similar to, but worse than that which we experienced in 1929-1933; that is, the underlying problem is worse today, relatively speaking, than in that period. In that period, the outgoing President, President Hoover, worked closely with the incoming President, President-elect Franklin Roosevelt, to start a process of changes which gave us a highly regulated system, which gradually got the United States out of the Depression. And, of course, Ibero-America benefitted to some degree from the Roosevelt Good Neighbor policy, during that period.

We went through World War II quite successfully, in terms of economics. After Franklin Roosevelt died, some of his policies were abandoned, particularly his foreign policies. But nonetheless, during the period up until 1965, the United States cooperated closely with Western Europe, under the Bretton Woods system, regulated system, under which the United States maintained its market for exports of goods to Western Europe, which helped to build up Western Europe, with U.S. cooperation. And thus, the two parts of the world benefitted greatly. Some of those benefits spilled over into Ibero-American countries.

In 1965-1966, we underwent a change, and for the past 35 years, we've been going away from the kind of economy we had, as economic policy, from 1933 to 1965, into a new kind of highly deregulated, globalized trend. The globalization has taken off since 1989-1990, with the collapse of the Soviet power, and we're now in the situation where we do not have the structure of national sovereignty, and other devices we had earlier, to help defend us against mass unemployment, and things of that sort.

The obvious solution is, because we have to use past history often as a guide to any emergency action we take, the obvious solution is to return to the lessons of the 1933-1965 period. We can restore some of the kinds of policies which worked well then. We can get out of any depression—with some difficulty, of course, but we can get out of it, and we can begin an upward movement.

The question is, how is the present Bush Administration, which is a new administration, going to respond to a situation which demands action, precisely contrary to the policies it was committed to at the time of its election?

You have a movement in Europe. Europe is looking for the possibility, continental Europe, for the possibility of cooperation with Russia, and nations in Asia. Such as the ASEAN-Plus-3 [Association of Southeast Asian Nations plus China, Japan, and South Korea] group, of the ASEAN nations, India,

in the pattern of cooperation, China, Japan, and Korea, and Russia. Europe depends largely upon Eurasian markets, for its survival; that is, continental Europe, in the postwar period.

Recently, Germany, for example, exported about 40% of its total national product, and this margin of Germany's income helped sustain the entire continental European market. Recently, that has collapsed. And now the Europeans, in a struggle to survive, must find foreign markets, long-term foreign markets, to export goods into market. The chief market for Europe is Eurasia—China, Asia generally. Therefore, that kind of move for cooperation with Western Europe, Russia, and the ASEAN-Plus-3 group, is on the move.

The United States, so far, is opposed to that. For example, the Bush Administration views China and Russia as its major competitors, or political adversaries, and thus this tends to jam up the desire for cooperation.

But that's our general situation.

Therefore, I would say, that I would emphasize from my point of view, what are the possibly optimistic alternatives.

Obviously, if this thing continues in this direction, we have a global disaster, and all parts of the world will suffer. The suffering can become incalculable. The political effects can become incalculable. No one can tell. And therefore, my response in the situation, is to say, what *can* we do, what *should* we do, under the best conditions, and what should our policies be.

'We Can Reverse the Negative Trends'

In general, my view is this: The world is presently organized among the United States, as a leading power, which has been closely associated with the Anglo-American group: that is, Canada, the United Kingdom, Australia, New Zealand, and the United States. You have, on the other hand, continental Western Europe, which has a somewhat different orientation than the United States, and the Anglo powers. We have Russia, which is now trying to rebuild, and can play, potentially, a pivotal role in the relations with Europe and Asia. You have Africa, which is almost destroyed. You have a disintegrating situation in South America, and Central America, generally, economically.

My view is, if we come to our senses, the United States will seek to foster cooperation, with a bloc of nations—Western continental Europe, Russia, China, India, and the whole group of other nations around them in Eurasia—for a 25-year perspective, long-term cooperation at low borrowing costs, to build up Asia, at the same time as to use Eurasia as a market for developing Western Europe. The United States should cooperate in that. Under those conditions, you have a virtually destroyed part of the world, which is Sub-Saharan Africa, and you have Central and South America. Of course, these are different areas. But I think that, if the United States changes its policy toward the world at large, and if we go back to the kind of policy which is typified by Roosevelt's Good Neighbor policy, or what President Kennedy wanted to start

with his Alliance for Progress, I think that we can reverse the negative trends, in Central and South America quite easily.

Such things as large-scale infrastructure development projects: For example, Mexico needs railroads badly, if it's going to develop its internal economy. Mexico is going to need assistance in getting out of this dependency upon its cheap-labor exports into the United States. It has a large population. It's the second-largest nation of Ibero-America, and it's on our borders, the United States' borders. The stability and well-being of the people and nation of Mexico, should be of primary concern to the United States immediately.

The condition of the hemisphere — look at the hemisphere as a whole, the Southern hemisphere, Central and South America. We have a region of immense natural resources, which are very much underexploited, because of the lack of development of the infrastructure needed to exploit them. We have a relatively small population in Central and South America, relative to other parts of the world, and vast, untapped resources. So, obviously, under a longer-term program of 25 years or so, with low interest rates on long-term loans, long-term credit, we could establish cooperation in long-term infrastructure projects: in water management, power management, and so forth, which would provide the stimulus for fostering the private industrial development, and agricultural development, there.

The potential, as we should know, is enormous. The potential, for example, in Peru, is actually enormous, but requires this sort of thing. So those, I think, are the positive things.

My concern is, and my work internationally, as I deal with nations in Eurasia, deal with nations in Europe, with governments, government circles in Europe—as in Italy, in the case of the New Bretton Woods effort there—is to bring together minds, whether they're in government, or outside government, to discuss this alternative, to the present catastrophe—which *is* a catastrophe. To hope that by bringing intellectual forces and others together, around an understanding of what the world requires, what the problem is, what the options are, what the precedents are, that we could induce governments to come to the table, to make the kinds of agreements, which would be signalled by a New Bretton Woods agreement.

For example: If the nations which are, in a sense, the proprietors of the G-7 system, now G-8 system, as it's called, these nations own the IMF [International Monetary Fund]. They are the controllers of the IMF, with the consent and participation of other nations. If these nations, as the caretakers and responsible parties, the management, the ownership, of the IMF agree, we can make drastic changes in the IMF. These drastic changes would probably mean coming back to pre-1958 standards of regulation, under the old monetary system, with the idea of maintaining a flow of cheap credit, on long-term, and fixed exchange rates; or getting to fixed exchange rates rapidly. Under these conditions, I believe we

can have prosperity.

I think our best hope is the kind of discussion, which discusses these issues, and these alternatives: doing it internationally, as well as within nations, on private levels, on official levels. And hope that by building a consensus for a global recovery, that we could persuade the governments involved, as the crisis becomes more and more acute, to take the kind of emergency action, which will put this process back on a healthy basis.

Thank you.

Mandeville, Free Trade and The Roots of Corruption

Dennis Falvy Valdivieso: Good evening, Dr. Lyndon LaRouche. Listening to your presentation, during which you cover decades in a very short period of time, not only as to economics, but also political and social matters . . . I am more interested for the moment in *my* country, and not so much in the *enormous* powers called the Group of Seven. . . .

I want to be very specific with you. You defended the Fujimori government. You had a few variables in his favor, according to the little I have heard from you. Fujimori fought drugs and Shining Path. I am not going to get into the second issue, because obviously Shining Path had to be fought. But, I always had my doubts about the drug trade part, especially with a U.S. ambassador here in Peru, who many of us suspect has worked with the CIA, and with our unfortunately famous Vladimiro Montesinos, whom you should know about, at least from the wire services.

Well, Dr. LaRouche, on the one hand, I haven't heard you speak about corruption, extended and globalized. Nor have I heard you speak about 1971, when Bretton Woods went to hell, and derivatives appear. . . .

My specific question, Mr. LaRouche, is: Do you think that by going back to your ideas, we are going to be able to develop countries like ours, without a frontal attack on corruption? . . .

Is it good for the health of an economy, such as Peru, which you have so bombastically pointed out has immense potential wealth awaiting to be discovered or utilized? Therefore, sir, I *do not* agree with you. You may have the greatest riches in the world, but if corruption is completely embedded in the politicians, embedded in the media, embedded among the journalists who sell themselves for a bowl of porridge, the wealth will remain there.

LaRouche: The problem of corruption: Now, anyone who is involved in accounting, as most of you gentlemen are, know a good deal about what the problem of corruption is. If you have an economy, which physically is profitable and healthy, then you can have an economy, in which profit comes from the contribution to the increase of the productive powers of labor of the economy. If, on the other hand, you have an economy, which is not growing, in the sense of increasing the physical product, the standard of living, the rate of investment

in productive facilities, in agriculture, in industry, in infrastructure, then where does the profit come from? As you know, as accountants, you have two kinds of profit: One is physical profit, where you can show that there's an increase in the actual physical wealth created, in which an entity acquires a profit based on the gain in the contribution it makes to increase of wealth. There's another kind of profit, which is purely financial profit.

Now, the problem here, goes back to such things, as in the 17th Century, early 18th Century, a fellow called Mandeville—Bernard Mandeville—who is, today, considered the patron saint (or unsaint) of the Mont Pelerin Society, which is a very influential, British-founded society, associated with Friedrich von Hayek and Milton Friedman, for example—Prof. Milton Friedman. Now, von Hayek's formula, as that of Bernard Mandeville before him, promotes corruption. Mandeville said that good comes from evil. You must allow the legalization of evil, to get the good benefit. This is the basis of many radical monetarists' thinking.

Now, the root of corruption, as I see it, largely in the world today, is that, it is very difficult for entrepreneurs any more, under the conditions of the post-'71 system, it's more and more difficult for them to have a gain in income from actually increasing the physical wealth of the country per capita and per square kilometer. However, by various tricks, you can still have profit, which is called financial profit. The problem of a deregulated, radically free-trade system, under these kinds of conditions, where the entrepreneurs who engage in producing physical wealth—such as farmers and industrialists—are weakened, where the infrastructure's not developed, and people are seeking profit, the place to find profit is where Mandeville says to get it: If you can't get it any other way, go to evil.

My view is, that a protectionist model of economy, of the type that the United States had in its best periods, the kind of system that was recommended by Friedrich List, in his system of national economy: That a protectionist economy, a regulatory economy, is the one which promotes, selectively, those who are contributing to national wealth, should be given favorable treatment. Whereas those who are making their profits from financial speculation, or from black sources, should not be protected.

So, the problem of this increase in corruption has come largely from the fact that we have stopped being protectionist. We have stopped taking pride in helping people to develop. And, we've made it more lucrative, and easier, to get large sums of money, as monetary profit, through irregular means.

Now, if you want to go to corruption—I won't go into this here, but you know what I mean. In the highest levels of the United States, the highest levels of political parties of the United States, there is corruption more massive than all the corruption that you could possibly find in Peru! And it comes from the highest level.

For example, this case of the speculation in energy prices:

What's happening to California, which is now causing a major political crisis, as well as financial crisis. This is corruption! You have entities like Enron, which are engaged in speculation. They don't really produce. But, they move into the market, and through speculation, they drive the prices of energy for households and industries, up as high as 400%. And loot them! Two large entities in California—Pacific Gas & Electric and Southern California Edison—are on the verge of bankruptcy, because of looting by these kinds of influences. *This is pure corruption!* But, in the United States, it is a form of corruption which is presently legalized!

And, therefore, I think, the key to this, is to recognize this point that has been often made in history, and in the history of economics: That you have to establish a *moral* standard, for what you promote and do not promote in national economy; in terms of state regulation, in terms of tax policy, in terms of accounting policy. You have to establish these protectionist standards, which say, those who contribute to the benefit of the people, as entrepreneurs, as laborers, as farmers, they should be encouraged to produce and to invest in expanding their productivity. Those who live like parasites on financial speculation, such as derivative speculation—which, in my view *should be totally outlawed!* Look, we have probably \$400 trillion, estimated, of recorded and unrecorded financial derivatives floating on the world market today, against a world Gross National Product, estimated in the order of \$42 trillion.

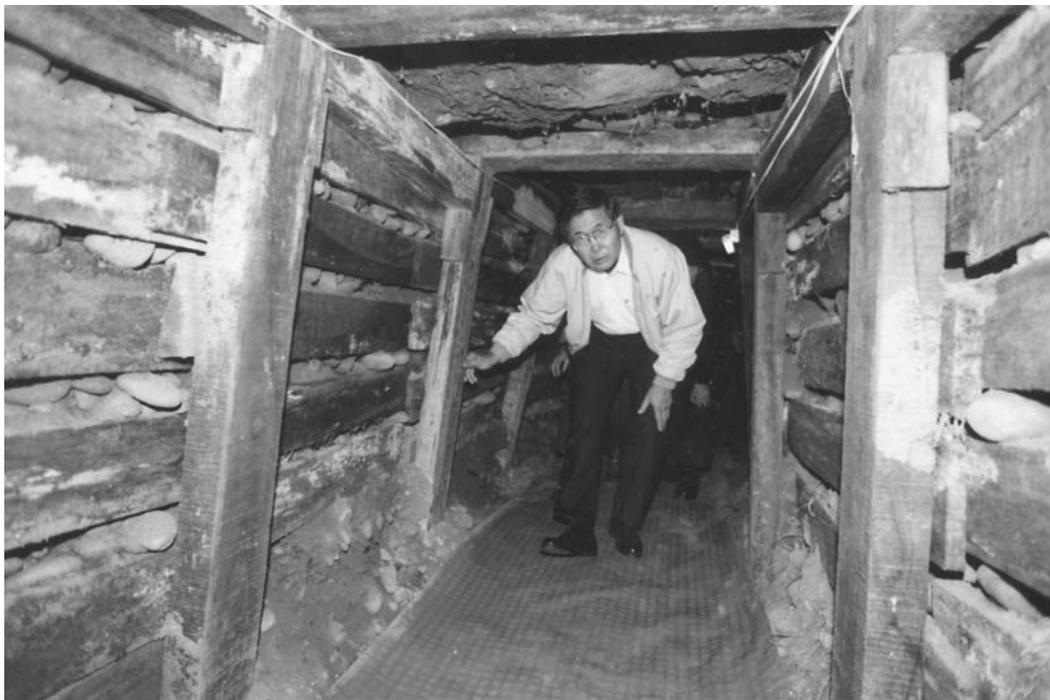
Now, how are we going to deal with a collapse of a \$400 trillion financial bubble in derivatives, against a \$42 trillion Gross National Product of the world, which is now collapsing?

So, I think the question of corruption: Don't go at the petty corruption. Corruption is a system which *we*, with our negligence, with free trade, with the policies of the Mont Pelerin Society, have licensed, have practiced. We have penalized people who do honest work, who are honest industrialists, honest entrepreneurs, who contribute to the economy. And, as long as we don't make the moral distinction, between who is doing something useful and who is a parasite, you're going to have corruption. And, when you have a condition like now, when the economies of the world are poor, in physical terms, then, people who wish to become rich, find that you become rich from corruption, not from honest labor.

Fujimori and Peru's National Sovereignty

Moderator announces that Patricio Ricketts Rey de Castro, former minister of education and well-known journalist and political analyst, and Alejandro Indacochea, senior professor of business administration at the Catholic University of Peru, have joined the panel.

Falvy Valdivieso: I would like to ask you a very simple and clear question: You, in your writings that I have read, praised Mr. Fujimori because, according to you, he was the



President Alberto Fujimori inspects a tunnel, which the military had built underneath the Japanese embassy in Lima, where narco-terrorists held hostages in 1996-97, before a counter-terrorist raid freed them. The London-Wall Street “democrats” never forgave the President for his success against the terrorists.

only person fighting the drug trade. Our poor evidence—which is poor because our technology is still very poor, not like your satellite technology—shows us through some videos that Fujimori’s adviser, named Montesinos, really laundered money, and was in cahoots with the drug trade. There is sufficient evidence of this to say that this is so. There is also evidence that that gentleman was being sponsored by the CIA. . . .

My question, sir, is why were you wrong, and why did you believe that he was this little . . . nobody, a poor naïve little Chinaman who knew nothing of the business, when there is evidence that Fujimori was linked to this money laundering and to Presidential airplanes that went to Russia, to the Russian mafia, to deliver cocaine for weapons? I would like a concrete answer, if you would be so kind.

LaRouche: First of all, I have always operated internationally, on the basis of respect for the sovereignty of nations. As you may know, if you look at what I’ve written, or what my associates have written, that I was extremely critical of certain aspects of President Fujimori’s economic policies. I did not think that the economic liberalization policy, even though I knew it was, in a sense, imposed upon him by, also, our great North American friend, as you would say—that I didn’t think it was the best thing for Peru. But, nonetheless, I always defended the sovereignty of Peru, as I do now. And, therefore, I do not meddle in the sovereignty of a country. I make my criticisms objectively, as required.

Now, on the question of Montesinos. I think this area is a very dark area, and I think we ought to get not too enthusiastic about coming to conclusions about it. Because, there are cer-

tain mythologies and there are certain realities. And, I’ve been dealing with spooks for a long period of time, and had them coming at me, and so forth. So, I know something about the business.

You have to recognize that the CIA operates in Peru, for example, under the auspices of the State Department. It is the intelligence arm of the State Department. There are other intelligence arms of the United States government, which do not operate through the State Department, including the special warfare division of the military. They also operate.

Also, in dealing with anti-drug operations: Anti-drug operations, in every part of the world, are very dirty. As well as the drug operations *and* the anti-drug operations. In drug intelligence operations, what the anti-drug operative tries to do, is to penetrate the drug networks. Now, how do you penetrate the drug networks? The way in which—it’s like when the police investigate prostitution, or organized crime. The way they investigate, usually they penetrate the inside of the networks they are investigating. They use dirty money. They sometimes—in drug traffic, often—they will process drugs, as a way of getting to the top level, so to speak. So, these things go on.

So, therefore, the mere fact of a U.S. intelligence anti-drug operation, being involved in passing drugs and money, in Peru, as part of the anti-drug operation, does not really surprise me. It’s the way things are done. And I, therefore, do not draw very strong conclusions about—and I don’t pass judgment on the issue: To me, it’s still an open question, personally.

Fujimori, in the case of, what happened in the [Japanese]

Embassy: I supported him strongly, because there were forces in the United States, including in the U.S. government, which were taking an opposite view. He acted courageously, in the case of this matter, and therefore, I supported him and supported the sovereignty of Peru. Even though I had all these reservations about many of his policies, I had to respect him, as a President, and respected him when he was defending the sovereignty of his country; whether or not I had other differences with him.

I don't meddle inside countries, in any way I can avoid it.

The Economics of the 'General Welfare'

Luis Lizárraga Pérez: Good evening, Dr. LaRouche. We are having our second meeting with you, after last year. I would like to recall that on that occasion—when the United States was still in an upswing, in the stock market, above all—you forecast the collapse of the stock market, and the economic risk that this signified. This, in fact, happened, particularly in the Nasdaq, where we have seen declines of more than 50%, in the problems of the European stock markets, the drop of international interest rate levels, and all this has generated the decline which you had already forecast a year ago, including that it had been inflated for electoral reasons, among other things, as you explained at the time.

Our concern, as Dr. Falvy said earlier, is our country. We see, that at the level of Latin America generally . . . but in our country particularly, despite the fact that some economic indicators such as inflation, devaluation, and GNP, somewhat, etc., still maintain reasonable levels, however, the recession has kept unemployment and underemployment at *very* high levels, a situation which is *very* serious in our country. . . .

What is your recommendation? How do you see the situation? What can you tell us concerning the situation which our country is facing at this time? Aside from these economic problems, we have, as has been well noted, pre-election problems, a problem of certain chaos, a problem whereby we are surprised by all that has occurred, and a new election is coming up. What is your view, and what is your recommendation for our country, within the world context, as it exists currently as far as risk levels for our country, which is one of the so-called "emerging" countries?

Thank you.

LaRouche: First of all, one has to understand, as you all know, that the world is unjust. And the relations among states, today, are unjust.

Under those conditions, what should be done, could be done. What should be done, first of all, in the case of Peru? The way in which you get the kind of development that Peru needs, in the history of modern economy, starts largely in basic economic infrastructure: large-scale works in transportation, water management, power, municipal development, urban development, and so forth, which creates the infrastructure on which an economy develops. These investments in

infrastructure, generally, are of 20- to 25-year duration. That is, you can not take these on cash-over-the-barrel exchanges. They're long-term investments, usually of 25 years minimum duration: To build a highway system, to rebuild a city, to build a water system, you have think in terms of a payout on a 25-year period; or in the period, shall we say, of a generation, from the birth of a child, until they're reaching fully adult maturity. These are the normal things.

So, therefore, this requires very low interest rates. It requires, not so much money lending; it requires credit. A country does not want to borrow somebody else's money, it wants to get the credit with which to buy the things it wishes to buy from abroad, for its own domestic needs for developing a project.

This is what Brazil needs, what Peru needs. Brazil needs it as well. But, this kind of project is the basis: a system of long-term credit—25 years—say 1%, as we used to have it at optimal terms, under the old IMF. Projects which are going to be implemented, and, also, at the same time, to encourage other lending projects, credit, to go with private investments to go with it: To build a highway means that the country has to employ people, to build the highway. Private industry is developed to assist this project. Or, a railroad, or whatever. In water projects, the same thing is true.

So, that infrastructure projects which represent—oh, probably 40% of the total national income, production income, may be involved in infrastructure. That is, 40% of the throughput for developing and maintaining an entire economy, may be infrastructure. This was the case, for example, under Roosevelt, in recovery from the 1933, '32 Depression: That projects like the Tennessee Valley Authority, or the way in which Roosevelt used the Reconstruction Finance Corp. The result was, that for every dollar that was spent in this kind of infrastructure development, about \$1.40 would show up as further investments in the private sector. And, this is the way in which it should be done.

What I would hope, is that we come to an agreement on reconstruction of, for example, the hemisphere. I've long been for a hemispheric cooperation association, of the United States with its neighbors to the south, of this type. To create a facility by which, some of these things which are transnational: for example, some of these highway, railroad, water projects, they're transnational. They can involve each nation, but they are projects which benefit all nations together.

And, these kinds of things should be the way to go to the future.

On the question of the physical economy, which you referred to. The second question: Often people, as accountants, make a mistake. And, everyone who thinks like an economist as well as an accountant knows it: That we often measure performance in terms of money. And, when you get into this derivatives area, for example, you realize that what may be profitable in money terms, may not be profitable in terms of the economy as such—the physical economy.

And, therefore, it's very important that we understand, that economy involves chiefly physical things. It involves the education of the labor force, which is learning scientific principles, largely, in schools—elementary and secondary schools and universities. It involves the development of scientific technologies. And it's the application of these technologies, through capital goods and so forth, to labor, which results in an increase in the output, over the effective cost of the input. And, what I emphasize is paying more attention to the *non-linear* side of the economy.

For example, I've written a paper on this, which will be published soon, which deals with this issue of the lessons from Vladimir Vernadsky, who was the developer of biogeochemistry [see *EIR*, March 2, 2001]: That we have three sets of physical principles, according to Vernadsky. One is, you have the non-living processes, and these are the subjects of normal physics. But, then, we know that living processes do not come from non-living processes. They have different principles, and they are efficiently physical principles. For example, most of the area of the Earth we live in, which is called the biosphere by Vernadsky, is made up of oceans. Where'd the oceans come from? The oceans were created by living processes. Where does the atmosphere come from? It was made by living processes. Where do most of the minerals and so forth, we use, where does it come from? From living processes—the result of it.

And, then, also we find that, in addition to the biosphere, that man, through his cognitive processes, his powers of discovery of principle, represents a still-higher level of physical principle, in which we're able to increase the rate of growth of the biosphere, relative to the planet as a whole.

And, it's this kind of thinking, that, in the case, for example, of infrastructure: In order to live, we have to make the desert bloom. We have to turn deserts into fertile areas. We have to build railroads; we have to build transportation systems; energy systems, and so forth. We must think of these as an extension of the biosphere, as creating the necessary conditions of life, under which enterprise can function. Without this infrastructure, it can't function.

And, so, we have to think more and more in deeper terms, in philosophical terms, about how an economy actually works, and not simply assume that an accounting report, which reports certain financial figures, tells us the truth about how the economy worked, or why it worked, or why it didn't work.

'The Public Interest Comes First'

Lizárraga Pérez: Thank you. I would like you to expand on the subject. One of the responsibilities that certified public accountants have, is to provide information for tax purposes. These taxes generate the fiscal revenue. However, a large part of the country's tax revenues have to be used to pay the so-called foreign debt. Our foreign debt fluctuates between \$30-32 billion, of which 30-32% is owed to the private banks . . . and another 30% to what is called the Paris Club.

My specific question, is: What do you think of the tremendous effect on our country, on the Peruvian economy, which is in acute recession, of servicing the foreign debt? And also, what possibilities do you see on a world scale, internationally, to alleviate, diminish this service on the foreign debt such that the country could use those resources for internal investment?

LaRouche: We did a study some years ago, of the debt of the combined countries of South and Central America. And we observed, by this study, by taking 1971 as a starting point—that is, the point at which the famous Nixon shutdown of the fixed exchange-rate system occurred, that what would happen was, actually the countries of Ibero-America have more than repaid *every penny* which they borrowed from foreign countries, which they were actually delivered. What actually happened, how this thing was done—it was done by the following method: Is that the London Club, for example, would organize a raid on a national currency of an Ibero-American country. Then, they would declare the country to be in default, in a mess, by financial warfare. Then, someone would bring in the IMF or the World Bank—usually the IMF—and bring in the foreigners to say, “Well, we're going to negotiate to get you out of your bankruptcy.” And, they would say, “You're going to write down the value of your national currency.” So, the country would say, “Okay, we're going to write down the value of our national currency. Therefore we will pay the debt, foreign debt, at the same rate as before. We'll pay it in our national currency. We're obligated to pay out of our currency. We'll repay in our currency.” But, they said, “No! If we write down your currency value, on the world market, we're going to increase your debt, to compensate for that to the foreign creditors.”

And, if you look at the debt of the countries of Ibero-America, you will find that these countries have, in aggregate, more than paid everything that they actually ever borrowed!

If these raids had not been run, largely by the London Club of financial speculators, you wouldn't have the mess.

Now, the second question comes in: We now come to the point that the total obligations—financial obligations of the world, can never be repaid. The whole system is *bankrupt*. If you had the books before you, you'd know it. You may have some idea of what these books look like. They're bankrupt!

Now, what have you got? You've got a real economy, real nations, real production facilities, and real people. You can not shut them down. So, then you come back to a principle, called the law of equity: the principle of the general welfare. The model for this was something that was developed in the United States, under Roosevelt: It was called Chapter 11 bankruptcy. Now, in Chapter 11 bankruptcy, you pull the creditors and the debtors of a bankrupt institution together. But you also put a third party on the table, in the negotiations, called “the public interest”; the general welfare. And the public interest comes first. Not the creditors. Not the debtors. The public interest comes first. Because the obligation of government is to efficiently defend the general welfare of all of the people and their posterity.

So, what we're going to have to do—this bankruptcy is going to occur; it's going to collapse; it's inevitable. So, therefore, rather than having a chaotic bankruptcy and repudiation of debts, we'd do much better to have an orderly bankruptcy, which is why I want a New Bretton Woods conference: To assist in organizing a kind of international Chapter 11.

What I would do, which may please the former questioner, I would simply say, "We write off the books, immediately, *all financial derivatives obligations*. Nobody pays. Nobody owes. Wipe them from the books." And reorganize the remaining debt, as we would in any ordinary, good bankruptcy proceeding. But, always act to protect the general welfare, under the same rules which the United States adopted as Chapter 11 bankruptcy rules, under Roosevelt, during the 1930s.

That's what we're going to have to do with this situation. We can not have countries shut down. We face the fact that much of the debt is illegitimate. It is based on an artificial arrangement. It was not honestly incurred. It was imposed upon people by overreach, and people are suffering. You say, "We'll pay what we can. But we can't pay more. It doesn't exist. We can not shut down our nations, and starve our people to death."

So, let us look to the future, rather than the past, as you do in any regular bankruptcy reorganization.

The Strategic Threat to Peru: Drugs

Alejandro Indacochea: Good evening, Mr. LaRouche. I must confess that after receiving the invitation to participate in this video-conference, after entering your webpage, I was quite concerned. I was quite concerned that a security alert bulletin was released internationally, which says: "Now Comes the Narco-Democracy of 1%"; that, with Fujimori, the only government that truly was fighting against narco-terrorism in all of Ibero-America has fallen; that military leaders are being jailed. . . .

After having examined your career, your highly interesting opinions regarding the architecture of, the instability of the world financial system, I reached the conclusion that you lack information about the country. You are not informed. You have just said that you are respectful and prefer not to meddle in internal matters, but when you say something like this, internationally, you *are* meddling in internal affairs and presenting a distorted picture, which isn't true. International opinion is being confused. Why? Because no one is going to be able to deal with, to address a problem that they don't see, or that they see as totally confusing.

I would invite you to come to Peru now, and to see for yourself the connection between the drug trade and the corruption of the institutions, which has left us practically without leaders. Where there has been collective frustration. . . .

It is not the economic or financial crisis which most concerns us, at the moment. . . .

Thank you.

LaRouche: Well, I've never been much concerned about

Peru being a source of problems for the world. I've been concerned, on the narco question, of the threat to Peru of the international narcotics trafficking. That's where the problem lies.

Right now, for example, take the strategic threat to Peru on the narco side. You've had the virtual disintegration of Ecuador, in the dollarization of its economy. You have a situation in Colombia, which is an adjoining country, which is part of this problem, which is now out of control. You have an operation now in process to destabilize and break up Brazil into several parts, including taking the part of Brazil, which most closely adjoins the border of Peru, and turning it into a nest of problems, by actually denationalizing that area, in effect.

So, therefore, the problem, the threat to Peru, comes not so much from the inside—though the history of the narco-terrorists in Peru is well-known to me. And, that is a very dangerous problem, which the Peruvian military has kept under control for a number of years. I know these things, and how they work. And, to understand these things, you have to know how this operation works. It is not a matter of generalities: You've got to know how what you're dealing with operates. This is *not* endemic. It does not come from the people, up; it's organized from the top. And, it's organized internationally: It is not a problem of a nation, as such. It's a problem *to* a nation! It's a threat *to* a nation. And, the major threat to Peru, on the count of the narco-trafficking, comes from the outside Peru, not from inside it. Though it may become serious inside.

The danger is that you can get a border situation, an uncontrolled border situation, in which Ecuador, Colombia, and parts of Brazil become a nest of danger to the borders, and to Peru as a whole.

Now the problem here, is—you're right. Largely, the problem lies with the United States. It lies with, for example, the Inter-American Dialogue. You want to talk about drug pusher Number 1? It's the Inter-American Dialogue. These are the ones who insist no anti-drug measures be taken. They insist on legalizing it, on the basis of what I referred to before: this idea of Mandeville, that good comes from evil, through liberalization. These are the dangers. And, what you have, then, is that you have a powerful interest, typified by the chairman of the New York Stock Exchange, Grasso, going down to embrace Reyes in Colombia. You've got these problems! The father of the present President of the United States, was up to his ears in this stuff, in the name of Iran-Contra!

What happened in Peru, in terms of the actual drug income in Peru, was *pennies* compared with the scope of this stuff. Drug money was used, collected in the way you described it: It starts with a few dollars in Peru, it goes through the narcos in Colombia, it goes up the chain, and it goes up 30, 40 times that amount on the way up. What happens with this money? This money is then exchanged, it was involved in the Russian gangster operations. You had islands in the Caribbean, where

Russian chiefly was spoken, because the gangsters were trading drugs for rubles, there. That sort of thing. You had the armies, as in Afghanistan, in Pakistan. Whole wars are run on the basis of financing with drug money.

We have a similar problem in Africa. This is not the problem of these countries, as such. They did not create the problem. Without the consent of the Anglo-American powers, it could not have happened. And, the moral responsibility lies more with my own government, than any government of Peru. We could have done things. Sure. You had Ambassador Jordan, down there, who was opposed to the drug traffic. General McCaffrey's an honest man—the drug czar of the United States. But, then, look at McCaffrey's proposals, his efforts, and compare them with the policies of his superior. The policies of Al Gore, for example, as Vice President. The policies of the Bush crowd.

Yes, the problem is there. But, the problem in Peru from drugs, doesn't come primarily from *inside* Peru, it comes from outside, as you indicate. The danger right now, is the threat to Peru, running through borders such as Ecuador, Colombia, and parts of Brazil. If Brazil is destabilized—and there's now an effort to destabilize Brazil, there's an effort now to bring down the present government of Brazil, to topple it. If they topple it, and if the powers that take over, that I think would take it over, if they topple it, then you're going to have the fragmentation of Brazil, and you're going to have the whole area going into crisis.

So, yes. The truth is: My country is the chief responsible party, because we have the power, and we don't use our power in the right way, and we condone it, and we protect—we protect the Inter-American Dialogue. The U.S. State Department supports McCaffrey, on the one hand. But it also intervenes, on the other side, on behalf of continuing the activity of the drug pushers.

My country is more responsible. And I know it. And I do something about it. But, my view is, lay the whole truth on the table.

Who Are the Destabilizers?

Indacochea: I am frustrated, because you have not responded to my main question. You *are* meddling in Peruvian sovereignty at this time. This *is* destabilization. . . . I refuse to believe that now we have a democracy of 1% in the country. I am afraid that you have generalized, global information, but you don't know the current Peruvian situation. I am afraid that you don't have all the information about what is going on. If you were a Peruvian citizen, you would be concerned, and would realize that the responsibility lies not only abroad, with the bad guys, the Russian mafia, and neighbors. No! There was drug trafficking *here*, it was deeply entrenched, and the corruption comes from that. So, by repeating this information internationally, you are destabilizing us as a country. It sends us contradictory signals, and as a Peruvian citizen, I cannot accept it. This is the main area in which I

believe I have not been answered.

Thank you.

LaRouche: I thought I had answered it, actually. I didn't write that. I know what I've said, and I say it. That's the fact of the matter.

Indacochea: Might I ask a question? A brief one, very brief.

Vásquez Medina: If you will allow me. . .

Indacochea: No! No! Excuse me, one moment. I am dumbstruck, because this is an academic forum, and for him to tell me this by decree—because this is a decree! He is shutting me up. He is not giving me an explanation. I am most frustrated, concerned.

Vásquez Medina: I think I can clear the matter up for you. And I can explain the matter to the audience.

I think you have the right to present that, but please read carefully what you are talking about. Because the document you are reading from, is from a statement of *mine*, that I issued. At the end of the document you will see my name, Luis Alberto Vásquez Medina, of the Ibero-American Solidarity Movement. That is the group which shares LaRouche's ideas, but I am a Peruvian citizen. And I take full responsibility for that statement, from which you have read selectively, and which obviously doesn't give the full sense of the document.

What I stated there—and everyone in the audience has a copy, because we were graciously permitted to distribute two documents, and which are not by LaRouche, but are my views and the views of my movement on Peruvian affairs—is that we are currently witnessing the fact that the changes in Peru are fundamentally the result of the U.S. and the international depression, and we were criticizing that situation. And we said that what was coming—and it now seems to be happening—was a situation in which there would be a dialogue with the terrorists, and concessions would be made along the lines of the Colombian model. That is what we stated there.

So, to be just, and truthful, and in order to not get prematurely bitter on a whim, Mr. Indacochea, simply read the document, and don't attribute it to someone who didn't write it.

Indacochea: Very briefly. Secondly, I would like to tell Mr. LaRouche to change his representative here in Peru, so that he gives him up-to-date and accurate information, and not of this sort. Evidently, I did read that Engineer Luis Vásquez was asserting that there is a 1% democracy, and leading the country in the current situation. My proposal from here, is that Mr. LaRouche, whom I have been following for many years, change his representative in the country.

Vásquez Medina: My question, Mr. LaRouche—to leave the comments to the commentators—is the following: Three or four decades of deregulation, and all the ideologies of [post-industrialization], have reduced the U.S. economy to



Heavy construction and farm equipment are an integral part of this military parade in Lima. The equipment bears the decal "Development for All."

a lamentable state. The United States has been deindustrialized; it previously was the breadbasket of the world, and today it is importing food, including from countries that are going hungry, like Mexico, Brazil, etc. You have called this "the importer of last resort," where the U.S. has a trade deficit, presenting historic figures, historic records, of a trade imbalance.

The question is: How is this situation going to be affected by the fall in interest rates which has been going on, more or less at an accelerating rate, these past two years, as a result of policies imposed by Greenspan? The U.S. has sucked in capital with high interest rates, to cover its trade deficit. But the capital that was going to the United States has fallen, with interest rates that are no longer going to be attractive. . . .

How is this hyperinflationary, low-interest-rate policy going to affect things, in the short term?

U.S. Financial System About To Explode

LaRouche: You have to appreciate: We're not talking about months; we're talking about a very short period of time. In the recent weeks, Alan Greenspan and the Federal Reserve System have gone absolutely panic-stricken. The U.S. monetary policy, U.S. financial policy, is in a state of absolute panic. There are solutions, but there is no political will for a solution. And without political will for a measure, which will cause a solution, you're going to have increasing panic. This panic is going to reach an explosive point, in the near future. My concern is, there's a tendency on the part of some in the U.S. government, to go to crisis-management measures, to try to distract attention from the crisis. Now, what Alan Green-

span is doing, is absolute lunacy. It is not a policy; it is pure desperation.

It's not going to continue this way. We're going to get to a point soon, at which: Either you will have Middle East wars, and similar kinds of things which distract public attention from the problem; you will then have measures, emergency measures taken inside the United States to control the political situation. Or, you will have a sensible solution, in which the United States decides to abandon its present policy, and go to the kind of policy, which can cope with the situation.

That's where we stand. That's the situation. We are at the end of the line.

As I said at the beginning, in my opening remarks: We can not predict what is going to happen. We can define the parameters of the crisis, and what the options ought to be, what direction they ought to take. But, what will happen, will be determined by the way powerful forces react to this crisis, especially the United States. And that's the only way you can read this situation. We're dealing with a very short-term point of decision.

Ban Privatization!

Patricio Ricketts: Good evening, Mr. LaRouche. It's a pleasure to be able to participate in this talk with you. . . .

There has been a lot of talk around here, and not just now but for some time, of country risk. In my opinion, there is a certain confusion, because everyone applies the criteria in a way that I would say is most convenient for them. For example, the political situation of the moment, someone's statement, an inopportune phrase in the newspaper, could suppos-

edly entirely change the flow of foreign investment.

It is persistently stated, for example, that one of the situations which is harming and causing risk for the country, is the halting of privatization. According to many economists, or people who speak with such authority, halting privatization is seriously affecting us. . . .

So, if you were a Peruvian finance minister, how would you view this problem from here?

LaRouche: Suppose I were Secretary of the Treasury of the United States, and, someone were to ask me, "What are factors of country risk in Peru?" Well, I would tell them to abandon the privatization program, to minimize the country risk. Because, if you privatize — . Look at the case of deregulation in the United States in the energy field. We have an absolute disaster in the United States, as a result of a process of deregulation, which is actually a process of privatization. At this point, there's a groundswell, throughout the United States, in the labor movement, and elsewhere, to reverse deregulation; to go back to re-regulation. If you look at the effects of the energy crisis caused by deregulation in the United States, you would say, "This is the major factor in making the United States, right now, a greater country risk factor." And, therefore, for the United States, I would say, the best way to reduce the country risk of the United States, is to ban privatization!

Not that we're against private industry, but there are those areas of investment, which are basically infrastructure, which are either regulated areas — . In the United States, we have a double system: You have facilities, utilities, public utilities, which are owned by the government, or created by them, or they were managed by the government, in the sense of regulation, but the ownership and the regulation was largely in private hands. And that worked, under a regulated system. If you destabilize that structure in infrastructure, you will cause an increased country risk.

Because, what's risk? Risk, in this case: If you're going to invest in a country, what's the first thing you're concerned about? You're concerned about, what can you get in terms of transportation? What can you get in terms of power supplies, to maintain your industry? What can you maintain, in terms of water management? What do you have in terms of urban infrastructure? What do you have in terms of hospital facilities? What do you have in terms of schools, and so forth? These are all factors that determine, for a private investment, either as a direct corporate investment or an investment in a private company, whether or not you would want to invest in that country, or in that locality in that country. Therefore, the first step to make Peru *less* a country risk, is not to have privatization.

Privatization is simply a method of picking the bones of a country. People come in. They take a transportation system; they take a power system; they take other facilities, and they loot them! They take them over. For example, let's take the case of — under Carter — in the case of deregulation of trans-

portation: In 1977, the United States had a very good transportation system, private transportation system, under the Interstate Commerce Commission rules. We had a system of fixed rates. The function of the rates was to ensure that, in a small community, outside the major cities, you could have an industry in a community, and that community could get freight service at rates, at prices, and with the regularity, which was competitive with that of a major city. Under deregulation, the immediate effect of deregulation, was, the competition went very high in the urban centers; and the service was cut off and the rates were driven up in the outlying areas. And, the result was, a disintegration of the transportation system in the United States. And whole communities that had been prosperous communities, were actually destroyed as a chain-reaction effect, of this deregulation of transportation, and privatization.

So, these are all the same thing. Privatization is not, by me, recommended to enhance country risk. Somebody will come in, and say they want you to privatize, because they've got some friends who want to come in and steal. It's that simple.

Roberto Alva Sánchez: We would like to express our thanks to Mr. LaRouche, and to the distinguished panelists who participated in this exchange.

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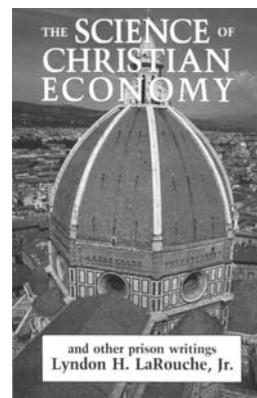
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Will Terrorist Abimael Guzmán Wind Up Ruling Peru?

by Luis Vásquez Medina

During the 1990s, Peru became a model for the world on how to carry out a successful war against drugs and narco-terrorism. As confirmed in the reports of the U.S. government itself, Peru, under the leadership of President Alberto Fujimori and the Peruvian Armed Forces, succeeded in reducing the area under coca cultivation by 70%, while defeating the bloody Shining Path and its psychotic leader Abimael Guzmán, as well as the narco-terrorist Túpac Amaru Revolutionary Movement (MRTA).

But all this is now changed. The new Peruvian government, imposed in November 2000 by the U.S. State Department and the Organization of American States (OAS), supposedly to “restore democracy to Peru,” has, in a little more than 100 days, succeeded in returning the country to the hands of Shining Path, the Túpac Amaru, and the international drug trade. This is being carried out through “mob democracy,” where political and judicial persecution is being used to silence all dissident voices, and in particular to dismantle the national Armed Forces.

Late last November, in a political statement released to the media a few days after the fall of the Fujimori government, this author, in his capacity as the head of the Ibero-American Solidarity Movement (MSIA) in Peru, forecast that the new, interim government of President Javier Paniagua, which he labelled the “narco-democracy of the 1%,” would unleash the “Colombianization” of Peru. Today, painful as it is to admit, everything the MSIA forecast has come true, at a more rapid rate than even had been imagined.

This “government by the 1%”—the percentage of the popular vote that Paniagua’s party garnered in the last Presidential election—is using compromising videos, taped surreptitiously by Fujimori’s powerful security adviser Vladimiro Montesinos, of various of the country’s political and military figures, to launch a purported “war against corruption,” through which these fundamental changes are being brought about. For the population, the broadcasting of what have been dubbed the “Vladivideos” has become an exercise in mass brainwashing, which has allowed public opinion to accept without protest, and in many cases without even realizing what was going on, deep changes that affect the national

security of Peru, the Andean region, and the entire Western Hemisphere.

Concretely, in just the past few weeks, Peru has seen

- the release of hundreds of jailed narco-terrorists and drug traffickers;
- the surrender of Peru’s leading high-security prisons into the hands of still-imprisoned narco-terrorists;
- a revision of judicial processes that led to the conviction and imprisonment of MRTA and Shining Path terrorists;
- the dismantling of the national intelligence system;
- the beginning of the dismantling of the Armed Forces; and
- the irresponsible opening of the country’s security files.

To some independent observers, the security situation has deteriorated to the point that Peru today will soon return to the situation which reigned before Fujimori’s so-called “self-coup” of April 5, 1992, which launched the war against narco-terrorism in the country.

The primary architects of these newest “achievements” are Diego García Sayán and Walter Ledesma, ministers of Justice and Defense, respectively.

García Sayán: Narco-Legalizer

The Paniagua government took great pains to include in its Cabinet, notorious promoters of drug legalization: its Prime Minister, Javier Pérez de Cuéllar, and Justice Minister García Sayán. In 1998, both signed an open letter to UN Secretary General Kofi Annan, joining hundreds of international figures—all organized by the world’s leading drug legalization promoter, speculator George Soros—in demanding an end to the war on drugs. The open letter was published, at the time, as a paid advertisement in the *New York Times*.

Another important drug legalizer is the Ad Hoc Prosecutor, Hugo Ugaz Sánchez Moreno, who is in charge of the investigations of former President Fujimori and Vladimiro Montesinos. Sánchez Moreno, too, signed the open letter to Kofi Annan, along with García Sayán and Pérez de Cuéllar.

The government’s attitude, and especially that of García Sayán, has not only been to favor drug legalization, but, in just the three months in office, it has decreed laws and rulings

openly favorable to the drug trade. For example, appealing to the misleading argument of prison overcrowding, the government has opened the prison doors for more than 100—in reality, no one knows precisely how many—of the country’s most dangerous drug traffickers. The measure, issued at the beginning of the year, permitted the release of those detained for more than 30 months, but not yet sentenced.

It is estimated that in the past two months, more than 100 people accused or sentenced for drug trafficking, have obtained their freedom. Among these are the big fish of the international drug trade, who were otherwise facing life imprisonment, or at least 25-year sentences, as in the case of Víctor Salazar Sánchez, who tried to send 350 kilos of drugs to Colombia, in a shipment of fishmeal of the Hayduk company. Justice Minister García Sayán, the person ultimately responsible for these measures, has preferred thus far to remain silent in the face of the scandal that these measures have unleashed.

In addition, all eradication efforts against illegal coca crops continue to be suspended. The suspension was ordered in September of last year, by the OAS-run Dialogue Committee which orchestrated the overthrow of the Fujimori government. On the pretext of encouraging “dialogue” with the coca growers, eradication was suspended, a decision which has been upheld by the new government to this day.

García Sayán is also freeing an undetermined, but significant number of Shining Path and MRTA narco-terrorists, using the pretext of a review of their trials and their supposed “repentance.” Today, because of the degree to which it has been dismantled, not even military intelligence knows precisely who is being released from the jails. Former Armed Forces Commander Gen. Walter Chacón, today a prisoner in the San Jorge prison for common criminals, charged at the end of February that more than 100 terrorists from the high-security Yanamayo prison had been transferred to the San Jorge jail, clearly posing a serious risk to the lives of the military officers held there. Justice Minister García Sayán, speaking from Washington, could not deny the charge, but he insisted that these were “repentant terrorists” who were being transferred.

The situation within the prisons, which fall ultimately under the jurisdiction of Diego García Sayán’s Justice Ministry, has now likewise returned to that which was hegemonic before Fujimori’s “self-coup” of April 5, 1992: Not only have they become like sieves, but also the principal high-security prisons, such as Yanamayo, which largely hold the top leaders of the MRTA and Shining Path, are back under the control of those terrorists who still remain imprisoned. The police now limit themselves to guarding the prisons’ perimeter, and providing food and provisions for the prisoners, according to charges just made by the former head of the prison system on national television. García Sayán has not denied the report; he has only “explained” that this is due to the dismal material conditions of the jail, and that he agrees that this maximum-

security jail, located at an altitude of more than 4,500 meters in the Andean highlands, should be closed, because it “is a heavy punishment” for the narco-terrorist prisoners.

Thanks to the lack of control of the prisons, the Shining Path and the MRTA have achieved a new level of organization and combativeness. Through the introduction of cellular telephones into the prisons, they have reestablished a communications system, which has permitted them to carry out various coordinated protests, involving at least five prisons simultaneously. Shining Path, in particular, has organized strikes and riots in several prisons, with slogans demanding that its leader Abimael Guzmán be transferred from the Navy prison where he is currently held, to a regular prison. Together with the MRTA, Shining Path demands that the Navy prison be shut down, to which García Sayán has responded that, while necessary for the moment, such a military prison is “illegal and unconstitutional.”

Fascism with a Democratic Face

García Sayán is using the public appearance of *certain* very carefully selected “Vladivideos” to sow terror and to silence any political opposition. For example, backers of the current government have physically threatened this author, in an effort to squelch what he and other *EIR* writers have published. García Sayán is said to be particularly bothered by *EIR*’s published documentation in mid-2000 of his ties to the narco-legalizers, when he was still working as an international adviser to Presidential candidate Alejandro Toledo and not yet a Cabinet minister. A similar uproar was provoked by *EIR*’s May 2000 charge that the “democratic” coup plotters intended to release the terrorists from jail, and put high-ranking military officers into those empty cells in their place. At the time, many thought *EIR*’s statements to be “exaggerated”; today, reality has proven *EIR* right.

The new judicial system has also launched a witch-hunt against those military officers who fought narco-terrorism. Based on the circulation of select “Vladivideos” which allegedly incriminate the enemies of narco-terrorism, and on statements by some civilians linked to Montesinos, the judiciary has ordered the arrest and trial of several generals supposedly in league with Montesinos. The case of Gen. José Villanueva Ruestas, former Commander General of the Armed Forces, is a particularly orchestrated one, intended undeniably to demoralize the Armed Forces. General Villanueva is accused of “helping Vladimiro Montesinos flee to Panama,” a ridiculous charge, since Montesinos’s trip was authorized by President Fujimori himself, and backed by several Ibero-American governments and by the U.S. State Department directly.

At the same time, Ad Hoc Prosecutor Sánchez Moreno has begun an investigation into drug-trafficking ties of several high-level military officers, including Gen. Nicolás Hermoza Ríos, based, incredibly, on statements of two drug traffickers, Demetrio Chávez Peña Herrera and Jorge López

Paredes, arrested and tried by the previous government! Currently, General Hermoza Ríos, the man who defeated Shining Path in 1991-94, is about to be arrested, charged with drug-trafficking. In fact, on March 7, Judge Pedro González Estebán, of the coca-growing zone of Satipa, issued an arrest warrant, accusing the general of collaborating with the national and international cocaine trade. That very day, police unsuccessfully tried to locate General Hermoza at his home.

García Sayán and Co. are also acting to put security forces on trial for the human rights violations they allegedly committed in over 20 years of anti-subversive war. They have reopened cases of officers who were amnestied by the previous government, and Peru has again accepted the jurisdiction of the Inter-American Human Rights Court of the OAS, which specializes in placing international law above any national sovereignty. This means accepting all the rulings of that pro-terrorist court, and thereby allowing prosecution of those officers who fought narco-terrorism, such as Gen. Enrique Oliveros and other officers whom the Inter-American Court "found guilty" for alleged human rights abuses. Moreover, it throws into question the military trials which put the terrorists in jail. Under these conditions, it is quite probable that Abimael Guzmán himself would be granted a new trial in civilian court.

Worse, Prosecutor Flor de María Alba has just opened an unbelievable investigation of the military heroes who rescued the hostages at the Japanese Ambassador's residence in 1997, on charges of "presumed extralegal executions"! Alba has accepted the denunciations of the family of MRTA member Rolli Rojas, killed in the rescue action, based on the ungrateful statements of a former hostage, Hidetka Ogura, who was at the time the First Secretary at the Japanese Embassy in Lima, and whose life was saved by the military commandos. Ogura said that he had seen two MRTA members surrender alive, insinuating that they were subsequently executed by the military.

Ledesma and 'The Spirit of Williamsburg'

The other Cabinet member in league with García Sayán is Defense Minister Gen. Walter Ledesma. He is trying to discredit and dismantle the Armed Forces, among other ways through brutal budget cuts, this year totalling 400 million soles, almost 35% of its total budget. The government and the national Congress had already done away with obligatory military service for all citizens, arguing that a modern army only needs professional soldiers. Troop reduction has been so drastic, that there are now great difficulties in trying to protect border areas with Ecuador and Colombia, which narco-guerrillas of the Revolutionary Armed Forces of Colombia (FARC) have either already entered, or are about to enter.

It would appear that the demoralization of the Peruvian Army is a key objective of the current government and Congress. These have issued a pardon for Lt. Col. Ollanta Humala, who not only led an uprising, but kidnapped an active-duty

general. The Army has had to accept the humiliation of seeing Humala reinstated to active duty, with all that this implies for morale.

All this confirms General Ledesma's reputation as a demilitarizer, earned through several articles and statements. For some time, he has served as a key piece in the plot to annihilate the national Armed Forces. After a rather undecorous demotion, he joined Pérez de Cuéllar's political party and began to publicize what is known as the "spirit of Williamsburg," referring to the thesis presented by the U.S. delegation at the 1995 conference of Defense Ministers of the Americas, in Williamsburg, Virginia. This thinking, which has become official U.S. policy, says that with the end of the Cold War, and with neo-liberal free-market economic policies supposedly bringing peace and prosperity to the continent (!), Ibero-America's armed forces should be restructured to become mere police forces, based on the "model" of Panama or Costa Rica. At the same time, proposals were floated to create a military branch of the OAS, as a supranational force able to neutralize any future regional conflicts.

Between the destruction of the Peruvian Armed Forces this implies, and the release of the worst narco-terrorists of the 1990s, the new Peru is a national security threat for *all* the Americas, both North and South.

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LaRouche in Berlin Offers Policy for Worldwide Recovery

by Muriel Mirak-Weissach

The last time Lyndon LaRouche made a public appearance in Berlin, on Oct. 12, 1988, his remarks concerning the perspective for German reunification, and the re-establishment of Berlin as its undivided capital, sounded a prophetic note. Just over one year later, the communist system came crumbling down, and German reunification was a reality soon thereafter.

It is with this historic intervention in mind, that LaRouche was welcomed again in Berlin, on March 5, to keynote an *EIR* seminar, this time addressing the perspectives for recovery from the ongoing worldwide financial and monetary breakdown crisis. The one-day conference, which gathered over 100 policymakers, diplomats, institutional representatives, and press, centered on the theme, “America: From Economic Miracle to Nightmare: How To Overcome the Financial and Economic Crisis.” As moderator Michael Liebig recalled at the outset, *EIR* held a similar seminar last November, just before the U.S. elections, showing that the U.S. financial bubble was being artificially kept alive, until after the elections, while any serious discussion of the economic crisis, was simply taboo. *EIR* had forecast that right after the elections, the truth would come out, and the collapse would become unstoppable. This, in the interim, has become obvious, and it is undeniable that LaRouche was the only economist worldwide, who clearly identified the nature of the crisis, its causes, and how to overcome it.

The centerpiece of the seminar was LaRouche’s presentation on the theme, “What We Can Learn Today From Franklin Delano Roosevelt’s Policy in the World Economic Crisis.” LaRouche’s prepared text appears in this *Feature*.

EIR’s Lothar Komp opened the morning session, drawing a picture of the nightmarish reality now engulfing America and the world. His address, “The World Economy in a Dive: The Basic Economic-Financial Data, with Focus on the U.S.A.,” will be published in a forthcoming issue.

The catastrophic state of the U.S. economy was further examined, in a paper prepared by Dr. Kurt Richebächer, an economist and publisher of *The Richebächer Letters*, from Cannes, France. For Richebächer, the much-touted American eco-



A March 5 EIR seminar in Berlin was the most important of several major meetings worldwide, assessing the ongoing collapse of the U.S. economy, its reverberations, and its implications for recovery policies to be adopted. Here, Lyndon LaRouche (center) with Lothar Komp (left) and Michael Liebig of EIR.

nomic “boom,” with its “supposedly phenomenal profit performance of U.S. companies, for the years 1999 to 2000, never happened—except in the profits that the corporations report in their accounting books after extensive ‘creative accounting.’”

Dr. Nino Galloni, from the Italian Labor Ministry, followed up, with remarks on “Globalization, Multinational Concerns, and Labor Power,” in which he showed how globalization has killed real economic development in Italy.

From Russia, Prof. Dr. Tatyana Koryagina, senior scientist at the Institute of Macroeconomic Research, Ministry of Economics and Trade Development of the Russian Federation, and Academician of the Russian Academy of Natural Sciences, presented a report on “The Current Condition of the Russian Economy, with Near- and Medium-Term Forecasts of Its Development.”

The Way Out

How can this crisis, emanating from the United States, and threatening the entire world with disaster, be overcome? This is the question addressed by LaRouche. He situated the problem politically: “As we plunge into the worst global financial crisis in more than a century, only among those three national powers which were principal victors of World War II, the British monarchy, the United States, and Russia, do we find the historically defined, cultural temperament needed, to lead the introduction of a desperately needed, new world economic order for the planet as a whole. Only in two of those three, the U.S. and Russia, do we find any

inclination among leading political institutions, to look back to the successful U.S. recovery policies of the 1933-45 Roosevelt era, and to the 1945-65 reconstruction of western Europe, as the basis for challenging the rampant follies practiced under the present IMF and World Bank systems.”

LaRouche is the conceptual architect of the “New Bretton Woods system,” which is being discussed in the Italian government, the European Parliament, and many legislative bodies in the United States. Yet, there are numerous economists who are contributing to this debate.

One such economist is Prof. Wilhelm Hankel, the former Chief Economist of the Kreditanstalt für Wiederaufbau (Reconstruction Credit Agency), the institution which helped rebuild postwar Germany. In his “Remarks on an Overdue Reorganization of the World Monetary System,” he introduced some of his own ideas, of how the New Bretton Woods system should be set up, drawing on the experience of the past. His speech will likewise appear in a forthcoming issue.

For the political precedents in Europe, Jacques Chirac, who is running for the Presidency in France, presented a paper on “Europe’s Tasks in the Creation of a ‘New Bretton Woods.’” He elaborated the postwar history of cooperation for European development.

The same kind of cooperation, with those who represent the American intellectual tradition, is what must emerge today, to build the New Bretton Woods. The Berlin seminar was an important step forward in establishing that cooperation.

Lothar Komp

EIR economist Komp's speech on "The World Economy in a Dive: The Basic Economic-Financial Data, with Focus on the U.S.A.," will appear in a forthcoming issue.

Dr. Kurt Richebächer

Today's U.S. Economy: 'After Us, The Deluge'

Dr. Richebächer is an economist and publisher of the Richebächer Letters (Cannes). The full title of his paper is "Today's American Model: 'After Us, the Deluge.'" It was translated from German by EIR.

From week to week, the gyrations of the stock market are getting wilder and wilder. Still, the trend is unmistakably down. The accelerating decline has been driven by a rapidly growing number of negative earnings announcements and warnings, coming both from the technology sector and from brand-name Old Economy companies. Though hard to reconcile with the Gross Domestic Product figures that suggest a still-booming U.S. economy, all of a sudden profit troubles appear endemic across the whole economy.

A glance at the official, but not adequately considered "National Income and and Product Accounts" (NIPA) statistics, shows, on the contrary, that the supposedly phenomenal profit performance of U.S. companies, for the years 1999 to 2000, never happened — except in the profits that the corporations report in their accounting books after extensive "creative accounting." What the NIPA figures show is generally pretty poor profit performance under any circumstances. When you think of the great efficiency and productivity wonders that have been hailed about the U.S. economy in the past few years, this profit performance is abysmal. In fact, it is so miserable that it definitely exposes the prevailing Wall Street and Greenspan hyperbole about the "New Economy" as complete rigamarole.

Despite all the "creative accounting," the rates of return recorded by the NIPA accounts for the 1990s, are anything but impressive. They are far below their level in the 1960s, and only moderately better than the bad averages of the 1970s and 1980s. There is certainly no profit boom.

In the same way, the allegedly enormous productivity increases in the U.S. economy also rest mainly on statistical tricks of the American authorities, which list current costs in

data processing as "capital investments" of the corporations. The quality adjustment in the American economic statistics leads to a situation in which, though production and sales prices remain the same, the productivity increases of computers and telecommunications equipment are calculated in such a way, that the output of these products is multiplied by the productivity increase factor. This way, of course, the productivity increase is significantly raised. At the same time, the productivity increase factor is subtracted from the actual sales prices, whereby the inflation figure can be reduced in the statistics.

With this simple recognition in mind, we have a shocking statement to make: The U.S. economy's weak profit performance during the 1990s is by no means just ephemeral and fortuitous; it is endemic and structural. And this miserable failure in profit creation has two chief causes that are easy to recognize. Ironically, it originates precisely in the two features of the U.S. new paradigm economy that are generally hailed as the key sources of its superior growth and productivity performance. The one is the shareholder value model, and the other is the new information technology. The old economists would have said, both are anti-capitalistic.

The conspicuous peculiarity of the shareholder value model is its enthrallment with corporate restructuring. Basically, restructuring is a vague euphemism for all kinds of measures that tend to enhance shareholder value in the short run, virtually to the exclusion of any other goal.

The plain result is that American corporate management favors such policy measures that appear most promising in raising shareholder value in the short run. One is a thrust toward financial engineering, including acquisitions, mergers, and stock buybacks. The other is an unprecedented thrust toward cost-cutting and downsizing. The essential flip-side to this shift in corporate strategies is a bias against long-term investment. Potential rates of return in the real economy compared poorly with the returns that the financial markets offered.

This poses the question: What kind of capitalism is there really in the United States? Our answer: Far from being a new and more efficient capitalism, it is "late, degenerate" capitalism. The essence of classic capitalism was long-term-oriented capital accumulation out of savings, and there was a strong sense of responsibility of heritage for future generations.

What is the essence of this neo-American model of capitalism of the 1990s? A frantic chase of corporate management after quick and easy profits in the stock market through deal-making and stock buybacks, a dissaving public, and unfettered credit creation by the financial system for consumption and speculation. The responsibility of the corporate manager under this "new" capitalism begins and ends with the near-term stock price.

It is late, degenerate capitalism in the sense that saving and capital accumulation, the key features of an economy,

have fallen into complete oblivion. Worse still, it is a capitalism which any educated person should be ashamed of, because the corporate strategies that result from the single-minded microeconomic logic of maximizing present shareholder value inherently impart increasingly negative long-term macroeconomic consequences to economic growth, income, and profit creation. What really happens, is rampant overconsumption at the expense of future generations, who are to inherit depleted domestic capital formation, a mountain of foreign indebtedness, and lots of worthless paper assets (stocks and bonds). It might be called “beggar-thy-children capitalism.” The motto of this capitalism is, “After us, the deluge.”

The Meaning of Capital Formation

The new information revolution has been sold to investors as a technology that will work the greatest wonders to productivity, profits, and wealth, far more than the industrial revolution has done. During the past few years, it has worked marvelously—in the stock market. The general idea behind the unfolding euphoria was and still is, that this technology is able to deliver almost limitless growth and productivity effects, because its implementation requires very little input of capital and resources. Rapidly growing demand for the new technology has met supply, growing just as rapidly.

It is true, indeed, that the implementation of the new information technology requires incomparably less capital input than the industrial technology did. Never before has it been so easy to multiply capacity so quickly. Many see in the new technology the magic wand that conjures away the scarcity of savings and of capital goods, heralding a world of plenty for America and the world. But the great irony about this technology is that its alleged, unique advantage of minimal capital input is the very reason for its inherent inability to create prosperity and profits.

Deeming the minimal capital input, intrinsic to the new information technology as a great economic advantage, is another gross misconception. Capital input is a synonym for capital formation, and capital formation is really at the bottom of everything that matters in creating prosperity. Representing the surplus of production over consumption, it is the one and only source of macroeconomic wealth-creation. At the same time, the building of factories and the production of equipment, create jobs and incomes in the capital goods industries and among their suppliers. Owing to these effects, capital formation is strategic for generating general prosperity.

Conclusions

The U.S. economy is already far weaker than most people realize, because they fail to see that the good-looking GDP numbers for the second and third quarter have been heavily propped up by record-high inventory building. When that stops, recession will hit.

Economic imbalances and financial excesses of unprecedented size have made the U.S. economy and its financial system more vulnerable than ever before. There are serious problems everywhere: in the credit markets, in the banking system, in stock valuations, in credit availability, in the profit performance, in the debt burdens of corporations and consumers, in negative personal savings, and in the huge trade gap and the grossly overvalued dollar. Confidence in the dollar has been the one linchpin that has held this disintegrating system together.

High saving and heavy capital accumulation were paramount in boosting wealth and living standards in the course of the Industrial Revolution. For too long, too many people have believed that the new information technology offers a free lunch by delivering huge gains in equity prices. In reality, this paper wealth creates the exact opposite: financial claims on existing resources.

Hopes for a soft landing of the U.S. economy are completely misplaced. We have witnessed the worst financial bubble in history. Just as misplaced are the hopes that Mr. Greenspan will again save the day by promptly opening the Fed’s money spigots. Regard for the dollar will constrain his scope for action in the first place, and the need for painful balance sheet adjustments on the part of heavily indebted consumers and corporations will severely impede the effectiveness of monetary easing, in the second instance.

Dr. Nino Galloni

Globalization And Labor Power

Dr. Galloni is Director General of the Italian Labor Ministry, and president of the Technical Committee for the Unemployment Compensation Agency, in Rome. His speech was entitled “Globalization, Multinational Concerns, and Labor Power.” It was translated from Italian by EIR, and subheads have been added.

I want to deal with the relationship of globalization, employment, and multinational corporations. I will give concrete examples as well. The basic problem is that, essentially, the problem—excuse the play on words—is not globalization, because globalization is actually only a form of competition among firms, at least in theory, much more developed and exacerbated by the application of modern technologies, especially in the information sector.

Now, this would not change anything at the level of the

economy, because we would have the usual problems for companies, regarding costs, and therefore we should have an alternative between lowering wages, which is typical of an economy that does not develop, and introducing such efficient technologies, as to allow for combining good wages and contained costs per unit of production. But if we were to find ourselves in this situation, we would have to expect a sharp drop in profits, especially in firms exposed to globalization, because in order to be competitive, firms exposed to globalization would have to reduce their prices as much as possible, and therefore, not only costs but also profits. But instead, this is not what happens. This means there is something in our reasoning that has to be clarified.

Above all, it is the big, globalized corporations which make the highest profits. As we will see, the problem is in the organization of production, because what we commonly call globalization, believing that, as the etymology shows, it concerns the whole world, in reality, is relative, is internal to the single multinational corporation. The corporations organize themselves in a new way, compared to the past. . . .

In practice, today, big corporations tend to purchase semi-finished products and services, and it is they which are able to sell, so the essential point is that today, to run a corporation on the planet, one has to have access to markets. Whoever controls access to markets, theoretically, can do big business with just a telephone and a computer. He can get shoes produced in India and sell them in the United States, for example. He does not need workers who are on fixed salaries, or to worry about whether or not a big order comes from the United States. This, in fact, is generally called globalization, and it is the possibility offered by new technologies, to organize production in this manner. This means that the main aspect is not production, the principal aspect is the ability to control access to markets. We will see the financial aspect later.

How Finance Took Over Production

To understand what happened in the organization of big corporations, one has to see, that instead of having dependent workers, these firms have dependent firms in various parts of the world. These small firms have relatively small profits, because they are the ones that feel the effects of globalization. But one has to take a step backward, to understand how we arrived at this situation, which, as we will see, significantly modified the economy as we had known it up to ten years ago. We have to go back to the 1980s, when interest rates in real terms were very high. This naturally determined an elevated financial concentration and many other aspects, which from a productive and democratic point of view are considered negative.

In that period, when interest rates were particularly high, the pension funds, investment funds, and insurance funds, that is, mechanisms that have a common economic goal, had made commitments with their subscribers that did not corre-



Italian Labor Ministry representative Nino Galloni

spond to the current interests rates of the 1980s. When, in the 1990s, interest rates (on corporate bonds and state bonds) fell, the pension funds and investment funds, in order to honor the commitments they had made with their subscribers, abandoned corporate and state bonds, because the yield on them was lowered, and instead bought stocks, moving into the stock market in a big way.

Because these pension funds and investments funds, like those in the United States, were very big, and in general were run by the banks, they became proprietors of corporations. And they imposed on corporate management certain profit rates which did not correspond to the current rates, as had always been the case in the history of capitalism, but instead corresponded to the interest rates of the decade before, that is, of the 1980s, when the funds had made commitments with their subscribers. In other words, the pension and investment funds, in competition among themselves, imposed on the companies which they bought through the stock market, profit margins with no regard for the market conditions.

In the past, we had had a situation whereby, when the real interest rate fell, it was possible to make more investments, and guarantee the owner a sufficient remuneration of capital, of the investment, corresponding to what he would have earned investing his capital in purely financial activities, like state or other bonds, instead of in productive activities. Now, instead, the situation has been reversed: It is the owner, in this case the pension funds, which imposes on management a certain target profit rate. In general, it is 7 or 8%—in real terms, that is. This target is pre-defined and must be achieved.

Thus, the risk is no longer with the entrepreneur, but is unloaded onto society and the labor force.

The Situation in Italy

This is a reversal of what existed in the past. Now, from the organizational standpoint, there are relations created between the big corporation, which controls access to the markets, and the small companies that work for it. For example, in Italy, we have 4.3 million companies, of which only 300,000 make big profits. And there are 2 million firms in Italy which practically make no profits. Then, why do they exist? What explanation can economic theory give us of the existence of more than 2 million companies that don't make any profits? Simply, because they are nothing but dependent workers, who are organized in a firm, because the big corporation wanted it this way, in order not to have to be subject to what are considered the most stringent conditions for dependent workers; thus, the big corporation prefers to have these dependent firms, from which it will buy a product, a service, or a semi-finished product, when it needs it. They are actually independent workers, organized in a firm, but the firms are dependent; they appear to be independent, in reality they are dependent, but they are entrepreneurs, therefore juridically they are independent, though I say they are economically and politically dependent.

Let us reflect, for example, on one fact: The biggest multinational corporations on the planet, present an added value per worker of \$400,000. Since the average salary is not high, we have to ask ourselves, how is it possible for these big multinational corporations to have profits in the order of \$300,000 or \$350,000 per employee. Evidently, because behind these figures there are other costs which have to do with the relationship to these dependent firms.

Certain Profit Rates Are Set

What is the basic point in my argument here? Forcing firms to achieve a high profit rate, is not in contradiction with economic development in innovative sectors; that is, in sectors where earnings have increased and costs have fallen, it is possible to combine high profit rates with economic development and growth of the firm. But innovative sectors, according to the way the economy of our planet is currently organized, are in a minority. In the majority of the so-called new, mature sectors, the opposite is the case: Costs have risen and earnings have fallen. Therefore, in order to reach the same profit rates of innovative sectors, corporate ownership imposes on management cuts in production and employment, which are not justified by the conditions of the competition or of the market, that is, of globalization, but by the fact of having a certain profit as an objective.

This is the cause of economic crises as well as of short-comings in production. I will give an example to clarify this better. It is the experience of an Italian group, a world leader in the field of mechanical turbines. This group was state-

owned, it was a firm of ENI. The fact that it was state-owned, did not prevent it from becoming a world leader, which, in fact, it had become. But at a certain point, the politicians decided that it had to be privatized, that it should no longer be state-owned, because, they asked, what does the state have to do with turbines? In the end, the government decided to sell it to General Electric, since it was in that sector. The problem was that, in the meantime, GE had come under the control of pension funds, which did not care about leadership in turbines, or production of turbines. They cared only about getting an 8% profit, because that was the target defined by GE, or rather, by the pension funds on the firm, and that target had to be reached. This firm was not only globalized, and competed on the international market with success, but it was also a world leader, and was particularly capable in the turbine sector.

Now, how did the new managers of the firm succeed in achieving a real profit rate of 8%? They closed down research centers, fired the most expert workers, who were around 45 years old; they hired young workers without fixed contracts, who cost much less, and did all this with the support, not only of the politicians, but also of the unions. As a result, this company is seeing its share of the market dwindle, it is cutting production and reducing employment.

High Profits vs. Development

What do we learn from this kind of experience, and this kind of thinking? That we are witnessing in the current historical period, a process in which financial activities are decoupling from productive activities, but controlling them. While we observe the economic situation in innovative sectors, and see that there is compatibility between profit earnings imposed by management and economic development, it is only in these innovative sectors, which have rising earnings and falling costs. But in the majority of sectors which are competitive, which are globalized, which reach high profits (but not as high as what is demanded by the ownership), the two objectives—growth of the firm, therefore, productive development, and the particularly high profit rate—are not compatible.

On this basis, we can obviously make projections for the future. For example, earlier we saw the dramatic figures of the collapse in the American stock market, and elsewhere, pulled down by the fall in the New Economy stocks. A report of about a year ago, forecast that in certain parts of the New Economy, there would be, beginning in 2002, a cut in earnings, as if to say, that even what we today call the New Economy, excluding certain services and niches, is destined rapidly to become a new, mature sector, but not as innovative as we had thought earlier. Probably, this perspective, in terms of earnings, known by stock market operators, favored the fall in the stocks on the New York stock market, with all the consequences we were able to evaluate in the speeches this morning.

Develop the Entire Planet

Now, the problem of the New Economy is that 50% of the world population does not have electricity or telephones. This is quite a bottleneck to economic development. Therefore, in the absence of a world plan to allow the entire world population access to electricity, it is obvious that even the growth of the New Economy, as of any other sector, may meet certain limits in earnings potential of rich countries, because as far as the economic development of less rich countries is concerned, we know that the demographic growth rate often is greater than the rate of economic growth, and therefore, the average income is reduced. If a general plan for developing the planet is not made, it is obvious that we will continue to meet up with these problems.

Every once in a while, innovative products will emerge, innovative services which allow for compatibility between high profits and development, but most of the productive, real economy will tend to stagnate. In addition, the threat that ownership, desiring specific profit rates even in mature, non-innovative sectors, will impose production and employment cuts on firms, will obviously influence industrialized countries as well. This means, essentially, that free-market policies produced an increase in wealth in certain situations, even on the social level inside industrialized countries, but then produced either welfare systems (in general, one has recourse to this form of assistance, to contain the damages of free-market economics) or poverty.

Clearly, anything we say today about world development, and development especially of countries with lower income rates than in the industrialized sector, must face the problem of the environment and pollution. Now, it is clear that if we talk about an increase of world production at given technologies—that is, current technologies—then we will have a corresponding increase in pollution. But this kind of argument is radically wrong, because we have to consider that, in the context of a grand development project for humanity, the new technologies which will have to be introduced, to facilitate this development, will themselves be less polluting than those in the past. Think, for example, of what the world would be like today, from the environmental standpoint, if the industrial technologies applied were those of 50 years ago. Pollution would be much worse. Let us ask ourselves, for example, why automobiles, which have witnessed enormous improvements in technological standards, have not seen the same kind of improvement regarding reduction of fuel consumption. Because there were political interests of petroleum producers, interested in spreading the use of automobiles, and reaching increasing technological levels, but that saving fuel was not such an important factor. This example could be replicated elsewhere.

In the final analysis, the problem is to ensure that politics reassumes control, productively, and in the interest of the whole population, over technological development and over decision-making, to ensure that technologies are decreasingly

polluting, and that in all sectors, all possibilities are placed at the service of man, in order to reach the objectives defined by this seminar. Thank you.

Tatyana Koryagina

Current Condition of The Russian Economy

Dr. Koryagina is a senior scientist at the Institute of Macroeconomic Research, Ministry of Economics and Trade Development of the Russian Federation; Academician of the Russian Academy of Natural Sciences. The full title of her paper is "The Current Condition of the Russian Economy, with Near- and Medium-Term Forecasts of Its Development." Subheads have been added and it has been translated from the Russian by EIR

Taking an unbiased look at the current condition of Russia's economy, raises more questions than answers. To make a joke about it, you could compare the situation in this problem area, with the rather prolonged silence of the Russian VIPs who were sitting on the podium in the conference-hall at the Davos World Economic Forum, after they were asked, "Who is Mr. Putin?"

The spectrum of assessments of the current period in the Russian economy is quite broad—from extremely pessimistic ones, to quite rosy. I would like to draw your attention to the most essential element. That is, the high degree of uncertainty, in assessments of the prospects for economic growth in Russia. The high level of the uncertainty factor, and therefore of the degree of economic risk, is caused by a whole array of domestic factors, as well as external ones. I shall indicate the most important of these.

The Uncertainties

First. There is still uncertainty about how, and in what order, the policy on debt-repayment will be designed. Prime Minister Mikhail Kasyanov stated not long ago, while he was in Italy, that Russia will make all its debt payments due this year on debts to Paris Club creditors (and, one would think—according to the government's logic—this commitment will also apply during the years ahead). It will, however, be quite difficult—not to say impossible—to secure approval from the State Duma [lower house of Parliament] for a "debt policy" of that sort. For the government's domestic debts are also substantial, and require prompt repayment. At the present time, protest actions are developing across the entire front of



Russian economist Dr. Tatyana Koryagina

public-sector institutions: protests by teachers, doctors, workers in companies within the military-industrial complex, scientists, and students. These protests leave no doubt about the very great probability, that paying domestic debts (including wages and other funds owed to these people) will be given top priority, when the year 2001 budget is revised, and the budgets for 2002 and 2003 are drawn up. In light of this, new nuances are likely to appear in the credit and financial policy of the Central Bank, and in the area of investment.

Second. The uncertainty of the global economy, the world economy, further accentuates the uncertain prospects of the Russian economy. Above all, there is the uncertainty about the prospects of the American economy, as the main unit of the global economy. Even just the monetary and financial crisis, which has struck the economy of Turkey, had a strongly negative impact on the share prices of leading Russian companies (the so-called “blue chip” stocks). The fall of share prices on the Istanbul exchange was accompanied, almost like in reflection in a mirror, by the collapse of Russian securities prices on the Russian stock market. If the American economy is officially recognized to be in a state of recession, a dollar crisis will inevitably break out in Russia. The enormous role of the dollar as a means of payment inside Russia, is well known. A devaluation of the dollar in the United States itself, will cause a chain reaction in Russia, looking something like the proverbial “ninth wave”—the one that sinks the ship.

Let me now elaborate, more concretely, the points indicated above.

Let us take the statistical evaluation of the economic results in the year 2000. The data from the State Committee on Statistics of the Russian Federation look quite inspiring. A record rate of economic growth was achieved last year. The leading sector for economic development, among all branches of industry, was light industry, with a growth rate of 25%, as against 9.2% growth in industry as a whole. Machine-building recorded production growth of 15.5%. Total output in the manufacturing sectors of industry grew more rapidly, than in the extractive industries, which was largely made possible by the effect of import substitution, which followed the default [on GKO ruble-denominated government bonds], experienced by the Russian economy in August 1998. For the first time after many years of decline, we recorded growth of investments—by over 17% in 2000, compared with 1999. Moreover, there were significant changes in the sectoral structure of capital investments. There was an overall increase in the construction of industrial facilities, within which the highest growth rates occurred in the construction of facilities for the raw materials sector, and in the food-processing industry. Facilities were built for processing natural gas, for mining coal, and processing lead and zinc ores. Nothing like this has happened in construction, during prior years. In rural areas, there was intensive construction of poultry-processing plants and poultry-raising facilities. The rate of construction for the retail trade and public dining facilities, more than doubled. Total investment in the Russian economy reached the level of 1.2 trillion rubles. With that money, significant payments were made for starts on construction, which carried over into the year 2001. Thus, significant investment growth points have already been created for this year, which will make it possible to soften the potential “hard” landing of the American economy.

Reasons To Doubt the Optimistic Forecasts

These and other major elements of Russian economic development during 2000 are the basis for the optimistic forecasts. But, to our great misfortune, last year did not bring any fundamental changes in the welfare of the population, or improvements in the social sphere. The population’s real disposable income grew by 9.1% last year, but that did not compensate for the huge losses, which the population suffered as a result of the collapse of the ruble in August 1998. Rising inflation on the consumer market plays a significant role in the intolerably slow increase of the living standard for Russian citizens. The consumer price index rose by 272% in the period from the [August 1998] default until Jan. 1, 2001. During that period, wages of public-sector employees were indexed enough only to permit a 1.8-fold [180%] increase in wage payments. The indexed growth of pensions was a little bit higher, 200%, but it did not entirely compensate for the jump in inflation. Inflation began to accelerate, once again, this February.

Among the problems, which had a negative influence on

the quality of economic growth, there could also be mentioned the obsolescence of our productive plant and equipment, the retirement of fixed assets without replacement, and many other elements. This state of disequilibrium in the economy gives rise to serious doubts about the optimistic forecasts, and should make one pay closer attention to events taking place

in various sectors of Russia's economy, and to the positions of the Russian political and economic leadership, the legislative branch, and the population itself. The disposition of political and economic forces in Russia may become absolutely unpredictable, especially in light of the world monetary and financial crisis, which is already quite palpable.

Lyndon H. LaRouche, Jr.

The FDR Economic Recovery: Precedent and Practice

The following is the advance text prepared for delivery at EIR's conference in Berlin on March 5.

As we plunge into the worst global financial crisis in more than a century, only among those three national powers which were principal victors of World War II, the British monarchy, the United States, and Russia, do we find the historically defined, cultural temperament needed, to lead the introduction of a desperately needed, new world economic order for the planet as a whole. Only in two of those three, the U.S. and Russia, do we find any inclination among leading political institutions, to look back to the successful U.S. recovery policies of the 1933-1945 Roosevelt era, and to the 1945-1965 reconstruction of western Europe, as the basis for challenging the rampant follies practiced under the present IMF and World Bank systems.

Otherwise, among the NATO members of continental Europe, there has been, heretofore, a prevalent disposition to capitulate, however reluctantly, to policies situated within the post-1989 conditionalities, such as "free trade" and "globalization," which the presently incumbent Anglo-American authorities may choose to dictate to the planet as a whole.

Inside the U.S. itself, despite the efforts of my own and some other leading Democratic Party circles, to prevent such a catastrophe, there is, realistically, the increasingly awesome likelihood, that the present, Bush, administration, like the *Ozymandias* of Shelley's famous poem, might be stubbornly doomed to a self-induced, early, imperial disaster. Certainly, only madmen within the U.S.A. would wish such a catastrophe to occur, but only wishful thinking would mislead any leading circles, in any part of this planet, into believing, that a self-inflicted doom of the present U.S. administration is not a probable, catastrophic outcome at this present moment.

Meanwhile, among those inside the crisis-stricken U.S.A., and, to some degree, Russia, who see an onrushing

global financial collapse now in the making, there is an historically deep-rooted, and commendable tendency, to think about the present world financial catastrophe, in terms of the contrast between the Franklin Roosevelt legacy and the contrary U.S. economic policy-trends of the past thirty-five years. Such views are also to be found today in western continental Europe.

For those and related reasons, for the foreseeable period ahead, the 1933-1945 Franklin Roosevelt recovery in the U.S.A., and its application to post-war cooperation between the U.S. and western Europe, represents *the only workable recovery policy with any chance of being adopted as a leading legal precedent for that quality of cooperation which might provide a timely response to the presently accelerating world financial collapse.*

Therefore, if the United States were to come to recognize, that it must reverse its current policy, and must prepare to cooperate with leading nations of Eurasia, in launching a recovery based on the principles which account for the successes of 1933-1965, the combination of the U.S.A., continental Europe, and keystone nations of Asia, would represent a sufficient basis for bringing about the kinds of reforms which are now urgently needed by this planet as a whole. There is, presently, no other happy option available to this planet as a whole.

Admittedly, the recently installed U.S. Bush administration, seems absolutely determined to go in directions which are, chiefly, directly opposite to what I propose. Granted, that administration might maintain its present track in policy-making, up to what would be an extremely bitter end for the world at large. As the institutions of the U.S. will now experience more and more onrushing crises, far worse than they would presently believe possible, the present U.S. government attitudes might be changed, even suddenly. That change, if it is to occur, will either come soon, or the worst



Lyndon LaRouche speaks to the Berlin seminar.

result for the planet as a whole is to be expected as more or less inevitable.

There is no possibility, no circumstance under which the present economic-policy outlooks of the U.S. administration could succeed. The early, absolutely catastrophic failure of those policies is absolutely inevitable; the signs of such a collapse are being displayed daily. However, like a maddened bull elephant in its death-throes, a desperate U.S. government's efforts to offset its economic failures with combined domestic and global crisis-management methods, could plunge the entire planet into homicidal chaos.

When we, in the U.S.A. and Europe, contrast the lessons of the Roosevelt economic-policy legacy of the 1933-1965 interval, with the growing world financial and economic disaster wrought over the recent three decades, there is a clearly urgent need to abandon those recent policy-shaping trends, and to return to the Roosevelt alternative, instead. However, that Roosevelt precedent, by itself, while indispensable, is not sufficient.

There is probably no effective substitute for the use of the successful features of the Roosevelt legacy as a *legal and diplomatic precedent* for the international emergency action so urgently required today. However, we must also be aware of the risks we would incur if Roosevelt's achievements were degraded to a mere caricature of itself, degraded to a mere model of a statistical type. Those risks are the focus of my attention here.

Precedent or Principle?

One of the most common blunders among professional economists today, is their attempt to explain the present crisis

by treating it as if it were a cyclical, rather than a *systemic* crisis. This is not a periodic crisis; it is a breakdown caused by the wrong-headed, popularized axiomatic assumptions built into policy-shaping of monetary authorities, leading banking institutions, and governments, over a period of more than thirty years. No systemic crisis, such as this one, can be competently described, or controlled by today's commonly taught statistical methods.

As the founder of modern astrophysics, Johannes Kepler, said of the orbit of the planet Mars, the Roosevelt economic policy worked, and was certainly better than any alternative adopted since. Yet, whenever we think of past or possible future consequences of an asteroid crashing upon the Earth, we must recognize that some apparently regular trajectories of a solar system, or of national and world economies, may conceal some awesomely deadly systemic features easily over-

looked by mere statisticians.

As Kepler did, we must look into the deeper principles which actually govern an observed past experience within our Solar System. It is not sufficient to try to imitate the successes of some observed period from the past. We must discover and apply the underlying principles which made an earlier success possible. We must also anticipate the danger of thinking simplistically about such matters. Asteroids, which apparently lie in a very reliable orbit, as do some economic-statistical models, sometimes crash on Earth, with horrible effects.

As Franklin Roosevelt explained, the methods which he applied to the aftermath of the 1929-1933 World Depression, were the methods of that *American System of political-economy* shared between Alexander Hamilton and a key Hamilton collaborator, FDR's ancestor, Isaac Roosevelt, in the opposition to one of the two leading U.S. assets of the British Foreign Office's of that time, the Bank of Manhattan's Aaron Burr. (The other was Albert Gallatin.) As Roosevelt emphasized, during his years as a university student and, later, as President, he located himself as a representative of the founders of the United States, and in opposition to what Roosevelt himself described publicly as those "American Tories" who were, in fact, typified by such predecessors as Presidents Theodore Roosevelt, Ku Klux Klan fanatic Woodrow Wilson, and Calvin Coolidge.

Roosevelt was born, raised, and walked in the American intellectual tradition of Presidents James Monroe, John Quincy Adams, and Abraham Lincoln. He, like economists Alexander Hamilton, Friedrich List, and Henry C. Carey, was a principled, and vocal opponent of the American Tory tradition. As President Abraham Lincoln defeated the virtually

treasonous American Tory legacy of the Democratic Party of 1829-1861, so Franklin Roosevelt, a publicly avowed representative of the American intellectual tradition, reversed the catastrophic effects of the economic policies of American Tory President Calvin Coolidge.

During the entire period he was President, Roosevelt dumped, and also denounced, what he condemned as the "Eighteenth-Century methods" of the British monarchy. He rejected the notion of a post-war world under the rule of the methods of Adam Smith, and, during the course of World War II, proposed to introduce the American methods of Hamilton, List, and Carey, to a post-war world suddenly liberated of the vestiges of Portuguese, Dutch, British, and French colonialism.

The American Intellectual Tradition

In order to avoid the dangers of a simplistic imitation of the Franklin Roosevelt legacy, one must recognize it as an imperfect, but successful, remedial application of the American intellectual tradition in economic policy. By American intellectual tradition, I signify the Classical European tradition of Gottfried Leibniz's influence on the U.S. Declaration of Independence and the economic policies of Hamilton. I signify the repeatedly successful application of what Hamilton, Mathew Carey, Friedrich List, and Henry C. Carey de-

finied as the "American System of political-economy." This was the same American System which, from 1877 on, played a crucial role in Bismarck's launching of the industrialization of Germany, and the industrialization of Russia under leaders such as the great Mendeleyev.

The commonplace, potentially catastrophic blunder made by many economists and others today, runs as follows. They would say, "If the economic crisis is as bad as you say, then, perhaps, we would then consider adding some amendments to existing policies." It is precisely that kind of popularized, simplistic, statistical thinking, which has done so much to mislead the world into the present economic mess. *We must cease the absurd practice of applying the statistical theory of kinematic percussions among inanimate objects, in the attempt to explain away the willful collective behavior of living human beings.*

The behavior of economies, as measured over a generation or longer, is chiefly predetermined by the long-term investments, and related long-term policies, made by governments and private interests, over periods of not less than a generation yet to come. By long-term policies, one means the intentions of society to invest with accompanying *intention*, that those investments shall become successful ones. These *intentions* are expressed not only as financial investments, but, as long-term physical investments in the future development of the population, the land-area, the fostering of scientific discovery, and the instruments of production. Like even the mere existence of today's young adult, today's conditions are the result of *intentions* expressed by that person's parents, about a quarter-century earlier. The only sane government, and the only sane form of economy, are those with sane *intentions*, which commit the actions and resources existing in the present to the aims of the future. These are economies like the U.S. economy under Lincoln and Franklin Roosevelt, and Fifth Republic France under President Charles de Gaulle, which are sometimes called *dirigist*, because of the clarity and efficiency of their economic *intentions*.

It was, chiefly, the *intentions* set into place, as policies and policies of practice, over the recent thirty-odd years, which created the cumulative effects being experienced as the global financial collapse of today. Today's crisis is not the result of some statistical theory; it is the result of wrong-headed *intentions*, such as the *intention* to impose free trade, and the *intention* to globalize the spread of such commodities as deadly diseases of human and animal populations. Today's crises are the result of *intentions* which have been adopted by governments, financial institutions, and popular opinions, over a period of not less than the past three decades. Inside the U.S.A. itself, today's crisis is the natural outcome of the trends introduced, since the 1966-1972 changes in direction of U.S. policy-making, trends typified by the growing influence of the Mont Pelerin Society and by the *pro-racist intentions* of the U.S. President Nixon who perpetrated the terrible folly of August, 1971.

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As Kepler showed, the orbital pathway of a lawful trajectory of non-uniform curvature, is determined by what must be adduced as its *characteristic intention*. For the same reasons, the only valid assessment of a *systemic* financial-economic crisis, such as the present one, requires that we define that crisis, not as an inevitable calamity, but, instead, define those principles which require that we should *intend* to return to that trajectory which would lead to the imperiled system's survival.

Instead of debating whether or not we today should blindly imitate the programs of Franklin Roosevelt, we should examine his intention in introducing those programs, and contrast his intentions with the intentions of the faction behind President Coolidge's creation of the depression which the impossible Coolidge bestowed upon his own immediate, and unfortunate successor, Herbert Hoover.

Roosevelt did not propose a package of policies for responding to a depression. Roosevelt used the failure of Coolidge's economic policies, which were modelled on those of Britain, as proof that we must return to that American patriotic policy-making philosophy, whose violation had caused the crisis. He used the most recent failure of the British free-trade system, that of the 1920s, as evidence of the need to return to the superior philosophy of the American intellectual tradition and its *intentions*.

Today, we have the fact of the process of recovery of the U.S. economy from the Coolidge "free trade" philosophy's depression of 1929-33. We have the success of Roosevelt's return to the methods of the American System over the interval 1933-1945, and the application of that experience to rebuilding war-torn Western Europe during the 1945-1965 interval. Now, we have thirty-five years of the United States' slide into the present, new depression, a potentially bottomless depression, caused by the return to not only the "free trade" policies of the Coolidge period, but wildly utopian policies which are even far worse than Coolidge's.

The challenge facing us today, is to use the evidence that the ruling *intentions* of the world's leading economic policies, over the recent thirty-odd years, have been a catastrophe for mankind today. This evidence must prompt us to change the *intentions* of governments and other relevant institutions accordingly. We must now do, as Franklin Roosevelt did in response to the 1929-1933 Depression. We must clear away those policies which, as *intentions*, have brought about our ruin, and, install, instead, those *intentions of law* which correspond to proven principles of policy-making from successful earlier times.

That means, in first approximation, those *intentions* which have proven their merit during periods of modern history prior to 1965.

'The General Welfare Clause'

The crucial political issue separating President Roosevelt's recovery policies from those of all of his opponents,

whether President Coolidge, his political opponents during his Presidency, or those from President Nixon to the present day, is what is called "the general welfare clause" of the Preamble of the U.S. Federal Constitution.

For as long as he was President, Roosevelt won most, if not all of his struggles to base the entire policy of the U.S.A. on that Constitutional principle. Since Republican Richard Nixon's alliance with the Ku Klux Klan and kindred types, during his 1966-1968 campaign for election as U.S. President, no President but Bill Clinton, has offered any significant defense of that principle, and he, during Summer 1996, compromised that principle, under maniacal demands from his Vice-President, Al Gore, and others among my political adversaries within the Democratic Party.

This issue of the general welfare, is the most crucial of all of the economic-policy issues which we must intend to confront if we are to succeed in rescuing the world by the presently onrushing catastrophe. The present, global economic disaster, must be traced to a persistently recurring effort, over the course of the Twentieth Century, to reverse the course of the entirety of modern European history, by going back to the imperial models of ancient Rome, to the traditions of the Venice-orchestrated anti-nation-state wars of the Thirteenth through Fifteenth Centuries, and the Venice-orchestrated religious wars of the interval 1511-1648.

Today, we call that revived, pro-oligarchical *intention* to return to medieval society, "globalization." The characteristic effect of the practice of what is called "globalization," is a rejection of any rule of law which opposes the effects of globalization, and demands a sweeping, global nullification of the principle known by the terms, *the general welfare* and *the common good*. To understand that issue, we must understand its origins and location in the history of today's globally extended modern civilization. The following historical background is a bare summary of what is essential for understanding the relevant connections.

As a reaction against the horrors of both the so-called New Dark Age of Europe's Fourteenth Century, and the continuation of the so-called Hundred Years War into the middle of the Fifteenth Century, the Fifteenth Century produced the antidote to feudalism known as the modern sovereign nation-state. This new form of society emerged first in the form of France as reformed by King Louis XI, and, following that, the great reform conducted under King Henry VII in England. These developments of the Fifteenth Century, established the beginning of modern economies, and the great improvements in demographic characteristics and conditions of life of populations which have resulted from the influence of that new, nation-state form of society.

The central feature of the revolution called the sovereign nation-state economy, was the introduction of a principle known as *the general welfare*, or *common good*. This new principle was the *intention*, that *no government has the legitimate moral authority to rule, except as it is efficiently commit-*

ted to promote the general welfare of all of the living and their posterity.

So, the law lies not in its text, but in the effective expression of its *intention*. So, by their intentions, do economies, and even entire civilizations, choose their destiny.

This principle overturned the habits of ancient Babylon, of the Roman empires, and their like, under which populations were divided between a ruling oligarchical minority and its armed and other lackeys on the one side, and, on the other side, a mass of persons degraded in practice to the status of virtual human cattle. The notorious Physiocratic dogma of Dr. François Quesnay, is typical of modern attempts to continue the degradation of the great mass of the population to the status of human cattle. Although Quesnay was a shamelessly open defender of the feudal tradition, his argument did not differ in any essential either from that of England's John Locke and Bernard Mandeville, or of the Adam Smith whose famous *Wealth of Nations* was largely a plagiarism of the work of Physiocrats such as Quesnay.

Despite the use of religious warfare and other means, in the efforts by forces of the feudal tradition, to halt and reverse the development of the sovereign nation-state, the benefits of the introduction of the nation-state had been irreversible, even during two devastating world wars of the Twentieth Century, until that presently ongoing downturn, which was set into motion during the recent thirty-odd years. The new emphasis

upon the development of infrastructure, the fostering of scientific and technological progress, the gradual freeing of the serfs, and related intentions of the nation-state institution, had resulted in a rise in life-expectancies, improvements in general demographic characteristics of households and of populations in general, and secular increase in the per-capita and per-square-kilometer productive powers of labor. The intentions expressed by the sovereign nation-state, by which one generation defines the future for one to two generations to come, spilled over into all forms of modern European society, and beyond.

However, because of the continuing legacy of the feudal tradition in modern Europe, the idea of the sovereign nation-state republic, created in Europe, was exported to find its first more fulsome expression in the creation and development of the U.S. republic in North America. It is in the development of the North American republic, from its colonial beginnings through the victory of President Abraham Lincoln, and into the last quarter of the Nineteenth Century, that the characteristic economic and related forms of intentions of the U.S. form of industrialized sovereign nation-state, were reflected, more and more in the development of Europe itself. The accelerated industrial development of Germany, Russia, and Japan, during the last quarter of the Nineteenth Century, and beyond, typify the impact of the 1861-1876 successes of the U.S. economy on the thinking and practice of nations in many parts of Eurasia.

Thus, although the development of the U.S. republic was set back severely by the French developments of 1789-1815, by the hostile actions of both the British monarchy and the Holy Alliance, President Lincoln's triumph over Lord Palmerston's Confederacy puppet sealed the character of the U.S. economy, until the downturn which was unleashed about three decades ago. During the Twentieth Century, following the 1901 assassination of President William McKinley, the American Tory faction seized control of the U.S. government and much of the economy besides. Franklin Roosevelt temporarily reversed that trend of 1901-1932, turning the U.S. back to the economic policies of the Lincoln legacy.

In all of these turns, despite the repeated reversals of many of the characteristic economic intentions of the U.S., the underlying character of those intentions survived, until the increasingly intensified efforts to uproot them, over the post-1965 period to date. It is through the understanding of the role of such *intentions*, rather than any statistical model, that the ebbs and flows of the U.S. economy are to be understood.

The crucial issue of *intention*, is the conflict between the heritage of Leibniz's notion of the general welfare principle, "life, liberty, and the pursuit of happiness," and the opposing, oligarchical notion of the ideas of the Confederacy, the ideas of the pro-slavery John Locke, "life, liberty, and property." The latter is typified today by the neo-Confederacy dogma of "shareholder value," currently enforced by the radically positivist, pro-racist majority of the U.S. Supreme Court.

The U.S. republic has been, from its beginning, a political

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battleground where the patriotic faction, committed to the principle of the general welfare, battles out the issues of economic, social, and foreign policy, with the opposing faction which Franklin Roosevelt identified as the American Tories. Since the 1966 election campaign of President Richard Nixon, it is the American Tories who have been increasingly in the saddles of U.S. political and economic power. The issue of the general welfare, to which the present administration, and the current majority of the U.S. Supreme Court are opposed, is the essential line of division between two opposing sets of axioms of U.S. foreign and domestic economic and social policy-making.

Just as the crisis of 1929-1933 brought President Franklin Roosevelt's advocacy of the general welfare to power, so the onrushing collapse of the U.S. economic policies of the past thirty-odd years, may signal another turn, back to the general welfare, like that of 1932-33. If that turn were to occur, the tendency would be for the U.S. to mobilize itself for the kind of cooperation with Eurasia which I have indicated.

That is a big "if," but it is the best option available to the world today.

Modern Economy

The principle of the general welfare, means that it must be the constitutional quality of *intention* of government, that it can make no law, or kindred convention, which might treat the majority of its population as virtually human cattle. The government's primary goals are to defend the integrity of the nation, in the interest of all of its people and their posterity, and to develop its territory in ways which promote the improvement of the demographic characteristics of the population as a whole, and also the average physical productive powers of labor.

These obligations of government define our planet as what the celebrated Vladimir Vernadsky defined as a noosphere. In other words, human creativity is deployed with the *intention* to maintain, transform, and improve the biosphere for human existence, and to accomplish this by means which include the *intention* for developing the general area through appropriate, large-scale and related infrastructural improvements, such as in water-management, power production, transportation, and so on.

The realization of the objectives of a noosphere, also requires the *intention* of an increase in the knowledge and productive powers of the population, largely through aid of scientific and technological progress. Only in such ways, through such *intentions*, could the general welfare be served.

This obliges government to place the primary emphasis of its *intentions* on the physical side of production as such, and to relegate the financial side of economic policy-shaping to those measures needed to facilitate trade and employment in fostering physically significant benefits. A sound economic system is, therefore, primarily a physical system, *by intention*, and a financial system only by derivation.

The required *intention* is the acceptance of the physical

obligation to promote the general welfare through economic growth, obliges government to expend great efforts on behalf of its *intention* to promote the improvement of what we call basic economic infrastructure.

In practice, we find that such public works may be undertaken either solely by the efforts of government itself, or undertaken by privately owned public utilities acting according to regulations provided and maintained by government. For example, in effecting the recovery of the U.S. economy, about 40% of the growth stimulated by government action was in the area of basic economic infrastructure, and much of the remaining private sector's growth depended upon government-sponsored efforts such as the famous Tennessee Valley development. The choice of public or private ownership is of little significance, if either fulfills the intention more or less equally well. Franklin Roosevelt used both, as the example of the work of the Reconstruction Finance Corporation, illustrates that point. The matter of *intention of law* in these matters, lies in the mechanisms of regulation by which either private or public ownership of public works shall conduct their business.

In order to stimulate both public and private improvements, in must be the *intention* of society that prices must be set at levels which provide for maintenance of basic economic infrastructure and also capital improvements and high skill levels in production of goods and essential services. In other words, the general welfare requirement can not be served without *protectionist measures* of a type which can be ensured only through the authority of a sovereign nation-state's government.

The alternative to such *intentions*, is economic anarchy, and ruin. The globalizers' insistence that government not only abandon such *intentions*, but relinquish forever the authority to adopt such intentions, is the principal cause for the catastrophe in which the world is being plunged today.

For example, to rebuild the tattered and shattered world economy of today, large masses of credit must be created, and issued at low borrowing costs over periods of maturity ranging up to a quarter-century or more. With such public credit policies, and with protectionist measures of the sort which were widely employed during the 1945-1965 interval, large-scale improvements within increasing rates of productivity and technological progress, were available, even in regions as devastated as war-torn Europe.

Physical Economy and Eurasia

The catastrophic economic and related effects of globalization, have recently increased the recognition that only through new forms of closer cooperation among the leading nations of continental Eurasia, is there any visible opportunity for the general economic prosperity of continental Eurasia as a whole. A pattern of negotiations to this effect has been developing between nations of western continental Europe and Russia, together with increasing emphasis on wider cooperation with the great population centers of Central, East,

Southeast and South Asia. In these matters, the need to provide security among all of the nations of Eurasia and the need for new forms and degrees of economic cooperation are inseparable practical concerns.

This emphasis upon Eurasia is not to the disadvantage of Africa, Australia, New Zealand, and the Americas. Quite the contrary, without a general economic recovery in continental Eurasia, there is no hope for the planet as a whole.

The national economies of Eurasia represent nations and cultures with significant differences in their characteristics. However, all share in common the need for similar benefits as measured in physical-economic terms. The most urgent elements of economic cooperation needed among this assortment as a whole, are preponderant emphasis on development of basic economic infrastructure, without which other improvements in the life of their populations were not possible, and large-scale and growing transfers of advanced productive technology from those places where fountains of such technology may be supplied, into areas in which the deficit of such technological infusions must be corrected.

The objectives of such cooperation are, generally, in the order of the required work of two generations, the coming quarter-century most urgently. This requires a system of long-term, relatively fixed parities among currencies, and upper limits on borrowing-costs and conditions, in which rates of between 1% and 2%, and simple interest, not compound, must prevail. The great bulk of the flows of physical capital will be concentrated in long-term credits, in the order of about twenty-five years. A quarter to one-half of the long-term credit and trade agreements will come under such provisions.

The experience under the original Bretton Woods agreements, during the period until about 1965, provides appropriate precedents. Study of the internal development of the U.S. economy during the difficult 1933-1945 interval, also provides relevant examples.

On the side of monetary and financial practices, this will require the forms of regulation which prevailed during the 1945-1965 interval, with initial emphasis on the more strict regulations of the 1945-1958 interval.

Additionally, special attention must be given to the lessons of the leading military and other great science-driver programs of the 1940-1965 interval, including the Kennedy manned Moon-landing program. The success of the recovery program required for Eurasia (and elsewhere) today, will depend upon the rapidity which can be achieved in science-driver modes of technological progress. When we consider the area of Eurasia as a whole, and also take into account the needs for technological progress among the dense population-areas of East, Southeast, and South Asia, the goals of recovery could not be achieved without aid of a greatly accelerated rate of technological progress. Only a science-driver strategy could ensure the acceleration of the rate of technological progress to needed levels.

This will require a twofold direction of change in the structural composition and education of the labor-force of

Europe and the United States in particular. To fulfill our part in the partnership with the technologically less developed portions of the world, we must increase greatly the ration of the total labor-force employed in producing science and technology, and, shift the quality of employment of the remainder of the labor-force upward technologically. By these shifts in priorities for education, investment, and employment, we will be able to generate accelerated rates of increase of per-capita physical productive powers of labor in what is presently termed the advanced sector, and, thus, to generate higher rates of physical productivity into employment in the less advanced sectors of the world.

This means, physical-economic targets for the immediate quarter-century ahead, and monetary and financial policies designed to match the standards defined in physical-economic terms. To this end, we must clarify our intentions. If we do, we might imagine that President Franklin Roosevelt would be pleased with our intentions.

Prof. Wilhelm Hankel

Professor Hankel is the former chief economist of Germany's Kreditanstalt für Wiederaufbau (Reconstruction Credit Agency). His speech, "Remarks on an Overdue Reorganization of the World Monetary System," will be published in a forthcoming issue.

Jacques Cheminade

Europe's Task in Creating A New Bretton Woods

Jacques Cheminade is president of the Solidarity and Progress political group, is a candidate for President of France, and is a decades-long collaborator with U.S. Democratic Presidential pre-candidate Lyndon LaRouche. The following speech was delivered to the EIR seminar in Berlin on March 5. Subheads have been added. (An interview with Cheminade appears elsewhere in this issue.)

It should be clear, at this point of our conference, that we have reached the moment of absolute breakdown in the present world financial and monetary system. It is hopelessly bankrupt in its present form. The Bush Presidency in the United States can only, if anything, accelerate the pace toward disaster, and the Japanese government is caught in both a financial and political crisis from which it is unable to escape. The

United States is finished as the consumer of last resort in the world economy, and Japan can no longer be its lender of last resort. If Europe had leaders worthy of that name, it now would be the hour of Europe. France, Germany, and Italy, in particular, inspired by the successes of their postwar reconstruction policies and the key seminal role played by the French Fond National de Modernisation et d'Équipement [National Fund for Modernization and Equipment] under Jean Monnet, by the German Kreditanstalt für Wiederaufbau [Reconstruction Credit Agency] under Hermann Abs, and by the Italian Cassa del Mezzogiorno [Mezzogiorno Development Fund] and the inspiration of Enrico Mattei, today should be our point of reference for a policy in absolute opposition to the disastrous ultra-liberal, suicidal Thatcherite axioms of the last 30 years. New Bretton Woods should be a word spelled in German, French, and Italian.

Nothing of that sort will take place in Europe, however, under its present elites and populations. A great moment of history is being met by “little leaders” and a “little people,” too cowardly to confront the moronic Anglo-American oligarchy with a design; too concerned with their own petty squabbings, as they showed in the disastrous Nice [European Union] summit. They are bad not so much because of what they are doing—because they are not able to do much—but because of their pathological incapacity to confront the challenges before us.

They offer no great design, no great projects to mobilize the people: The need for state intervention and regulation is back on stage, it is understood as a necessity, but our statesmen are, at best, on hold. Even a relatively limited project, such as the high-speed rail line between Paris and Budapest to Moscow, via Strasbourg, Munich, and Vienna, is now delayed because of prevarications of all sorts. The [high-speed rail] connection between Eastern Europe and the Mediterranean through the future Rhine-Rhône TGV, for which they also say that no money is available, is also delayed, and there is no understanding of the broader interest of those policies. To confront BSE [“Mad Cow” disease] or the hoof-and-mouth disease epizootic, no overall emergency mobilization is considered possible, and the problem is treated as if it was a mere file handled by a bureaucracy, not a life-and-death issue for farmers and consumers.

Change the Way People Think

Therefore, what I am going to say now about Europe's task in creating a New Bretton Woods, should not be misunderstood. The present European so-called leadership and population are unable, as they are, to fulfill their task. But, such a task is mandatory in the present world historical situation. The solution to this paradox is that we, in this conference and through our various political, social, and cultural connections, have to change their very way of thinking and doing, or rather, their way of not-thinking and not-doing. That is, to be frank, the first task to start with if we want Europe to contribute to creating a New Bretton Woods. Let me tell you now: That

organizing standpoint should be our permanent guidance, if we want to break through the present European disease of impotence. Let me tell you what has to be done.

The first thing, is to abandon all the self-delusions and misplaced ideas about a European niche. Yesterday, as evidence of this, I read the evaluation of one of the most respected French forecasters, who said that “in the face of the American recession, Euroland is more robust than the United States.” Such things were said in Europe just after the crash of 1929, and we should not forget the lesson of what happened after. Europe's—France's, Italy's, and Germany's—only chance to survive as heirs of the true European civilization, is in breaking the rules of the game, in doing today what they did not do in the 1930s. We should do what Monnet, Abs, and Mattei did, but this time, before the disaster, not after it happens. And we should do it in the dimension of the Atlantic to the Urals, the Atlantic to the Sea of China, and beyond, on a world scale, with the New Bretton Woods, as active stakeholders and not passive supporters. To be true to itself, to be worthy of its European heritage, Europe has to reach out, to be greater than itself.

Second, to overcome our fears of change, we have to rub salt in the wounds: It is only by putting the present world monetary and financial system into bankruptcy reorganization that we can rebuild a viable form of monetary order on this planet. This means to cut short all the compromises made by our banking systems, the backroom speculations of the Société Générale, Deutsche Bank, Crédit Lyonnais, or Dresdner Bank. No more deals and compromises to “survive”; the only way to survive now, is to leave the sinking boat. This means concretely, the cancellation of claims to the most disreputable categories of nominal debt, such as financial derivatives and junk bonds, which are the same as gambling debts. Everything that is predatory to the physical economy should be wiped out, and only that which is connected to production, labor, and operations linked to physical goods should be maintained. It is better to let Crédit Lyonnais die rather than allow it to suck the blood of living people.

Third, principal and accruals of interest on much of the world's total debt have to be frozen, and large portions of such debt forgiven, as practical and moral considerations dictate. Europe should make legitimate debt prevail over legal debt, the intention over the formal document.

‘A Global New Deal’

Fourth, once this been done and the mess cleaned up, the process of economic growth has to be re-established on a world scale. In Europe, it means building the Eurasian Land-Bridge, coupled with a Europe-African Bridge across the Mediterranean, which demands the issuance of large amounts of long-term, low-interest-rate credits for promoting essential forms of public infrastructure and related hard-commodity private investments needed to bring employment and output up to levels of sustainable long-term, physical-economic growth. It means, in Europe, the drive of the old Delors Plan,



French Presidential candidate Jacques Cheminade

but well beyond it, and in connection with credit instruments, organized and agreed upon among sovereign national states. It is because those credit instruments were not available, that the Delors Plan collapsed.

We need, instead, something with a base, a head, and arms to reach out, not an administrative sepulchre. The European Central Bank, in its present form, cannot do it, by its very nature. It is a supranational bank composed of Treasury and banking people, attached to monetary rules and a monetarist education. We Europeans have to urgently change this, and set up a new system of national banking, under the political control and orientation of the citizens of each nation. Delegation of sovereignty is necessary, but only for specific common projects going well beyond the scope of one state, not for transferring the political power from the nation-state to “competent experts” who are not accountable to any political or elected authorities, and who would always tend to reflect the “power of the markets”—in clear terms, the rule of the oligarchy.

This question, of who directs and what are his intentions, is the key one, not to “define some acceptable bureaucratic order.” For example, Jacques Delors and the French authorities are now talking about a new Bretton Woods. But their conception is to reinforce the International Monetary Fund’s (IMF) Interim Committee, which makes of their new Bretton Woods a bureaucratic caricature. Our conception, instead, the necessary conception, is that of a “global New Deal,” in the way Franklin Roosevelt defined it at the end of his life, as a political break with the existing system, not as the result of diplomatic or administrative negotiations within the system.

The point here, is that men who have been raised and mis-educated to maintain the existing system cannot be “apolitically” recycled to do the opposite: It is the intention and the direction that defines the action, not the word that you coin to describe the action.

Fifth, the new system, as with all improvements, has to be protected against its foes. The lessons of the immediate postwar decades are for this purpose a useful reference. This means a matching array of fixed-exchange-rate parities among currencies, buttressed by capital controls, exchange controls, and financial regulation, when necessary, and consistent with the experience of the original Bretton Woods system during its initial two decades of operation, before the Aug. 15, 1971 decoupling of the dollar from gold.

The great danger today, Lyndon LaRouche emphasizes, is presented by the hysterical demand, especially from implicitly self-ruined financier interests, that their financial claims be honored promptly and in full, disregarding the effects of such demands upon the victims of such usurious policies. At this point, we Europeans are confronted with the question of the Maastricht Treaty and the euro. Both, because they are based on monetarist criteria, and the conception that debts must always be repaid whatever the consequences, not only do not help to resist that evil, but promote it. The conclusion is simple: They should both be scrapped.

The Moment of Truth

It is at this point, that comes the moment of truth. Almost all European leaders, and even ordinary people answer: “But you can’t do that.” And if they are less practical than the Americans, and don’t directly say, “You cannot put the toothpaste back into the tube,” they do say the equivalent in a more pretentious way: “You cannot go against the winds of history.” Well, if you want to do what is necessary and have defined before as the tasks of Europe, you have to do just that: put the toothpaste back in the tube, and go against “the winds of history,” for a higher good.

But for that, you should not act as most of our leaders do, as “Bobos.” Our non-leaders are in fact just that: bourgeois bohemians, the last link of the ’68ers, who pretend to be autonomous in their private lives, but have no project, no mission, no design for their society nor the human race. A “Bobo” cannot put the toothpaste back in the tube, but we can.

Why? Because we know, and LaRouche can explain it to you better than me, how the toothpaste tube was produced, and from where the winds of history blow. Do we remember what saved us, Europeans, from Nazism, Stalinism, and the rule of Wall Street and the City of London? The answer is, Roosevelt and his New Deal, first in the form of the victorious War Victory Program, and second, as it was assimilated and brought back to Europe for the postwar reconstruction policies. This should be our model for today, because it was coherent with the thread of European civilization at its best, as opposed to the immoral policies of today, those behind the euro and Maastricht.

Monnet defines quite well the starting point of it in his memoirs, when he says of his close group of friends: “We decided to reverse the logic of the financiers, who accommodate needs to existing resources, absurd logic when the needs are those of the survival of the free world: For such an undertaking, one always manages to find the resources.” So that’s the point: to put Maastricht and the euro back in the tube. In any case, both the euro and the dollar, as currencies pegged to speculation and unpayable debt, are, in their present form, doomed. Why, then, care about them? My proposal is to stop the process of European so-called union at the point it has reached, and reverse it until the branching point before Maastricht and the decisions on the euro. The idea would be to scrap all the arrangements based on financial-monetary criteria, and to transform the euro into a reference value for all European currencies based on a conception of a basket of commodities and pegged to long-term projects as we defined them before.

For that, the coming collapse of the world system is going to help us, by establishing proof of where a bad financial and monetary order leads. But, things are not merely done mechanically, by “winds of history” or toothpaste tubes found in the bathroom cabinet. Human will, inspired by love for humanity, is what makes us change history: For the winds to blow, they have to be blown by somebody, and the toothpaste tubes designed and produced by somebody.

The ‘Productivity Missions’

Let’s here again listen to Monnet in his memoirs, describing how you can successfully go against the accountants’ and financiers’ views, against public opinion: “Mustering all my strength, I contributed to the coming into being of this unstoppable war machine. Its motive was simple: the stubborn will of a small group of men, united around the bearer of an unprecedented power and responsibility, himself supported by the vast majority of the nation.” This was the key to the success of Roosevelt’s Victory Program, but also to the reconstruction of Europe after the war, with a method that Monnet and some others brought back to Europe from Roosevelt’s United States.

Monnet, who had been appointed Planning Commissioner with full economic powers by de Gaulle, thought in 1946 that if French industrialists were to proceed by the old methods, disaster would soon loom. So he told his team: “Let’s send them to the United States.” And he had his friends organize the famous “productivity missions,” through which hundreds of French industrialists came to America to learn how the Americans worked.

Let’s hear Monnet’s close collaborator, Jean Fourastié: “The *missions de productivité* were Monnet’s baby, and originally linked to the Marshall Plan. I organized them with Bob Silberman, sent to France by the U.S. Office of Labor. We put together 400 such missions, assembling in the same boat industrialists, engineers, specialists, and workers.” (You have to understand that, in 1946 France, such an idea, with industri-

alists who had just cooperated with Nazi Germany and workers who were, in great numbers, Communist affiliated, was in itself quite an undertaking.) “There was a unanimous judgment when they came back: They had been given a recipe for a take-off.”

Rediscovering the ‘American System’

Here comes the most interesting part. Fourastié continues: “The idea was very well received, quickly and everywhere. We all noticed that there was something paradoxical, that our European treatises on economic science would ignore the concepts of productivity and technological progress. Economic science, as it was taught in France—but the situation was the same in all Europe—ignored such notions.” Later, he commented, “We owe it to Monnet and America.”

The beautifully ironical point here, is that the “American System” which the Europeans found in the United States after World War II, based on physical economics, was originally inspired by the Leibnizian tradition in Europe, through Colbert’s Academy of Sciences, Lazare Carnot, and Friedrich List. The key point to understand, is that French, German, and other original European contributions created the American System, and that such ideas came back to Europe after 1945, as carried forward by Roosevelt, to inspire the German system of “Rhineland industrialism” and the French “indicative planning.”

Today, obviously, this has been lost both in Europe and the United States as official policies. As I said at the beginning, our so-called leaders are just following the opposite track, destroying their nations, their populations, and themselves, by action, but mostly by abstention. But what is re-emerging around LaRouche, in a more advanced way, with the LaRouche conception of physical economics and the LaRouche-Riemann approach, is precisely the inheritance of this, and what has gathered all of us here. In Eastern Europe, in particular, and in China and India, there are more and more reflections of that movement, as we all know here. Therefore, Europe’s main task in creating the New Bretton Woods, should be to recognize just that and join the process. It is, after all, a product from European seeds, that European thinkers have not produced for Europe itself in an egoistic way, but for all human beings. LaRouche, in that sense, is the Roosevelt of today, with a much higher world outlook: Europe’s task should be first to be once again inspired.

Robert Schuman, the friend of Monnet, said, when the European Coal and Steel Union took off: “What we do is not only done for our nations, we do it while looking far beyond our borders, thinking of what all humanity expects from us.” Indeed, Europe has to think less about itself, and more about what it can do for the world. To be at the level of the challenge that each of us faces now, we have to see with the eyes of the best of our European civilization, the eyes of the future inspired by those among us, and who came before us, who did the best in the past. The New Bretton Woods is for European patriots and world citizens.

Daniel in the Lions' Den: Kim Dae-jung Visits Bush

by Kathy Wolfe

South Korean President Kim Dae-jung's words of wisdom fell on deaf ears in Washington on March 6-8, when he came to explain his "Sunshine Policy" of opening to North Korea, to the Bush Administration. The first goal is "to end the Cold War, to enable the two Koreas to live in peace, to eliminate the threat of war forever on the Korean peninsula," Kim said on March 8 in a speech sponsored by the American Enterprise Institute (AEI) and New York Council on Foreign Relations (CFR). "We must not lose this opportunity. We must assist so that North Korea can continue on the path of change."

Like Daniel in the lions' den, Kim emerged smiling and in one piece, and won his first objective. In a March 7 joint press statement with Kim after their talks, George W. Bush supported the "Second Inter-Korean Summit" which Kim Dae-jung is promoting with North Korean Chairman Kim Jong-il in Seoul this June.

"President Bush expressed support for the Republic of Korea's policy of engagement with North Korea," the joint statement added. It further said that "both Presidents reaffirmed their commitment to the 1994 Agreed Framework" with Pyongyang on freezing its plutonium production, in return for Western nuclear power plants.

But as soon as Kim left the White House, Bush suggested that he was unilaterally halting U.S. talks with North Korea, alleging that Pyongyang may have violated the 1994 agreement, and demanding that the North stop its missile program unilaterally, without talks. "We're not certain as to whether they're keeping all terms of all agreements," Bush told reporters later on March 7. "I am concerned that the North Koreans are shipping weapons around the world. . . . Any negotiations in future with the North Koreans would require complete verification . . . that their ability to develop and spread weapons of mass destruction was, in fact, stopped."

On March 8, while President Kim was speaking elsewhere

in Washington, Defense Secretary Donald Rumsfeld was asked at the Pentagon whether he would "advise the President to conduct a first strike" against North Korea if they began testing missiles again, in response to the unilateral U.S. cut-off. Rumsfeld said he wouldn't speculate, but that there would soon be a National Security Council meeting with Bush to deal with this. He added: "You are correct; there's no question but that North Korea has had a considerable appetite for ballistic missiles of various ranges. And they have also been a significant proliferator of those capabilities throughout a good many countries across the globe, and they still are."

Seoul Inter-Korean Summit

President Kim, for his part, has a window of opportunity while the Bush crew are "re-examining" their Asia policy, and he is driving the peace process as fast as possible. The upshot, Korean sources told EIR, is that "President Kim will now invite [the North's] Chairman Kim to Seoul, and continue with his 'Iron Silk Road' policy to rebuild the rails and roads to the North, and continue with his Sunshine Policy."

Kim has been arranging all the pieces on the global chessboard to bring about this second summit. His summit with Russian President Vladimir Putin late last month, Korean sources say, was timed deliberately to come before the Bush meeting, to strengthen Kim's hand.

Just before leaving Seoul, Kim also organized a meeting with his former arch-enemy and ex-Korean Central Intelligence Agency (KCIA) chief, Kim Jong-pil, now head of a large right-wing party in the National Assembly. Kim Jong-pil had been openly opposing the Seoul visit by the Northern Kim, making it impracticable. On March 3, Jong-pil agreed to a joint statement with President Kim to support the trip, and "to use Kim Jong-il's early visit to Seoul to dissolve decades of military confrontation and do away with the Cold

War structure.”

“Chairman Kim Jong-il’s visit to Seoul later this year should be made into an occasion to get the peace process on the Korean Peninsula into gear,” Kim Dae-jung told his AEI-CFR audience in Washington. “We cannot say for certain whether North Korea will follow in China’s exact lead, but it is surely opening up.”

Responding to press reports that the Seoul summit might issue a peace declaration, Kim said that this was not yet decided, and pointed out that to conclude a formal peace treaty for the 1950-53 Korean War would require the United States and China to sign as well.

“But what I intend,” Kim said, “is to arrive at some concrete steps toward tension reduction.” He proposed that the 1992 non-aggression agreement between North and South, which has been in abeyance, should be re-activated, with its four basic points: “First, all disputes will be settled through peaceful means. Second, consultations towards arms reduction. Thirdly, that a hotline will be established between the two sides. And fourthly, that a military joint commission will be established to continue the discussions.”

Especially key, he said, is bringing the separated families together, and economic cooperation. “The greatest human rights issue on the Korean peninsula today is that of the 10 million members of the separated families,” on either side of the border, he said.

A ‘Good Listener’

President Kim also continued his campaign to introduce Kim Jong-il to the West. “It would be inappropriate to say that I know the Chairman well,” he said; “I was there for three days. I spent a total of nine hours with the Chairman. But my observation of him in those nine hours is, that he is the man in charge in North Korea. And unlike the rumors that were floated about him, he is a bright man. And he was a good listener, and once he was convinced of what you were saying, he would accept it right there on the spot.

“For example, on the USFK [U.S. Forces in Korea] issue, I explained to him how the U.S. forces on the Korean peninsula must continue to be stationed not just for now, but even after unification, to guarantee the balance of power and stability in Northeast Asia. Without the American troop presence, we would have the three surrounding countries immediately engaging each other in a fight over influence, and that would put the Korean peninsula in a very difficult position. So I said the USFK is needed even after unification—and he concurred.”

Chairman Kim also repeated this view “not just to me,” the President said, “but to a group of South Korean media publishers who went there a month later, when he expressed the same views to these people.

“And when I told him how he must try to get along with the United States, build better ties, because only with better ties with the United States will it have assurance for its safety



South Korean President Kim Dae-jung achieved one goal—a joint statement with President Bush endorsing the forthcoming North-South Korean peace summit.

and the economic assistance that is needed to revive its economy—that there is no other way, and I strongly recommended this to him—he also concurred and was very much receptive of this view.”

‘Seize This Opportunity for Peace’

“I truly believe that it is our responsibility and our duty, in light of the lives of the 46 million South Korean people, in light of the lives of the 35,000 U.S. troops serving on the Korean peninsula, to seize this opportunity that we have for peace,” Kim concluded.

The Bush Administration team, however, are not as good listeners as North Korea’s Chairman Kim, it seems. “President Kim personally had a wonderful effect on President Bush, as a younger man, and less experienced,” one Seoul source said, “but we have little sway over his advisers.” From Deputy Secretary of State-designate Richard Armitage, who has directly attacked the Sunshine Policy as “appeasement,” to National Security Adviser Condoleezza Rice, Deputy Defense Secretary-designate Paul Wolfowitz, and Secretary Rumsfeld, “many of them have been against peace with Pyongyang for decades,” he noted. They don’t want to be confused with the facts about the real opportunity here to solve a 50-year problem.

“Once President Kim leaves, who knows what they might do? It looks as if Mr. Bush and others are going to proceed possibly with a different policy” from Seoul’s Sunshine Policy, he shrugged. “As long as they don’t try to stop us, we will persevere,” he said.

Israel's Sharon Forms Government: Waiting for the War To Begin

by Dean Andromidas

With the March 7 swearing-in of Ariel Sharon as Prime Minister of Israel, the official countdown for a new Middle East war has begun. On the same day, President George W. Bush telephoned to personally congratulate Sharon and invite him to Washington for consultations on March 20.

Comprising no fewer than 26 ministers and 13 deputy ministers, Sharon's is the largest Cabinet in Israel's history, requiring carpenters to be brought in to add an additional section to the traditional Cabinet table. At that table one finds extremely strange partners, from the left to the right. The only notable pro-peace elements are those who know the real danger of war, with Sharon at the helm, and delude themselves that they can conduct damage-control from within his government. With almost one-third of the members of the 120-member Knesset (Parliament) in the Cabinet, there are not enough MKs to man the various Knesset committees. This doesn't matter, since this is a government prepared to wage a war; therefore, Knesset committees dealing with domestic issues will not be important.

The coalition government, led by Sharon's Likud party, includes the Labor Party, and a mish-mash of right-wing religious and ultra-nationalist parties. More alarming is the fact that it is designed to ensure that the government will last until the next general elections, which will not be held for another three years. A few highlights will demonstrate the unusual nature of this government.

'Unity' for What?

Sitting next to Sharon will be Shimon Peres as Foreign Minister. From this position, Peres will not be able to determine Israeli foreign policy, since foreign policy has always been handled directly by the Prime Minister. Peres's presence in the government is seen by the peace camp as a betrayal. In fact, the unity government would not have been possible without the role played by Peres.

The defense portfolio, which is the second most important in the Israeli system, was given to the Labor Party's Binyamin Ben-Eliezer, a former senior military officer who considers himself a very close friend of Sharon and was the chief proponent for a unity government within the Labor Party.

Ben-Eliezer's deputy will be Dalia Rabin-Pelossof, the daughter of slain Prime Minister Yitzhak Rabin. She now finds herself sitting at the same table with political leaders

whose incitement against her father was considered to have contributed to his assassination. These leaders include Avigdor Lieberman and Rehavam Ze'evi of the ultra-right-wing Israel Beiteinu/National Union faction. The former, who started his political career as former Prime Minister Benjamin Netanyahu's right-hand man, was quoted during the election campaign as calling for the bombing of Tehran and the Aswan Dam, if Iran or Egypt caused Israel too much trouble. As Infrastructure Minister, Lieberman will have a budget that he can deploy to build infrastructure for his main constituency, the Jewish settlers in the West Bank and Gaza Strip. Lieberman's partner, Ze'evi, a former military officer also known as "Gandhi," has been named Minister of Tourism. Since the tourist industry has collapsed with the outbreak of the "Al Aqsa Intifada" uprising last Fall, Ze'evi will have time to concentrate on his other interests. These include the forcible transfer of the Israeli Arabs and the Palestinians out of "the land of Israel."

The Finance Ministry, which is the third most important portfolio, because it controls the purse strings of the government, went to Silvan Shalom, a staunch Sharon supporter in the Likud. While the Labor Party received six other portfolios, none of them includes the choice social portfolios, which enjoy large budgets and can exert considerable political influence. These went to the Likud and the extreme right wing.

For example, the crucial Education Ministry, whose budget is second only to that of the Defense Ministry, went to Limor Livnat, the "dragon lady" of the Likud. Livnat is the sister of the notorious Noam Livnat, one of the most dangerous of the Temple Mount fanatics who has openly advocated the blowing up of the mosques on Jerusalem's Al-Haram Al-Sharif/Temple Mount in order to rebuild Solomon's Temple there. Millions of shekels from the education budget are known to have financed the most radical yeshivas (religious schools), which are at the center of such terrorist organizations as Kach, founded by the late Meir Kahane, and the Ateret Cohanim and other organizations dedicated to building the Third Temple, and thereby igniting religious war in the Middle East.

Another crucial portfolio useful for expanding the settlements, Housing and Construction, went to Natan Sharansky of the ethnic-Russian Israel B'Aliya Party. A former Soviet dissident and well-known right-winger, Sharansky advocates

retaining and expanding the settlements on the Golan Heights and the West Bank.

In a move to ensure the loyalty of the ultra-Orthodox parties, Sharon gave the Shas party literally everything they wanted. This includes the Interior, Religious Affairs, Health, and Labor portfolios, in addition to that of Deputy Education Minister. These portfolios command considerable budgets and therefore political influence. On top of this, Sharon ensured a two-year postponement of various pieces of legislation, including one calling for drafting yeshiva students into the military. This is designed to guarantee the loyalty of the large right-wing ultra-Orthodox bloc within the Knesset. Sharon also ensured the rescission of the law that allowed for the direct election of the Prime Minister, a law which has prevented the political comeback of Sharon's chief rival in Likud, Benjamin Netanyahu.

Peace Camp in Disarray

The fact that Peres and other members of the Labor Party are now in the government, has left the peace camp in disarray. This is reflected in the fact that Uri Savir and Amnon Lipkin Shahak of the Center Party resigned their Knesset seats and are leaving the political stage. Savir, a protégé of Peres, was the architect of the 1994 Oslo peace accords, while Lipkin Shahak, a retired Chief of Staff of the Israeli Defense Forces, had been a leading peace negotiator for the Labor government of Ehud Barak. In fact, Shahak was among the few Israeli negotiators who had won the trust of the Palestinians.

A minority faction in the Labor Party, and others in the opposition Meretz Party, are still committed to bringing this government down as soon as possible. Former Justice Minister Yossi Beilin, one of the top leaders of the peace camp, has launched a campaign to become the temporary chairman of the Labor Party, as a bid to end this unity government. Shlomo Ben-Ami, the Foreign Minister in the previous, Labor-led government and another opponent of the unity government within the Labor Party, is considering forming a new party, dedicated to peace and social issues. The latter idea has support within minority elements of the Labor Party and on the left. Nonetheless, these are rearguard actions, which will not influence the war danger over the next weeks or months.

Countdown to War

When Sharon tells the press, "I am ready to conduct negotiations with Arafat, but it requires there being quiet and security," he is simply lying. Who will stop the violence? Every informed person knows that Palestinian Authority President Yasser Arafat could not do so. The fact of the matter is, that the economic closure that Israel has imposed on the Palestinian-controlled enclaves in the West Bank and the Gaza Strip is not only leading to the inevitable collapse of the Palestinian National Authority, but is leading to a humanitarian disaster.

Palestinian Minister of Parliamentary Affairs Ahmed



Shimon Peres holding the Foreign Ministry in Ariel Sharon's huge Cabinet, cannot change the fact that the Clinton Administration's opportunity for peace was lost, and the Bush team is accelerating the push toward war.

Qurei told the *Jerusalem Post* of March 8 that the Palestinian Authority is prepared to reopen security cooperation and negotiations with Israel, in exchange for easing the economic restrictions, the closure, and the punitive measures imposed on the Palestinians.

What is now being openly discussed in Israel, is a "post-Arafat" Palestinian movement. But everyone knows that after Arafat, will come chaos, and the most extreme elements of the Palestinian movement such as Hamas. In the first week of March, the latter conducted two suicide bombings deep inside Israel, within 48 hours of one another.

A senior Israeli source told *EIR*, that not only is the situation within Israel extremely tense because of the suicide bombings, but he expected a war to break out along three possible avenues. One would be to crush the Palestinian National Authority. Already, Israeli tanks have been stationed in parts of Area A, which is supposed to be under exclusive Palestinian control. In addition, massive amounts of territory surrounding the settlements have been seized and are being fortified, while Palestinian communities are being forcibly separated and isolated.

A second avenue of war would be along the Lebanon-Syria axis, and a third would be a "chain-reaction" war, involving attacks on Iraq and Iran, which could force Egypt into the conflict. Although Egypt does not at this point contemplate going to war, it has started to retrain its military reserves.

Which course toward war, may depend on what provocations are unleashed as pretexts: whether further violence inside Israel, or military operations attributed to Hezbollah from southern Lebanon, or "new" revelations of the existence of weapons of mass destruction in Iraq and/or Iran. But the cause of the threatened war, lies not in any local or regional reality: rather, it is the policy option of the Bush Administration, to go for war. Ariel Sharon is their willing and witting ally in this venture.

Bad Omens for Britannia: The Fates Gang Up

by Alan Clayton

The imagery up and down the British islands, of huge burnings to destroy the carcasses of slaughtered animals, really represent a funeral pyre for the British state, suggested one journalist. What with the hoof-and-mouth (HMD) disease spreading, debilitating snow storms, a third train wreck within 18 months, and the health service falling apart, an almost apocalyptic public mood has surfaced.

British Prime Minister Tony Blair's carefully crafted plans for early Spring general elections might yet have to be postponed, if the quarantine travel restrictions and possible rail schedule cancellations are put in place. Blair himself puts on his best toffee apple smile and goes ahead as if nothing is wrong, like Nero, fiddling while Rome burns.

"Tony Blair, it goes without saying, is a master of the art of dissimulation. Our Anthony has a picture of Britain in his head that must on no account be sullied by contact with grubby reality. His is a land that is variously young, modern, inclusive, cool, decent, fair, progressive-but-with-traditional-values, and full, as best he can tell, of people just like him. How could it be otherwise? He was elected," wrote Scottish journalist Ian Bell in the March 4 Scottish *Sunday Herald*.

Demise of the Nation

Yet, grubby reality is the essence of what the dying Windsor state is, this second March of the new millennium.

The Health Service is coming apart at the seams. The Beatson Institute in Glasgow, for example, once one of the world's top treatment and research centers for cancer, is now not much better than a slum. One of the world's leading cancer experts, Prof. Karol Sikora, formerly the chief of the World Health Organization cancer control program and professor of clinical oncology at London's Hammersmith hospital, was offered the position of Chair of Oncology at Beatson, but declined the prestigious appointment because of what he saw as "chronic under-investment." Beatson's Oncology department treats half the cancer patients in Scotland, and last year a study found that patients were dying while waiting for treatment. A shortage of radiotherapy equipment has also resulted in patients being sent to private facilities elsewhere.

The horror of the hoof-and-mouth epidemic continues. Experts argue that the mass slaughter of healthy animals is a "medieval" approach to the problem. HMD, in fact, represents no danger to human health, and the "over the top" approach

by the Blair government, which is reacting as though it were dealing with the Black Death, is not a result of a priority of public health, but to give an international image of competence in crisis management.

The crisis is already reaching the supermarkets. The price of some meats on butchers' shelves has doubled because of the outbreak—and more price rises and shortages are likely to come, as supplies of British beef, lamb, and pork have been virtually halted because of the restrictions on animal movements. Other foods are becoming more expensive, as demand for chicken and other meats also increases. At one butchershop in Edinburgh, for example, the price of lamb has gone up by 50%, chicken has increased by 10%, and bacon by 100%. The cost of chicken is expected to rise even further. The biggest fear, though, is that panic buying—as happened during the recent fuel crisis—will greatly exacerbate the problem. There is already evidence that people are stocking up, with supermarkets reporting a 20% rise in meat sales in the past few days.

Modern farming is so intensive, so dependent on maximum use of investment, land, and raw materials, that it cannot tolerate the inefficiencies of temporarily sick animals, producing less milk and less meat. Second, food distribution is so integrated throughout Europe that a disease which, in the 1960s, could be confined to a limited area, will now spread in days. An HMD outbreak is thus a doubly ironic comment on modern farm-marketing methods, which increase the risks that disease will spread, while ensuring that what was once a setback for farmers is now a catastrophe. This is particularly true since the deregulation of agriculture introduced under former Prime Minister Margaret Thatcher. Cows are now fed on ground animal remains as a cheap source of protein. More animals are reared more intensively on fewer farms. It was the deregulation of laws governing sterilization of animal feed under Thatcher which led to the survival of prions in the feed and the consequent spread of the deadly bovine spongiform encephalopathy (BSE), more commonly known as "Mad Cow" disease.

Yet, rather than attack the cause of the crisis—policies of deregulation, free trade, and globalization—there is a tendency toward overblown "panic" about modern agriculture and industry. According to London *Times* commentator Mick Hume on March 5, this tendency is typified by Prime Minister Tony Blair's recent gatherings with environmentalists, where he has been pushing the idea that "global warming" is the result of modern industrial society, and is to blame for Britain's recent floods and outbreaks of disease among animals. Hume said that Britain is in the middle of a "national nervous breakdown."

Privatization of our rail system has also led to multiple disasters. A huge train wreck occurred on the island at the end of February—the third such rail catastrophe in 18 months. Although not on this occasion the fault of Railtrack, or any of the railway companies, the wreck has had a devastating effect

on public opinion, because it is a consequence of three unlikely events occurring at the same time, leaving the widespread feeling that the Fates themselves are against Britain.

The accident happened when a vehicle pulling a car on a trailer skidded off the M26 motorway near Selby in Yorkshire, and went down onto the track at the very time that the Newcastle-to-London express was approaching. The train struck the obstruction on the track and derailed. Just at this moment, a heavy coal-carrying freight train was approaching from the other direction; the two collided, with devastating effect. The exact death toll from this tragic accident is still unknown, and 33 of the 70 people injured in the crash were still in a hospital a week later.

Blair's Budget: Tax Cuts, Too

Blair's New Labour party still hopes to rescue the situation in early March, when the Chancellor of the Exchequer, Gordon Brown, presents what has been described as a "give-away" budget. Various independent experts suggest that Brown will widen the 10% tax band to around £2,000—a move that will cost £1.5 billion a year in lost revenue, but will be of great benefit to middle-income families, whose electoral support New Labour depends upon. But, while the pre-election handout to middle Britain will be stealthy, the government will trumpet a range of measures designed to appeal to Labour's so-called "heartland voters." Brown will provide confirmation that the new children's tax credit will be worth at least £10 a week for low-income families—not the £8.50 originally announced. The other tax allowance aimed at below-average earners, the working families tax credit, is also likely to be significantly up-rated.

An increase in pensioners' Winter fuel payment to £200 is widely expected to accompany the increase in the basic state benefit for the elderly of £5 for a single pensioner and £8 for a couple. The government will announce a substantial increase in the minimum wage, from £3.70 an hour to around £4.10, to complete the boost for the poorly paid. Families with young children will also benefit from new measures to increase maternity pay and introduce state-sponsored paternity leave for new fathers.

However, Brown is anxious not to alienate business in the run-up to the election, and a large section of the new budget is expected to be devoted to addressing concerns over the business tax burden and red tape. He will announce moves to boost employee share ownership schemes for smaller firms, while larger companies will be able to benefit from new research and development tax credits.

Spring Elections Are Now in Doubt

Blair has booked millions of pounds worth of advertising for a general election in April or May, bookings that will entail huge penalty payments if cancelled, so there will be enormous pressure on him to proceed as planned. Ironically, the man is hung by his own petard, as they say. Blair launched



Prince Charles. Hoof-and-mouth disease has been found on his estate in Wales, after he boasted that the disease was the result of scientific, non-organic agriculture.

a "don't lose by default" election strategy to reverse the stay-at-home tendency which has emerged in New Labour voters. Yet, to project crisis management *savoir faire* in the face of the HMD epidemic, he has imposed huge travel restrictions throughout the island. Forest walks and cross-country paths, mountain climbing and hill walking, have now all been banned under pain of a \$7,000 fine, giving the widespread impression that the cure is worse than the disease. The island currently has a feeling of being under siege. Indeed, the election may be cancelled, because everyone will have to stay home! There is a widespread and tangible feeling, however, that, politically, the Tories of "Maggoty" Thatcher's fame do not offer a viable alternative to Blair, whose wrecking job could not be more apparent. Apathy runs high, and the possibility of a low turnout, were the election to take place, will certainly guarantee a future government lacking in any credibility.

Blair also is facing trouble brewing over his former colleague and architect of the New Labour "Third Way," Peter Mandelson, who was sacked over a "passports for sale" scandal a few weeks ago. Mandelson, whose personal proclivities are known not to be for the opposite gender, has bitter enemies within the New Labour hierarchy, particularly Chancellor of the Exchequer Brown, who is utterly determined that "Randy Mandy" not return to the top echelon of the party.

Kashmir Solution: Now, More than Ever

by Ramtanu Maitra

In late February, Indian Prime Minister Atal Behari Vajpayee extended the cease-fire in the Indian part of Kashmir till the end of May, indicating a time frame within which India and Pakistan must begin talks to seek resolution of the five-decade-old conflict. The decision has been widely welcomed in India, but the question remains: When will India and Pakistan spell out the next steps which would begin the actual peace process?

It was evident last November, when India had first called for a month-long cease-fire, that while India's intent was positive, the government did not have a game-plan to begin the talks. Pakistan, on the other hand, was not politically prepared to begin negotiations, although it demanded talks.

The militants, afraid of losing out, raised the stakes, making it clear that they intend to call the shots on Kashmir. It was also evident that a "third force," that would like Kashmir to be an independent nation, backed the militants, some of whom are just mercenaries. In addition, the complex intertwining of the Pakistani Inter-Services Intelligence (ISI) with British Intelligence and the international narcotics network, which is supporting those clamoring for an independent Kashmir, made the situation even worse. In fact, hundreds of British citizens are regularly visiting Kashmir and participating in terrorist acts. A large number are also in Kashmir to provide logistical support to the *jihadis*. These Britons raise money, lobby the British Parliament, and carry out kidnappings and assassinations in Kashmir to weaken the state apparatus of both India and Pakistan.

Recently, some of these seekers of an independent Kashmir took to streets in Britain to protest the detention of comrades in the Pakistan-held part of Kashmir. They warned the Pakistani government: "We convey our warning to launch a Europe-wide campaign against this suppression of civil liberties and human rights in the territories of Kashmir under the control of your administration if the detentions continue." This letter was signed by representatives of the JK NLF (Europe and U.K. Zone), JKLF (Europe and U.K. Zone), JKPNP, and JK Plebiscite Front (Europe and U.K. Zone).

Knotty Problems

The failure of both the Indian government in New Delhi and the Pakistani government in Islamabad to come to the negotiating table, therefore, does not surprise anyone. It is

also not surprising that the militants went on a rampage against Indian security forces in an attempt to end the cease-fire. While Islamabad resorted to calling the cease-fire a "fraud" and an exhibition of India's "political opportunism," New Delhi laid down a precondition for talks, namely, that Islamabad must put a stop to terrorists crossing into India to carry out massacres. New Delhi knew full well that Islamabad is too weak to take on the terrorists, hence, it was a precondition which cannot be met, however fair it may sound.

In addition, New Delhi found it politically difficult to bring about an understanding between Farooq Abdullah of the National Conference, the ruling party in the Indian part of Kashmir, and the All-Party Hurriyat Conference (APHC), a political-militant grouping with strong ties to Pakistan. Islamabad, in return, found it necessary not only to support the APHC's views, but also all other anti-India tirades issued by other terrorist organizations based inside or outside of Pakistan. The APHC, on the other hand, wasted no time in criticizing the excesses by the Indian Army, which were no doubt plentiful, but made it a point not to condemn the massacres by the militants and Islamabad's support to the *jihadis*. In other words, it is impossible in the present context to find a party which has always been right, and never wrong. In fact, that is not the issue here.

Those were certainly negative and cynical views that came out of New Delhi and Islamabad. But, there are also some positive and constructive developments. The Pakistani Army has exercised "maximum restraint" along the Kashmir borders during the cease-fire. The Indian Army has suffered a large number of casualties, and has restrained itself from serious retaliation. As if echoing the feelings of the Kashmiris, Indian Army Chief of Staff S. Padmanabhan has made it clear recently that he would like the cease-fire to continue.

Reports from Islamabad indicate that the Pakistani government, in an effort to crack down on the Pakistan-based terrorists who were involved in the killings in Kashmir, has decided to implement a 20-point code of conduct. All the *jihadi* outfits would be asked to sign a document prepared by the Interior Ministry, which would bind the *jihadis* not to publish provocative material that promotes the "gun culture." They would also not be allowed to use military uniforms or indulge in graffiti. However, it would be naive to believe Islamabad is in a position to follow through on the crackdown to an effective end. What this does indicate, is that Pakistan recognizes the problem that the *jihadis* pose in the Kashmir negotiation process.

Another positive development is that contacts between Indian and Pakistani scholars and strategic thinkers have increased. Track II discussions are proliferating, and that is a good sign. Recently, Pakistan's former Finance Minister, Dr. Mubashir Hussain, praised the Indian Prime Minister for taking "solid steps" in seeking a solution to the Kashmir imbroglio by extending the cease-fire for another three months. Dr.

FIGURE 10

The Afghanistan and Jammu and Kashmir Areas of Conflict



Hussain rebuffed the Indian proposal of fencing the Line of Control between Indian and Pakistani-held Kashmir, saying that Pakistan will not accept that at a time when the need of the hour is to reduce hostilities along the borders. The most appropriate tribute to the memory of those who sacrificed their lives for the cause is to usher in a durable peace, Dr. Hussain said.

The Next Move

Despite the goodwill and hopes expressed by many, it is evident that both sides need to come up with concrete proposals to change the status quo. The status quo, as it existed prior to the cease-fire self-imposed by New Delhi, is untenable, and will eventually lead to the formation of an independent Kashmir, in a strategically highly sensitive area. Kashmir is located at the junction of India, Pakistan, and China, and an independent Kashmir would pose a serious security threat to the region.

A solution to Kashmir must come about through agreement on a permanent border, which would demarcate India from Pakistan. The process, however, needs a lot of help from the Kashmiris. As they want peace more than anyone else, it is they who should provide the input on how the border needs to be demarcated, and whether it should be a "soft" or a "hard" one.

The process will no doubt be an arduous one. The Pakistani elite, for one, has not made it clear to the people that Kashmir cannot be annexed militarily, and that, hence, Pakistan will not be able to have all of Kashmir. The elite should also make it clear to the people that Islamabad cannot afford to fund the militants any longer because its economy is in tatters (see article in this issue). Those who are funding the Kashmiri militants from the outside, have no intention of making Kashmir a part of Pakistan. What those forces want is to establish an independent Kashmir.

In this context, the Indian situation is better. Most Indians have accepted the fact that part of Kashmir will remain with Pakistan. For the Indians, turning the Line of Control, with little changes here and there, into a permanent border, is the more acceptable option. But it is not so in Pakistan.

Hence, new ideas have to come to the fore. A proposal for trifurcation of Kashmir is making the rounds in India. The proposal calls for the Jammu and Ladakh districts to become part of India, while the Kashmir Valley and the Pakistan-held part of Kashmir will be combined and put under the joint custody of India and Pakistan.

Although the Vajpayee government has no reason to embrace such an idea at this stage, it is something that can be worked on. Again, Islamabad will have to be specific about what it can, and what it cannot concede.

Islamabad must also realize that it is now caught between a rock and a hard place. On the one hand, Pakistan has been bankrupted, and the International Monetary Fund is systematically squeezing out its future potential. On the other, the nightmare that was Afghanistan is now a reality in Pakistan. The ISI-controlled extremists and terrorists are now inside Pakistan, and they are using Kashmir as a base of operations just the way they used Afghanistan.

The Time Factor

It is important for both India and Pakistan to consider the time factor very seriously. The cease-fire cannot be extended forever. And, it is not the end-all, but something to build upon. Therefore, both sides should seize the time and start the negotiation process. No single proposal will be acceptable to both sides, but if a number of proposals are placed on the table, and through goodwill, generosity, and use of better political sense and understanding of the strategic importance of resolving the conflict, a solution will emerge. The process, however, must start now.

The benefits of resolving the Kashmir issue do not lie simply with the victimized Kashmiris. Resolution of the conflict will help both India and Pakistan immensely. India, for instance, has emerged in the post-Cold War days a more matured nation. Its ability to carry out the nuclear tests in 1998, and to withstand political and economic pressures exerted by almost the entire world, is commendable. Out of that experience, India has emerged as a more confident nation, one seek-

ing out friendship in the region, and, at the same time, seeking strategic parity with advanced nations in the military and security areas.

However, India's limitation is now evident. In Southeast Asia, to which it has begun to rebuild its bridges, India, while no doubt a friend, is still a pariah. Southeast Asian nations, which are in the process of working out a strategic balance in their relationship with China and the United States, welcome India. But India must first show its leadership in its own region. The South Asian Association of Regional Cooperation (SAARC), comprised of India, Pakistan, Bangladesh, Nepal, Sri Lanka, Bhutan, and the Maldives, has become a moribund organization, paralyzed by the India-Pakistan conflict. India, by far the largest and most powerful nation in the grouping, has failed to provide any leadership to make the SAARC effective. This has been noted critically in Southeast Asia.

In addition, the Indian economy, which is oriented more to its domestic market than foreign markets, is slowing down again. The problems are typical—poor infrastructure, low literacy levels, non-utilization of a large section of its population, lack of modernization of core sectors, etc. The economic slowdown will provide fodder to the zealous reformers, and they will exert intense pressure to lower tariffs, reduce subsidies, and privatize core sector industries, nationalized banks, services, etc. The list goes on.

But, the fact remains that the basic industries, which were built up over the decades but not modernized adequately, will be destroyed with such an economic reform. The agricultural sector, already hit, will be devastated by the inundation of food products from outside. Dumping of cheap consumer goods by the Chinese manufacturers has already put a number of small-scale industries out of business. All of them got slaughtered on the altar of competitiveness and efficiency. It is a huge price to pay, and there is no end to paying that price once reform takes that route.

With the resolution of the Kashmir issue, the SAARC, with more than 1.5 billion people, a large number of whom are highly motivated and skilled, can bring about a change. Pakistan had moved away from the subcontinent to seek its identity with the West and the Middle East. The result was an unmitigated disaster, but the tendency still exists. The reality, however, is that Pakistan is bankrupt, despite its decades of efforts to develop a friendly association among the nations of the subcontinent.

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Afghanistan

A Terrible Crime, But Take a Careful Look

by Ramtanu Maitra

One of the most shocking events of recent years is the planned destruction of ancient statues and artifacts of Afghanistan, by the orthodox Taliban regime. The act was justified by Taliban strongman Mullah Mohammad Omar, who called it nothing more than the mere destruction of "stones." It is evident that the ancient Fourth-Century Buddhas in the caves of Bamiyan have been badly damaged, if not totally destroyed.

The act generated worldwide indignation, and condemnations have poured in from far and near. Buddhist-majority countries such as Sri Lanka, Thailand, and Vietnam, have expressed shock and despair. So did the Buddhist Association of China. Some Muslim nations, not quite taken in by Mullah Mohammad Omar's justification, complained, and made it clear that they do not condone this act. Missing voices were also noted, and Saudi Arabia stands out among those. Iran, the neighboring Islamic nation with a Shia majority, even offered to take in the statues for keeps. The English-language *Iran Daily* published a feature denouncing the Taliban's destruction of Buddhist statues in Afghanistan, as "un-Islamic." The daily quoted Egypt's Mufti Sheikh Farid Wassel, that "such statues are only records of history. . . . Their presence does not in the least impinge on the Islamic faith." Egypt, he noted, "has been the venue for thousands, if not millions of statues and holy relics, mostly Pharaonic and Roman, without a single Muslim scholar saying their presence violated the principles of Islam." *Iran Daily* asked: If the Taliban studied in Islamic schools (Madrasas) in Pakistan, then "what kind of institutions are these that, instead of enlightening minds, have produced brains mired in bigotry, darkness, and intolerance?"

Indian Prime Minister Atal Behari Vajpayee, no friend of the Taliban, appealed to the international community to prevent this barbaric "act by uncultured people, who are not Muslims." UNESCO showed a lot of concern but, like what the UN does best, it did nothing to stop the vicious act by the Taliban.

Killing Afghanistan's Soul

The most agonizing aspect of this irrational act is that the Afghans, who are not only Muslims, have just destroyed

what their ancestors built, and the world admired and cherished. These statues and works of art go back to the pre-Christian era of Kushans and Huns, who came to Afghanistan and the Indian subcontinent from the hills and plains of Central Asia. The cosmopolitan culture which evolved from Bamiyan and became an inherent part of the Silk Route—Jalalabad, Kapisha, Kandahar, Herat, and Kabul—having traits of Indian, Iranian, and Hellenistic (Alexander the Great) traditions, spanning the Second through the Eleventh Century, will now be wiped from the pages of history. One observer said: “By destroying these statues and artifacts, the Taliban just killed Afghanistan’s soul.”

It is, however, not important to debate whether the statues were un-Islamic or the Taliban will become better Muslims now that they have destroyed these ancient “idols.” It can be safely assumed that Mullah Mohammad Omar is fully aware of the sanctity of the Kabah in the Holy City of Mecca, the center of worship, to which every Muslim is bound to make a pilgrimage (the Haj) at least once in his lifetime. The Kabah, to an “infidel,” is merely rectangular gray and black stones put together in the form of a building, supported by wooden pillars inside. It is safe to say that no Muslim, not even a Talib, would ever have the audacity to describe the Kabah as nothing more than merely pieces of stones.

The issue cannot be drowned by arguments and counter-arguments. While there is no question that the Taliban have endangered the very identity of Afghanistan—and this will be recognized and lamented upon by the future generations of Afghans—the answer to the question of why the authorities in Kabul chose to do what they did, is not hard to find. The Taliban have, over the months, destroyed artifacts kept at Kabul, Herat, and Kandahar, but only a handful have taken note of that. What is evident is that by going for an all-out destruction of Afghanistan’s ancient heritage, the Taliban have not only joined in a vengeful act, but are also trying to draw the world’s attention to the state of affairs within the country.

The ‘Great Game’ vs. the New Silk Road

Since the Soviet invasion of Afghanistan in 1979, the Anglo-Americans revived the British Empire’s “Great Game.” With their Islamic allies, they converted Afghanistan into a laboratory where a vicious band of criminals, under the flag of pseudo-religious urgings, came together to drive out the godless Communists. This new Great Game was looking for its own victory, but was using the “Muslims” to earn it. The process, thus unleashed, created “modern” Afghanistan, a permanent source of instability that would stop cold, any hope for development, such as the Eurasian Land-Bridge—a new Silk Road—passing through this crossroads of the world. Criminals, thieves, and killers were brought into Afghanistan from prisons throughout the Islamic world and were trained with modern weapons to fight the proxy war against the Communists. To the Anglo-Ameri-

cans, it was better that way than it had been in Vietnam. Of course, heroin and guns flowed in large amounts to supplant the war efforts.

By the mid-1990s, the Taliban in their present form emerged. Although they existed all through a large part of Afghani history, they were never a dominant force in Afghanistan. Once the mighty Soviet Red Army turned its bent back, the West’s responsibility toward Afghanistan vanished like the proverbial camphor. What the Anglo-Americans left behind, however, is not simply the debris of war, but a vicious bunch of criminals who looted, raped, and pillaged throughout the country. These criminals not only destroyed whatever social order existed in Afghanistan, but, as well, spread their tentacles into Central Asia, China, Russia, and Kashmir, while under the pretense of espousing the cause of Islam.

The Taliban, who got hold of Kabul in 1996, have condoned everything that the criminals were doing. The Taliban, however, brought back a semblance of order into Afghan society. The Taliban, though extremely religious, condoned the massive opium production and supported terrorism. It is only recently that the Taliban have condemned opium production as un-Islamic.

Nonetheless, notwithstanding the Taliban’s irrational acts, the injustice done to the Afghans by the Anglo-Americans is difficult to accept. Washington, after using the Afghans to give the Soviets a bloody nose, abandoned them and then imposed rigid economic sanctions, because the most important anti-American terrorist, Osama bin Laden, is sheltered in Afghanistan. The Russians joined the sanctions mania, and helped to organize the UN sanctions against Afghanistan, joining hands with the United States, because the mercenaries, who were fighting for a separatist Chechnya against Russia, are also sheltered in Afghanistan. Moscow knows well that those terrorists were inside Afghanistan long before the Taliban came to power in Kabul.

But the sanctions by the United Nations, United States, and Russia had a crippling effect on the country. A 12-year-long drought, a 20-year-long war, and the severity of this past Winter have forced Afghans into starvation. Millions have left the country and thousands are expected to die of starvation this year, say UN reports. While the world rightly condemns the Taliban for the destruction of the mighty Bamiyan Buddhas, it has done almost nothing to alleviate this human tragedy, which has been unfolding for more than year in Afghanistan.

If the world had been less than active in helping a devastated Afghanistan to get back on its feet, it was never slow in condemning the Taliban, or the Afghans, for being orthodox or imposing the veil on women, or being drug-runners and mercenaries, and for sheltering Osama bin Laden. The destruction of archaeological treasures will bring in another volley of abuse from the entire world. On the ground, however, things remain the same.

Calls for International Infrastructure Program

The following are excerpts from the keynote speech by Malaysian Prime Minister Dr. Mahathir bin Mohamad, at the founding conference of the Boao Asia Forum, in Hainan, China, on Feb. 2. The forum was opened by Chinese President Jiang Zemin, who described it as a means for meeting the "aspiration of Asian countries for common development through enhanced dialogue and cooperation against the backdrop of economic globalization," and for bringing about "a fair and reasonable new international political and economic order." The Secretary General of the Forum will be the former Secretary General of the Association of Southeast Asian Nations (ASEAN), Malaysia's Tan Sri Dato Ajit Singh, while the co-chairs will be Fidel Ramos from the Philippines, Bob Hawke from Australia, and Japan's Yashuhiro Nakasone. Subheads have been added.

The Official Launching of The Boao Forum for Asia

. . . The forum is especially timely, as the world is going through one of its periodical revolutions, which puts many communities under tremendous stress and strain. We have already seen how perfectly healthy economies can crumble, merely by the currency traders devaluing their currencies. We believe that it is only the beginning. Many more things are coming, as old ideas about sovereignty and independence make way for such previously unthinkable concepts as a world without borders, of globalization. Then there is democracy which becomes more and more liberal every day, and is very disruptive, even leading to virtual anarchy.

When countries became independent, they believed that they would be free to manage their own affairs by themselves. Foreign countries may not interfere in the internal affairs of independent countries. But they did not reckon with the power of the international media or with the non-governmental organizations (NGOs). These are not bound by the understanding that governments may not interfere in the internal affairs of other countries. The international media and the foreign-funded NGOs easily cross borders, and often undermine national governments to the point where they would find themselves unable to govern or be overthrown even. Of course the media and the NGOs claim they were justified in doing this.

Weren't these governments oppressive and corrupt? Without outside help, their people would not be able to overthrow them. But then, once people got the idea that they can overthrow governments, even elected governments, they would not stop overthrowing them. The result is not better government, but probably a series of ineffective governments or anarchy.

What the international media and the NGOs have done, is to prove that independence does not mean freedom from foreign interference, domination, or hegemony. Once such interference became common, the powerful countries felt free to ignore international niceties and to interfere openly in the affairs of weak countries. The excuse given at first was violation of human rights, but now it has been extended to bad governance, to failures to adopt prescribed business practices, to less than acceptable level of democratic practices, etc. Any excuse is good enough. . . . If a country is strong, it can do what it likes, it can even attack and kill people and yet it will remain independent. But if it is weak, even when it is doing the right thing, it may be accused of all kinds of misdemeanors, and would be placed under the surveillance and control of the strong.

In the countries of the strong, private citizens may set up "watch committees" to oversee the behavior of weak countries. That they have no mandate from anyone does not put them off. They consider it their divine duty to right the wrongs of the world. And frequently their public pronouncements undermine the economic, political, and social stability of whole nations. The people of these countries suffer, as they would have no means to seek redress.

Many of the Asian countries are quite defenseless and exposed. When the currency traders destroyed their economy, they could appeal to no one for help. Indeed if any country offered help, that country would be chastised and told to cease helping. It would undermine the IMF [International Monetary Fund]. Clearly the IMF wanted to use the currency crisis to foist its policies on the troubled countries and to control them.

The Impact of Globalization

Now globalization is on its way. In preparation for the borderless world, the giant banks and corporations of the very rich are merging to form even mightier giants. . . . In the end, there will be only a few banks and corporations left. They will operate worldwide and they will insist that governments meet their demands for total deregulation, so as to remove all obstacles to their pursuit of unlimited profits.

Frightened, governments of the powerful countries may try to curb these giants, to break them up. But even the powerful governments are not going to be able to do this. The powerful corporations and banks will wield so much influence, that governments, however powerful, will have to bow to them. The media which they own and the NGOs which they finance will back them. Remember the LTCM [Long Term Capital Management] and how it was bailed out. No one was punished



Prime Minister Mahathir bin Mohamed: Build nations, through world cooperation for infrastructure development.

for nearly destroying the finances of the rich countries.

Perhaps I have painted too grim a picture of a globalized free trade world. Surely the corporations and the banks do not have this ambition in mind. But when the Bretton Woods Agreement was discarded and the currencies allowed to float, no one predicted that in 1997, a handful of currency traders could wield so much power over so many countries. No one predicted that the currency traders could impoverish whole regions, throw millions out of jobs, provoke violence, and cause the fall of governments. But we do know now that they could and they did.

Politicians are not the only people who yearn for power. Business people can have the same yearning too.

The frightening picture that I have just painted may be too fanciful. But free trade can have frightening consequences which for small nations can be very destructive. Even the mere lowering or abolishing of import duties may result in depleted treasuries for countries which have no other worthwhile taxes. . . .

What the Asian countries need is a forum to air these problems and fears and to receive serious and sympathetic hearing. They need to discuss new ideas thoroughly. They need to do serious studies and to work out different scenarios. From the results, they should make their common stand in international fora. I believe the Boao Forum can do this and more. The Boao Forum can be of great service to Asians and to the world in the challenging years of the 21st Century.

Proposal: An Infrastructure Tax

Because of that, we must also look at positive ideas which can result from the meeting of Asian leaders, leaders who naturally are close to the problems and the state of affairs in Asia. . . . We know that adequate and relevant infrastructure can facilitate the development of countries. The mere construction of infrastructure can provide jobs and contracts for the locals. Construction of roads and railroads will help landlocked countries reduce the cost of transportation of raw materials out, and the imports of needed manufactured goods. The benefits of power plants need not be enumerated. The great

rivers can be developed for cheap transportation the way the Rhine and the Danube have been developed. Pipelines can not only be for oil and gas, but also for water from melting snow in the north to the arid deserts of the south.

Ports and airports are also much-needed facilities for the poor countries, but they will never be able to afford these on their own. . . . The cost of infrastructure is very high. The poor cannot possibly build all these by themselves. The current foreign development aid would also be inadequate. A new reliable source of funds must be found.

It is normal in any country practicing market economy, for the rich to be taxed and the poor to benefit from the expenditure of the revenue collected by the government. It is time the world thinks of taxing the rich countries on a sliding scale, in order to gather sufficient funds to finance the construction of infrastructure in the poor countries. The basis of the assessment can be worked out and agreed upon. So can the agency which will collect and administer the revenue and implement the projects agreed upon. Of course, the agency must be elected democratically by the UN, and so must the international civil servants be chosen. No one country should dominate. . . . Even the expenditure on infrastructure development from the tax on the rich will benefit the rich also. Only they have the know-how, the machines, and the trained experts to carry out the projects. They will therefore get back a good portion of the money they paid for the world infrastructure tax. But beyond that, when the poor countries become richer, they will provide excellent markets for the goods and services of the rich. It will be a win-win affair.

There will be no debt for the poor to pay and neither will they be able to misuse their funds. The infrastructure projects can be decided and implemented by an international body which will be guided by experts. . . .

For many countries of the world, there is no hope that they can, on their own, eradicate poverty in their midst. Foreign aid has failed. So have foreign loans. Only an International Infrastructural Development Program, funded through an international tax and confining itself to building needed infrastructures, can overcome the poverty of these nations and the poverty of their people. . . .

Long ago, we [Asians] gave the world their religions and the wisdom of Confucius, Tagore, and others. It cannot be that today we are totally lacking in wisdom and bereft of solutions for the ailments of mankind. I am sure that even within this hall, there are brilliant minds capable of shaping a greater future for mankind. . . .

Asia and Asians have a great future in the 21st Century. We are not going to dominate the world. The 21st Century will be the century of the world. But Asians must play a big role in the creation of this century of the world.

This forum may discuss more mundane things, but it will only make its mark if from its meeting and discussions, great ideas emerge, ideas which will be as world-shattering as those of the ancient sages of our past.

French 'Elites' Lack Courage To Face Crash

Jacques Cheminade is campaigning to become President of France in the elections scheduled for 2002, with the backing of the Solidarity and Progress political group, of which he is president. He has been a decades-long collaborator of U.S. Democratic pre-candidate Lyndon H. LaRouche, Jr., whose policies he made nationally known in 1995, when he first ran for French President. Cheminade holds a law degree from France's Higher School for Business and a diploma from the elite National School of Administration (ENA).



*Last year, setting the tone for his Presidential campaign, Cheminade published his third book, *Roosevelt, de Gaulle, Monnet: Taking Up Their Fight*. (On June 16, 2000, EIR published his speech on the same theme, "*FDR and Jean Monnet: The Battle vs. British Imperial Methods Can Be Won*," which he delivered to the Schiller Institute conference in Bad Schwalbach, Germany.) Cheminade was interviewed in Paris by Christine Schier on Feb. 24.*

EIR: Our readers will be very happy to hear your analysis of the situation in France, as well as news on your Presidential campaign, which began in September. From the outside, what one hears about France mostly has to do with the scandals that have been shaking the political class, left and right. The "Elf Affair" has been catching the biggest headlines. President Jacques Chirac is in deep trouble; Prime Minister Lionel Jospin is not unscathed. To what extent does this affect French policy at home and abroad?

Cheminade: I said during my Presidential campaign in 1995: The 1995-2002 Presidential term (the term then was seven years, now it is five) would be the Presidency of the crash, and no candidate, other than myself, was prepared for it. Now, here it is, and no one is prepared. The scandals are, in a sense, a by-product of that incompetence, because the political leadership is unable to control what is happening. And at the same time, certain interests in the Anglo-American camp are using them as blackmail against French institutions.

As for Elf—the company is now called ElfTotalFina—let me mention that it was a French oil company, and just like any other international oil company, it was also a front for dirty operations by the French secret services in Africa and

for weapons trading. The affair began, when Philippe Jaffré handed the investigation, which had more or less calmed down at that point, over to the New York law firm of Wilkie Farr and Gallagher, which we know very well as a core of the Anglo-American establishment. This information was immediately used as a way to blackmail French institutions.

Confronted with such a situation, the French political elite has absolutely no courage. They have no idea—and worse still, they don't want to have an idea—of what to do about the crisis. They deny publicly that there is a crisis, saying that things have never been better, while privately being very worried. In such a situation, the population starts to realize that the leadership is not up to the task. And that is why, in the Presidential campaign, which—by the normal rules of the game, would be completely controlled by Jospin on the left and Chirac on the right—there's more and more talk of the need for a "third man." And everybody wants to be that third man, so, there will be an overflow of candidates.

As for our organization, although we are relatively small, we are much stronger than we were in 1995. It is known that we warned—and I personally warned during the last campaign—of what was going to happen. So, the more the crisis develops in France, the more I gain in credibility, and even more so, as a person whom the French establishment has persecuted. My credibility grows, not because the population identifies with a victim, but because they understand that a person depicted as a "minor candidate," was in fact attacked and persecuted simply for telling the truth, and for being connected internationally to the LaRouche movement and to our friends in Russia, in India, in Ibero-America, etc., who propose a real alternative.

EIR: What do you mean by saying you were persecuted during the 1995 Presidential campaign?

Cheminade: During the campaign, the press attacked me to such an extent that even the Higher Council of Broadcasting declared that I was not granted equal time by the media. Another agency, the Campaign Control Commission, stated that coverage of my candidacy was biased. But, concretely, these findings had no effect, as they were announced on the Friday just before the elections took place. I was slandered, and so was LaRouche. I had been labelled an anti-Semite, extreme right-wing, bizarre, and so on. The national television network TF1, for example, ran the worst picture they could find of me. It was so overdone, it was not credible. But it was enough to create uneasiness among certain voters who, although they may have been tempted to vote for me, chose another candidate or did not vote.

Now, this "overkill" approach they used toward me is actually turning in my favor. They simply overdid it and they knew it. So, they pulled a second trick after the campaign, in order to prevent me from capitalizing, in the future, on their stupidity. They decided that my campaign expenses would not be reimbursed by the state, which is standard practice for a Presidential candidate in France, no matter how many votes

he gets. My accounts were rejected, and it was decided by the Constitutional Council that I personally would have to pay the 5 million francs I spent during the campaign. That came down to bankrupting me personally.

At that time, the head of the Constitutional Council was Roland Dumas. Now, Dumas is being tried in court and is about to be convicted for what he did as Foreign Minister [under François Mitterrand] in order to protect certain operations of personal enrichment, especially for his mistress, Christine Deviers-Joncourt. So Dumas is totally discredited, and he is the one who headed the Constitutional Council when they rejected my campaign account.

Now, a journalist from *Le Monde*, Hervé Gattegno, has revealed that the judges who were on top of the Dumas case, Eva Joly and Laurence Vichnievsky, discovered in Dumas' personal coffers, the original campaign accounts from Jacques Chirac and [former Prime Minister] Edouard Balladur. And these accounts prove that they overspent in the campaign, especially Chirac—they went way over the limit allowed for their expenses, and their accounts should have been rejected. But they were not, because Dumas had arranged for them to be doctored, and presented in a legitimate way—which means lying. So now, it is becoming more and more widely known that the Constitutional Council did not act as an instrument of French justice, to ensure the elections were conducted in a fair way, but, on the contrary, it served as a weapon of the French elites to prevent a newcomer, one with my ideas, from coming on stage. This is becoming so clear that even certain alumni of the National School of Administration are considering intervening in my favor, to denounce a great scandal in French politics.

So, my new campaign will take place in a very different environment than the first one. The French institutions and French elites are under attack, and they have proved their utter lack of the courage required, to do what they should have done. Second, I am known as the one who exposed them. Third, people understand that it is the international situation that determines what is happening in France. For these reasons, things are much more favorable for our ideas and my candidacy than they were in 1995. There is no doubt about that. And we decided, since one should never repeat the same tactic, to start the campaign early, even with the relatively limited means we have, throughout France.

And now, in contrast to 1995, we have many more people supporting us. Some of the mayors [who had signed petitions in 1995 for Cheminade to acquire ballot status] were so shocked by what happened five years ago—when it was said that the mayors supporting my campaign had been subjected to bribery, sexual seduction, and whatnot—that they have decided to sign a declaration, saying they would support me again, and that they consider me to be, as far as they can see, the best candidate they can think of.

EIR: There has recently been a major offensive by the employers union, in particular attacking the retirement and old-

age-benefit plans. How do you plan to intervene on this question?

Cheminade: First of all, Medef, the French employers union, is not headed by industrialists, but by people from the banking and insurance sectors who clearly represent the dominant Anglo-American conception of economics. Denis Kessler, the “Leporello” of Baron Seillière, the head of Medef, is a former Maoist who converted to insurance management, and now he is the “intellectual light” of Medef. He promotes a violent Thatcherism, totally contrary to the French tradition. He wants employees to have to work longer before retiring, and then, to receive less during their retirement. He also wants to create pension funds à la American, or à la British, or à la Chilean, in France. His approach, however, is so crude that it has provoked a lot of opposition. Some of the unions, the so-called Christian unions that are not Christian, have supported Kessler and Medef, while the others are resisting. That has exposed these unions as following a policy of total cooperation with Anglo-American interests.

What is interesting, is that the battle is now out in the open. Traditionally in France, the fight tends to be under the table, and Venetian in nature. Now, it's clear. So, it is becoming dangerous for the forces in France favorable to a compromise with the Anglo-American powers, because they have to fight in the open. And you have a certain tradition of directed economy in France, which is coming to the fore, and the Gaullist tradition of an independent foreign policy, as expressed by Hubert Védrine, the Foreign Minister. For example, France was the only Western country that condemned the British and American bombing of Iraq.

Then you also have the campaign I am conducting, and the reaction to it in certain trade unions and political parties, including those in the present government. In this situation, the enemy has to do something. And this time, as usual, they are sending countergangs into the scene, whose role it is to distract the opposition from the real issues. There are various operations. One is around the Pôrto Alegre summit [the so-called World Social Forum in Pôrto Alegre, Brazil, to protest “globalization”]. Most of those attending or supporting it, were honestly against the International Monetary Fund [IMF], the World Bank, and the financial market economy. But they promote an ideology of “each against all,” where everyone comes with his own recipe, his own complaint, and they claim that it is by adding up what each one says at the lowest level, that they will come up with a solution. This time, in Pôrte Alegre, there was not even a final declaration. The organizers claimed that this was normal, because it is impossible to find common ground today, that that would be totalitarian. Instead, what is needed is a sum of small fights and small experiences throughout the world. This, as we know historically, leads absolutely nowhere except to suicidal actions.

This operation was in great part French, and also supported by Teddy Goldsmith. He just launched a French version of his English-language publication, *The Ecologist*, with the first issue in Autumn 2000. The Winter issue promotes a

farm leader named René Riesel. His political tradition, he says, is to be against the idea of progress. He is in the tradition of the Luddites in England or the Canuts in the Lyon region of France, that is, the workers who, during the 19th Century, destroyed machines in order to keep their jobs. So it's clearly an anti-technology movement. This is the extreme version, but there are also softer versions.

For example, José Bové, who launched a big movement against genetically modified products of all sorts: He claims that bovine spongiform encephalopathy, or "Mad Cow" disease, comes from too much technology, from too much "intensive agriculture." He promotes a tax on institutes involved in research on genetically modified plants and vegetables. He had attacked such centers many times, and has been sentenced to some months in jail, and is now at least in his fifth trial. What could develop out of this, is an uprising with no program, which would be dangerous and destabilizing. At this point, even the old Trotskyites have condemned José Bové as being anti-science and anti-progress.

EIR: What following does Bové have among farmers?

Cheminade: Not so much among the farmers. But the "bobos" like him, the "*bourgeois bohémiens*" of the new type and their sons. His General Peasants Confederation (CGP) has about 25% of the vote in the elections for the Farm Board, and, until now, the FNSEA, which is a sort of corporatist, pro-science farmers union (but no good either), has had about 50% of the vote. But, in Brittany, one of Bové's men who was heading the regional organization of the Board, just lost, because the farmers think Bové's methods are too adventurist and that he is really attacking the farmers, by attacking their methods of production. So, he has little support among farmers, but rather large in the cities, among the post-'68ers.

At the same time, they had to level attacks against the IMF, the World Bank, and financial policies. So, the ground on which the fight is taking place is favorable for us, because on that issue, they have nothing to say, except that they are *against*, and they propose a single-issue method, which leads nowhere.

EIR: Another aspect of the international fight against globalization coming from France, is the ATTAC movement, which also includes many parliamentarians.

Cheminade: It also includes Bové's General Peasants Confederation. The vice president of ATTAC, François Dufour, is president of this confederation. There are also militants from the CGT, the ex-Communist labor union. ATTAC was founded to promote the Tobin Tax [on financial transactions], but now they are also against the market economy and the financial domination of international markets. It was an operation of Bernard Cassen's *Le Monde Diplomatique*. What they do, is they patch together people of various affiliations, who have not been directly involved in politics and who are fed up with the existing political parties. There is nothing wrong

with that in itself, but it became subverted, when a strong ecological impetus was given to the movement, and anti-technology and anti-development influence became more and more important, even hegemonic. Then it took the form, as was expressed in Pôrto Alegre, of an alliance with Bové and others.

If you see the thing from above, as a whole, you have Teddy Goldsmith (he is now called "Edouard" Goldsmith in French) launching his operation. It goes into the Riesel extremist movement, and from there, to the José Bové crowd, then to ATTAC, and finally to Pôrto Alegre. None of them are exactly the same, but in a kind of domino movement, one reaches the next and topples it.

You do find people in ATTAC who are pro-science and pro-technology, who are becoming better aware—thanks to our intervention—of this connection. It is, of course, a political operation, but it was made possible by the ideological weaknesses of the people involved.

And what we bring in, is a much clearer reading of the situation than anybody else has in France. At this point, the Jacobin potential of this movement is being opposed by what we are proposing. This creates, for example at ATTAC forums, a tremendous fight between people on the ecological side, who have hated us historically since the 1970s, this whole swamp, and our side. Now these people are compelled to bring the fight into the open. They can no longer prevent us from talking, we can be very visible, publicly. And my Presidential campaign will be a spearhead of that.

EIR: Concerning the ecologist, green movement, a scandal just broke around Daniel Cohn-Bendit's defense some 25 years ago of children's sexuality. This is also an issue in Germany. What do you think is behind these revelations?

Cheminade: First of all, you have a certain "Ibykus principle" involved: Something wrong done in the past will come back to haunt you in the future. So Cohn-Bendit admits having written these things, but denies having done them. He says it was merely a provocation. But what you find in the book is extremely interesting. Beyond his description of so-called sexual flirtation with children, he says that young children were a challenge for him, because he felt just as young, and as infantile, as they. I think this is even more important, to see the infantile self in this crowd.

We, in the past, stressed this aspect of the ecological movement, and in particular of Cohn-Bendit. Nobody wanted to cover it. Today, it is coming out massively. There are two sides to this. On the one hand, the truth is out in the open, and it is absolutely legitimate. Even *Libération*, the French newspaper that promoted this mind-set in the 1970s and 1980s, published an article apologizing and admitting that they were wrong.

On the other hand, it should also be understood that this big attack against Cohn-Bendit is being used by the right-wing fundamentalist networks, called the "moral order" in

France, who claim to be on the other side of the pendulum, so to speak. But, in fact, what they propose is the same: It is the negation of the creative powers of the human being, but from a different standpoint.

This is what is important to understand in the Cohn-Bendit affair. The only true opposition to what he wrote and to what he and his friends were doing, is what we represent, and not something which denies the possibility of a society based on change for the good, instead of simply on repressing evil. This optimistic form of society, one based on hope, is exactly what we want to bring forth in our campaign, showing also what has to be done, personally, in order to be prepared to promote this good. It is a moral and personal issue, it is a matter of efforts to change an ideology that has dominated all Western countries, if not the world, for the last 30 to 40 years.

And this change in the moral, intellectual, and social parameters is exactly the way people in France sense, at this point, that there is a crisis. It is not yet really understood in its financial, monetary, and economic dimensions, but in its effects on the moral and intellectual ground, because of the tendency for cuts in social security, in health care, in the problem of education, especially for youngsters who are the sons or grandsons of immigrants, and the problem of security in the cities. It is through these effects that people can understand the causality and, in every case, we have to stress the real causality. If not, some people will be attracted into this Jacobin upsurge, and others will be demanding law and order and security, but only as single issues. We must show that security and justice can only come through new economic development and the fight against the financial interests and the Anglo-American faction, as it is reflected in France.

EIR: I would like to ask you your idea about French-German relations. Former President Valéry Giscard d'Estaing recently deplored the fact that they are not as good as they were when he was President and Helmut Schmidt was Chancellor.

Cheminade: You can't have good French-German relations with a Jacques Chirac or a Gerhard Schröder on one and the other sides. This type of leader has no sense whatsoever of what those relations should be. Franco-German relations can only be maintained as a living body, if there is a sense of grand design, or mission, in both countries.

A French-German foreign policy should be in alliance with those, in Russia and elsewhere, who want development and fair relations, and at the same time there must be an understanding of what is happening in the U.S., and that is lacking. In Germany, there is a tendency to be more pro-American openly, and then maybe anti-American under the table; whereas in France, there is anti-Americanism which is linked to this Jacobin tendency, and which could be very dangerous.

France and Germany should work to change policies in the United States, by supporting the right people. I don't mean intervening into the domestic situation of the United States, but by exerting pressure internationally for a different policy.

Macedonia: Is the Big Balkans War Coming?

by Alexander Hartmann

The evil spirits that NATO has conjured up in the Balkans, cannot be put down again. Since the news spread, on March 3, that three Macedonian soldiers had been killed in fights with terrorists of the ethnic-Albanian "National Liberation Army" ("UCK" in Albanian, like the "Kosovar Liberation Army" in neighboring Kosovo), the entire region fears a new war, the fifth since 1989. This could become the detonator of a much bigger conflict, and might engulf not only Macedonia, Serbia, and Kosovo, but also Bulgaria, Greece, Albania, and NATO.

Now, finally, NATO is coming under pressure to move against the UCK, which it had handled with velvet gloves until now. Not only Yugoslavia and Macedonia are demanding that there be action against the UCK terrorists; all governments in the region, including Albania, Serbia, Bulgaria, and Greece, are unanimous in their condemnation of the UCK's actions. Even a spokesperson for the (conservative) European People's Party (EVP) faction within the European Parliament, in an interview with the German radio station Deutschlandfunk, pointed to the fact that the UCK is operating freely from the section of Kosovo controlled by the U.S. contingent of KFOR. During the day, there are American patrols, but at night, U.S. forces withdraw to their fortified barracks, leaving the territory to the UCK. Hundreds of UCK militants can cross the borders to Serbia and Macedonia, unchecked, to go about their bloody business, under a slightly amended name.

In fact, the UCK should not exist at all anymore, since it had agreed to disarm and disband, according to the agreements by which the Kosovo war was ended. But, this never happened: The UCK has hundreds of mercenaries operating in Southern Serbia and Macedonia, which are regularly being replaced by fresh troops; these troops are astonishingly well equipped, and obviously, they have weapons caches and training camps in Kosovo, right under the eyes of KFOR.

Albright as 'Frankenstein'

One is reminded of "Frankenstein's Monster." When in the Autumn of 1998, the world financial system was about to collapse after Russia had stopped paying its debt, and Russian Prime Minister Yevgeni Primakov was about to negotiate a new architecture for the world financial system with President Bill Clinton, the UCK was just what U.S. Secretary of State Madeleine Albright and Vice President Al Gore needed.

The moderate leader of the Kosovars, President Ibrahim

Threatened by New 'Macedonia' War



Sources: NNICC; EIR.

Rugova, was thrust to the sidelines at the negotiations in Rambouillet, France, run at that time by Albright. Suddenly, the UCK gangsters—who were smuggling weapons and drugs and had rightly been called terrorists by the Western governments—became the “respectable” and “legitimate” representatives of the Kosovar Albanians. Albright suppressed the fact that the Albanians had elected Rugova their President with more than 90% of the vote.

The UCK was used to prevent a peaceful agreement with Serbian President Slobodan Milosevic, and to assure a war against Serbia. NATO bombing began on March 23, as Primakov was en route to Washington; he was forced to turn his plane around over the Atlantic, and he and Clinton were prevented from discussing a new financial architecture for the world. It was a signal to Russia, and to China, of “who’s boss.” During the Kosovo bombing, the UCK was built up massively, as an ally of NATO.

The bombing ended, and it was agreed upon to turn the UCK into a police force for Kosovo, which was to give up its heavy weapons. Along the border to Kosovo, a three-mile-wide strip of Serbian territory was “demilitarized.” The Serbian army was banned from the area, and only lightly armed Serbian police were allowed to enter, in order to protect the local Albanian population from the Serbs.

But, soon enough, a “mysterious” group, calling itself the “Liberation Army of Presevo, Medvedjy, and Bujanovac” (UCPMB), appeared, which by all appearances was a copy of the UCK. But, it was not mysterious at all: simply units of the UCK, which had changed their name only, and it was no secret, that they were coming from KFOR-guarded Kosovo. The same is true for the equally “mysterious” “National Liberation Army” (UCK) operating in Macedonia. But, the UCK is also operating within Kosovo, attacking KFOR units more and more often, sometimes in open daylight, and killing moderate Albanian civilians.

Outlines of War

Militarily, it would not be a big problem to mop up the UCK, neither for Yugoslavia nor even for weak Macedonia, and certainly not a big deal for NATO; however, this would certainly polarize the civilian Albanian population, in Kosovo, Southern Serbia, and Macedonia, and thus lead to a much wider conflict. A radicalization of the Albanians in Macedonia, who make up one-third of its population, would break up that country, and it would be impossible for Albania, Bulgaria, and Greece to stay out of the conflict, not to mention NATO, which has 20,000 troops stationed in Macedonia. Bulgaria and Greece have already offered to send troops as part of an international force to protect Macedonia, and on March 6, Bulgaria and Macedonia signed an agreement on military technical assistance.

For now, a large majority of the ethnic Albanian population still supports moderate leaders such as Rugova, or the Albanian parties which are part of the Macedonian government, who are working toward greater independence solely through peaceful means, and have denounced the UCK atrocities. But, a continuation of the turn-the-other-cheek approach toward the UCK, will soon lead to a radicalization of the Serbian and Macedonian population, which will force these governments to take more aggressive measures to contain the terrorists. Either way, a further escalation of the conflict is foreseeable.

In order to re-establish peace, a rapid economic reconstruction of the region is necessary. If the massive unemployment, which amounts to an average 40-50% of the workforce in all countries of the region, is reduced, it will become much more difficult for the UCK and other radical groups to recruit mercenaries. In order to launch such a reconstruction effort, the world needs a new financial system; this, in turn, would dry up the mafia-linked financial resources which the terrorists need to continue their fight.

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Book Reviews

Some Reflections on The Controversial Mr. Finklestein

by Mark Burdman

The Holocaust Industry: Reflections on the Exploitation of Jewish Suffering

by Norman G. Finklestein

New York: Verso Books, 2000

150 pages, hardbound, \$23

In the year 2000, American Jewish historian Norman Finklestein's *The Holocaust Industry* drew considerable controversy, in the United States, Great Britain, Israel, and Europe, after its English-language publication. Now, in February 2001, a new wave of controversy is erupting in Germany, following the release of a 50,000-run, German-language edition by Piper Verlag, and the estimated sale, as of the Feb. 10-11 weekend, of 40,000 copies.

The book has drawn many reviews in the German media, almost all negative. Finklestein has been denounced, on the Second German television station (ZDF) and elsewhere, as a "conspiracy theorist," and has frequently been accused of abetting "right-wing extremists" and "Holocaust deniers." A documentary sympathetic to the book's central thesis, made by London-based German filmmaker Tina Mendelsohn, was cancelled by the Südwest Rundfunk television station, at the last moment before it was to have been shown. But it was in fact shown later, on the evening of Feb. 10, on Südwest Rundfunk, and was followed by an animated panel discussion, with strong views expressed for and against Finklestein's thesis; Mendelsohn was one of the panelists.

Finklestein appeared at a panel discussion, at Berlin's Urania Theater, on Feb. 7, with an extremely rowdy and hyped-up emotional response from many of the 1,000 attendees.

'Crass Exploitation of Jewish Martyrdom'

What is the "Finklestein fuss" all about?

In *The Holocaust Industry*, Finklestein takes on, very polemically, two interrelated issues.

One, is his handling of why it is that the Nazi Holocaust against the Jews has, only in the past three decades, and especially in the 1990s, become such a gigantic issue for American Jews, to the point that it has become the centerpiece of "being Jewish," almost a religion-in-itself. This is in contrast to 1945 through the late 1960s, when the Holocaust was not only *not* a big issue for American Jews, but was often avoided as a subject, by leading figures in the American Jewish community. Finklestein attributes this shift, somewhat superficially, to the new power relationship between the United States and Israel, after Israel's devastating success in the June 1967 Arab-Israeli war.

What has produced most of the controversy, is the issue from which the book draws its title. Finklestein's bitter accusation is that leading Jewish organizations and U.S. law firms have massively profited, financially and politically, from what he describes as "crass exploitation of Jewish martyrdom," in particular, during the post-1995 battles with Swiss banks and German private industry for compensation, in the former case, for alleged bank accounts of Jewish victims of the Nazis, and in the latter case, over the issue of slave labor. He charges that the efforts of this "Holocaust industry to extort money from Europe in the name of 'needy Holocaust victims,' has shrunk the moral stature of their martyrdom to that of a Monte Carlo casino."

What adds to the controversy, is that Finklestein cannot be summarily dismissed as a "Holocaust revisionist," who denies that the Holocaust took place. Quite the contrary. He is the son of (now-deceased) Holocaust-survivor parents. Clearly, this has been the defining feature in his life, and has, to a significant extent, agonized and traumatized him. In the Mendelsohn documentary, he stressed that his father was never willing to speak about his experiences in a concentration camp, because it was too painful to talk about. One driving emotion in the book, as he frequently makes clear, is that his mother received a bare pittance in reparations for her sufferings, while, in contrast, vast sums of money are being reaped by corrupt and cynical institutions and law firms, which presume to be the advocates of "Holocaust survivors" in the cases with Switzerland and Germany.

ADL and Bronfman on Trial

On this second, highly controversial matter, Finklestein is essentially right. Even if many of the specific facts and figures he cites have been questioned, such as his charge that the number of presently living Holocaust survivors has been grossly inflated in order to build up the monetary figures of "compensation," and even if, as we shall see, his understanding of the deeper political context for the ongoing "extortion racket" and "shakedown" is much too narrow, he offers some devastating descriptions of the terror, economic blackmail, and fraud used to gain large sums of money.

He is certainly on target, in identifying the U.S. Anti-Defamation League (ADL) of B'nai B'rith, as central to this

operation, and in labelling ADL National Director Abe Foxman a “Holocaust-monger.” He also blasts former ADL National Director Kenneth Bialkin, as someone who has been making vast fortunes, in the “Holocaust victims’ litigation.” There is no doubt, as publications of the LaRouche movement have documented over the past two decades, that the ADL has been up to its neck for years, in exploiting nominally Jewish issues for its own benefit. Posing as defenders of Jews against anti-Semitism, the ADL leadership often seems to be nothing more than a bunch of thugs and gangsters.

Finklestein is also right, in attacking the role of the World Jewish Congress and its chairman, Edgar Bronfman, who is also a senior figure in the ADL. It sent chills down this reviewer’s spine, to watch Israel Singer, the real estate magnate who is both WJC secretary-general and chairman of the team negotiating slave-labor compensation with German interests, on television, being interviewed by Mendelsohn. His speech and smirking facial expression were like that of a Mafia boss, glorifying in his ability to blackmail and threaten the relevant German concerns. Especially blood-curdling, was his boasting about how he “cynically” (his word) would bring Holocaust survivors into negotiations on reparations payments, to disorient and arm-twist the German interlocutors.

Singer also glibly characterized the publicity given Finklestein’s book in Germany, as, in his view, a typical effort by the German media to whitewash the Nazi period. Such comments, and Singer’s general disposition overall, have to be seen as all too understandable, from a man who is the chief henchman for liquor magnate Bronfman. This is the same Bronfman who fanatically opposed German reunification in 1989, and who was a long-standing partner of the former East German Communist government and intelligence services, to the point that he received, on Oct. 17, 1988, the “Gold Star of People’s Friendship,” from East German leader Erich Honecker personally. Bronfman’s efforts against German unity were instrumental in the campaign of then-Prime Minister Margaret Thatcher et al. in Britain, to portray united Germany as a “Fourth Reich” threat to the world.

Singer’s snipe at Germany is the giveaway, that the ADL and WJC have been important pawns in the hands of those Anglo-American elites who have been determined to prevent a united Germany from becoming the locomotive for an industrial-technological renaissance throughout Eurasia, along the lines of what Lyndon LaRouche proposed in his “European Triangle” program in November 1989. It is certainly no accident that the “shakedown” Finklestein describes, took off in the 1990s, after Germany became unified, and especially in the latter 1990s, as the accelerated global financial crisis brought the relevant Anglo-American elites to a state of desperation, against their continental European “competitors.”

It is unfortunate, that Finklestein does not discuss the underlying “geopolitical” and “geo-economic” dynamics, that propel the “Holocaust industry” into new heights of pressure, blackmail, and extortion.

The Hannah Arendt Trap

As useful as his blasts against the ADL and Bronfman’s WJC may be, Finklestein’s overall approach must be handled with care. His arguments can be simplistic and dangerous.

The most egregious case is to be found in the concluding chapter, where he sums up his ideas. There, he correctly notes that the Nazis took the inspiration for their sterilization laws, in significant part, from laws that had been adopted in more than a majority of American states, earlier in the 20th Century. And he notes, correctly, that “Blacks in the American South suffered the same legal disabilities, and were the object of much greater spontaneous and sanctioned popular violence than the Jews in prewar Germany.”

But in his zeal to equate bad American policies with Nazi policies, he goes off the deep end, and writes, in a footnote: “The vaunted Western tradition is deeply implicated in Nazism as well. To justify the extermination of the handicapped—the precursor of the Final Solution—Nazi doctors deployed the concept ‘life unworthy of life’ (*lebensunwertes Leben*). In *Gorgias*, Plato wrote: ‘I can’t see that life is worth living, if a person’s body is in a terrible state.’ In *The Republic*, Plato sanctioned the murder of defective children.”

This is dangerous nonsense. As written, it amounts to holding Plato—whose supposed “quotes” are taken totally out of any context—responsible for Nazism. Any halfway competent account of Adolf Hitler and the Nazis, as well as the testimony from Hitler’s own statements and from his *Mein Kampf*, show that the Nazis were violent enemies of the basic tenets of “the vaunted Western tradition.” Leading Nazis were followers of Friedrich Nietzsche, the bitter enemy of Plato’s teacher Socrates, and of Jesus Christ. Nazism was a pagan pseudo-religious cult, the enemy of which, was Christianity. The Jews were hated for more than just biological or racial reasons, but because they were blamed for having created Christianity. Had Hitler not been defeated, there is no doubt that he would have initiated the mass extermination of Christians, after the “Final Solution” for the Jews.

It is the last sentence in the cited footnote, that shows what Finklestein’s axiomatic problem is. There, he favorably quotes Hannah Arendt, who, judging from several strategically placed positive references to her in the book, is some kind of intellectual inspiration for Finklestein. Arendt was a chief figure in the so-called “Frankfurt School,” which built its influence largely upon the Goebbels-style “Big Lie” that Nazism was the end-result of those impulses in Western Judeo-Christian civilization, that sought to discover the truth. Ironically, Arendt walked in the footsteps of the same Nietzsche whom leading Nazis worshiped. As LaRouche has often pointed out, the main thing that prevented her from being a Nazi sympathizer—as was her former lover Martin Heidegger—was that she happened to be Jewish.

Finklestein’s great admiration for Arendt, and for her epigone, linguist Noam Chomsky, is consistent with a certain knee-jerk support for popular “left-radical” causes. In the end,

his political insights are quite shallow, in respect to understanding whence the troubles of the “Holocaust industry” originate. He is incessantly focussing on “Jewish organizations,” without identifying how these are used, or instrumentalized, for strategic ends that are defined by the foreign policy establishment in Washington, New York, and London.

Adenauer and Ben Gurion

Because of the combined “leftist” bias and narrow fixation on “Jewish organizations,” Finklestein tends to put the entire “reparations” story into one basket, overlooking, mistakenly, in my view, the early-1950s personal efforts of then-West German Chancellor Konrad Adenauer and Israeli Prime Minister David Ben Gurion, with the assistance of the late World Jewish Congress head Nahum Goldmann, to positively resolve this thorny issue. Both Adenauer and Ben Gurion faced significant domestic opposition to concluding such a “German reparations” arrangement. Adenauer was facing the horrible postwar economic situation in Germany, and personally refused to compromise with any “German collective guilt” notion, insisting — as was indeed formulated in the final agreement — that the Nazi crimes were committed “in the name of the German people.” Ben Gurion was being attacked viciously, by the Menachem Begin-led Israeli “right wing,” for dealing with “German criminals.”

But both brought a sense of mission to the talks, and felt driven by the need to compromise, in a spirit broadly consistent with the 1648 Treaty of Westphalia that brought an end to Europe’s Thirty Years War. Both understood, that the horrors of the past had to be superseded, by a positive notion of future cooperation, or else a sore would be endlessly kept open, and new horrors would arise. Even if the arrangement was far from perfect in many respects, it showed a method of thinking and negotiation far different from the crude and cynical operations of Singer, Bronfman, et al. today. Goldmann’s involvement is particularly relevant, as it underscores how different the WJC was under his leadership, in contrast to the Bronfman-Singer mafia of today.

By the same token, it is disappointing, that Finklestein does not counterpose a positive notion of Jewish identity, to that of the “Holocaust-mongers.” As certain Jewish critics, including in Israel, have pointed out, the particular form of Holocaust-mongering of recent times, makes it seem that modern-day Judaism owes its existence to Hitler, rather than God. (For this and other questions, the interested reader might want to look at the book by University of Chicago Prof. Peter Novick, published in 1999 in the United States as *The Holocaust in American Life* and in Britain in 2000 as *The Holocaust as Collective Memory*. It has also just been released in German. Finklestein’s book is an expanded version of a review he wrote of Novick’s book. Although suffering from over-academic discourses, Novick does take on the issue of how the Holocaust, as discussed in the United States since about 1970, has been used to remove the *universalizing* thrust of

Judaism, as would be associated with the German Jewish philosopher Moses Mendelssohn, and has instead inculcated a belief in *Jewish separateness* and *Jewish victimization*.

What Happened in the Late 1960s?

It is above all regrettable, that Finklestein has such a superficial view of the changing dynamics after 1967. I would put the problem in the following way.

This reviewer was born in Brooklyn, New York, into a Jewish family, soon after World War II, and, while not nearly as directly affected by the Holocaust as Finklestein has been, grew up hearing horrible stories about Jewish relatives who had been murdered by the Nazis in regions of the then-Soviet Union, and meeting Holocaust-survivor cousins, who emigrated to the United States after having witnessed their own parents being hauled off to the death camps, and who were, to one degree or another, traumatized. All the more for this reason, I have always been nauseated by the cheap exploitation shenanigans about the Holocaust, in recent decades.

What is especially enraging, is that the specific way in which the Holocaust has been portrayed, in the vast majority of cases of which I am aware, has falsified history, to the extent of, one, depicting the Nazi crimes as against “Jews only,” and, therefore, as “unique,” and second, coming up with all sorts of bizarre and misleading explanations, for how and why Hitler came to power, and the nature of Hitler’s rule, culminating in the atrocious book by Harvard University Prof. Daniel Goldhagen, *Hitler’s Willing Executioners*. (Against which Finklestein, by the way, has co-authored an effectively brutal refutation. In *The Holocaust Industry*, he reports that both ADL National Chairman Foxman and WJC Executive Director Elan Steinberg tried to prevent that refutation from being published.)

It is no accident, in my mind, that this misuse of the Holocaust has been shaped to shield from public attention the reality, that the descendants of the same Anglo-American-centered financier and political elites who helped to put Hitler into power, have been setting in motion a *far worse genocide, threatening billions of humans*. Not accidentally, the move in this genocidal direction, was initiated in 1966-67. This is the time when the relevant elites began to “re-configure” the United States around what is known as the “Southern Strategy,” to bring about a deindustrialization of the United States and other nations, together with a growing mood of racism and cultural pessimism. The post-1966 shifts in the United States, were reflected in a new foreign policy, emphasizing Malthusianism, “population control,” and the like.

It is one of the interesting curiosities of history, that a key advocate of radical Malthusianism, from 1966 on, was then-freshman U.S. Rep. Sir George H.W. Bush, father of the current President. Sir George’s own father, Prescott, was one of those who provided crucial funding to help bring the Nazis to power in January 1933, after Hitler et al. had suffered serious electoral defeats in November 1932.

The Learned Academic Meets The Scientific Musician

by David Shavin

Johann Sebastian Bach: The Learned Musician

by Christoph Wolff

New York: W. W. Norton & Company, 2000
599 pages, hardbound, \$39.95

The overriding impression left by this work, is that of the famous *New Yorker* cartoon, whereby a woman is pictured coming out of a theater, and inquiry is made of her: “Mrs. Lincoln—aside from the ending, how did you enjoy the play?” Only here, the assassination in Professor Wolff’s opus is perpetrated at the onset.

To his credit, Christoph Wolff, perhaps the pre-eminent Bach scholar of the academic world today, has kept his lifelong passion for Bach alive even into his years as Dean at Harvard University. His revision and expansion of the letters and documents of Bach’s life (*The New Bach Reader*, originally compiled and edited by Hans David and Arthur Mendel) was published in 1998, and is invaluable for English-reading students of Bach’s life. Wolff’s lifelong pursuit of the missing music library of the famous Berlin Singakademie, a passion from his graduate school days, was rewarded with success just recently. Further, he is no deconstructionist or relativist. He even attempts to situate Bach as a thinker, a musical scientist. However, in attempting to address the genius of Bach, he displays a remarkable gaffe, characteristic of the pathetic, ideological blinders of even the best of modern academia.

His opening chapter, “Prologue: Bach and the Notion of ‘Musical Science,’ ” begins by properly defending Bach from the attacks made upon him in his day, that Bach had pushed music beyond entertainment, that he needlessly complicated matters. Rather, Bach fought for truth, and hence developed music. Here, Wolff cites Bach’s dedication of some music (part of which would later be incorporated into his *B-minor Mass*), as an example of Bach’s scientific view of music: “To your Royal Highness [the Elector of Saxony] I submit in deepest devotion the present small work of that science which I have attained in ‘musique.’ ” Unfortunately, Wolff then

identifies that science: “Bach’s music—his search for truth—was affected more, both subconsciously and consciously, than that of any other contemporary musician by the spreading culture of Newtonianism.” Wolff develops this line with two illiterate whoppers:

1. “Newton by 1750 represented the undisputed paradigm of the scientist as genius.”

2. Newton “was especially revered in Leipzig, whose university had in Bach’s time become the center of Newtonianism in Germany.”

Even the contemporary proselytizers of Newtonianism, could not have managed these illiteracies. First, the “undisputed paradigm” of 1750 was much disputed. The undisputed and lazy image of our modern world, regarding both Newton and science, is the unfortunate product of the wrong side of those intense disputes in Bach’s time. For the last two decades of Bach’s life, Maupertuis and Voltaire were manufacturing those disputes against the actual science of Gottfried Leibniz, as a way of trying to promote Newton. And Bach was more than aware of this. In 1747, with his *Musical Offering* to Frederick the Great, he personally intervened in defense of Leibniz’s method, against the Newtonian.

Second, Wolff’s proof that Leipzig University was the German center of Newtonianism is, according to his footnote, as follows: “The Leipzig periodical *Acta Eruditorum* published in 1714 one of the most important early reviews of Newton’s principal opus, with a careful collation of the 1687 and 1713 editions of the *Philosophiae Naturalis Principia Mathematica*.” Even deeper into the swamp sinks Herr Professor. Not only was the *Acta Eruditorum* known by one and all as the premier scientific journal of Leibniz’s works, from the time of its founding in 1682 by Leibniz’s collaborator, Otto Mencke, but also, the 1714 collation, in particular, was famous for displaying the 1713 alterations made in Newton’s 1687 *Principia*, by way of exposing the empty spaces of Newton’s thinking. The actual school of geometrical physics, from Kepler, Roberval, Fermat, Desargues, Huyghens, Leibniz, and Bernoulli, had managed to develop quite well throughout the 17th Century without Newton’s so-called methods. And in the 26 years between the two publications of *Principia*, Leibniz’s “*analysis situs*” methods continued to

predominate throughout scientific circles in Europe. The 1713 republication of *Principia* was part and parcel of a war declared against the scientific and political genius of Bach's world, Leibniz. The 1714 *Acta* publication on Newton's editions was the center of the opposition to the marketing of Newton. None of the readers of the *Acta* in Leipzig, or elsewhere, could have thought otherwise.

That Wolff cites the 1714 *Acta Eruditorum* review of Newton's work, as the proof that Newton "was especially revered in Leipzig," is more than a little distressing. Not only did he evidently not read the Leipzig review himself, but he seems to have relied upon an incompetent source to summarize it for him. (If Wolff has misread his source—likely his colleague, I. Bernard Cohen, unfortunately—it would be a misreading that is coherent with the thrust of Cohen's adulation of Newton.)

To attribute this matter to monumental levels of ideological blindness and illiteracy on, at least, Wolff's part, is the charitable interpretation. This "ideological blindness and illiteracy" theory is supported later on, when, in one of the only two sentences in the book using Leibniz's name, Wolff commits a similar, though minor, illiteracy. He makes reference to a supposedly Leibnizian theory of "preestablished harmony." If one assumes this reference is to the idea of a "pre-established harmony," then one can infer Wolff's lack of familiarity with Leibniz, or his nervousness in dealing with him—or, likely, both.

So, in the spirit of Mrs. Lincoln's cartoon interlocuter, after that messy beginning, how was the rest of the book?

Reading the following 98% of the work was a somewhat bizarre experience. Wolff wants to explain the genius that attracts him to Bach's contrapuntal music, and to use Bach's life to elucidate the obvious power of Bach's mind, and of his moral passion. So, the evidence that Wolff has pulled together is undoubtedly useful. We shall deal with this, and then re-examine how the bricks that he gathers for his structure, all fall down.

Wolff based this book upon his extensive work on *The New Bach Reader*, which appeared two years earlier, in 1998—Wolff's re-editing of the Hans David/Arthur Mendel collection of Bach documents and letters. If the reader has to choose one of these efforts by Wolff, the basic documents are to be preferred to the story that he makes of them. Further, included in the *Reader* is the Arthur Mendel translation of Johann Forkel's loving 1802 biography of Bach—the first and the best, though only 64 pages. In Wolff's work, almost ten times longer, he has carefully built around the framework of letters and documents of Bach's life, an extended (if flawed) argument for Bach's music as a mental and moral passion.

Some Bach Gems

Bach studied Latin and Greek, reading Virgil, Cicero, Theognis, and the New Testament in the original languages. He also studied math, physics, and German poetry by the age

of 17. Bach had the benefit of using Andreas Werckmeister's 1698 work on organs, *Erweiterte und verbesserte Orgelprobe*, and also of working out the concepts on the machinery of the organ—as it were, under the hood.¹ Wolff calls Werckmeister, "the premier German musical scientist and speculative theorist at the end of the 17th Century"—even though he fails to mention that Werckmeister was explicitly following Johannes Kepler. (Later, Wolff again omits Kepler's name, writing: "Since 17th-Century scientists had demonstrated that the planets and the Earth were governed by the same laws, the relationship between cosmic harmonies and audible music appeared more strongly unified.")

Bach's first organist position, in 1703, at 18 years of age, was for the newly-completed Wender organ in Arnstadt, tuned to Werckmeister's new "well-tempered" tuning system. The town was just then rebuilding its organ, after the destruction in the Thirty Years' War (1618-48), and had chosen to put a major effort into both organ and organist. In 1705, Bach walked to Hamburg, making an extended visit to hear and learn from Werckmeister's colleague, the organist Buxtehude, whom Wolff calls "the strongest public advocate of Werckmeister's new system of temperament." Also happily, Wolff points out that a passacaglia from this period ("Meine Tage" from BWV 150) was not only in part due to Werckmeister's tuning, but was also chosen by Brahms almost 200 years later, as the passacaglia theme of the "Finale" of his Fourth Symphony! (See **Figure 1.**) In fact, Wolff includes more than a few gems. He identifies the ostinato bass line from Bach's 1741 *Goldberg Variations*, as being identical with the theme of George Frederick Handel's *Chaconne avec 62 variations*. And he shows that this work had been published circa 1732 in Amsterdam by one Witvogel, who had been in touch with Bach.

Wolff even makes the provocative suggestion that the result of Bach's month-long imprisonment in November 1717, might well have been his historic work, *The Well-Tempered Clavier!* Wolff cites E.L. Gerber, whose father had been a student of Bach, to the effect that *The Well-Tempered Clavier* had been written "in a place where ennui, boredom, and the absence of any kind of musical instrument forced him to resort to this pastime." If Wolff is right in attributing this reference to Bach's imprisonment, it would certainly testify to Bach's stubbornness, his concentration, and his Leibnizian optimism. Bach's arrest by Duke Wilhelm Ernst had been in retribution for his stubborn insistence on leaving Wilhelm Ernst, to go to the court of Prince Leopold of Anhalt-Cöthen, who became Bach's favorite prince. The widow of this Leopold, Princess Charlotte Friederica Wilhelmine, later married Count Schaumburg-Lippe—whose son was the lifelong employer of Bach's son, Johann Christian Frederick Bach.

Wolff also makes the well-considered observation that

1. A better appreciation of Bach's connections with Werckmeister can be found in Jonathan Tennenbaum, "Bach and Kepler: The Polyphonic Character of Truthful Thinking," *EIR*, June 23, 2000.

FIGURE 10

Opening of fourth movement of Brahms' Symphony No. 4

Allegro energico e passionato

thinking about his music, originate from this period. Again, at the threshold of his plunge into intensive teaching, he described his *Orgel-Büchlein* (“Little Organ Book”) as a work “in which a beginner at the organ is given instruction in developing a chorale in many divers ways, and at the same time in acquiring facility in the study of the pedal since in the chorales contained therein the pedal is treated as wholly obbligato.”

Wolff’s treatment of Bach’s approach to the theological issues of the day, as reflected in his choice and treatment of chorales, and in his rigorous and thorough program for church music, is worth mentioning. First, regarding the chorales, Bach would treat chorales associated with traditional Lutherans and with Pietists, enriching them both, taking them up to a higher level. The 1736 *Musicalisches Gesangbuch* (“Musical Songbook”), the first music published by the famous Breitkopf firm, explains in its preface, that “the melodies to be found in this musical songbook have been in part quite newly composed and in part improved in the thorough-bass by the most noble Mr. Johann Sebastian Bach.” The collection was notable for

“Bach’s use of Andreas Werckmeister’s term ‘well-tempered’ (“*wohl temperiert*”) indicates his preference for [not equal temperament, but] a slightly modified system of tuning with ‘all the thirds sharp,’ enabling him to play in all 24 keys without losing the characteristic features of individual keys.” (Wolff was referring to Bach’s student, J.P. Kirnberger, who reported that Bach had tuned with “all the thirds sharp.”) Bach united the musical space of 24 major and minor keys, in such a fashion that did not blur out or homogenize the unique character of each one, but built upon such. Bach finished *The Well-Tempered Clavier* as he prepared to launch his vast teaching career at Leipzig’s Thomas-schule in 1723. He also published *Upright Instruction* at that point, “wherein the lovers of the clavier, and especially those desirous of learning, are shown a clear way not only 1) to learn to play clearly in two voices but also, after further progress, 2) to deal correctly and well with three obbligato parts; furthermore, at the same time not only to have good inventions but to develop the same well and, above all, to arrive at a singing style in playing and at the same time to acquire a strong foretaste of composition.” Several of his rarely recorded comments, referring to his

its ecumenical approach. It included poets connected with the Pietists, such as Freylinghausens and Salomo Franck. Wolff counters the traditional view that Bach got caught up between the controversies of Pietists and Lutherans, writing that a “large number of the cantata texts later set by Bach reflect the absorption of Pietist language and ideas and, in fact, the cross-influence of Pietist and orthodox [Lutheran] tendencies.” As background for the development of the cantata, he references the innovative sacred poems of Erdmann Neumeister, “closely related to the prescribed lessons throughout the ecclesiastical year.” Set to music by J.P. Krieger in 1700, they reflect the influence of madrigals and Italian secular cantata. Various such texts and settings appeared before Salomo Franck’s collection in 1715, entitled *Evangelisches Andachts-Opffer* (Evangelical Devotional Offering) and set by Bach. Wolff refers to Bach’s lifelong drive to establish “a well-regulated church music,” and stresses Bach’s amazing outburst of compositions in the first few years in Leipzig—including the *Magnificat*, the *St. John Passion*, the *Easter Oratorio*, the *St. Mark Passion*, and the *St. Matthew Passion*. All this took place within his first four years there, and was

over and above the weekly cantata-sermons! Bach's developed power of communication was uniquely appropriate for healing the religious and theological disputes of the previous century. Even Wolff comes close to expressing what he would like to prove: "Bach's compositions may epitomize nothing less than the difficult task of finding for himself an argument for the existence of God—perhaps the ultimate goal of his musical science."

Leibniz's Influence in Leipzig

The story of Bach's career in Leipzig, for his last 27 years (1723-50), suffers somewhat from Wolff's Newtonian bias. He does recognize that Bach has joined a circle in Leipzig that approaches science and human nature from a rather broad standpoint, and whose members think that investigations of the world will have a coherence with investigations into human nature; that the human mind and the human emotions have a relationship that is addressed in Bach's music. Wolff's closest approach to Leibniz's Leipzig is: "Philosophy, understood in the broadest sense—ranging from logic, poetics, and philology to mathematics, physics, metaphysics, and theology without sharp disciplinary borders, as the careers of some of Bach's Leipzig faculty colleagues illustrate—represented the core of the liberal arts curriculum that Bach's students were exposed to and that Bach had to mirror in his own teachings." He notes that Bach even uses a new term in Leipzig, "*Grundsätze*" ("principles," e.g., of the thorough-bass), that had been recently coined as his translation of the Greek word "axiom," by the man who became famous for presenting a watered-down version of Leibniz, Christian Wolf.

At this point, we should interpolate a bit of Bach's connections to Leibniz's world, and to, specifically, the Leibnizian background on Bach's Leipzig, before returning to Wolff's treatment. First, Bach never worked in any court or city that was bereft of Leibniz's influence. He was schooled in Lüneburg, where Leibniz was the leading political and intellectual force, and where Leibniz spent time working at the nearby library. The daughter of Leibniz's patron, Count Anton Ulrich, oversaw cultural matters in Arnstadt, where Bach first worked as an organist. In fact, the physical assault made upon Bach in 1705, was on the occasion of his walking home from the Neideck Castle of Auguste Dorothea, the daughter. Her father, Anton Ulrich, had given Leibniz the assignment of unifying the Protestant denominations, and then all of Christendom. In Bach's short time in Mühlhausen, he had to put some of this into practice, to avoid falling into the Pietist versus traditional Lutheran brawls there. In Weimar, his close work with Salomo Franck, developed the cantata along the lines of Leibniz's ecumenical offensive. And even during his period in Cöthen, he composed his "Brandenburg" Concerti for the Margrave Christian Ludwig of Brandenburg, the brother-in-law of Leibniz's most attentive student, Queen Sophie Charlotte of Prussia.

Leipzig's history with Leibniz can be summarily sketched as follows. Prof. Otto Mencke of the University of Leipzig had met with Leibniz in 1681, on the planning of the scholarly journal, *Acta Eruditorum*. Hence, from 1682 to 1716, Leipzig became the center of the publishing of whatever small portion of Leibniz's vast writings that was actually published during his lifetime. During this time, Leibniz's half-brother, Johann Friedrich Leibniz, taught at the Thomas-schule, until his death in 1696. He was quite active politically with the top leaders of the Pietist movement (and was likely a collaborator of Salomo Franck and of Freylinghausens, whose works Bach later set to music). Leibniz's sister, Anna Catharina, had married the archdeacon of the Church of St. Thomas, Simon Löffler, and their son, Friedrich Simon Löffler, earned his masters in theology from the University of Leipzig in 1689.

When Bach arrived in Leipzig in 1723, the Rector of the Church of St. Thomas, J.H. Ernesti, had been at that post since 1684. Undoubtedly, Ernesti had worked with both Leibniz's brother-in-law, the archdeacon, and Leibniz's half-brother, the schoolmaster at the Thomas-schule. Ernesti's wife stood as godmother, in 1724, to Bach's first child in Leipzig. However, an evaluation of the extent of Leibniz's influence over the Leipzig circles as of 1723, must take into account the chilling climate of repression of Leibniz's works, and even his name, since his death in November 1716.

King George I of England, ruler of Hanover, had ordered the seizure of all of Leibniz's writings and personal library, despite protests and legal filings by the Leipzig graduate and clergyman, Friedrich Simon Löffler. (The case was carried on by the Löffler descendants, and was not won until King George III, in the midst of the American Revolution, had to settle with the four grandchildren of Löffler. One of them was likely Josias Friedrich Christian Löffler, a collaborator of Moses Mendelssohn, and the editor of Mendelssohn's famous translation of the Old Testament into German. Ironically, his portion of the settlement might well have contributed to his ability to further the Mendelssohn ecumenical policy of his relative, Leibniz.) In 1723, Leibniz's collaborator, Eckhart, who had been working for seven years to edit some of Leibniz's papers, fled Hanover under pressure. When Bach arrives in Leipzig in 1723, Löffler is there, a clergyman in the midst of legal filings on behalf of his uncle, Gottfried Leibniz.

Bach's Circles

Hence, one must read between the lines of Wolff's otherwise useful discussion of Bach's collaborators in Leipzig to ascertain clues as to what may be going on. Wolff makes a case for their being an interesting group, and is more helpful in this regard than the classic biography of Bach by Spitta. However, the reader would miss that Bach was at the center of a group of collaborators, who were apparently integral to the cultural and political developments that crested with the



The close associates of both Gottfried Leibniz and J.S. Bach: Left, St. Thomas School Rector (1684-1729) Johann Heinrich Ernesti; and right, St. Thomas School Rector (1730-34) Johann Matthias Gesner.

German literary renaissance and the American Revolution. We shall meet here four of Bach's collaborators, and amplify upon what Wolff omits.

The conrector at the Thomas-schüle during 1724-31, J.C. Hebenstreit, then held positions at the university in theology, Hebrew, and Oriental languages. He collaborated with the Mendelssohn/Itzig group of Jewish thinkers in their project to lift Jews, and hence Christians, out of feudal bonds. In 1742-43, close relatives of both Moses Mendelssohn and of the Itzig family, published Moses Maimonides' works for the first time in 150 years, and followed that with the first publication of an astronomical work by David Gans, the Jewish associate of Johannes Kepler in 1600. Hebenstreit was selected to compose the Latin introduction for the latter work. His wife was godmother to one of Bach's daughters.

The rector who succeeded J.H. Ernesti in 1730, J.M. Gesner, was a strong supporter of Bach, writing about him (in a 1738 work on Quintilianus) that Bach composed "the most various and at the same time mutually agreeable combinations of sounds in orderly procession, this one man taking in all these harmonies with his keen ear and emitting with his voice alone the tone of all the voices. Favored as I am of antiquity, [yet] the accomplishments of our Bach appear to me to effect what not many Orpheuses, nor twenty Arions, could achieve." Gesner left Leipzig in 1734 to found the philosophy department for the new Göttingen University, where his emphasis upon Classical philology established the basis for Göttingen's groundbreaking work in math and science. (Abraham Kästner would follow Gesner from Leipzig to Göttingen two decades later, where he would late in his career become the teacher of Karl Friedrich Gauss.) Similar to Ernesti and Hebenstreit, Gesner was close enough to Bach that his wife stood as god-

mother for one of Bach's children: Elisabeth Caritas Gesner was godmother to Johann August Abraham Bach.

Friedrich Mentz had been on the university's philosophy faculty since 1711, but, during Bach's years in Leipzig, he would also hold positions as professor of poetics and of physics. His publications feature works on Plato. When Bach examined some of Mentz's vast library, including a 1597 manuscript with an enigmatic canon by Teodoro Riccio, he proceeded, circa 1740, to write out for Mentz an augmented resolution, called *Resolutio Canonis Ricciani*. The fourth figure, J.H. Winckler, was recruited by Gesner to the university in 1729, and was also an instructor at the Thomas-schüle during 1731-39. He concentrated in Greek and Latin, but also wrote the libretto for Bach's 1732 cantata, "*Froher Tag, verlangte Stunden*" (BWV Anh. 18), to which the music has since been lost. In the 1740s, he became more and more involved in experimental work on electricity, publishing on that subject in 1744. (Kästner, Christlob Mylius, and his cousin, Gottlieb Lessing, were also involved in the Leipzig electrical experiments of the 1740s.) Winckler also published a treatise in 1765 on acoustical phenomena, where he refers to his old friend Bach as a "musical connoisseur" whose ears can "differentiate between innumerable tones."

Wolff identifies Winckler as a "German Newtonian," although Wolff's credentials on this score must not be relied upon. Not having read Winckler's works, this reviewer cannot assess this particular claim of Wolff. However, ignoring Wolff's previously-cited "illiterate whopper" regarding Leipzig as a center of Newtonianism, still there certainly was a concerted effort to destroy Leibniz's influence, and to promote Newton in Germany, centering around the efforts of Voltaire and Maupertuis in the 1730s and 1740s. Some circles

around Bach submitted to these operations, but not many of them, and not while Bach was alive. Bach personally led the offensive for Leibniz—against the 1746–47 Berlin Academy contest against Leibniz, arranged by Voltaire, Maupertuis, and Leonhard Euler—with his 1747 *Musical Offering* project for Frederick the Great. (This reviewer’s treatment of this appeared in *Fidelio*, Winter 2000, “‘Thinking through Singing’—The Strategic Significance of J.S. Bach’s *A Musical Offering*.”) If Winckler succumbed to the Newtonian operations, he would be the only one this reviewer is aware of, while Bach was still alive.

Curiously, Wolff mis-steps again, when he ventures the theory that Bach’s visit to Frederick was part of a peace mission, coming a few months after the “Dec. 25, 1746” Peace of Dresden that ended Frederick’s warring against Bach’s Saxony. The content of Bach’s intervention with the King, to take the King’s thinking and policymaking a qualitative-step upward, certainly would have been key to the type of statecraft needed to pre-empt future wars. But Wolff mis-dates the Peace of Dresden (which was actually Dec. 25, 1745), and, not having provided any larger, more substantial evidence, his well-intentioned guess is undercut by his mistaken date.

War had been declared upon Frederick’s mind, however, with the assault upon Leibniz in 1746–47. The Leipzig Leibnizians around Kästner, Lessing, and Mylius were energized around this fight, and escalated their collaboration with the Berlin Leibnizians. This resulted most famously in the lifelong partnership of Lessing and Moses Mendelssohn, and the uplifting of Christian and Jewish culture, of Western civilization—that is, of the capacity of man to hold sustained ideas, and to wield their power in art, science, and the deliberations of public policy. A not unimportant feature of this, was the Mendelssohn family’s personal role in reviving the works and performance of Bach.

Wolff’s Systematic Shortfall

While a reading of Winckler’s works could likely settle Wolff’s particular claim here, the more telling case is that of one of Bach’s students, Agricola. Wolff makes much of a pro-Newton quote from Agricola, in August 1750, shortly after Bach’s death. So, let us give, as it were, the devil his due, regarding the strongest of the claims of Newtonianism around Bach. Voltaire had just arrived on the scene to join with Maupertuis in a new war against Leibniz. They appear to have gained the upper hand with Frederick the Great, now that Bach, the successful defender of Leibniz, had just departed the scene. In this adverse situation just after Bach’s death, Agricola makes the mistake of defending Bach from one side, by throwing him into the other. That is, Agricola responded to an attack (made by an Italian opera singer upon the deeper complexities of Bach) by writing that Bach “denies his music the effect of pleasure for the listener who would not savor such difficult harmony. Yet, assuming the

harmonies of this great man were so complex that they would not always achieve the intended result, they nevertheless serve for the connoisseur’s genuine delight. Not all learned people are able to understand a Newton, but those who have progressed far enough in profound science so they can understand him will find the greater gratification and real benefit in reading his work.” Wolff seizes upon this crucial evidence: “Here, for the first time, a parallel is drawn” between Newton and Bach.

Here are a few more parallels, but between Agricola and Wolff. Were Agricola’s only point, that working hard is necessary for the higher pleasures that are appropriate for humans, then Wolff’s argument for Bach as a scientific genius might also hold. However, both Agricola and Wolff have been too willing to appeal to a prevailing, phony image, falling short of the reconstruction of the compositional process, or the problem-solving process of their hero. Bach did not flinch when he saw the Newton image being substituted for the hard, but human, work of Leibniz. Agricola obviously never understood Leibniz’s profound science, nor was his grasp on the internal compositional process of Bach firm enough, for him to provide a better argument against merely pleasure-seeking music. And as much as Bach needed a biography that would defend his musical genius as scientific genius, Wolff’s illiteracy on science and on the epistemological battles of Bach’s time, ensured that he would fall short. Agricola, despite working with C.P.E. Bach on an early biographical sketch of J.S. Bach, accomplished little else. Most of what we have and know of Bach comes through the efforts of those who knew of, and shared, Bach’s passionate defense of Leibniz’s scientific methods: the Itzigs, the Mendelssohns, Kimberger, and Frederick the Great’s sister, Anna Amalie. Perhaps fighting evil has a part to play in spurring creativity and making the world better than it otherwise would have been—if anything, a Leibnizian point. Certainly, adjusting to, or cutting a deal with, evil is more characteristic of Newton’s method. Provided that this much has been established in this review, then the reader is armed for the following, limited endorsement of Wolff’s work.

There is a joke about a poor, rustic fellow, who takes his wife to a psychiatrist because she thinks that she is a cow. The psychiatrist is entranced with his subject, and after an investigation, consults with the husband, explaining that the wife can be helped, but it may take many sessions. When the husband balks, the doctor even offers to cure the wife, no matter how many sessions it takes, for the price of only one session. The fellow answers: “Well, that is very kind of you. But, you see, our family needs the milk.”

The shame of it is, that there is presently no better full-length, biographical study of Bach in English. But that doesn’t mean we have to adjust to such. It is indeed a crazy situation, but perhaps one day soon, we can separate the humans from the cows, and look back at the days when we had to resort to such crazy devices.

Fight To Save D.C. Hospital From Trent Lott's Executioners

by Paul Gallagher

Rarely have so many lives and souls been at stake in one local, social struggle, as in the battle to stop the closing of Washington's D.C. General Hospital. Accordingly, that ongoing battle spread rapidly over the first week in March, and has growing national and international support.

March 8, the day following the City Council's unanimous vote against the shutdown, saw an entire day of rallies, press conferences, and intensive Congressional lobbying by hundreds of activists mobilized by the LaRouche movement, to take the knife out of the Congressional leadership's hand. Three hundred had attended a town meeting the night before at Union Temple Baptist Church—the fifth such large protest meeting in two weeks. Some 150 activists rallied at the Mayor's office—three times the size of the rally two days earlier—and then were joined by delegations from Pennsylvania, Virginia, and Maryland in a march to Capitol Hill to descend on members of Congress. The crowd included 50 members of the staff from D.C. General.

Surrounded by television crews and radio and press journalists, the rally was exhorted by Dr. Abdul Alim Muhammad to “represent ourselves: our Congressional delegation in ‘missing in action’ ” (a reference to Eleanor Holmes Norton). Anton Chaitkin of *EIR*, speaking a few minutes later, presented dramatic new, documented revelations on the possible involvement of Doctors Community Healthcare Cooperative in racketeering and fraud. The delegations marched to Congress in a determined mood, while journalists went looking for responses from, in particular, Mayor Williams.

The nation's capital has already lost one-quarter of its hospital beds in just five years (see *EIR*, March 9, 2001). The shutdown of this highly rated full-service hospital, with its long-developed medical outreach programs and trauma units which uniquely serve a large part of the city, would devastate public health in the whole region.

Hospital services in surrounding Maryland and Virginia, already bending, would break under the load of D.C. General's 53,000 Emergency Room visits, 10,000 in-patient commitments, and 60,000 clinic-doctor visits a year. Congressional Republicans, who are forcing the shutdown through the D.C. Financial Control Board, plan to offer other hospitals only \$5,900 per inpatient stay, when the average cost of one is now \$7-8,000. D.C. General's neo-natal and other trauma capabilities are unmatched in the region. Most of the capital's indigent, elderly, and its 100,000 uninsured patients have long been cared for at D.C. General: 55% of its care is “uncompensated.”

Closing the hospital will shorten lives and spread death in widening circles, especially among the old and the young. “Inadequate provision of surgical and medical services” was one of the defining conditions for the crime of *genocide* at the Nuremberg trials. Already, four known deaths in February are known to have resulted from the first stage of the D.C. General shutdown, when 500 doctors and staff were fired. As Pennsylvania state Representative Harold James (D), who travelled to Washington on March 7-8 to lead lobbying groups against the shutdown, told Congressmen: “The standard says that any public official who ‘knew, or should have known’ that his official acts would lead to the death of innocent people, is guilty of a crime against humanity.”

LaRouche Called for Mobilization

In the face of this grim reality, and recent, growing popular protests against the closing, the complete silence of Washington's sole Congressional Representative, Eleanor Holmes Norton, has surprised other members of the Congressional Black Caucus. This is even more the case, now that the smell of financial corruption is rising around the Arizona-based company, selected by the D.C. Financial Control Board to



Some of the Washington leaders of the "Save D.C. General" mobilization speak to a March 3 emergency meeting held at the hospital. Clockwise from upper left: Dr. Michal Young of Pediatrics at D.C. General; Rev. Willie Wilson at podium, with meeting chairman Dr. Abdul Alim Muhammad of the Nation of Islam; a rally bus gets ready to tour the city; LaRouche representative Lynne Speed.



close D.C. General down, and around the intended use of the real estate the hospital now occupies.

Nothing unifies the economic profiles of virtually all nations in the era of globalization, more than the closing down of hospital beds, the neglect and decline of public health, and the new proliferation of disease. Therefore, in early February, Lyndon LaRouche, at a meeting with public health professionals and activists in the area, declared that his movement would "draw the line against this genocide," at this hospital in Southeast Washington, D.C. He declared it "an issue of national and international importance."

LaRouche activists had already begun mobilizing forces to save the hospital. Now, as of early March, rallies and emergency town meetings of hundreds of people, to save the hospital, are taking place almost daily in the city. Mayor Anthony Williams and the Public Benefit Corporation, who had committed themselves to sell D.C. General to a "hospital raider" corporation which will shut it down immediately, have been thrown onto the defensive, publicly and behind the scenes.

But U.S. Senate Majority Leader Trent Lott (R-Miss.) and the Republican leadership in Congress, which have controlled Washington's finances since 1995, are determined to eliminate D.C. General early this Spring, and have already cut off its funds. Lott is a professed enthusiast of Confederate President Jefferson Davis, and shares his animus toward Washington, D.C.'s population. Pennsylvania Representa-

tive James called Lott, and Reps. Tom DeLay (R-Tex.), Ernest Istook (R-Okla.), and company, "mean-spirited Confederate racists," at a town meeting the night before the lobbying blitz. But James, who had travelled to Germany and met the democracy activists of eastern Germany, reminded that mass meeting of "the power of the candlelight vigil" in bringing down the Berlin Wall in 1989.

Constitutional Principle at Stake

The U.S. Constitutional principle of the General Welfare, as governing public health policy, was put into national legislation more than 50 years ago. The Hill-Burton Act of 1946 mandated that nationwide, Federal, state, and county authorities act to ensure that counties maintained four to five hospital beds per 1,000 residents, specifying the most important *types* of specialized hospital care that must be included. But this principle was abandoned, consciously, with the Nixon Administration's adoption of legislation in 1974, of the health maintenance organization (HMO) model of healthcare. Over 25 years, that "HMO" model, in the hands of Wall Street, has scrapped the General Welfare principle, and replaced it with the principle of "shareholder value" and private profit, not public health. Today the national average of counties is well under three hospital beds per 1,000 residents, and falling fast. Some 35% of all hospitals in the country are losing money, and several in Washington, D.C. are losing money much more

rapidly than D.C. General, which is an established and effective institution.

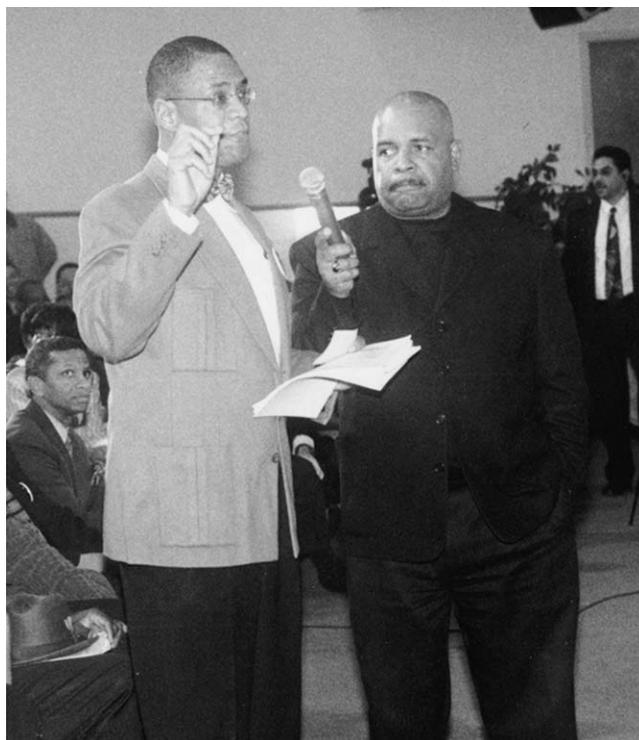
Thus, the reason claimed by Senator Lott and Representative Istook and company for the closing of D.C. General—that it has been operating in the red—is clearly spurious. The Congressional death sentence, transmitted through the D.C. Financial Control Board, was clearly part of a conscious policy of reducing Washington’s largely black population. LaRouche activist Lynne Speed told Mayor Williams, before an audience of 2,000 at Washington’s Union Temple Church on Feb. 28, “It is a Nazi policy, a policy of genocide.”

Speed’s charge aroused the audience, convened to hear the Mayor explain his approval of the sale of the hospital; the truth of the charge galled Williams, and their confrontation was widely reported through the city’s media. Three days later, at an emergency meeting at D.C. General attended by 300 activists and hospital employees, Speed proved her charge with a powerful presentation citing mortality and morbidity rates in the city and nationally. She quoted LaRouche’s warning that such policies, if not reversed, will lead to a global collapse of population down to 1-2 billion over the next generation, as leading Malthusians publicly desire. She showed graphs of the fall of life-expectancy already going on in more than 50 nations worldwide, the wipeout of hospital beds in New York City and across the United States, and warned of a “genocide 100 times worse than Hitler’s,” already begun in Africa. Her speech was greeted with a standing ovation and filmed by crews from three Washington TV stations.

Corrupt Motives of the Shutdown

The corruption of the shutdown is evidenced by the company which the Control Board and the Mayor are bringing in to oversee the closing of most of D.C. General (while the Congress has eliminated its funding), and supposedly to absorb its caseload at Greater Southeast Hospital. The company is Doctors Community Healthcare Corporation (DCHC), an Arizona-based corporate raider of hospitals, headed by an Ohio lawyer and a former Walmart chief executive. DCHC and its Ohio-based partner-company face racketeering lawsuits in Massachusetts, Kentucky, and North Carolina for fraudulently looting hospital revenues. It has already eliminated 27% of Greater Southeast’s beds.

The details of this corporate corruption, and the possibility that elected officials in D.C. may have been paid off, to turn the D.C. General campus into waterfront recreational real estate, are dealt with in a companion article. But now that all D.C. residents are aware that a growing movement is organizing against the shutdown, and Mayor Williams’s public efforts to “explain” it have added fuel to the fire, the takeover company is becoming a major issue. The *Washington Post* on March 6 reported that members of the Public Benefit Corporation, which operates D.C. General under Congressional *diktat*, were getting worried. The immediate layoffs of 1,700 of D.C. General’s remaining 2,200 employees may be illegal, and DCHC is such a slash-and-burn operator,



Dr. Abdul Alim Muhammad, at a mass meeting Feb. 28, challenges Mayor Anthony Williams, who is executing the death sentence on D.C. General.

that if it has to retain those employees for even 60 days, it will be unable to pay them! In a separate editorial, the *Post* announced that it, too, is now “worried” about all the indigent and uninsured patients, and questioned whether the takeover should go through. The signing of the new contract—the final death stroke—has now been repeatedly postponed by the Control Board, for a few days each time, as the “Save D.C. General” movement grew and broke into the media. But Control Board members and Republican leaders continue to insist, “It’s a done deal.”

A Movement With ‘Bite’

The reason for these “worries” wrinkling the brow of genocide, was shown at a mass meeting held at D.C. General on March 3, which showed a revolutionary movement appearing to fight peacefully for public health. Some 300 activists and hospital employees jammed the hospital’s auditorium for nearly three hours on a Saturday afternoon, planning a full week of rallies, protests, prayer vigils, and hard Congressional lobbying. Some 40,000 broadsides entitled “General Welfare, or Genocide” were taken from that meeting, and more than 200,000 in toto are to be circulated in a city of 700,000; these broadsides are also being distributed nationwide by the LaRouche movement. D.C. General employees came out of the wards and stood packed in the aisles around the auditorium, many realizing for the first time the size and spirit of the movement “out there” to save the hospital.

LaRouche national spokeswoman Dr. Debra Freeman, movement leader Lynne Speed, and this writer were among more than a dozen speakers who presented, to the meeting, the grave threat of death and depopulation from the deliberate destruction of public health by “shareholder value.” Most of the speakers stressed to the fired-up gathering, that they were actually waging a national and global fight against genocide. The city trade unions, ward representatives, doctors’ and nurses’ leaders, religious leaders, and community groups were there, as were the major media.

The emergency meeting was run by Dr. Abdul Alim Muhammad, Minister of Health of the Nation of Islam, and a leader of the protests which began in January in the city. Rev. Willie Wilson, known until recently as an ally of Mayor Williams, opened with a strong denunciation of the Mayor’s actions, and took charge of a demonstration at the Mayoral offices the next day. Washington City Councilmen Sandy Allen (Ward 8) and David Catania (At-Large) supported and addressed the crowd; the City Council’s majority has turned against the D.C. General shutdown, during the mobilization, and voted unanimously against it on March 7.

Dr. Michal Young, head of D.C. General’s unique neonatal trauma unit, told the crowd that 19% of babies born in D.C. are premature, and that D.C. General is the only top-quality (“Level 1”) pediatric and emergency-pediatric facility. She directly attacked the “criminal” actions of the Control Board and the government, and scurrilous commentaries in the *Post* and *Washington Times* claiming that Washington residents should “change their behavior,” suffer less traumas, and therefore use fewer hospital beds. The leading cause of death for all Americans aged 1-34, Dr. Young showed, is traumatic injury, and this is particularly true of newborns. “We answer to a higher power,” she declared, “which on Reckoning Day, will ask us, ‘Where were you, when they were slaughtering the least of my brethren?’” Eighteen-year veteran nurse Charlene Gorton declared the D.C. Nurses Association fully in support of maintaining the full-service hospital, and said that the HMO budget-cutters “should stop stealing and killing and blaming us.” Gorton attacked the widening gap in health care, between the “upper 20% and the lower 80%,” as a cause of death in itself. Dr. Frederick Seymour, the just-laid-off head of Microbiology at D.C. General, described the many state-of-the-art labs and treatment clinics at the hospital, and proposed, “We should not just be a full-service hospital; we should be, in addition, a research center.”

These local leaders were backed up by Drs. Kildare Clark and Kenneth Yaboh of Kings County Hospital in New York City, who pronounced D.C. General “a five-star hotel,” compared to hospitals serving the lower-income areas of New York. They called on the D.C. General doctors to take out sound trucks and motorcades, and promised them support and media coverage in New York.

LaRouche spokeswoman Debra Freeman closed the meeting with a powerful indictment: “This is not a mistake, nor a misunderstanding. It is a calculated policy of genocide,

whose intent is to reduce the populations of color in the world. It was the foreign policy of the U.S. government already in 1974, with [Sir Henry] Kissinger. Now that policy has come home. . . . Let it be said that America confronted fascism and stopped it, at a hospital in the Southeast corner of Washington, D.C.”

Freeman announced the LaRouche movement was mobilizing national and international support for the Washington mass strike. And by the time of the March 8 lobbying day, state and local elected officials from all over the world, as well as leaders of trade unions and religious groups, had sent messages of support to the “Save D.C. General” movement, and of indignation to the Congressional leaders responsible for D.C. finances. From California, for example, this included the state’s Black American Political Association, the Baptist Ministers Conference, and the Congress on Racial Equality; from Alabama, seven leading members of the State Legislature. At the same time, Ohio Sens. Mike DeWine and George Voinovich were being deluged with calls from their constituents, demanding they act on their oaths to serve the General Welfare, and save the hospital. These Senators head the committees with responsibility for the nation’s capital; they are also on the hotseat over the Ohio-based hospital takeover company, National Capital Finance, involved in closing D.C. General and perhaps buying compliance from Washington elected officials.



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Alleged Racketeers In D.C. General Takeover

by Anton Chaitkin and Edward Spannaus

The stench of corruption cannot be hidden, in the attempt to shut down the top-flight District of Columbia General Hospital. By the evidence given in lawsuits filed by hospitals and other of its victims, the group trying to take over and shut down the capital's only public hospital, has amassed a fortune stolen from health-care institutions through classic gangster methods of embezzlement and fraud, under cover of money-lending.

And while one corrupt nest of financiers will make money by taking over the hospital, another group of real estate and financial interests is also planning to turn this part of Southeast Washington into a multi-faceted park and recreational area, which will enhance the value of real estate in the area, drive out existing residents, most of whom are poor, and spur new commercial development and expensive housing nearby.

Behind the D.C. General takeover and shutdown is the National Century Financial Enterprises (NCFE), which is part owner, financier, and operations partner of the hospital-management company, Doctors Community Healthcare Corporation (DCHC). DCHC bought Washington, D.C.'s Greater Southeast Hospital in a bankruptcy sale, and Washington's Hadley Memorial Hospital, and is now preparing to take over and shut down D.C. General Hospital.

Meanwhile, lawsuits filed in Massachusetts, North Carolina, and Kentucky, charge NCFE with systematic racketeering and fraud in the looting of hospitals and health-care organizations. In the Boston case, DCHC chief executive Paul R. Tuft, and NCFE's Lance Poulsen are both named defendants in the racketeering suit.

In the North Carolina civil suit, NCFE and Poulsen are also charged with racketeering. In Kentucky, NCFE is being sued for fraud and looting of a health-care company, and the United States Attorney there is investigating NCFE for racketeering. Additionally, NCFE is being sued in Tennessee for breach of contract and wrongfully diverting funds. At least two other such suits are reported to be under way, in other locations.

DCHC's Paul Tuft, named in the Boston racketeering suit, made his only campaign contribution of 2000, to D.C.'s Congressional Delegate, Eleanor Holmes Norton: one of only four contributions she received from outside the greater Washington area.



EIR investigator Anton Chaitkin briefs reporters on March 8, on the financial scandals which are part of the move to shut down D.C. General Hospital.

How Hospitals Are Looted

The suit filed in Federal bankruptcy court in Boston against NCFE provides evidence of what could be a textbook case in modern gangsterism. Boston Regional Medical Center was taken over by DCHC and NCFE in 1997, and was driven into bankruptcy.

The hospital has told the court:

DCHC first offered to buy the financially ailing hospital for \$50 million, causing Boston Regional to cancel bids in the \$37 million range, and take the hospital off the market. Then DCHC backed down and negotiated for 18 months, finally offering only \$25 million, with the condition that NCFE "finance" the buyout and the hospital operations.

NCFE's standard deal is to buy the accounts receivable from a hospital—the right to collect what is owed the hospital by insurance companies and patients—paying 97¢ per dollar of face value for these accounts. Thus, a very liberal 3% loan . . . or so it appears.

But NCFE tacked on various fees, and required the hospital to make deposits in various "reserve" funds. The hospital was told it could earn back a large portion of these extra charges by performing certain financial duties. But meanwhile, DCHC and NCFE took over complete control of the hospital's finances, taking all income, making all payments, including to themselves, and keeping all the records.

The resulting nightmare cost Boston Regional the following actual interest rates on NCFE's financing: 1995, at least 34%; 1996, at least 21%; 1997, at least 48%; 1999, at least 30%—each a violation of Massachusetts usury laws. When the hospital desperately tried to change finance companies, NCFE demanded insupportable penalties, keeping the hospital in bondage.

Boston Regional was forced into bankruptcy in 1999. They determined that the DCHC/NCFE team had stolen at least \$12-13 million from the hospital. But the combine had never actually bought the hospital or provided the promised

long-term financing.

Yet, NCFE shamelessly now offered to buy Boston Regional out of bankruptcy for \$12.5 million—corresponding to the amount of money it had stolen from that very hospital.

Boston Regional hired forensic accountant James M. Cottos, a former Federal fraud investigator, to probe the hospital's downfall. In an affidavit supporting Boston Regional's racketeering charges against NCFE, Tuft, and Poulsen, Cottos described the process by which NCFE had stolen \$9 million, explaining: "Based on my experience in fraud investigations, this pattern of first making small withdrawals, which could be explained as an error if challenged, and then making a larger withdrawal once the first passed, waiting a period to see if it is noticed, and then proceeding to make multiple, large withdrawals once unchallenged, is common to embezzlement and fraud schemes."

More Racketeering . . .

In North Carolina, a class-action Federal racketeering (RICO) suit was filed by shareholders of the PhyAmerica Physician Group, which manages emergency rooms for about 270 U.S. hospitals. The suit charges NCFE and its CEO Lance Poulsen with "a pattern of racketeering," filing false reports with the Securities and Exchange Commission (SEC), and diverting millions from the health-care company, while conspiring with PhyAmerica's chief executive to bail

him out of failure by letting him steal millions.

The North Carolina suit, *Charles R. Bosco and Michael D. McGee v. Steven M. Scott and NCFE*, alleges:

NCFE obtained total physical control over PhyAmerica's money flows, so that the company could not successfully recoup its portion of NCFE's notorious "extra" fees and reserves. The NCFE team filed seven false quarterly and two false yearly reports to the SEC, and to the PhyAmerica stockholders.

NCFE is officially headquartered in Dublin, Ohio, a suburb of Columbus. The misnamed Doctors Community Healthcare Corporation is based in Scottsdale, Arizona, where NCFE also has offices. Both companies are privately held and make no public reports on their finances.

D.C. City Council member David Catania issued a report in late February, showing that DCHC "is deeply in debt and unprofitable," and that "DCHC has a reputation for its inability to complete deals and for 11th-hour demands in negotiations." Catania documented this with various publicly available news accounts of DCHC's dealings.

Nevertheless, the District of Columbia's Federally appointed Financial Control Board has told the news media that they have "checked out DCHC, and Wall Street gives them an excellent rating." Clearly, what DCHC is "excellent" at, is extracting loot from hospitals and health-care institutions upon which the lives and well-being of thousands of patients and citizens depend.

Is the Shutdown A Land-Grab?

The official "master plan" for the area of Southeast Washington, in which D.C. General Hospital is located, calls for eliminating the hospital, and turning the area into an area of parks and museums, with adjacent commercial and residential development. Needless to say, poor people need not apply.

These plans have been developed by the National Capital Planning Commission, a Federal agency which is described as "the central planning agency" for Washington, D.C. and the entire National Capital Region. Commission members are appointed both by the President and the Mayor. The current chairman is Richard L. Friedman, a real estate developer from Boston, and a big Democratic Party contributor. Another commission member is a former vice-president of the American Insurance Association.

D.C. General is in the area known as the west bank of

the Anacostia River, just north of the D.C. Jail, and about half a mile south of RFK Stadium. The land on which the hospital sits, is Federally owned.

The NCPC master plan, entitled "Extending the Legacy," calls for a new park on the west bank of the river, which "would replace RFK Stadium and adjacent institutional buildings with gardens, fountains and waterfalls connected to playing fields, marinas and a riverside nature preserve." It adds: "New housing and commercial development would complete the redevelopment of the area."

A specific version of the plan says that the area around RFK Stadium will become a new eastern gateway to the city, "featuring museums, memorials, parks and education centers extending to the waterfront. Larger institutions will be concentrated to the south, near the present jail and hospital, while smaller cultural and commercial buildings will be woven into the existing fabric of the neighborhoods to the north."

Councilman Kevin Chavous was recently quoted in the *Washington Times* as saying: "It's obvious what the Mayor is doing. There is no jail or hospital on the 25-year plan for the city. The only way to connect the dots is to follow the land and the money."—Edward Spannaus

School Shooting Confirms LaRouche Warnings About the ‘New Violence’

by Jeffrey Steinberg

The March 5 handgun attack by a 15-year-old boy on fellow students and teachers at a San Diego area high school, which left two dead and 13 wounded, is but the latest confirmation that Lyndon LaRouche was absolutely correct, when he warned, two years ago, about the grave dangers of the “New Violence” sweeping America. It was in response to the April 20, 1999 Littleton, Colorado massacre, and the February 2000 acquittal of four New York City police officers in the “Nintendo-cop” killing of Amadou Dialo, that LaRouche launched the National Commission Against the New Violence, to mobilize legislators, law enforcement officials, and civil rights and community leaders to take on what he called “the radiating explosion of the New Violence.”

On April 26, 2000, LaRouche authored a policy memorandum, issued through his Presidential campaign committee, in which he provided a precise definition of the New Violence: “The term ‘New Violence’ signifies, chiefly, the introduction of new methods, those of Nintendo games and related means, to transform young children and adolescents, as well as law-enforcement personnel, into ‘Samurai’-style programmed killers. . . . By ‘New Violence,’ we emphasize the Littleton-Columbine model, in which Nintendo-style games and related methods and means was a crucial, distinguishing feature.”

LaRouche continued, “What is specifically new, is the adaptation of the mythos of the Samurai warrior, and related ‘martial arts’ mythology, combined with lunatic legacies such as ‘Dungeons and Dragons’ and Tolkien’s *Lord of the Rings*, to the childish mad-killer pornography of cinematic cartoons and Nintendo-style games. The use of this method and its derivatives, for the purpose of programmed conditioning of military and law enforcement teams, and for indoctrinating children in a programmed impulse for terrorist forms of violence, is adequately understood only when such Nintendo-game-style conditioning is situated within the utopian doctrine of [Bertrand] Russell’s relevant 1931 and 1951 writings on the required methods of population control to realize his own and H.G. Wells’ oligarchical utopian ends.”

In his 1951 essay, *The Impact of Science on Society*, Russell wrote that the most important science of the future would be “mass psychology . . . taken up by scientists under a scientific dictatorship.” He said that “the influence of [the] home

is obstructive” and that “indoctrination” must begin “before the age of ten.” He warned, “Although this science of mass psychology will be diligently studied, it will be rigidly confined to the governing class. The populace will not be allowed to know how its convictions are generated.”

The Santee, California Attack

The March 5 shooting spree by Charles Andrew Williams, at Santana High School in Santee, California, precisely fits the profile of “the New Violence” spelled out by LaRouche. According to Williams’s friends and neighbors from Santee, and from Brunswick, Maryland, where he lived with his father until November 1999, the 15-year-old was “addicted to Nintendo games” and violent rock music, and abused drugs. Williams was described as a “latch-key child,” who frequently slept at friends’ and neighbors’ homes.

This profile of “Nintendo addiction,” drug abuse (far-too-often, of school-enforced Ritalin or Prozac), and obsession with violent rock music and cultic Hollywood movies, is one that Williams shared with all of the other recent killer-kids: from the Columbine shooters Dylan Klebold and Eric Harris; to Paducah, Kentucky sharpshooter Michael Carneal; to Portland, Oregon mass killer Kip Kinkel. Kinkel was featured as a cult hero on a violent pornographic Website called “Black Plague.org,” after he killed his parents and a number of students and teachers at his high school.

The Santee shooting was followed two days later by a shooting at Bishop Neumann High School in Williamsport, Pennsylvania, in which at least one person was shot by an as-yet-unidentified person. On Feb. 10, the *New York Times* reported, in a front-page story, that *scores of other schoolyard Nintendo-terror attacks have been averted in recent months* because fellow students alerted authorities to planned attacks.

Williams had tried, unsuccessfully, to recruit two friends to the shooting attack at Santana High School just days prior to the March 5 incident, but the friends, and at least one adult who was also alerted to Williams’s plans, failed to inform the police in advance of the shooting.

Authorities throughout the United States are bracing for other similar incidents, as the second anniversary of the Columbine massacre nears. This “alert” aside, the fact is, that two years after Littleton, the violent video-game industry is still an \$11 billion a year enterprise in the United States alone. It targets the nation’s youth with what experts such as Lt. Col. David Grossman describe as “mass-killing simulators.”

At the founding meeting of the National Commission Against the New Violence, on May 20, 2000 in New York City, LaRouche warned: “Killing the New Violence will not solve all our problems. But paying attention to the immediate threat caused by the New Violence, and paying attention to that which caused so many of us to become suckers for tolerating the New Violence, should be treated as a warning sign to us: Wake up! We’re doing wrong. We’d better change it, while we still can.”

The Major Omissions in Hitchens's Indictment of Henry Kissinger

by Scott Thompson and Michael Billington

The February and March issues of *Harper's* magazine carry features by British author Christopher Hitchens, entitled "The Case Against Henry Kissinger: The Making of a War Criminal." While Hitchens claims that his criterion was to choose only those instances which would qualify as courtroom evidence, there are numerous, major cases that he must have known about, yet overlooked. And, most importantly, Hitchens argues that since the chance of a U.S. court indicting Kissinger for war crimes is "a fantastically remote one," he endorses the flip side of the Thornburgh Doctrine (the British model for an international court of law to override U.S. national sovereignty), by calling for Kissinger to be tried for his crimes before an international court.

It was during the first Bush Administration that Attorney General Richard Thornburgh asserted the extra-territorial reach of American criminal law, to justify the invasion of Panama and the "arrest" of Gen. Manuel Noriega, on phony drug-trafficking charges. Thousands died in that American military action, which set the "Thornburgh Doctrine," a vicious assault on the principle of national sovereignty, in stone. Today, a similar assault is being carried out under the banner of Transparency International and other international "human rights" groups, which have pressed for the permanent institutionalization of the Thornburgh Doctrine—but this time, under the rubric of a Bertrand Russell-inspired, world government-run World Criminal Court. At a recent "tribunal" in Washington, D.C., Hitchens advanced the Kissinger case, and the pending case against Chile's former military dictator, Gen. Augusto Pinochet Ugarte, as precedents for instituting the World Court scheme, gutting national sovereignty for all states—including, most emphatically, the United States.

There is no question that Kissinger, like his genocidalist mentor Russell, committed heinous crimes against humanity. Most of those crimes were committed on behalf of a drive to establish a British-dominated world empire/world government. It would therefore be the height of insanity to take Kissinger's criminality, and use it as a weapon in service of the permanent destruction of the nation-state. It is on this crucial point that *EIR* parts company with Hitchens and those who would use Kissinger's crimes to further Kissinger's own agenda.

The importance of putting Kissinger's crimes against hu-

manity before the world, is not to be undermined in any way. In fact, far from being an historical "artifact," Kissinger, his genocidal policies, and his network of agents-in-place in American policymaking institutions, are alive and well, and working at the edges of the new Bush Administration. Ironically, as the Kissinger "tribunal" was taking place in Washington last month, Kissinger was making a personal appearance at the Wehrkunde annual military strategy conference in Munich, Germany, where he sought to exacerbate the already serious diplomatic tensions between Washington and Moscow, by asserting that the U.S. National Missile Defense program is directed against Russia and China.

British Agent

Hitchens blames Kissinger's crimes entirely on the United States, despite the fact that, during a speech on May 10, 1982, on the 200th anniversary of the British Foreign Office (which, Kissinger notes, had been formed immediately after Britain's loss of the American colonies) at the Royal Institute for International Affairs ("Chatham House"), Kissinger himself admitted that he had been a *British agent against* the United States throughout his tenure in office. Kissinger said: "After Roosevelt died . . . the British were so matter-of-factly helpful that they became a participant in internal American deliberations, to a degree probably never before practiced between sovereign nations. . . . In my White House incarnation then, I kept the British Foreign Office better informed and more closely engaged than I did the American State Department."

After stating that he used British government documents as the blueprint for U.S. foreign policy, Kissinger sided with Sir Winston Churchill on the "significant differences in philosophy" between the Prime Minister and President Franklin Delano Roosevelt. The British, Kissinger noted, "drew upon two centuries of experience with the European balance of power, America on two centuries of rejecting it." Further, Kissinger said that FDR "toyed with the idea of nonalignment between a balance-of-power-oriented colonialist Britain and an ideologically obstreperous Soviet Union." He said that FDR had been mistaken when he swore to roll back all European colonialism after World War II.

In September 1995, Her Majesty Queen Elizabeth II, with

British author Christopher Hitchens omits evidence in his indictment of Henry Kissinger (right) as a war criminal, including Kissinger's role in the government attacks on Lyndon LaRouche, and the murders of Pakistani Prime Minister Zulfikar Ali Bhutto (left) and Italian Prime Minister Aldo Moro.



the full support of the royal consort, His Royal Highness Prince Philip, awarded Kissinger an “Honorary” Knight Commander of St. Michael and St. George, an award reserved normally for only the most important people in the British Foreign Office. As the British Honor’s Committee informed *EIR*, “Sir” Henry had achieved this award for “a lifetime of service on behalf of the British Empire.”

So much for Hitchens’s “American guilt.”

The ‘Get LaRouche’ Task Force

Hitchens also omits Kissinger’s abuse of power in his persecution of Presidential pre-candidate Lyndon H. LaRouche, Jr. This attack on LaRouche had two phases. The first, for which *EIR* has received Freedom of Information Act documents, started in the early-1970s while Kissinger was both National Security Adviser and Secretary of State. During this phase, he encouraged foreign governments to raid offices associated with *EIR* and to arrest *EIR* staff on bogus charges, and encouraged the dissemination of a wild fabrication to foreign governments through U.S. Embassies that LaRouche and his associates were very dangerous.

Also, for example, in Spring 1975, after LaRouche issued his International Development Bank proposal for a new, gold reserve-backed monetary system, Kissinger flew to Paris to scotch LaRouche’s ongoing talks with prominent Middle East government officials, both Arab and Israeli. One Arab state

was threatened with immediate cut-off of American food aid unless it dropped plans to host LaRouche at a diplomatic reception.

The second phase, which consisted of a seven-year campaign against LaRouche and top assistants, began after LaRouche had begun working with President Ronald Reagan’s National Security Council staff in back-channel negotiations between the Soviet Union and the United States, discussing plans to end Kissinger’s policy of Mutually Assured Destruction (MAD), and replace it with LaRouche’s proposal for mutual development of relativistic beam weapon systems, which President Reagan later called, in his March 23, 1983 speech, the Strategic Defense Initiative (SDI).

Beginning in August 1982—within days of LaRouche’s return from Mexico City, where he had met with President José López Portillo to discuss his solution to the Third World debt crisis—Kissinger launched a crusade to force the Justice Department and the FBI to frame up LaRouche.

On Aug. 19, 1982, Kissinger wrote his now infamous “Dear Bill” letter to then-FBI Director William Webster: “Because these people have been getting increasingly obnoxious, I have taken the liberty of asking my lawyer, Bill Rogers, to get in touch with you to ask your advice, especially with respect to security. . . . It was good seeing you at the [Bohemian] Grove, and I look forward to the chance to visit again when I am next in Washington. Warm regards.”

Just days before the Kissinger letter, on Aug. 14, the European Labor Party (POE) Italian associates of LaRouche had also submitted an investigative dossier to the Italian Attorney General, presenting evidence of Kissinger's involvement in the 1978 kidnapping and assassination of Italy's President Aldo Moro (see below).

When the FBI informed Kissinger that it did not yet have a case against LaRouche, Kissinger wrote a more formal letter to "Dear Judge Webster," on Nov. 25, 1982. Kissinger wrote that LaRouche "accusations that I am responsible for the murder of leading political figures around the world coupled with other charges (for example the purchase by me of Arab land on the West Bank)—[are] likely to appeal to groups with a high potential for violence, thus risking my personal safety. . . . We may be witnessing here not normal radical political action but a systematic disinformation campaign supported by some foreign intelligence service."

That theme was picked up by Kissinger's friends at a rump meeting of the President's Foreign Intelligence Advisory Board, which included former Center for Strategic and International Studies president David Abshire and the late Democratic Party powerbroker and attorney Edward Bennett Williams. In a Jan. 12, 1983 memorandum from Webster to FBI number-two official Oliver "Buck" Revell, Webster stated: "At the PFIAB meeting today David Abshire raised the subject of the activities of the U.S. Labor Party [defunct after LaRouche ran for the Democratic Party Presidential nomination in 1980] and Lyndon LaRoche [sic]. . . . A number of the members present, including Edward Bennett Williams, raised the question of sources of funding for these U.S. Labor Party activities. In view of the large amounts obviously being expended worldwide, the question was raised whether the U.S. Labor Party might be funded by hostile intelligence agencies."

Thus began a seven-year "investigation" by the Justice Department and FBI, that eventually led to the railroad conviction of LaRouche and close political associates on trumped-up conspiracy charges by a rigged Federal jury in Alexandria, Virginia. On Jan. 27, 1989, LaRouche was sentenced to an unprecedented 15 years in jail, and was immediately taken off to prison without bail pending appeal—a practice not even imposed on many convicted murderers.

A Policy of Genocide

Hitchens, in his argument that Kissinger is a "war criminal," correctly cites "body counts" from the war against Vietnam, Laos, and Cambodia. But he omits something even more striking: That on Dec. 10, 1974, Kissinger had the National Security Council staff draft a policy document "National Security Study Memorandum 200: Implications of Worldwide Population Growth for U.S. Security Overseas Interests" (NSSM 200), *which would make genocide the official national security policy of the U.S. government.*

Later declassified, NSSM 200 calls for holding world

population at 8 billion, rather than the 22 billion then projected for 2075. Arguing that population growth of this dimension would cause "wars and revolutions," NSSM 200 calls for the use of "food control" to stop rapid population growth—i.e., food as a weapon to create famine—and argues that modern, intensive agricultural methods, that might feed the growth of populations otherwise, would require "too much capital expenditure." NSSM 200 argues that should the populations of the less-developed countries grow, as, absent intervention, had been projected, then they would consume fuel and raw materials needed by the advanced sector.

NSSM 200 selected 13 countries which, it said, accounted for 47% of the population growth outside China, for special treatment: India, Bangladesh, Pakistan, Nigeria, Mexico, Indonesia, Brazil, the Philippines, Thailand, Egypt, Turkey, Ethiopia, and Colombia.

Implementation of these genocidal policies was placed under the control of the National Security Council, when Kissinger's former deputy, Gen. "Sir" Brent Scowcroft, wrote a follow-on Presidential Decision Directive, that was signed by President Ford.

Two Murders

Then, there are two murders that Hitchens omits.

As part of the dossier that the POE supplied to the Italian Attorney General, there were statements from Italian Prime Minister Moro's wife, his daughter Agnese, and son Giovanni, that in 1975 Kissinger had threatened the Moro's for his effort, as chairman of the Christian Democrats, to create a stable, national unity government with the Italian Communist Party.

Throughout the period leading up to Moro's kidnapping (ostensibly by the "Red Brigades") and subsequent murder (his body was found on May 9, 1978), NATO had been running a "Strategy of Tension" against Italy and Moro, using both "red" and "black" terrorism, as well as abortive coup attempts.

Celso Elio Ciolini, who was a chief lieutenant of Freemasonic leader Licio Gelli of the Propaganda 2 (P-2) Lodge, a Freemasonic group that was involved in "black terrorism," such as the 1969 Bologna train station bombing in which 82 people were killed, testified in 1982 in a Bologna courtroom investigating the matter, that Kissinger and his deputy, Gen. Alexander Haig, had conducted "crocodile funds" to P-2 for several aborted coup attempts.

When Kissinger later revisited Italy, he had the U.S. Embassy secretly convey him out of the country, because Italian magistrates investigating the Moro assassination and related matters had a subpoena for him to testify.

Then there is the case of Pakistan Prime Minister Zulfikar Ali Bhutto, who had been overthrown by a coup d'état on July 5, 1977, imprisoned, and then hanged on April 4, 1979. Shortly before his death, Bhutto wrote a response to a concocted government White Paper justifying his overthrow,

which *EIR* published in January 1979 under the title “The Pakistan Papers.” Bhutto charged that he had been overthrown because of his conflict with Kissinger, who had signed “a death sentence against his person.” The reason for Kissinger’s threats, according to Bhutto, was that he had refused to accede to Kissinger’s insistence that he stop the development of “uranium-processing plants to satisfy Pakistan’s energy needs.” Pakistan is one of the 13 nations specifically cited in NSSM 200 as a target for Kissinger’s policy of genocide.

The Real Story of Cambodia

Over the past two years, there has been an international clamor for the right of “extra-territoriality” in the case of Cambodia’s plan to put on trial the leaders of the genocidal Khmer Rouge regime, which slaughtered a huge portion of the nation’s population during its 1975-79 reign of terror.

The United Nations bureaucracy, self-appointed “human rights” non-governmental organizations, and international financial institutions have demanded the right to hold an *international* trial, with foreign judges and prosecutors, and for foreigners to determine who is, and who is not, indicted—despite the fact that the Khmer Rouge were Cambodians, their victims were Cambodians, and their crimes were carried out within the sovereign territory of Cambodia.

The question is: Why are certain political interests so frantic to ensure that any trial of the Khmer Rouge *not* be held within Cambodia, or under the auspices of the Cambodians themselves? Would not the people of Cambodia, who suffered the worst genocide of the last half of the 20th Century, and the political party (the current government party) which fought the Khmer Rouge for 20 years and brought about their demise, be the best situated to judge the crimes committed against them?

EIR addressed this question in “Cambodia Genocide: Kissinger and Brzezinski in the Dock” (*EIR*, Dec. 24, 1999). Under any just criteria of prosecution, Kissinger and his “twin,” Zbigniew Brzezinski, would be indicted as responsible for the Cambodian genocide. Not only was Kissinger responsible for the secret, illegal bombing of Cambodia which, as Hitchens reported, killed several hundred thousand Cambodian peasants, but it was the bombing itself which drove the peasantry into the arms of the Khmer Rouge, leading to the death of millions more. Even more damning is the fact that this was the *intended result*, in a London-designed geopolitical game which used Cambodia as a pawn to prolong the Cold War.

The fact is, the demand for an *international tribunal* rather than a sovereign, national trial, was an attempt to *prevent the most important of the guilty parties from ever being indicted*. Kissinger could, and should, be tried for his crimes in any of those nations that have a *bona fide* extradition treaty with the United States, but the attempt to create an international tribunal can only serve to obfuscate the truth, by moving the trial outside the reach of sovereign, elected governments.

GOP Plans Worse Than ‘Contract on America’

by Carl Osgood

The Bush Administration, aided and abetted by Congressional Republicans, has launched an all-out assault on the general welfare with a combination of initiatives, including the fiscal year 2002 budget plan, George W. Bush’s \$1.6 trillion tax cut, bankruptcy reform, and Medicare and Social Security reform. This assault comes in the context of the onrushing collapse of the global financial system, evidenced in the U.S. economy by the wave of layoffs in manufacturing and the energy price crisis. The Bush Administration, along with the Congressional GOP leadership, is responding by gutting those safety-net programs and other protections, that are absolutely essential to defending the health and welfare of the general public.

The Bush Administration budget plan, submitted the day after Bush’s speech to a joint session of Congress on Feb. 27, is based on the assumption, provided by the Congressional Budget Office, that, absent any change in policy, there will be a budget surplus of \$5.6 trillion between 2002 and 2011. This projection is offered despite a chorus of warnings, including even from the usually incomprehensible Federal Reserve Chairman Alan Greenspan, that the economy is slowing down. In addition to the tax cut, the budget calls for paying down \$1 trillion of the national debt over the next four years; a \$1.4 trillion reserve fund over ten years, to be available for “additional needs such as defense spending, debt service, unforeseen disasters, and other contingencies”; \$153 billion for Medicare reform; \$310 billion in defense spending, about the same as recommended by President Clinton just before he left office; and an 11.5% boost in education funding.

The budget plan also includes policy recommendations, including partial privatization of Social Security, to allow workers to put some of their payroll tax into “personal retirement accounts” which would be invested in the private equity markets. The increase in defense spending would be put toward a military pay raise, housing, and health-care needs, with national missile defense being the only weapons system to receive a funding boost. The plan also calls for an increase in funding for the National Institutes of Health, but cuts programs for the Departments of Agriculture, Justice, and Transportation. Significantly, Bush has asked for no emergency funds for agriculture, even though Congress

has approved aid packages of several billion dollars each for the last three years, to aid farmers devastated by low commodities prices and natural disasters.

Medicare, the health insurance program for senior citizens, is also under assault by Bush. In his speech to Congress, Bush endorsed the proposal crafted by Sens. John Breaux (D-La.) and Bill Frist (R-Tenn.), which, while including a prescription drug benefit, brings the “free market” to Medicare, by having senior citizens choose from a number of competing health plans, for which Medicare would pay a portion of the premiums. The government-provided insurance would still be available, but it would compete with the private plans. Bush has told Congress that he wants Medicare reform passed this year, but Senate Finance Committee Chairman Charles Grassley (R-Iowa) has indicated that that is unlikely.

Tax Cuts Are on a Fast Track

The GOP is moving quickly on the tax cuts, however. On March 2, the House Ways and Means Committee reported out, on a vote of 23-15, a portion of Bush’s tax cut proposal, with floor action expected within about a week. The bill was limited to a reform of the marginal tax rates, cutting the number of brackets from five to four, and reducing the top rate from 39.6% to 33% over five years. The cost of the bill is put at \$958 billion.

Committee Democrats, in dissenting remarks in the report on the bill, denounced the bill as overly optimistic. “If long-term economic growth is one-tenth of 1% lower than currently projected,” they said, “\$245 billion of projected surpluses will immediately disappear.” They warn of a repeat of the early 1980s, when President Ronald Reagan’s 1981 tax cut was followed by years of rising deficits. They also estimate that 43% of the bill’s benefits, including for the estate tax repeal and elimination of the so-called marriage penalty, go to the top 1% of taxpayers, although this is disputed by the Administration. Democrats say that “the sum of the promised tax reductions are far greater than [Bush’s] \$1.6 trillion target.” If the Democrats admitted that the last decade’s “prosperity” was nothing of the kind, they’d realize that Bush’s budget and tax cuts will prevent the government from taking exactly the kind of Roosevelt-style recovery measures that are required.

While the bill is expected to pass the GOP-controlled House on a largely party-line vote, the bill has some hurdles to overcome in the Senate. At least two moderate Republicans, James Jeffords (Vt.) and Lincoln Chaffee (R.I.), have come out in opposition to the Administration’s tax plan, because they think that \$1.6 trillion is too much. With Democrat Zell Miller (Ga.) supporting the plan, it has no more than 49 backers at the present time. Speaking to reporters on Feb. 28, Budget Committee Chairman Pete Domenici (R-N.M.) admitted as much, but said, “I believe by the time we have a vote . . . that we will be able to put a very, very good plan together.”

Bankruptcy Protections Threatened

But the assault on the standard of living doesn’t end with the budget, taxes, and entitlement programs. On March 1, the House passed, by a vote of 306-108, a bankruptcy reform bill that is supported by President Bush. The bill rips out the principle that has been enshrined in American bankruptcy law since at least the 1930s, that the repayment of debt cannot come at the expense of the health and welfare of individuals or productive enterprises. The so-called “Bankruptcy Abuse Prevention and Consumer Protection Act” gives creditors enormous power over debtors in the name of preventing “abuse” of the bankruptcy system. The central feature of the bill is a means test to determine whether a debtor can repay at least a portion of his debts. “These provisions,” said House Judiciary Committee Chairman James Sensenbrenner (R-Wisc.), “are designed to ensure that debtors repay creditors the maximum they can afford.”

The underlying assumption of the bill is, again, the last decade’s “prosperity.” Because the number of personal bankruptcy filings skyrocketed during the 1990s, the only possible explanation, according to this assumption, is that more deadbeats have been taking advantage of the system in order to avoid paying what they legitimately owe. Opponents of the bill, though badly outnumbered, have been less afraid to speak of the reality, than has been the case on the tax cuts.

John Conyers (D-Mich.), the ranking member on the Judiciary Committee, said that the bill “massively tilts the playing field in favor of creditors and against the interests of ordinary consumers and workers.” He added that the bill gives “massive new rights to creditors to bring threatening court motions against low-income debtors,” and creates new categories of nondischargeable debts that compete directly with collection of child support and alimony. Jerrold Nadler (D-N.Y.), who has been outspoken in his opposition to bankruptcy reform over the last three years, said that the bill “does not protect debtors, and that should come as no surprise, because families in bankruptcy cannot make large campaign contributions, cannot buy ads in the paper, cannot hire fancy K Street lobbyists.” He pointed out that an American Bankruptcy Institute study showed that only 3% of Chapter 7 filers actually have the ability to repay their debts, as opposed to the 25% claimed by the credit card firms. Nadler warned that “like the bipartisan Garn-St Germain bill of a decade and a half ago, that caused the savings and loan crisis and cost the taxpayers half a trillion dollars, this bill will come back to haunt every member who votes for it when people lose their jobs, lose their families, and are crushed under mountains of debt.”

The bill is moving slower in the Senate, primarily because Paul Wellstone (D-Minn.), who also has been sharply critical of efforts at reform, is insisting on a full debate on the bill, including an open amendment process. While a lengthy floor debate and many amendments are possible, no one is predicting that the bill will fail in the Senate.

'We Have To Represent Ourselves'

"Our Congressional delegation is missing in action." Aroused by these words, hundreds of Washington, D.C. residents marched on Congressional offices on March 8, in the midst of weeks of continuous and growing protests against the closing of D.C. General Hospital—protests, now joined by delegations from other cities, which are igniting a new American civil rights and economic rights movement. Its "issue" is nothing less than the U.S. Constitutional principle of the General Welfare: raised again to a principle by Franklin Delano Roosevelt during the Great Depression; torn to shreds by "shareholder values" in recent decades to set off a new, greater depression. That principle of the General Welfare has been raised again by Lyndon LaRouche and his movement, as the only path to stop a U.S. slide through economic collapse into fascism.

January's "lost" battle over the Bush nomination of the extreme right-wing John Ashcroft as Attorney General, showed that most Congressional Democrats were completely unprepared to put themselves on the line for that principle—and that there was not *yet* a movement capable of making them do it. Although the LaRouche forces led a drive which got 42 Senators to vote against Ashcroft, the Democratic leadership refused to filibuster. Now, as a result of not fighting, the Congressional Democrats are being crushed by Bush, Lott, DeLay, and company in the first weeks of the new Congressional session.

The D.C. General Hospital fight has shown the *corruption* of Democrats who have spent years agreeing to Al Gore's favorite brands of deregulation, NAFTA free-trade, and economic Darwinism—while claiming to be for "human rights" and civil rights. But in this fight, there is a movement arising with, as LaRouche put it, "more bite."

The U.S. Congress, directly, and through the Control Board it appointed, ordered the closing of D.C. General, and eliminated its funding after April 1, even though it is one of the top-rated full-service hospitals in the region. Many Congressmen will not even discuss the closing with the growing groups of protesters, unless

D.C.'s Delegate Eleanor Holmes Norton were to take the lead. But Representative Norton has been paid a very well-targetted \$1,000 to her campaign committee—and perhaps more in other ways—by the head of the shady Arizona company slated to take over and close down D.C. General. Norton has been strangely silent and unresponsive to the rising voice of her constituents. One group of protesters was told on March 8, by the chief aide of a New York Congressman, that Norton had "made a deal to close the hospital" with the Republican head of the D.C. oversight committee. And worse, this New York Representative's aide shamelessly *defended* Norton's sellout of the only full-service hospital in Southeast Washington. He bragged that the New York Congressman had done the same thing in his district, agreeing to the shutdown of two hospitals to "save" a third!

But there is good news here, too. The movement which has arisen to "draw the line" at D.C. General, having seen the worst revealed about the Democratic representatives they elected, and the bloody determination of the Republican leadership to save money by spilling lives, has not turned back, but has grown in numbers and audacity. Their principle is the principle of the General Welfare, and they are not fighting just to save themselves or to push their own personal grievance, but for the health and welfare of millions. At one of their mass meetings on March 7, they were reminded by a Camden, New Jersey City Councilman who had travelled to join them: The real power of government lies with the people, and the people have to act as if to govern for the General Welfare, and force their corrupted representatives to come along to that principle.

This was the principle on which LaRouche marked out the battle over D.C. General, as one to be fought "as an issue of national and international importance." This was the principle on which Martin Luther King organized a movement not for any one group or race of people, but to save the whole nation. Now, in the midst of economic collapse, what is at stake in Washington is the world.

