

[return to home page](#)

This Week You Need To Know

CHENEYGATE!

by Jeffrey Steinberg

A political hurricane, as devastating as Katrina, has struck the Bush-Cheney Administration. A string of long-simmering criminal probes, targetting top White House officials and key Congressional allies, has hit all at once, and the right-wing Republican juggernaut of dirty money and political corruption is now on the chopping block.

Asked on Sept. 30 to comment on the series of devastating blows delivered to the Bush-Cheney-Tom DeLay apparatus during the last week of September, Lyndon LaRouche said that "beyond the specifics of the individual instances of crime and sleaze that are now apparently being brought to account, we are seeing an overall reaction to the breakdown of the functioning of our government. The reaction is coming from various places within and around the U.S. governing institutions. In each separate instance, the instinct is the same: We cannot go on any longer with this corrupt, incompetent Bush-Cheney regime. This Administration is no damned good. The House of Representatives is not functioning, because the Republican leadership around Tom DeLay is too busy stealing everything that is not nailed down. Crooks were robbing us blind, and people just said, 'We've had enough,' and took action."

LaRouche went on to emphasize, "This is not a conspiracy against Bush and Cheney. This is a lawful reaction to the chaos and breakdown of governmental functioning that we've seen from the Cheney and DeLay crowd. And now, Mama is standing in the middle of the kitchen, smashing all the dishes. It is not orderly, but it is a long-simmering reaction that has just exploded. And none too soon. With the global financial system in a state of terminal collapse, neither the United States nor the rest of the world can survive much more of this Bush-Cheney fiasco. Plenty of people realize that, in times of crisis, we need leadership from the Executive Branch, from the White House. And Cheney and Bush were leading us straight to Hell."...

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Latest From LaRouche

WE CAN SAVE THE WORLD—BUT BUSH AND CHENEY MUST GO!

Lyndon LaRouche was the guest for two hours on the Jack Stockwell show, KTKK, Salt Lake City, Utah, on Sept. 29.

STOCKWELL: All right, about 8 minutes after the hour: And my guest for this morning, Mr. Lyndon LaRouche. Lyn, you there?

LAROUCHE: Yes, I'm here.

STOCKWELL: Hey! Good. Good, good, good. Always a pleasure to have you here. When I was talking to Don Phau the other day, about the possibility of doing this again, we were discussing—well, it's something that I've been talking about on the radio for some time now, that this explosive price increase that we've seen of not just fuel, but anything related to petroleum; but also the housing that's going on, and the real estate stuff that's going on—even a loaf of bread, for Pete's sake—isn't so much a supply-and-demand thing any more, as much as we're finally hitting what could be one of the most dark periods of our history ahead of us: This hyperinflationary spiral that we have seen hit nations in the past.

And I'm kind of wondering if that might not be what's going on. That is what I would like to begin the show with today. Your take on that, please, Lyn.

LAROUCHE: Well, you have an absolutely new phenomenon. Because this started, actually in 1987: We had the equivalent of a '29 crash in the stock market in October of 1987. Now, this was the point at which the previous Federal Reserve Chairman, Volcker, was leaving. And Greenspan was coming in. And Greenspan said, "Hold everything! Don't do anything. I'm coming in. I've got a new idea."

So, he came up with the idea of using gambling side-bets, as a legalized form of security. That is, in other words, like a couple of side-bettors up an alley: a couple of guys shooting crap, and side-bettors are betting on the outcome of the shot. And now they use this, the bet—the proceeds of the betting on the side-betting, as a part of the real economy, as if it were the main game.

So, by this method, we had, under George Bush I, George H.W. Bush, and continuing from that point on, we had a Greenspan-run, from the U.S. side, promotion of what are called "financial derivatives." Which is a fancy name for gambling side-bets on all kinds of international markets.

In recent times, it's grown to the point, that major institutions such as banks and insurance companies, and so forth, all have their hedge funds, in addition to these other hedge funds sitting out there—with all kinds of financial derivatives: We're talking about *many quadrillions of dollars of turnover*, of this phony money, like Monopoly play-money, which is now being counted in as part of the economy. And Greenspan is one of the chief sponsors of this.

Now, what has happened is this: There was a hedge fund gamble in the spring of this year. This has been building up, all these years. We had the 1999-2000 crisis, we had the 1997-98 crisis, including the hedge fund crisis then, LTCM. This has still been building up. It's been building up more rapidly under George W. Bush, than it was under Clinton.

Now, it's reached a breaking point, partly helped by the stupidity of the George W. Bush Administration. But internationally, the hedge funds, which made a big gamble, using the wrong mathematical formula, in the spring of this year, got caught! Many hedge funds began quietly being pushed out of business. And you're talking about Cayman Islands and places like that, as a focal point of this sort of thing.

Now, what they did, is, over the years recently, you've had a collapsing of the diversification of the petroleum industry, such that the petroleum marketing, international marketing—it has nothing to do with the Middle East and so forth, as such—it's the international petroleum marketing, which are 7 to 10 contracts may be signed between the time a barrel of oil leaves the Middle East, and it comes onto the market in the United States. So, what these guys did: they used the fact that a small group of people, a financial group, had a monopoly over petroleum, and a lock also on many other kinds of essential materials—they used that, to drive up the price of petroleum at a hyperinflationary rate, over the course of the summer into the fall, which is comparable to what happened in Germany in 1923.

So, we now are in a hyperinflation, which involves several categories: On one side, you have petroleum, with gold, with copper, with zinc, and so forth, with primary materials, all in a hyperinflationary spin, not based on supply and demand, because the demand has dropped. The supply is running way ahead of the demand, in petroleum, in raw materials, and so forth.

STOCKWELL: So, we really have a glut!

LAROCHE: Oh yeah! So, now what you have—but you have another one! You have inside the United States, inside the United Kingdom, and Australia, and elsewhere, but especially the United Kingdom and the United States: You have a speculation in housing, typified by Fannie Mae, that is, mortgage-based securities speculation. And the banks are heavily involved in this. The amount of mortgage-based security portfolio stuff inside the banks, is enormous.

So now, you have prices in certain areas, like California, around Washington, D.C., certain areas of the United States—*high gain rate*, while other parts of the country are being depopulated, such as Michigan, Ohio, Indiana, Illinois, so forth, and of course the Prairie States. While they're being depleted in population, you now have a concentration in a few areas: Going South, to traditionally poor areas, where the labor is cheap, and you've got housing build-up there, but it's mortgages. We have shacks going for a million-dollar mortgage, which are really—on the market, they shouldn't be more than \$150,000. And people are desperately buying into this.

Now, not only are homeowners buying into this, that is, people who take a place for residence. But you have now, a big market in people who are buying these things, on wild terms, in order to rent them out!

We've reached the point that this thing is about to collapse. You can imagine that a house, a shack, which is a tarpaper shack—glorified tarpaper shack, held together by tacks (if they got the tacks in the right place), which is a fancy-looking exterior, but not much to it in a rainstorm! And these things go up to \$800,000, \$1 million, in certain areas. And these things aren't really worth that much. Now, you've got people packed in here, trying to buy these things, with interest-only, and no money down. As sort of the worst kind of thing.

This is about to blow.

So that you have in the world market, from primary materials, from things like the housing bubbles, the mortgage-based securities speculation, you have a potential explosion. We are now getting an effect on the world market, which is comparable—it's not identical to, but comparable to 1923 Germany: It's like the summer and fall of 1923 in Germany.

STOCKWELL: Well, looking back at history, at 1923 Germany, there in the spring, as they were starting to move to this explosive inflationary rate, what finally set it off? What could set this off, for us today? I mean, the idea of somebody walking down the street with a wheelbarrow full of deutschemarks [sic—reichsmarks] to buy a loaf of bread is difficult enough to believe ever happened back then—almost impossible to conceive of something like that today.

LAROCHE: Well, no, it is. The problem is this: This has been going on, as I said, since 1987, when Greenspan and company, decided that using financial derivatives, as if it were money, as if it were real, as a way of postponing a 1929-style depression, in October 1987. That this thing has been contained. It was contained by a number of things: For example, when the Soviet Union collapsed in 1989-1991, these guys moved in, and they picked the bones of the entire former Soviet/Eastern European market. And they looted the place! That helped sustain the bubble. They went through the IT bubble; they went through several other bubbles. Now, always, they contained this hyperinflationary potential, by expanding this fictitious economy. And as long as they had control over the fictitious economy, where they could manage it, with a few big central bankers and others, they prevented the thing from exploding.

You had a similar thing happen in Germany, from 1921 to 1923: The Germans were printing money to try to pay the Versailles war debt. But the thing was contained up to a certain point. In the spring, late spring of 1923, that blew up.

That is what has happened now. We had a controlled bubble, controlled by Alan Greenspan, et al., et al. Controlled over the period from 1987 to the present, with many bumps along the way, and surviving for many reasons. During this period, up until recently, up until approximately the spring of this year, this was under control, because the international financial-monetary system was under control of central bankers. Remember, most of the speculators are large banks who are tied to the central bankers.

So, they had this system under control. The system has now gone out of control, the way it went out of control in Germany in 1923. It's a different kind of situation, because you didn't have financial derivatives then. They had to print the money. Today, you can print money by an optical cable.

STOCKWELL: Exactly, just with a keyboard on a computer.

LAROUCHE: That's right. And nobody knows how much is out there, particularly because these unregistered securities, in terms of hedge fund and similar kinds of transactions.

So now we're at a point, where the thing is out of control. It's been going rotten, all along! But the difference was, it was under control.

Then, you had people—and the people were stupid. I mean, our people, the majority of our people, including high-paid people: Stupid! You tell 'em, the system is collapsing—and it *was* collapsing, look at the physical collapse: the industries lost, whole sections of the country going under—they said, "No! The economy's doing fine."

What d'you mean the economy's doing—?

"Look at the market! Look at the market!"—talking about the stock market, or similar kinds of financial markets—"Look at the market!"

So, they're sitting there, with their rear ends sticking out of their pants, looking up, and saying everything is getting better, we're getting rich! And the rags are accumulating from the waist down.

STOCKWELL: Well, our one and only steel production plant, here in Utah, is now being dismantled. A lot of it being shipped over to China; parts of the grounds are going to be converted to some other kind of service-oriented business.

LAROUCHE: That's lousy.

STOCKWELL: All right, we're going to go to break. My guest, Mr. Lyndon LaRouche, from Leesburg, Virginia. Traffic coming up here, commercial break. We will be right back! An awful lot more topics to discuss with Mr. LaRouche. Be right back. [break]

Lyn, I wanted to asked you another question regarding the hyperinflation thing we're in. But an off-air caller wanted me to let you know, that often when you've been on the show in the past, you usually would receive a phone call from a very elderly woman, named Helen. Who was a great fan of yours, and always appreciated what you had to say. She recently passed away, and this off-air caller thought you might appreciate knowing that.

LAROUCHE: Thank you, very much.

STOCKWELL: Yes. Now: Back to the hyperinflation, you said something happened this spring to kind of upset the applecart a bit. Is that something equitable to what happened to the LTCM back in the late '90s?

LAROUCHE: Broadly, it is. It's about the same kind of phenomenon. It was never cured. Clinton was about to do something about it, with Bob Rubin, who was then Treasury Secretary—

STOCKWELL: I remember that.

LAROUCHE: In September of 1998. And they backed off, because what happened is, people dragged something out of the basement of the White House, and used it to try to impeach the President in order to defend the thieves on Wall Street! And they tried to make Al Gore President, which would have been like—that'd been something really unpleasant. But anyway, that's what happened then.

But, this has been going on. It was inevitable. I've been telling people, it's inevitable. If you are developing debt, and debt-related obligations, at a more rapid rate than you're generating income, you are going to be in trouble! And particularly, if you're in a hyperinflationary spiral of that type, you are *surely* in trouble, within a calculated point. We now have reached that point, where the control mechanisms broke down.

And this now becomes very dangerous. Because, a time like this, in history, is a time when wars tend to break out.

STOCKWELL: Well, that's what I wanted to get to, leading up to this direction, because, someone would say, "Well, it's kind of convenient that we've had some recent changes in the bankruptcy laws," knowing what's about to happen financially worldwide, but far worse than just these bankruptcy changes, aren't these the moments that precede dictatorship and world war?

LAROUCHE: Well, it's very simple, but you can be much more explicit about that. It's not a mysterious phenomenon. It's not little green men under the floorboards, who do this kind of thing. It's some very well-known men. And people who are enemies of mine, who consider me very dangerous, in high places—and have considered me very dangerous, since December of 1971, when I made some statements which showed them that I was onto them.

But what's happening is, that you have a group of international financier agencies. Now, we've had this in the past. You've had financial groups which controlled governments, which are more powerful than governments. It was a characteristic of the so-called Middle Ages. That was what the characteristic of Europe was under the British influence. That's what we fought against from 1763 on, once Britain became an empire, at least the British East India Company became an empire, with the victory in the Seven Years' War.

And we began to fight against that, and we created a system which has tended to be *outside* that European, usury-run system.

STOCKWELL: Okay, I'm going to interrupt you right there. I want to pick that up on the other side of the break: This system that we created, that's outside the British usury system. We have to go to break for just a couple of minutes. My guest, Lyndon LaRouche out of Leesburg, Virginia. We'll be right back.... [break, returns with EIR toll-free number]

Lyn, you were talking a moment ago, about America coming up with a system somewhat different than the British usury

system.

LAROCHE: Well, the difference essentially is this: Is the British/European systems, with some temporary exceptions, the governments were always controlled by private banks, or a system of private banks. In more recent times, this was called an independent central banking system—independent means, it's controlled by private interests, not the government.

What we've had, is a situation in which, in terms of day-to-day practice, as long as these agreements were held up, that private financial interests were more powerful than governments.

Now, in our system, we actually represent a national banking system, by our Constitution: That is, the Federal government, in its control of the creation of currency, and credit against the creation of currency, which is controlled by the House of Representatives and the Executive branch, we are essentially a national banking system. That doesn't mean you don't have private banks—we have them. But the banking system, and everything to do with money, is controlled by the Federal government. That's where our source of credit comes. The states don't have the ability to generate credit, only the Federal government does.

All right: Now, that was modified by the bringing in of the Federal Reserve System through the conspiracy of Teddy Roosevelt and Woodrow Wilson, which is how it worked. So, we've had a modified system.

[Franklin] Roosevelt went back to the Constitution, in the 1930s, that is, in the gold action he took, which was to restore the U.S. government's control over credit, and then use that control over credit to rebuild the economy. It worked.

What you have now, is you have an international financier interest, which is clinically insane as a group. I mean, these guys are Baby-Boomers, they were people who were born after World War II, who came up in that period, and they don't think like serious bankers did, in a time when we were an agro-industrial economy, rather than a so-called services economy.

So, now, you have a services economy mentality, among the people who are running corporations, and they're mostly thieves, as the Enron symptoms tell you! This is what your "quality" management is! Or, GM is in that same category: It's hard to tell the difference between GM management and Enron management. So, this is the kind of situation.

So, these fellows are controlled by international financial interests, including here in the United States. The Bush Administration represents, through George Shultz, is nothing but a representative of this bunch of thieves.

So, the question now, is: We could save the world, we could save the international system, we could save the banking system, by putting it through reorganization, by going back to becoming what our Constitution prescribes under a *national banking* system, under which the Federal government controls the creation and regulation of national credit; we keep the private banks that are essential functioning; we generate credit to rebuild the economy to levels of activity, where we're above breakeven; and we begin to get our muscle going in the world again, the way we haven't in a long time. Now that can all work.

But, the problem is, you've got *insane* private bankers, of the Enron mentality type, who are now running large parts of our corporate structure and run parts of our political system: Wall Street, for example. And therefore, they're insane: They say, that no government must be more powerful than private bankers. They're saying the private bankers must run the world: We had such a system, it was called the medieval system, which collapsed in the 14th Century in a so-called New Dark Age. These guys are more *stupid*, than the bankers who collapsed the system in the 14th Century.

I know these guys! They are stupid! They are stupid because of their ignorance; they don't know what an economy is, they

don't understand what production is, they don't understand what physical wealth is, they don't understand infrastructure: They understand nothing! Except so-called "making money."

STOCKWELL: Yeah, they just look at the bottom line, and shareholder interest.

LAROUCHE: They *are* the bottom line! They're called bottom feeders!

STOCKWELL: [laughs] Lyn, what happened to the Republican Party? It used to be the party of the small-town businessman. You know, generally, the Middle West, kind of mainstream, very conservative group of people who held to productive concepts. Now it seems the Republican Party is nothing but a bunch of people who are owned by the gas and oil business.

LAROUCHE: Not really, and that is beginning to change. That's been pretty much the appearance of things. But also, the Democratic Party, too!

STOCKWELL: Well, I don't leave them out, no.

LAROUCHE: They've also enjoyed the corruption. I think they're coming out of it a bit, at least in the Senate. But, what's happened, is, there's also a change in the Republican Party. You know, the grass-roots Republican Party, not the freak show, George Bush's and Cheney's freak-show crowd—that's not the Republican Party. And many members of the Republican Party, especially running for Congress this coming next year, are thinking about that!

Their interests lie, and the country's interests lie, in the privately—that is, the closely held—private entrepreneurships. Not the big, super-corporations, where the stockholders fly in and out overnight, like bats. But the businesses which are there to stay, which represent the state, represent the community, which give you the spread of development of the entire national economy, in agriculture, industry and other things. They think that way. That's where their guts are.

Now, they're looking at George Bush's reputation, and the reputation of Cheney, and they're looking at things like this, you know—"let's change the government without DeLay"—which is the slogan today.

STOCKWELL: Yes, "without DeLay," right. I wanted to get to DeLay. We'll get to that shortly.

LAROUCHE: Well, fine. But there is a Republican movement, which we see in the Senate, in a tendency, especially on May 23rd of this year, a tendency toward bipartisan coalition, among what you might call "standard Republicans," that were old-fashioned Republicans—and Democrats—

STOCKWELL: Against the current regime.

LAROUCHE: Against the *Enron* mentality. Look, George Bush is created by Enron! They should have taken him off the market when Enron closed down! [Stockwell laughs]

STOCKWELL: We've got to go to another break in just a moment [gives out EIR number]. About 20 minutes before the top of the hour, you're listening to the Jack Stockwell radio program. Lyndon LaRouche is my guest today, live from Leesburg, Virginia.

Lyn, we were talking a moment ago, about this coalition, a bipartisan coalition that seems to be forming in Congress, that

may actually want to demonstrate some backbone, and stand up against the Enron interests, the Bechtel interests, the George Shultz interests. Where did, or how did, Harry Reid suddenly develop some backbone?

LAROUCHE: Well, he always did have backbone. But, he was put in a situation as the Minority Leader of the Senate, where he had the need and opportunity to express it. This came out of the aftermath of the last election, Presidential election, when a few days after the Democrats came out of the ether, a few said: Look, that was a swindle. George Bush robbed and stole the election—not George, but his henchmen. Get off the floor: Bush is lame-duck. Certify him as a lame-duck—

STOCKWELL: Already?

LAROUCHE: Yeah, and we had him as a lame duck. He still is a lame duck. He's got no wings and lots of feathers.

So, what happened is, they began to move against George's Social Security rip-off operation. And George got stuck there. Cheney is mad. He's dangerous and mad. He got us into this Iraq War, that they cooked up, is not working out. It's a hopeless war, it will never be won in its present form. We're going to get out of there soon, or we're going to be there forever! If we're around! It's not going to work. This whole thing is—it's insanity in conception. And the military, the professional military, except for a few nut-cases, knew that from the beginning. So, it's disintegrating.

Now, you see the disgusting behavior of the President and Vice President, in the case of lack of preparations for Katrina, and that's easy to see, because you compare the way Clinton reacted, the way he set up FEMA, made it a part of the cabinet combination, and how we were set up to deal with catastrophes—and you look at the way Bush behaved. Bush and Cheney just disappeared. They're playing games. Nothing was done. We had from Aug. 2nd: We knew this thing was going to happen. We didn't know exactly where it was going to hit, but we knew the whole coast area is extremely vulnerable! Because it's been ruined in the past 40 years, through economic decline, and nothing has been done. The programs we had earlier, from Betsy, were never put into effect.

Remember, Betsy set Lyndon Johnson into motion—

STOCKWELL: That was '65, wasn't it?

LAROUCHE: That's right. And the program was never conducted. And the condition along the coast, is far worse today, economically, in that region, than it was then! So, we have let the nation go virtually to hell. And they were sitting there—we still had resources to do things. We didn't *do* them, because the President was "on vacation." He should have stayed on vacation, and let somebody else take over—and keep Dick Cheney with him, wherever they go.

STOCKWELL: Well, there's even more coming out of Texas now, than just hurricane leftovers, and that's an indictment on Congressman DeLay.

LAROUCHE: Yeah, you know, this is—the system reacts. People know that this country doesn't have a chance under George W. Bush and Cheney: They've got to go.

Now, under right conditions, you'd have some senior Republicans, with the blessing of Democrats, would walk into Dick Cheney—and probably to George Bush, but Dick Cheney first—and say, "Dick, you know, you could get out of this without going to jail." Essentially delivering the same kind of message, and reassurances that were given to Richard Nixon on the relevant occasion back in the 1970s. And Cheney would go. And then Bush would go. And we'd sort the mess out.

And we'd get ourselves a Presidency *now*, by a bipartisan agreement of Democrats and Republicans—at least all the sane Republicans and the Democrats—which would function. Then, we could *do* something.

We're now in a situation where the United States has a golden opportunity, to *do* something to bring the international system back into order. We could do it right now.

STOCKWELL: Is this move against DeLay, a fire across the bow of Cheney's ship?

LAROUCHE: I think it's more! I think this move is, people realize, what I just said, and they realize that the Republicans are fine people, that is, the coalition types. But they weren't willing to act. So somebody in the system, decided to do the obvious: Start pulling the thread on the knit sweater. And that's what the DeLay thing is.

The DeLay thing has been sitting there. You've got two things that have been sitting there for some time: One is Cheney, and Libby and company, and Addington, in the Vice President's office. This involves the Valerie Plame affair, the so-called Joe Wilson case. That case, if pulled, would put Cheney out—shortly.

Then, you have the DeLay case. The DeLay case, you know, you've got *murder cases* involved on the Abramoff side. You've got a conspiracy to commit murder, which has come against two people who are with Abramoff, and Abramoff and DeLay are the same thing. DeLay has now been hit, in this area, on the 2002 election business. The two things are tending to come together. If you pull out DeLay, and you find that Blunt has got to go. Everybody who has been picked as a replacement, that they wanted to put in there, to replace DeLay "temporarily," so-called, has got to go, too! They can't have them! There's a problem with them!

So now, you have a tendency to break up this sordid bloc of control, by a machine, a Republican machine which is right-wing-controlled, or -nut-controlled, inside the House of Representatives. And the situation, where you have a lurch toward cooperation among Republicans *and* Democrats in the Senate. So, you've got people who realize, we have to do it.

We have to do something, to get a Federal government functioning, the Executive branch *functioning*. It does not function now! We're in the worst crisis that we've ever faced, in terms of its potential, globally and otherwise. We have to act now. And these two clowns, Cheney and Bush, are in the way. And the way to do it, it takes too long to impeach the thugs. We just have to go in there, and say, "Boys, you got an option, a really good option: You can avoid imprisonment. Just go, quietly."

STOCKWELL: Isn't this part of the reason behind choosing John Roberts as Chief Justice, so that, if this ever does get to an impeachment level, they've already got an ace up their sleeve?

LAROUCHE: This is a real problem with this Roberts thing, it's not settled yet. It seems to be settled, but it's not.

STOCKWELL: Well, they claim he'll be a shoo-in today.

LAROUCHE: I know. It could happen, but it still is not clear. Because the issue is this: John ducked all the issues that are relevant. The issue is—and the issue is not settled, because the majority of the Supreme Court is not yet in the hands of George W. Bush—even with Roberts in there. Roberts did never face a tough question. He slid in, without a tough question. The tough question is: What do you think about the Preamble of the U.S. Federal Constitution, and the concept of the General Welfare? [Stockwell laughing]

STOCKWELL: Yes, precisely!

LAROUCHE: Because—the point is, how can a man who does not accept the fundamental law of the United States, be a Chief Justice? And my gutless friends in the Senate wouldn't do anything about that, for various reasons. And that's where our dear friend from Nevada came in, and was willing to fight on this thing, and realized he had to. You can not have this!

Now, the composition of the Supreme Court has not changed essentially, ideologically, up to this point. If Justice O'Connor is removed and replaced by someone of the same type, then we're in trouble.

STOCKWELL: Yes, we're in trouble. Hold on, we're going to go to a break. Mr. Lyndon LaRouche is my guest.... [break]

We've only got a couple of minutes left before the top-of-the-hour news break. My guest is Lyndon LaRouche from back in Leesburg, Virginia. We just arranged this at the last minute, for this interview today. You can get a free copy of what we've been discussing just by calling 888-347-3258. Refer to our interview this morning.

Lyn, we've just about a minute and a half before we're going to be interrupted again. But, you were saying—you know, what is O'Connor's motivation here, to even stick around? Is there enough life left in her, to resist the Bush regime? To try and stick this out, until Bush goes down first?

LAROUCHE: I think so. I think that's fair.

STOCKWELL: I mean she knows very well, that if she's replaced by another John Roberts type, who believes that the President can order torture, that the President is pretty well free to do whatever he wants to do, in the sense of imperialist invasion of other countries, in violation of the declaration of war concept in the Constitution; if we get somebody else in there like that—and with Thomas and Scalia—we could be in some serious trouble.

LAROUCHE: Well, I think we're not going to make it that far. I think the crisis is coming on now.

What I'm looking at internationally, as well as here, I'm looking at the system as a whole. And the system is an international system, not just a U.S. system, it's not a sense of separate elements: We're interactive now. I don't think the system's going to hold on that long. I think we're now in the end-game routine.

STOCKWELL: And this is what you said, then, precedes, has historically preceded international war, on a much larger scale than this Iraqi thing.

LAROUCHE: Well, this is a different kind of war.

STOCKWELL: Asymmetrical.

LAROUCHE: Yeah—

STOCKWELL: Let's pick up with that, and your take on our current situation in Iraq. It looks like any day, we're going to attack Syria, any day we're going to attack Iran. Someone called a while ago, and said they read somewhere on the internet, that somebody's already firing something inside of Israel right now. So, let's start with that when we get back from the other side of the break.

We're be right back. My guest Lyndon LaRouche for the next hour, don't go away....[break] All right, 9 minutes after the

hour. My guest Lyndon LaRouche, live from Leesburg, Virginia. Lyn, you there?

LAROUCHE: Yep!

STOCKWELL: All right! Now: We started to talk about Iraq. I had a question for you, because now, we have in this current administration something new under the Sun: a President that just because he feels like it, can go declare war on anybody. And unfortunately Congress will go along with him, the courts will go along with him. I'm sure, at this point, the Founding Fathers must be somewhat mortified, as to what they've seen us to with their handiwork—which wasn't the absolute best thing at the time, but now, it seems to me to be almost done for. I've been talking to my audience for the last 60 days, anyway; you know, here's another day, we haven't invaded Syria yet, but don't get out of the currency wars, because we're going to go in there any moment. Is that still a possibility, from the way you see things, that the only way this current administration can save their backsides, unless they get overpowered by some Republican team that tells them it's time to go home, is to propel us into further war activity, in Syria or Iran?

LAROUCHE: Well, it's not really this Administration. These fellows are stooges.

STOCKWELL: Well, okay. Granted.

LAROUCHE: The issue here, is you have a faction of international finance, which is, as I said before: They're committed to making sure that in this crisis, they come out on top, and government goes down. They're determined to eliminate many governments of this planet—just eliminate them. They're determined to bring the governments they *don't* eliminate, fully under submissive control, as virtual errand-boys for these kinds of banking groups.

Now, they are not all wise. In matter of fact, they're rather stupid. Compared with banking power, financial power, in previous generations, these guys are really stupid. And they can't do anything right. They can not win, but they can cause the world to lose. Take the case of Iraq, for example: There's no way that that can be won as a war. That was known from the beginning. What people didn't understand, that the people behind Cheney did not *intend* to win a war: They intended to set fire to Asia. In other words, they intended a non-winnable war in Iraq, and they got it! They're determined to have non-winnable wars elsewhere.

Now, look at the Iraq situation, to get a clear picture of what this is: We do not have, as the United States, any more—we do not have the ground forces *to control territory*, anything. We don't have the ground forces to control the territory of Iraq, let alone something else. So therefore, what you've done, is, you've created a situation where conventional warfare, as we used to understand it—troops marching to war, winning war, declaring a victory, and then leaving—that is not possible right now. We're now at a point, where these idiots are playing into the worst kind of a situation: Despite our big nuclear weapons and so forth, *we can not win wars!* In the conventional sense of winning wars. We can only cause trouble, and in the end, the trouble we cause, *will eat us up*.

Therefore, the question is this—forget this bully, bully, bully, war, war, war stuff. Yes, we need defense capabilities, and so forth. I would build them. *But:* we have to deal with these problems by diplomacy. For example, take the case of Iran: Now, Iran was provoked, and the reaction that they had in cancelling their membership in the NPT, was predictable. You want to have that? You force the issue? You get it! Now you got it!

The problems with North Korea. Most of these problems we have, where there's some reality to the problem, or some conflict, we could deal with this very successfully by the right diplomatic approach. We don't do it. We used to have diplomats, and we do have people, still, who are experienced people who know how to do this. There's not a single problem on this planet, that can not probably be dealt with successfully, without shooting anybody.

Terrorism, for example: What's being done on that, is crazy! It's wrong! What you have to do, is *starve it out* of existence by—stop provoking! Stop putting oil and gasoline on the fire! Get more allies. Get more people who will join you for the sake of stability, and *isolate* the problem, isolate this isometric problem. We can do that. We can do that with help of economic development.

But we don't have—the government of the United States is presently insane. And the bankers who control it, are insane, at least the controlling factor. It's not a hopeless situation, because in a crisis like this, as you've seen from the Senate, and you've seen from bipartisan tendencies in the Senate: You've seen that there exists, still, in this country, with all the shortfalls that our people have, we still have the character and capability of making the kinds of decisions, which can deal with our problems, and enable us to do a good job, in bringing the rest of the world around us, some of the international problems.

STOCKWELL: Hence this growing coalition, then—bipartisan coalition. And the indictment of DeLay, that this—whatever you're referring to, that still exists, is suddenly coming together in a much more visible, tangible manner, especially when indictments show up. And maybe something will happen here pretty quick, with a little walk into the Oval Office.

LAROUCHE: Well, Jack, you know something about this situation. Our government, our Federal government, for example, is not merely composed of elected officials, or a few top appointees.

STOCKWELL: True.

LAROUCHE: Our government is composed of a lot of servants of government, in the Executive branch, the committees of the Congress, and so forth. It's composed of people who are no longer in government, or who are not in government, like me! But who are part of the system. And, we are concerned about this country. While politicians walk in and out of office, with a very short locust-like attention span, sometimes, because of the pressures on them, those of us who are behind the scenes, who are thinking, are looking at our country and saying: "*We've got to save our country.*"

Now, in this process, you have a sluggish process in the system, in the institutions of government, which include former intelligence people, as well as active ones; diplomats, so forth; military, everything—you have the people who do care about the country. They do have the ear of many of the Senators and so forth, in our system. You have governors and other people around the country, who are part of the system—they do have concern for this country. Now, obviously with a situation like this, with a crisis shaping up, this machine, however slowly, begins to move: We're determined to save our country; we're determined to save the world. We know the United States has to do it—we have to take the lead. We're not going to run the world, but we're going to save the world.

And so, you get things like this DeLay problem: DeLay was a vulnerability of the enemy, and people are moving on it. Cheney has a vulnerability in his office, with his staff in the Vice President's office: That is a nest of vulnerabilities. You can't get a replacement that's acceptable right now, for Tom DeLay in the House of Representatives. Blunt won't stay. They've got a list of these guys, and I look at the list—they can't stay, they're not going to hold up.

So, you've got a situation, with these prosecutions, against Abramoff; the murder indictment, conspiracy to commit murder indictment, which goes to Abramoff, which goes to DeLay. So, you have the case of the Plame case, which goes to Cheney; and Cheney's office, which, if it goes to Cheney's office, it goes to him—he's out. Cheney's sick. Very sick. Very endangered.

So, you've got a situation, in which the institutions of government, can tend to orchestrate the situation, in such a way that, we, however sluggishly, may come back to our senses in time—at least *sufficiently* back to our senses, to bring some of

these things under control. My job is to alarm people, activate people, especially in these institutions, not only in the United States, but also in Europe and elsewhere. And we're getting some motion! We're getting *some* motion. It's not guaranteed—

STOCKWELL: As I read newspaper articles from around the world, stuff that's in *Die Welt*, stuff that's in *Le Monde*, British papers, English translations of Pravda, and some of the Middle Eastern publications, I see your name appearing all the time. I don't see it here!

LAROUCHE: It's here.

STOCKWELL: You know what I mean—I don't see. No, that's true! That's true! I have: *New Yorker*, a few other places, little references here and there. But, what I'm referring to, of course, were mostly headlines in foreign newspapers.

LAROUCHE: I'll tell you—you've got some bankers who control most of the mass media in this country, and *they hate my guts!* [laughs]

STOCKWELL: Well, of course!

LAROUCHE: And—they're afraid of me! [still laughing] So therefore, you get in the mass media, you get the obvious result. That's the way these clowns play the game.

But, it doesn't *change* it, you see? The point is, they think that by orchestrating opinion, orchestrating public opinion through the mass media that they control society. Yeah, they influence things, a bit. But they don't control society. In the bottom line, people are motivated by their interests, they're motivated by what happened to them in New Orleans; they're motivated by what happened in Texas. They're motivated by the loss of jobs, they're motivated by the fact that General Motors is about to disappear, along with Delphi, and probably Ford, and so forth. They're motivated by the fact they have no Social Security, or they're losing it. They're motivated by this and that.

So, there are people who realize that this system, and its present leadership, is not working. And they can not be—you know, everyone says, "But look at the market, look at the market! Wall Street's going up!" And they say, "Yeah, but we just lost our town!"

STOCKWELL: All right, we'll pick up with that, as soon as we're back. More traffic—don't go away....[break] All right, 23 minutes after the hour of 8 o'clock here in the Intermountain West, Sept. 29, 2005. You're listening to the Jack Stockwell radio talk show program: My guest this morning, live from Leesburg, is Lyndon LaRouche...[gives EIR number].

So, Lyn, we were talking about Iraq. And you know, it's at moments like this, when—we've had some off-air calls, you know, "when's it going to go?" and "how much longer do we have?" And you know, you're more of a forecaster, than you are a predictor. And it's like Jesus says, when you see the change of the wind, and when you see the clouds, you know that summer is nigh, and this kind of stuff, and the leaves on the trees. And, as we look around us right now, and you look at what happened financially, this last spring, what's happened with GMAC, what's happened with Ford Motor Credit, and their involvement in hedge funds instead of the automobile business. Other people as well, involved with the auto industry, having some serious—that's why we have all these fire-sales of cars, of course. And then, the warnings! The warnings that are coming out of significant personalities, in European financial circles who are making comments: It's, "get out of the American market"; "watch out, it's any day, now."

Can you put any kind of a threshold on this at all?

LAROCHE: Well, I think it's a mistake to ignore the fact that human will power gives choices. And in calculating what is likely, you can't look for a crystal ball. You've got to understand the system, understand the process, and understand that the system is operating between limits, boundary conditions. And that for every action, there will be a countervailing action, which in part, involves the human will, the human individual will. And therefore, you can not *predict*. There's no magic. There's only science. If you have a good scientific understanding of the situation, you can come up with a good estimate of what the *range* of possibilities are. I'm probably as good at this as anyone, and I know what my limitations are. And I don't predict. I warn people that this is what the consequence would be, if a certain decision is made. And that stands. That you can't change. You can find, maybe, other alternatives in some cases, but usually not. That often you have to make a decision that's given to you, it's handed to you. You have to settle that problem.

So, we're right— We're at the edge—we're at the time you should be acting. We're at the time, when citizens should be acting. If citizens don't act, we're going to pay the price. If they do act appropriately, we have a chance. And that's what you get in life. You don't get guarantees. You get options. And somebody else makes the decisions to what finally happens. We have the power to pick options, that's all; and if we wait around, and wait for some miraculous guy, who's going to give us last minute when we can jump out of the car or whatever—that's foolish. You have to say: Well, what's our policy? What is the problem? What should be our policy?

And that's the way to it. Don't look for predictions; don't look for guarantees. There *are* no guarantees! Free will exists. People respond, willfully, to situations. You've got to look at the boundary conditions, which predetermine what kind of reactions will work, and what kind will fail. That's all you've got.

STOCKWELL: Well, Lyn, this last spring, when Harry Reid and several others finally decided to stand up to the administration, in the sense of this filibuster stuff and the up-and-down votes, and then all of a sudden, several Republicans started to come forward as well, I'll tell you, that really gave me a boost in my hope for the future of this country!

LAROCHE: Yeah sure! That's good. That's what you have. And you have setbacks. Every time I get something happens that's good, I find that the following day, we get a setback. And we keep on doing it, we keep on fighting; and that's what keeps us going.

STOCKWELL: Where do you get your—determination, every day, with what you're up against, with what you know, with what you understand, with having served as a political prisoner, with the possibility of anything crazy like that happening again, some time: What is it that's in your mind, when you get up in the morning, to go out there and make yourself fit for the task?

LAROCHE: Well, you know, most people who claim to be religious, aren't. They're religious in a certain manner, but they don't believe in immortality. If you realize that you are living mortal life, which has finite boundary conditions, a beginning and ending, then you don't look at your life in terms of what you get out of it, like an animal. You think about what you're doing, what your mission is in life, what you should be doing, in terms of the consequences of your *having lived*.

Now, when you do that, and you know, I'm stuck with about 3,000 years of history of European civilization which is the central feature of my consciousness at all times, I always look at these things from the standpoint of ancient Greece; the horror of the Roman Empire, which I hate; the horror of the medieval system, which I *hate*; some of the modern things, which I *hate*. And I'm rather proud of our country, for good reason: Because it was created by good people with a good intention. And it's the best in the world, if we can make it function.

So, I sit here. I try to play my job as a patriot. I'm 83, I'm not looking forward to 20 more years of expectations, and I do what I'm supposed to do: And I enjoy doing that! I'm happy doing that. I'm not looking for instant gratification, for physical

immortality, or riches or anything of that sort. I just enjoy doing what I do, because I'm happy with *being who I am*. It's that simple.

STOCKWELL: Do you believe that life goes on after death?

LAROCHE: Oh sure! We are immortal. I mean, our physical bodies are not immortal, but if you think about what the difference between a man and an animal, is, you know that difference. You know that the human being is something which occupies an animal-like body. And when you look at the role of what the human being is, scientific discoveries, ideas, so forth; you look at the history of mankind for thousands of years, what do you have? You have the *history of ideas*. The history of social processes which are centered on ideas. And you realize that what you leave behind, are what you set into motion. And especially the ideas which you've helped to create or transmit.

And you know, just as the way that Rafael Sanzio did this thing in the Vatican Museum, which was once the Papal palace, the *School of Athens*: And the figures in that *School of Athens* are people who represent many generations, including Rafael himself, who stuck himself in there! And you realize that this is a collection of people who live in a timeless immortality, as personalities; each with a different place, physical place, and difference place in time. We all interact, and this is humanity. This is our culture. And if you find your citizenship in being in that kind of place in this culture, that's happiness!

STOCKWELL: In the time that's left between now and the election next fall, the mid-term, because you—I'm going to move in a different direction here; you defined the President as a lame-duck. These guys have their back up against the wall—not these guys, but the controllers, the handlers, whatever you want to call them: the Bechtels, the George Bushes, Raytheons, Rockwells, GEs, everybody that put them into these positions, they're going to be scrambling at this point in time. Surely—now you refer to them as being insane—but surely, they can see the writing on the wall. Surely they can see that they may need to back down, from this warlike posturing they want to do, or the entire planet can go up in flames.

LAROCHE: In the past, if you look at the 14th-Century Dark Age, you would say—and knowing what these people are, by that standard—you would say, "No. They won't. They're not that smart. They're essentially, intrinsically dumb." People confuse the power that these fellows wield, now, with the assumption that they have an *innate* power, some innate capability: They don't. To me, these guys are ridiculous. I have no respect for them, as human beings. For George Shultz, for example—no respect for him! From my standpoint, he's a nothing. He's a failure. He's a human failure.

So, I'm not impressed by these guys, and I don't think anybody else should be. They're *dangerous*. They're like a predatory animal in the landscape. They will kill. They will do all these things—that has to be taken into account. But, they are not omniscient. They are not people who will see the handwriting on the wall. If they saw the handwriting on the wall, they wouldn't be who they are. They wouldn't *want* to be who they are! Nobody who knows what humanity is, would want to be one of *them*. I can't think of anything more miserable, than being one of them.

STOCKWELL: And being one of them, this sort of human being you're describing, is pretty well what has held European culture for thousands of years, now, under a rather strict hold, in their less-than (I don't want to say, perfect), but less-than-operable forms of government, the parliamentary form of government has allowed this stuff to continue to be fostered. But here in this country, with men and women of some backbone and some determination, and some understanding of our Preamble, we, probably alone from any other country on the face of this planet, can actually stem this tide, and do something starting in Washington, D.C.

LAROCHE: Well, yeah, sure. For example, I'm as you know, in touch with circles in Europe. And some of them fairly influential. And they know what I'm doing and they agree with me: That the United States and certain forces in Europe, must come to a common agreement on certain modes of actions which will enable us to get out of this mess. It can be done. And there is that consciousness.

Look, the way the country was built, we were built largely by Europeans; the population were largely Europeans. Of course, I've got an Algonquin Indian stuck in my ancestry, but otherwise, it's all pretty much Europeans. And, we built this country. We built it, because Europe was a failure at the time. We hoped that by building a country here, that we would set into motion something that would go back into Europe, and bring Europe up to the same goals we had. But, it was Europeans who *made us possible*. We are, essentially, Europeans, predominantly. That's our culture.

And there is an affinity, a recognition of that among knowledgeable people in Europe. We realize the United States is a special nation, which the Europeans depend upon, for its being itself. And that's the way they think. And that's the way I think. I count on them understanding this, and I try to get our people to understand it.

We can win this fight. We've got no guarantees—

STOCKWELL: I'm sorry, we're going to be coming up to a break here, shortly. When we get back, I'd like to turn back towards we were talking about earlier, that there are people in the government, not elected people, but people who are long-term civil servant kinds of people who had built careers, moved up the chain of command. Elected officials come and go, but these guys, these girls are there all the time. And some of them, their job in the government is just that, to that end, a job; to other people, they're very devoted to their country, very loving patriots. What are you in touch with, what do you have contact with, that indicates that even in a bipartisan sense, throughout Washington, through the rest of the country, though the Department of Defense, the Department of State, intelligence circles, that these people are about themselves to pull the plug, and push whatever needs to be done, to bring an end to this current administration? I'd like your input on that as soon as we get back....[break]

Lyn, back to that question there before the break: What do you and your intelligence people and everything pick up is a sense of things, right now?

LAROUCHE: Well, I'm sort of in the middle of things, Jack.

STOCKWELL: That's why I'm asking.

LAROUCHE: Internationally, I mean—people forget the fact that I had a little agreement with Ronald Reagan, for example, on what became known as the SDI. And Reagan was really for that—Reagan, as you know, used to denounce Kissinger regularly as the worst thing on Earth, for getting us into this mess of Mutual and Assured Destruction. And so, I went, talking to the Reagan people during the period of the 1980 election period and immediately afterward. And when he was being inaugurated, I went down to Washington, to meet with the crowd, present my shopping list of options for the government for the new administration. And one of the things that the Reagan people adopted, which led to my setting up a back-channel for Reagan with the Soviet government, was what became known as the SDI proposal.

Now, we're coming up toward Oct. 12, Columbus Day. And on Columbus Day in 1988 in Berlin, I delivered an address which was later reported by television in the United States for a national broadcast, saying exactly what was going to happen: It would start in Poland, the Soviet system was coming down; the Eastern European system would come down starting with Poland first; it would be soon. Berlin would become in commitment for the new capital of Germany, again; the Soviet Union would collapse. And we had the opportunity for cooperation to rebuild a lot of things.

A lot of these things happened. But, what happened was, I was in the jug, and I was in the jug largely because of this. These guys wanted me *out* of the way. None of them thought the Soviet system was coming down—none of them! Including George H.W. Bush himself. He had *no idea* it was coming down. I said so—but they wanted me *out*, because of the SDI.

Now, as a result of that, I had, in the process, built up a lot of alliances for the United States, around this idea, among the military and others in various parts of Western Europe and elsewhere, as well as the United States. So, because of this, and because of some other things I've done, I have a lot of respect for what I do and what I think in relevant circles internationally. And over the years, I maintain direct and indirect contact with these circles. And we represent, in our discussions, a fairly good way of estimating what is happening on this planet now. We don't have all the answers, but we're close enough to the answers, to know what we have to investigate to get the answer we want.

So, I have an intelligence capability of this type, which is good—very good. Inside the United States, the same thing: People are afraid to be seen with me, in light of the press. But we do do our work. And therefore, that's what I represent. I'm this ol' geezer who has this history, and these kinds of connections, and we are concerned about the world. We are concerned about the United States. And naturally, we gravitate together, those of us who are concerned about the United States, who are concerned about the world, we gravitate together, to share thoughts and share ideas.

STOCKWELL: I have seen, occasionally, certain verbiage, that I have heard you use, and then suddenly it shows up in some Congressman's mouth, or some news magazine, article, or writer, or editorial here and there, so I know that your influence is spread an awful lot more around this planet, than some people, particularly want to mention—just as you said there, they don't necessarily want to be seen with you in public. As that meeting that occurred—I don't know if it was at the Press Club, or where it was a few months ago, I read about it: Where Greenspan, you were standing there, and Greenspan—someone wanted to know (it was either Greenspan or Kissinger, one of the two), someone asked them if they would like to meet Mr. Lyndon LaRouche. And they said something like "Oh no!" and turned and went in the other direction.

LAROUCHE: No. Greenspan walked into me. It was at the President's annual press event—walked into me, there in—it was in Washington Post room. And walked up to me, and he stuck his hand out and he shook my hand. And I said, "Ah, hi. My old enemy!" He almost melted, at that point—"I need a drink! I need a drink!" He went over to the bar, and he began guzzling at a great rate.

Then he went out in the hallway, where I was standing, and he signaled to a couple of the Secret Service guys to come in watch me! For fear that I'd approach him and talk to him! I had no intention to approach him and talking to him. I just thought, it was a nice encounter, "Okay, we want to chat, buddy?" And it would be an historic chat, but Mr. Greenspan is not up to serious historic chats, these days.

STOCKWELL: Well, I don't know how many tricks he still has up his sleeve.

LAROUCHE: I don't know what he has up his sleeve—it may be his arms!

STOCKWELL: We're quickly running out of this whole thing. How high can this interest rate—now that they've turned the interest rates around and they're going back up, are we going to see what Volcker did?

LAROUCHE: No. This won't work. If they put high interest rates, it'll just collapse the system. There's nothing they can do, within the terms of the system. Nothing!

STOCKWELL: And hence, your answer to all of this, for the Federal government to move in, to put the Federal Reserve into bankruptcy. Do whatever's necessary to preserve and save Social Security, private pensions, retirements, everything, keep all the local banks open, and just redirect the flow of credit from this international financier system back into a government system of credit, the way the Founders intended to do it; the way Roosevelt rebuilt this country, starting in the '30s, that's about the only answer there is to this mess right now, isn't it?

LAROUCHE: Well, what we have, the possibility is—. We're bankrupt. The world is bankrupt, financially. Derivatives, financial derivatives can never be repaid. Obligations on financial derivatives, *forget it! They can never be repaid.* If you have an asset in a financial derivative, *write it off*, it's never going to be paid, in principle.

What we can do is this: We can put the system into bankruptcy, through governments, starting with the U.S. government, to put the banking system into bankruptcy reorganization; to keep the doors open, to keep the banks functioning. Now then, we're going to have to use Federal credit, long-term credit, and a system of international agreements on tariff and trade agreements and loan agreements, for a period of about 30 to 50 years, of various large-scale projects, infrastructure projects which are required, *globally*. We're going to organize a boom, to immediately bring the U.S. economy and other economies, physically above breakeven, on current account.

We're going to have to have a system which is a regulated system, like a fixed-exchange-rate system. We're going to have to start issuing credit, at low interest rates, between 1 and 2% fixed interest rate, over the long term. We're going to have to invest that money, not on the market: We're going to invest it in projects, starting with large-scale infrastructure projects, power projects, railway projects, water-management projects—all the kinds of things that are infrastructure. We'll use the infrastructure investments in order to stimulate the private sector. For example, the automobile industry. The automobile industry, together with a smaller part of the aircraft industry, represents the machine-tool capability of the United States. That is the key to a recovery. We're going to have to preserve that infrastructure, that industry, where it exists, as in Michigan, Ohio, and so forth.

Then, we're going to have to use that, to get a high-tech accelerator into productivity: because it's the machine-tool sector of the economy, backed by science, which makes *labor more productive* in general. We're going to have to grow. And we're going to have to accept the fact that we're going to have sit back and work the hard way, and grow for about 50 years: Then, our grandchildren, or the grandchildren of the present generation, will prosper. We can do that. We *must* do it: It's the only option we have.

STOCKWELL: All right. All right: I think that'll pretty well do it. Lyn, I want to thank you very much for being a part of the show today. Always, always a pleasure to have you on the program, and to listen to what is in your mind, and what is going on right now. I'm always encouraged to find that, although there are people who are headed for the hills [LaRouche laughs], and burying themselves in whatever holes they can in the Caymans, or running wherever they can to get some kind of protection, you're still right out there on the front line, and I have the deepest respect for you and your organization, because of that. [repeats the phone number]

Lyn, I want to thank you once again, for being part of the show.

LAROUCHE: Thank you. Good to be with you.

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Feature:

From Kant to Riemann:

The Shape of Empty Space

by Lyndon H. LaRouche, Jr.

September 10, 2005

Within the state of education today, including higher education, regrettably, little attention is paid to the crucial importance of rigorous studies in the theory of knowledge (i.e., epistemology), whether in poetry, science, or government...

- Heine on Immanuel Kant

Heinrich Heine (1797-1856) was one of Germany's most beloved poets and commentators, known for his biting criticism of Romanticism. The following is excerpted from 'Concerning the History of Religion and Philosophy in Germany,' Heinrich Heine, Selected Works, trans.

by Helen M. Mustard (New York:Random House, Inc., 1973).

From Plato's Theaetetus to Gauss's Pentagramma Mirificum: A Fight for Truth

by Bruce Director

In 399 B.C., as Athens reeled from the economic and political turmoil associated with the Peloponnesian Wars, an aged Socrates had a remarkable conversation about the cause of that crisis, with an extraordinary young man. More than 30 years later, facing the continuation of that same crisis, Plato immortalized that discussion in an historical drama that has since become known by the name of Socrates' interlocutor, Theaetetus. ...Plato, as a protagonist in that history, insisted that the central question of that colloquy—'What is knowledge?'—was of momentous importance for the immediate survival of Greek culture. Thus, he set this drama in the historical context in which it occurred, intending to provoke his contemporaries, and all subsequent generations such as ours, to face this question as it should be faced—as the defining issue of life and death for civilization.

National:

Cheneygate!

by Jeffrey Steinberg

A political hurricane, as devastating as Katrina, has struck the Bush-Cheney Administration. A string of long-simmering criminal probes, targeting top White House officials and key Congressional allies, has hit all at once, and the rightwing Republican juggernaut of dirty money and political corruption is now on the chopping block.

DeLay Indictment

Major Step Toward Bringing Down Corrupt Cartel

by Anton Chaitkin

The control of Congress by the far right, and by the BushCheney Administration, has been shaken by the Sept. 28 felony indictment of House Majority leader Tom DeLay (R-Texas). DeLay's fall came on the heels of the Aug. 11 arrest and fraud indictment against lobbyist Jack Abramoff, an architect of DeLay's political machine, and the sensational Sept. 27 arrest of suspects in the gangland-style murder of the Florida man Abramoff is charged with defrauding....

Lyndon LaRouche commented: 'This is extremely important. There is a phase shift under way in Congress, which is timely. Many things are coming together with this. If this country is going to survive, it's going to have to change its ways, without DeLay. This gives the Congress an opportunity to make the necessary policy shifts—without DeLay.'

Economics:

You Can't Carpool in a Combine;

Hyperinflation Hits Food Supply

by Marcia Merry Baker

Apart from the vast hurricane damage to agriculture in the Gulf Coast states, the shock effects from speculation, financial bubbles, and out-of-control energy prices are slamming the U.S. farm-belt at large. Taken together with the economic breakdown effects internationally from the same causes, the demand by commodity cartels for continued domination, and the lack of Federal action, a food supply crisis is in the making.

Interview: Rep. Earle Banks

What Katrina Has Done To Mississippi's Economy

Mississippi State Representative Earle Banks, a Democrat, has represented House District 67 in Hinds County since 1993. He is an attorney, a funeral director, and insurance executive as well. Representative Banks serves with the Jackson State University Foundation, and 100 Black Men. He was interviewed by Mary Jane Freeman on Sept. 21, shortly after he had toured some of the state's counties which were devastated by Hurricane Katrina.

- **Casinos or Development: Mississippi After Katrina**

by Mary Jane Freeman

A casino economy, or a 'Super TVA,' to create an economy upon which Mississippians could finally leave the oppressive legacy of poverty behind and create a future for their children? This is the choice posed by Hurricane Katrina's path of destruction. Disaster often presents opportunity. But will Mississippi's and the nation's leaders seize this moment to mobilize human, economic, and scientific resources for economic justice, or will they be small-minded, offering bandaids and casino chips when economic development is needed?

The current condition of Mississippi's economy starkly poses this life and death question.

Avian Flu Experts Sound the Alarm

by Christine Craig

At a Sept. 19 forum in Washington, D.C., two experts on infectious diseases sounded the alarm. The ultimate biological disaster is looming on the horizon: pandemic avian influenza. Epidemiologists overwhelmingly agree that a flu pandemic is inevitable, and that the most likely agent will be the highly pathogenic A/H5N1 avian influenza virus, which has already killed at least 65 people and wiped out poultry flocks in several Southeast Asian countries. The main questions on the table wherever these experts gather are: How much time do we have, and what can we do to minimize the catastrophe?

International:

Geometry of World Politics Can Be Changed in Dresden

by Rainer Apel

The Oct. 2 by-election in the Dresden-I district delayed the publishing of the final vote result of the Sept. 18 national German election by two weeks, and this development may change the political line-up in the German Parliament. The three-seat advantage of the Christian Democrats (CDU) over the Social Democrats (SPD), as of Sept. 18, may be confirmed, or lost, in Dresden. And because a tiny majority will determine the outcome of the brokering between the CDU and SPD in the likely Grand Coalition government of the two parties, numerous prominent figures, including incumbent SPD Chancellor Gerhard Schröder and CDU challenger Angela Merkel, have streamed into Dresden in an effort to affect the final outcome. But in Dresden, they were confronted by a strong campaign intervention force composed of about 60 activists of the LaRouche Youth Movement, who were determined to make sure that neither the candidate of the CDU nor of the SPD, wins that district. The LaRouche Youth backed Katarzyna (Kasia) Kruczkowski, the candidate of the LaRouche movement's Bu'So party.

Wall Street Wants To Buy Philippines—Cheap

by Mike Billington

In a blatant display of servitude to the lords of the collapsing global financial system, Philippines President Gloria Macapagal Arroyo and one of her leading economic advisors, Speaker of the House Jose de Venecia, travelled to New York and Washington in September to offer up the nation's patrimony —its industries, forests, mineral wealth, and more—to the holders of the nation's huge, unpayable, and illegitimate debt.

Is Sharon Launching A Third Intifada?

by Dean Andromidas

Five years ago, on Sept. 28, Ariel Sharon made his infamous march on the al-Haram al-Sharif/Temple Mount, and ignited the Al Aqsa Intifada. Now his bloody anti-Hamas military campaign, Operation First Rain, could ignite a third Intifada.

Russia Freezes Gasoline Prices

by Rachel Douglas

Russian Industry and Energy Ministry spokesman Stanislav Naumov announced Sept. 19 that LUKoil, Sibneft, Rosneft, TNK-BP, Tatneft, and Surgutneftegaz, the country's largest oil companies, have agreed to freeze prices on gasoline at least until the end of this year. Heads of the companies met on the matter that day with Minister of Industry and Energy Victor Khristenko, after a Sept. 9 resolution in favor of a price freeze for agricultural enterprises passed the StateDuma unanimously, and Presidential Representative for the Far East Federal District Konstantin Pulikovskiy warned that gasoline and fuel-oil prices were making it impossible to prepare for Winter in that area.

Editorial:

It Wasn't President Reagan

—Lyndon H. LaRouche, Jr.

Eugene Robinson, writing on The Washington Post's OpEd page for September 30, was wrong, when he wrote, 'Reagan changed everything, shifting the nation's center of gravity to the right,' although he was fair to add, in his next sentence, '. . . the man had at least a certain generosity of spirit.' As Presidents come and go, it was not Reagan who identifies 'the shift of gravity to the right,' it was President Harry S Truman who, as soon as FDR was dead, faithfully followed the lunatic, anti-Roosevelt recipes of Britain's Winston Churchill, in carrying out the sharpest right-wing turn yet experienced in U.S. policy orientation in our national history since our republic's self-inflicted catastrophes under the Coolidge, Hoover— and Andrew Mellon administrations.

U.S. Economic/Financial News

Derivatives Disaster Lurks Behind Airlines' Troubles

Commenting on the unserious reaction by the financial community to warnings of a hedge-fund collapse by German bank regulator Jochem Sanio, the *Financial Times* warned Sept. 26 of a derivatives disaster lurking behind Delta and Northwest airlines' bankruptcies. Commenting on how "amazingly complacent" was the reaction to Sanio, the *Financial Times* wrote, "The New York Federal Reserve has been doing a great deal of worrying lately about the swelling backlog of unconfirmed trades. There is also growing concern about the tendency for hedge funds to assign credit derivative contracts without informing the original counterparty.

"The trouble with poor documentation and paperwork delays only starts when a counterparty defaults and the lawyers are called in. And lawyers almost certainly will be called in after the bankruptcies of Delta and Northwest and the solvency problems building up among the suppliers of Ford and General Motors."

The *Financial Times* concluded that in the "disputes over credit derivative contracts in the wake of these bankruptcies may test the legal standing of derivatives.... Maybe the clients of Goldman Sachs are in for a shock."

Treasury Official: Improve Hedge Fund Regulation

"Since the time of LTCM, there have been further substantial changes ... in the way that the capital aggregation industry in the U.S. and the world is organized," U.S. Undersecretary for Domestic Finance Randall Quarles said at a meeting Sept. 25, organized by the Institute of International Finance. These changes have altered the way financial markets manage and disperse risk, "in ways we don't sufficiently understand," he said. "Hedge funds might be the area of regulation where there

is most room for improvement in our approach."

Quarles warned that systemic risks have become concentrated in a handful of large firms, while the role of non-banks—namely, hedge funds and Fannie Mae/Freddie Mac—in financial markets has grown.

Energy Inflation Continues Despite Inventory Reports

Natural gas October futures leaped up again on Sept. 29, and oil and gasoline prices rose despite U.S. government releases showing that inventories of gasoline and heating oil had risen unexpectedly by nearly 5% in a week. The price of natural gas reached almost \$15/1,000 cubic feet, now nearing four times its level of 2003, and 25% up during this week. Only three weeks ago, the Energy Information Administration had issued the "dire" forecast that the *retail* price of natural gas to households, etc. might reach \$16.65/1,000 cubic feet by January 2006; but the *wholesale* price has now already reached nearly \$15. Oil prices also rose again.

The gold price hit \$478 in New York trading, amid general "forecasts" that it would be at \$500/ounce soon.

Lyndon LaRouche commented, "There's nothing unusual or surprising about this. It's hyperinflation busted loose. The controls on this were broken in April-May of this year [in the hedge fund/auto debt crisis]. There's nothing to stop the hyperinflationary shock wave now."

Commodities Hyperinflation: 'It's All [Hedge] Fund Buying'

The *Financial Times* on Sept. 28 reported a big spike in copper prices, and the impact of the "invisible" shockwave effects from hedge-fund speculation were clear even to the *FT's* sources; "Copper Peak' Due to Hedge Funds" is the paper's headline.

Copper supply? Copper stocks on the London Metals Exchange are at their highest in over a year. Demand? Demand for copper fell by 2% in the first half of 2005. And the price? The copper price has risen by 65% from early 2004, and 20% since early 2005 (it's now \$3,812/ton). This "was driven by hedge fund buying," reports the *Times*. " 'The funds are going to try to hold the price up,' says an analyst of ABN Amro. 'This is all fund buying; that is all it has been, said an analyst at Natexis Metals. The hedge funds are self-fulfilling; they create the momentum and then they run along with it, and they were pushing the market to test the previous high.' "

Energy commodities continued to inflate at even higher rates. Gasoline futures leapt up Sept. 28 by 7% on the Chicago Mercantile Exchange, to \$2.34/gal. for October delivery; natural gas pushed up even further, by 9% during the day, to \$13.90/1,000 cubic feet. This is now 250% higher than during the 2002-03 Winter. Propane contracts rose 6% during the day.

Greenspan Massages the Truth

Speaking before the National Association for Business Economics Sept. 28, Federal Reserve chairman Alan Greenspan massaged the truth with Adam Smith's "invisible hand." Giving a lying justification for his policies of "economic flexibility" since 1987, Greenspan explicitly cited Adam Smith's *Wealth of Nations* and Smith's "invisible hand." Greenspan defended deregulation and the "conceptual" advances in increasingly "complex financial instruments" of "risk dispersal," which were introduced after the crash of 1987. Obviously fearing a return under Lyndon LaRouche's leadership to an FDR policy of regulation and protectionism, Greenspan defended the very policies which have brought the current system to an end.

Credit Card Delinquencies Reach Record High in 2Q

[source: ABA press release, Sept. 28]

The American Banker's Association's latest Consumer Credit Delinquency Bulletin revised the 1st Quarter figures to show that 4.76% of accounts (from 4.03 previously reported) are delinquent, and that in the 2nd Quarter, the number was up to 4.81%. Home equity loan delinquencies also rose to 2.75% of accounts in the 2nd Quarter, above the 1st Quarter figure of 2.61% (but which had also been revised upward).

ABA's chief economist, James Chessen says that "gas prices are taking huge chunks out of wallets, leaving some individuals with little left to meet their financial obligations. With gas prices still rising, the third quarter is not likely to be any better."

Heat Advisory in Gulf, Where Power Is Out

Heat advisories have been issued for east Texas and the entire hurricane-hit Gulf region, where hundreds of thousands of people remain without electricity; therefore, without fans or air conditioning, the *Forth Worth Star-Telegram* reported Sept. 27. Temperatures have been over 100 degrees, and there may be evacuations of the vulnerable. The military has set up a mobile field hospital in Shelby County in East Texas to handle emergencies.

World Economic News

German Industry Builds Defenses vs. Hedge Fund Attacks

Germany's luxury carmaker Porsche has offered to increase its share in Volkswagen assets from 5% to 20%, for the sum of 3 billion euros. The move, following consultations with both the German government and the government of Lower Saxony (which keeps a share of 18% in Volkswagen), is meant to protect the firm against hostile takeover attacks, Kerkorian-style, by hedge funds and other financial sharks.

The Porsche-Volkswagen deal involves the interesting aspect that Porsche CEO Wendelin Wiedeking has been one of the very few big industry bosses who did not desert Chancellor Gerhard Schroeder for CDU candidate Angela Merkel; and, Lower Saxony Gov. Christian Wulff is a potential successor to Merkel in the CDU, with backing from many Christian Democrats who dislike the hardline neo-con views of Hessen Gov. Roland Koch, also a potential successor.

A similar anti-hedge defense is being built by the steel conglomerate Salzgitter, which just recently signed an agreement with all its branches and the respective municipalities where they are situated, as well as with the Lower Saxony government, to protect the group against hostile takeovers.

United States News Digest

In Wake of DeLay Indictment, Cheney's in Trouble, Too

Vice President Dick Cheney is in political trouble in the spreading shock from the indictment of House Majority Leader Tom DeLay; as Lyndon LaRouche joked: "The report on DeLay has hit the fan—and now it's spreading." One clear indication, is that now Cheney's White House orders, which he is trying to impose on the Senate through Majority Leader

Bill Frist (R-Tenn)—himself under scrutiny for insider trading—are being fought hard by Frist's own Republican committee chairmen and other Republican leaders, as well as Democratic Senators. And the HCA criminal investigation of Frist, even if being used to keep him in line, is weakening his ability to carry these orders out. Several important fights are occurring now:

* Senate Armed Services Committee chairman John Warner (R-Va) is fighting the Majority Leader over Frist's withdrawal of the fiscal 2006 Defense Authorization bill from the Senate floor, "for the rest of the year," to keep Warner, John McCain (R-Ariz), and Lindsay Graham (R-S.C.) from amending that bill to give Congress the oversight of treatment of detainees at Guantanamo and elsewhere. On Sept. 29, Warner joined Democratic Sen. Carl Levin (Mich), in making the entire Defense Authorization into an amendment to the Defense Appropriations—an unprecedented move—in order to force the Authorization bill to the floor over Frist's dead body, and enforce Congress's authority over prisoner of war treatment. Rep. John Murtha of Pennsylvania, a senior Democrat on the House Appropriations Committee, and a veteran who is highly respected on military matters, is supporting Warner and McCain's amendment, including, implicitly, in a forthcoming House-Senate conference committee.

* Senators Trent Lott (R-Miss) and Chuck Grassley (R-Iowa) are fighting the White House and Frist to get through the expansion of Federally funded Medicaid to hurricane victims—an \$8.9 billion cost, according to the Congressional Budget Office. The White House sent Health and Human Services Secretary Michael Leavitt to the Hill to fight this "creation of a whole new class of entitlement." But Lott says they will "try to pass this bill with or without" White House support. "I'm going to look after our people first." Grassley went further, saying that if the White House will not agree on this urgent matter, then it can forget about looking for the five-year cuts of \$35 billion in the general budget, which Congress had agreed to in the FY2006 concurrent budget resolution.

The Bush Administration: 'Cronyism and Corruption'

"The Bush Administration: A Culture of Cronyism and Corruption" is the title of a memo from the office of Senate Minority Leader Harry Reid, issued Sept. 28. The "Rogue's Gallery" includes Michael Brown of FEMA; Abramoff crony, David Safavian, the chief of all procurement for the Office of Management and Budget, arrested, Sept. 19 for corruption; it also cites the \$1.5 billion in contracts signed by FEMA for Katrina work that "were awarded without bidding or with limited competition."

The introduction, by Reid's spokesman, Jim Manley, says that the Bush Administration is about "know-who" not "know-how," and "it's the American people who pay the price" when jobs go to the White House cronies.

While the statement doesn't overtly gloat over the DeLay indictment, it raises the roof over the fact that Michael "Brownie" Brown, the fired head of FEMA, was immediately hired back as a "consultant" to the same agency, for the same salary he had been receiving. It also goes after Pentagon no-bid contracts, and slams Halliburton, KBR, and the Shaw group for getting no-bid Katrina contracts, while being represented by former FEMA head Joe Allbaugh, who served during Bush's first term.

It also notes how the Bush Administration persecuted "whistle-blowers," from Frederick Black, the prosecutor who was demoted three years ago while investigating DeLay money-man, Jack Abramoff, to Gen. Eric Shinseki, who was forced into retirement for "questioning the war in Iraq."

(See InDepth, "DeLay Indictment Major Step Toward Bringing Down Corrupt Cartel" for more on this topic.)

Judge Orders Release of More Abu Ghraib Photos

U.S. District Judge Alvin K. Hellerstein ordered the release Sept. 29 of more Abu Ghraib abuse photos and videos. In a 50-page ruling, the judge rejected the Pentagon's claims that the release of these photos would put American soldiers in harm's way and would aid Al-Qaeda in recruitment, and weaken the governments of Iraq and Afghanistan.

Judge Hellerstein said that the release of the photos will help answer questions about "the command structure that failed to exercise discipline over the troops, and the persons in the command structure whose failures in exercising supervision may make them culpable, along with the soldiers who were court-martialed for perpetuating the wrongs." The release of the photos was stayed for ten days, pending an expected government appeal.

Homeland Security IG Warned FEMA Inadequately Prepared

The staff of Rep. Henry Waxman (D-Calif), the ranking Democrat on the House Government Reform Committee, issued a report Sept. 29, showing that the Inspector General at the Department of Homeland Security had warned Federal Emergency Management Administration of inadequate preparation for a disaster, which was rejected by FEMA. The IG report of June 2005, two months before Katrina, said that the information management system at FEMA had been overwhelmed during the 2004 hurricanes in Florida. This included personnel and equipment deployment at disaster sites, and "tracking of essential commodities, such as ice and water, needed by disaster victims."

The FEMA response, signed by then-Director Michael Brown, called the criticism "unacceptable."

Louisiana Senator Blasts Ex-FEMA Chief Brown

Republican Sen. David Vitter of Louisiana blasted former FEMA chief Michael Brown's testimony before "bipartisan" Senate committee hearings, blaming state and local officials for the catastrophe following Hurricane Katrina, according to *Congressional Quarterly* Sept. 28. Vitter told CNN that there was blame to go around both locally and in Washington, but: "For Mike Brown to make those criticisms is, quite frankly, pretty laughable. That's sort of like the head of Enron criticizing another company on corporate ethics.... I didn't see any evidence [of leadership qualities] for the 10 days or so I was with Mike Brown almost daily."

House Panel Votes Down BRAC Resolution of Disapproval

By a 43-14 vote, the House Armed Services Committee, on Sept. 27, reported adversely a resolution to disapprove the report of the Defense Base Closure and Realignment Commission (BRAC). Under the special rules provided for by the BRAC law, the resolution must still go to the House, which Rep. Curt Weldon (R-Pa), acting as chairman of the committee, said would probably happen either just before or just after the Columbus Day break. However, a floor vote is unlikely to be any less lopsided than the committee vote was, and there is no companion resolution in the Senate, making Congressional action to overturn the BRAC report extremely unlikely.

EIR Confronts Rep. Skelton on Plans To Attack Iran

Rep. Ike Skelton (D-Mo), the ranking Democrat on the House Armed Services Committee, was somewhat taken aback when asked by *EIR*'s Bill Jones at a Sept. 28 press roundtable about the various mootings of envisioned aerial strikes against Iran, including discussions between U.S. and Israeli officials on the subject. "Who in the heck is proposing that!" Skelton asked. "The same think tanks and political groupings that got us enmired in Iraq," Jones replied. Skelton was sitting in a room with a few reporters surrounded by several two- and three-star generals. "There's an old adage," Skelton said. " 'Never have more enemies than you can handle.' Let's hope against hope that the elections in Iraq will be successful and lead to some stability in that country. But, by God, don't try and start another fight on top of the one we're already involved

in."

Skelton had been the concluding speaker at the annual Eisenhower National Security series, a major two-day conference sponsored by the Eisenhower Institute, the Woodrow Wilson Center and the Department of the Army.

Some Republicans Object To Davis-Bacon Suspension

Thirty-seven House Republicans have signed a letter to President Bush asking him to terminate his suspension of the Davis-Bacon prevailing wage law by Nov. 8. The Republicans, led by Rep. Frank Lobiondo (R-NJ) and Steve LaTourette (R-Ohio) write that while they respect the President's statutory prerogative to suspend Davis-Bacon in times of emergency, "we felt strongly that an indefinite suspension is fundamentally unfair to Gulf Coast construction workers." They also argue that Davis-Bacon ensures better productivity, because it attracts more experienced workers who build projects with lower repair and maintenance costs than lower-paid workers.

None of signers of the letter have signed on as co-sponsors of legislation introduced by Rep. George Miller (D-Calif) to repeal Bush's suspension of Davis-Bacon (which now has 188 co-sponsors, all Democrats), however, they apparently share the Democrats concern that the intent is to make the suspension indefinite, in order to weaken the law. They warned that Bush must make his order temporary to "prevent potential legislative action by Congress."

The last time Davis-Bacon was suspended was in October 1992, by President George H.W. Bush, and not lifted until after the election of Bill Clinton.

Ibero-American News Digest

Movement Launched To End 'Financiers' Tyranny' Over Brazil

Should Brazil's PMDB (Brazilian Democratic Movement Party) "run the risk of challenging the financial system and big media" to order to secure real economic development for Brazil and its people? Thus far, 85-90% of party members answering a questionnaire with that, and 12 other similar questions, have answered "Yes!", PMDB leaders reported to *EIR* this week.

Organizing began on Aug. 11, to get the 2.5 million-member PMDB party to adopt a program which would return the country to nation-state economics, and end "the tyranny of short-term issues" imposed by financier capital, as the party's campaign platform for the 2006 Presidential elections, no matter who the candidate is. The explosive response generated by that proposal has surprised even the organizers who set it in motion.

Huge meetings of PMDB leaders and members are now being held, in each state, to debate the proposed program, titled "To Change Brazil," which was drafted by a team led by Carlos Lessa, the former head of the National Economic and Social Development Bank (BNDES). Lessa is feared by the financiers because he understands, as he explained in an April 18, 2005 interview with *EIR*, that to develop Brazil and other countries, "the financial dragon" must be taken on.

The first meeting to discuss the program, held in Parana on Sept. 12, drew 800 people, including numerous national leaders and state governors. At the next meeting, in Sao Paulo, 2,000 people came to hear Lessa and others discuss how Brazil could secure its future. Parana Governor Roberto Requião told the Sao Paulo meeting that Brazil is not a market of consumers; it is a *nation*. Markets operate on an instantaneous basis, and have no home or interest other than creating wealth for the speculators. A nation has a past, and is building the future. Nations have citizens, not consumers, he said.

Those attending the meetings received copies of "To Change Brazil." The document warns that the continued existence of Brazil as a sovereign nation is endangered, unless the "market rules" system imposed by international financial capital is overturned. Neoliberal arguments for unending reforms, no matter how many crises result have brought us to this situation, it charges. "This circular reasoning has led to a collapse of thinking. Over time, societies become incapable of defining their own development agenda. They no longer recognize their problems or their potential. They abandon the idea of having a mission. They become used to living in chronic crisis. They accept the tyranny of short-term issues."

Forty percent of the budget goes to debt service; Brazil pays in one month for debt service what it spends in an entire year on health; in 15 days, the annual budget for education; in 10 days, the annual expenditure on social assistance programs.

The first step is to take the \$35 billion a year extracted through the primary budget surplus for bankers' speculation, and put those tax revenues instead into education, health, housing, agrarian reform, infrastructure, etc. That requires capital controls, without which finance capital has a veto on any decision society makes. The Central Bank cannot continue as a "state within a state," but must be put under the actual control of the Treasury Ministry. Brazil must also modernize its productive base through the spread of modern technology, and that requires large-scale investment into infrastructure, based on strategic planning carried out by the state.

Brazil must increase the average productivity of labor at the greatest rate possible, and education is the key to this. Brazil cannot continue to live with 15% illiteracy, and 25% un- and under-employment. The country must return to having a Mission.

Argentina Elections: The 'Mother of All Races'

Argentina's Foreign Minister and Congressional candidate Rafael Bielsa called his campaign in the Federal District of Buenos Aires, "The Mother of All Races," in which President Nestor Kirchner's model of economic development is pitted against the free-market model of the 1990s. Bielsa is running on Kirchner's Victory Front ticket in the Oct. 23 mid-term elections, against neo-con businessman Mauricio Macri (greatly admired by the American Enterprise Institute), and the ARI (Argentines for a Republic of Equals)'s Elisa Carrio, who is anti-Kirchner also. At least one poll shows the three to be in a dead heat.

As Bielsa told *Clarín* on Sept. 28: "I am committed to deepening the change taking place in the country," whereas Macri, together with former President Eduardo Duhalde, represent an "antagonistic model, ... a way of thinking in which you always say yes to powerful interests, and go backwards, a model related more to laboratory experiments. I think the country is moving in a different direction." A vote for anti-corruption candidate Elisa Carrio would be a vote for uncertainty, Bielsa said. "The real moral contract is the one the government establishes with the people every day, when it fights for their interests."

Kirchner: Argentina Needs Skilled Workers

To have shut down schools for the training of skilled workers was an "act of barbarism," said Argentine President Nestor Kirchner, in a campaign speech in the city of Corrientes Sept. 26. Referring to the destruction of the country's skilled labor force carried out under the Presidency of IMF darling Carlos Menem (1989-1999), Kirchner pointed out that today, Argentina has a shortage of skilled labor. In 1990, the Technical Education Law was overturned, shutting down the technical and trade schools which had been a tradition in Argentina for more than a century. Fifteen percent more Argentines would be working today, were it not for the fact that they lack the necessary skills, Kirchner said.

To remedy this situation, the Argentine President announced that, as of 20 days ago, Congress has revived the Technical Education Law. "It was truly an act of barbarism," he underscored, that young Argentines were deprived of the opportunity

to learn a trade and obtain the skills required for decent productive jobs.

Kirchner also pointed out that Argentina is not just the country "of the capital"—Buenos Aires—as British financial interests tried to run things. "There is also the country of the interior" (the provinces that the free-marketeers looted to the point that the country was threatened with territorial disintegration). Now, Kirchner said, "those two countries must become one—the country of all Argentines." The men and women of the interior "are not just a number ... or the country's backyard." If Argentina is to continue progressing, he said, the IMF will have to recognize "that it can't play with Argentina. It will have to negotiate properly and recognize the efforts we've made."

Paraguayan Government Expropriates Some Moon Holdings

The Paraguayan government expropriated some of Rev. Sun Myung Moon's vast land holdings last week, as President Duarte Frutos is clearly feeling the heat from the LaRouche movement's international "Moon Over Parana" expose. Two months ago, Duarte announced his government would expropriate 52,000 hectares belonging to the Moon sect, located in the Alto Paraguay region of the country where the Unification Church owns 600,000 hectares. But suddenly, on Sept. 27, with great fanfare, and in the company of his cabinet and an entourage of reporters, Duarte travelled to Puerto Casado where Moon's Victoria, S.A. company operates, and announced to the town's people that the expropriation was now law. Duarte promised that the company would be compensated for the land, once it pays its taxes, but warned against "powerful groups who come to enrich themselves in Paraguay, and who also exploit Paraguayan labor and don't pay their taxes." These powerful groups have paid only "crumbs" to poor Paraguayan farmers, he said.

The President is being pressured from all sides—by his Congressional opposition, the Moonies, and the U.S. After extolling leaders of the Senate for defending that institution's "dignity" by finally ensuring "justice" for the peasants oppressed by the Moonies, Duarte quickly pointed out that this expropriation was "not an attack on private property," but rather on unproductive land and latifundists. Already positioning himself to run for reelection, Duarte turned the whole event into a political rally, standing on a chair and chastising the Cabinet ministers present for not doing enough to meet the needs of the poorest citizens, such as those in Alto Paraguay.

Yet More Pinochet Illegal Monies Uncovered

Chile's State Defense Council has discovered previously unknown bank accounts of former dictator Augusto Pinochet, held in the Miami branch of BankAtlantic. On Sept. 28, Judge Sergio Munoz, who is investigating Pinochet's vast illegal financial empire abroad, embargoed Pinochet's funds in BankAtlantic, and requested that the Federal Court for the Southern District of Florida transfer them to Santiago.

The extent of Pinochet's sordid financial and related activities seems to be unlimited. The on-line Chilean daily *El Mostrador* points to the "complex machinery" which Pinochet, his family members, and close military collaborators set up to hide—launder—the illegal commissions received for purchase and sale of weapons. The discovery in Miami is also related to Judge Munoz's investigation of funds which Pinochet had stashed away in Switzerland, thought to be commissions received for the purchase of Mowag armored vehicles and Mirage jets. Munoz also indicted five Army officers, two of them active-duty, as accomplices in Pinochet's illegal schemes.

Western European News Digest

UK Treasurer Exaggerated Growth Figures

Chancellor of the Exchequer Gordon Brown has admitted that he totally exaggerated British economic growth figures.

Brown had claimed there would be 3%-3.5% growth, and now has dropped that to 2%. Brown is erroneously blaming high oil prices, rather than the huge financial bubbles, for the problem. Just six months ago, Brown had called the IMF "plain wrong" for predicting low growth. Brown told the IMF finance ministers' meeting that the "world is coming to terms with an oil shock as big as that in the 1970s. It will be seen in all the major industrialized economies over the next few months." Brown absurdly claimed that there is no inflation problem in Britain.

But other economists in Britain are at least pointing to the real problem: the vast debt bubble. HSBC economist John Butler said oil is not the fundamental problem now, but that "growth has been slower is because consumers have reacted to slower house prices and the higher levels of debt." York University Prof. Peter Spencer, economic adviser to the Ernst Item Club forecast unit, said: "It is the consumer slowdown taken with oil prices that exposes the serious weakness in the British economy, particularly in the industrial and export sectors. The real question is that oil is just exposing some fundamental weaknesses that have built up over the past eight years." Tory "Shadow Chancellor" George Osborne, responded that: "Gordon Brown was living in a dream world.... He may blame oil prices but that is only part of the story. Consumer confidence is fragile, retail sales are falling, investment is weak and the public finances are in a complete mess."

Blair Calls for 'Permanent Revolution'

British Prime Minister Tony Blair's speech to the Labour Party Sept. 28 called for "permanent revolution," as one commentator wrote (only half joking). Almost every other word out of Blair's mouth was "change" (unless it was "values" or "progressive"); the speech was titled: "We are the change-makers." "New Labour," Blair asserted, "was a fundamental re-casting of progressive politics." (This is the mantra of the Baby-Boomer generation in Britain.)

Blair asserted his neo-con outlook by saying that since the New Labour victory in 1997, "we have won the battle of values. The age we live in is democratic not deferential," implying, you can attack any nation you label "undemocratic."

Blair asserted the inevitability of "globalization," saying "I hear people say we have to stop and debate globalization. You might as well debate whether autumn should follow summer." And he even went beyond the "end of history," to assert that the "character of this changing world is indifferent to tradition.... It has no custom and practice."

Blair Reasserts Commitment to Iraq War

In his Labour Party convention speech Sept. 28, Tony Blair refused to give any suggestion of withdrawal from the Iraq war, and asserted that the "fight behind the standard of democracy in Afghanistan or Iraq or Kosovo or Sierra Leone [i.e., regime change] ... is a progressive cause."

Chirac Coordinating with Rice on Lebanon/Syria Policy

A prominent French general recently told *EIR* that he is convinced that France and the other members of the European troika (Germany and Britain) are not out to provoke a war with Iran, but are under pressure from the majority of EU countries who are far more hostile to the new Iranian regime. The general also reported, with some concern, that there is tight U.S.-French coordination on Lebanon/Syria. The general said that initially, French President Jacques Chirac had been supportive of Syrian President Bashar Assad, but his stalling on pulling out of Lebanon, and then the Hariri assassination, set Chirac against the Syrian regime. The U.S.-French ties are maintained directly by Chirac and U.S. Secretary of State Condoleezza Rice, through Chirac's most trusted diplomatic spokesman, Maurice Gourdault-Montagne.

German TV Celebrity Likens Merkel to Hitler

Telling about the deep discontent with Merkel among Germans in general, and Christian Democrats in particular, is the "Heck affair": At a reception for this year's ceremony for German television's music awards Sept. 24, Dieter Thomas Heck, a longtime prominent entertainer and interviewer, and a 50-year member of the CDU party, said that Merkel personally is to blame for her defeat on Sept. 18:

"Most of you know my political views. My chairwoman is Angela Merkel. She failed in the election, because she made a decisive mistake—she always talked about *I*, never about *we*... In the last century, there once was a man who only talked about *I*, in politics. And that ended in a disaster."

Heck's remarks produced a shocked response, and he has since apologized; but that he did say it bespeaks the mood in the CDU establishment, as not being friendly towards Merkel.

Organizers Optimistic About Dresden Housing Referendum

Organizers of the referendum in defense of the WOBA (German housing authority) and its 51,000 municipally-owned flats in Dresden, are optimistic that the required 63,000 signatures will be gathered in the next two months.

A spokesman for the referendum group told this news service Sept. 27, that their optimism is based on the fact that "the election [Sept. 18] showed that, for market-radical ideas, there simply is no majority." The WOBA struggle has a pilot-project character, as it will "help to build a line of defense against the locusts, on a national scale. If we resist, many other cities will do so, too."

The source said that defending municipal housing is crucial, because it is an important aspect of the common good concept that municipalities have reserves in housing, so that they can provide citizens with low incomes with flats at affordable rents. "If we sold the WOBA, the city would keep no more than 500 flats, most of them inhabitable, and the municipal housing sector would be gone, completely."

Locust Funds Posed to Devour Dresden Housing

Several sources in Dresden, notably among Social Democrats and in the tenants association, have pointed to the heavy, aggressive interest shown by the U.S. private equity fund, Cerberus, in the full takeover of the WOBA. Two other big private equity funds, the U.S. fund Fortress and the British Terra Firma group, are interested, as well.

The latter's Deutsche Annington subsidiary company, several months ago, bought 145,000 flats from Viterra, the real estate branch of the German energy giant, E.on.

Cerberus, which also bought a good part of the former municipal housing sector of Berlin, otherwise specializes in eating up *Mittelstand* firms, whose debt it buys up from the creditor banks, only to approach the debtor firms then, with the ultimative demand to enter a brutal streamlining process—i.e., to turn them around for sale to yet another fund.

German Tenants' Group Joins Dresden Housing Fight

In what has been presented as a "campaign of signal character for the national housing situation," leaders of the German tenants association Deutscher Mieterbund will deploy to Dresden, in the coming days and weeks, to actively support the referendum against the privatization of the WOBA, there.

Franz-Joseph Rips, president of the Mieterbund, said that "greedy [financial] locusts are out to get control of the municipal

housing sector in Germany, with enormous capital resources deployed." A defeat of the locust takeover attempt in Dresden is crucial, Rips said, because that would send out a strong message to the rest of the country that the interests of the tenants are not at disposal, but will and can be defended.

In a discussion with this news service several weeks ago, Rips had said that about 20 billion euros are in the war chest of international hedge and equity funds, for the takeover of the municipal housing sector in Germany.

Polish Elections Sweep Out Post-Communist Leaders

In reaction to the Polish parliamentary elections Sept. 25, various European sources, as well as newspaper commentaries, point to the "systemic" change which occurred in the recent elections in Poland. The elections swept away the entire post-communist system, which had completely discredited itself under the previous SLD (Democratic Left Alliance) government. During the election campaign, Kaczynski's conservative party PiS (Law and Justice) found a lot of support among the population in their attacks against "liberalism." The word "liberalism" wrote the Swiss daily *Neue Zuercher Zeitung*, has become almost a "slander" for most of the Poles who experienced Balcerowicz shock therapy.

Russia and the CIS News Digest

Russians Hear LaRouche on Systemic Crisis

Lyndon LaRouche's Sept. 21 "Hyperinflationary Patterns: Inflation Runs Wild!" release was posted in Russian Sept. 30, on the website of the Ukraine-based Institute for Independent Strategic Studies (www.insi.ua). The posting includes the conical shock-front illustration, a link to *EIR*'s English-language site, and an announcement of LaRouche's upcoming Oct. 12 webcast.

Russian audiences are eager to hear what LaRouche has to say on the systemic crisis and its solutions, as is evidenced also by two other recent publications:

*The September issue of *Valyutny Spekulyant* ("Currency Dealer") monthly carried an article called "Waiting for the Global Tsunami." It presented highlights of several *EIR* articles on the hedge-fund crisis, published in May-August 2005.

* The Russian online almanac *Vostok* ("East"—the name of Yuri Gagarin's spacecraft on man's first flight into outer space) includes in its July-August issue a package of material, taken from the LaRouche movement's Russian-language site. The components are: 1) LaRouche's April 2004 speech at Moscow State University, "Russia's Great Mission in Asian Development" (*EIR*, April 30, 2004); 2) LaRouche's presentation at the Moscow Academy of Finance and Law, also dating from April 2004, and titled in *Vostok* with this extract, "On the threshold of the greatest financial crash in modern history: will we find the courage, and the leaders, to force governments to adopt the measures required to solve the problem?"; 3) the complete translation of LaRouche's Dec. 3, 2004 interview with *Rodnaya Gazeta*, titled "The Dollar Is Crashing Because the USA Is Bankrupt!"; 4) a March 1998 article from *Ekonomicheskaya Gazeta*, in which Prof. Taras Muranivsky presented excerpts from LaRouche's "Russia's Science: A Strategic Assessment" (*EIR*, Aug. 8, 1997) under the headline "An Alternative to Monetarism." Included with both of the April 2004 speeches are the ensuing Q&A sessions with Russian youth.

Gazprom Acquires Sibneft

The acquisition of Roman Abramovich's Sibneft oil company by Gazprom, the state-dominated Russian natural-gas monopoly, has been finalized, Gazprom announced on Sept. 28. Gazprom will buy Sibneft for \$13.01 billion in cash, giving

Chukotka Region Governor Abramovich a \$9 billion-plus profit on his investment in Sibneft, which he picked up during the "loans for shares" swindle in the 1990s. With Sibneft and the state-owned oil company Rosneft's acquisition of Yuganskneftegaz, formerly the main production unit of Yukos Oil, the Russian government now controls 28% of national crude output.

Gazprom financed its purchase with a \$12 billion loan from a consortium of Western banks, including Citigroup, Goldman Sachs, Credit Suisse First Boston, and Morgan Stanley. The *Financial Times* of London, in a Sept. 27 article titled "Russian loans prove flavor of the season," noted that a different foreign banking consortium had just extended \$7.5 billion to Rosneft to finance the acquisition of Yuganskneftegaz. Even before these two energy-sector mega-deals, Western commercial bank lending to Russia had reached \$16 billion this year, as against \$11 in all of 2004. These loans are commercial credits, not direct takeovers, but they show the banks' interest in obtaining more leverage for potential control of Russian raw materials.

Russia Asserts Leadership on Nuclear-Fuel Issues

Russia would join the USA in creating a nuclear-fuel bank for nations that relinquish their right to enrich uranium. Alexandr Rumyantsev, head of the Russian Federal Nuclear Agency, said in Vienna Sept. 28, that Russia supported the U.S. initiative. He said it should be "incorporated in international agreements," and that the International Atomic Energy Agency (IAEA) should oversee it. U.S. Energy Secretary Samuel Bodman had announced Sept. 26 that the United States was ready to convert highly enriched uranium into low-enriched uranium, and offer it to countries that give up their own enrichment programs.

Before the Vienna talks, Rumyantsev stated in Moscow on Sept. 22, that Russia intends to refuse some U.S. financial aid for securing Russian nuclear fuel depots. He said the assistance had been helpful in maintaining inventory and safety controls, RIA Novosti reported, but now Russian nuclear materials are safely stored and Russia can handle their protection without an outside role.

Putin Attacked for 'Left Turn'; Glazyev Says Not So

Since his Sept. 5 announcement of sharply increased 2006 budget spending on social sectors such as education and health care, Russian President Vladimir Putin has been under fire from monetarist fanatics for making a "left turn" in economic policy. His own adviser, flat-tax author and radical free-marketeer Andrei Illarionov gave an interview to the government paper *Rossiyskaya Gazeta* Sept. 23, in which he attacked Putin for moving "in the direction of state capitalism, interventionism, and populism." Citing the consolidation of state control in the energy and some other sectors of industry, as well as the willingness to increase government spending on social programs, Illarionov lamented "a turn not only in economic policy, but also in the national economic discussion and prevailing economic thinking."

In its annual Public Information Notice on Russia, issued Sept. 21, the International Monetary Fund likewise complained that "...with ample oil revenues, complacency has set in and key structural reforms have come to a virtual halt." The IMF (to which Russia no longer owes anything) demanded that "fiscal policy not be loosened further." Meanwhile Finance Minister Alexei Kudrin, in Washington for G-8 meetings, upheld the orthodox monetarist side of Russian policy, pledging that none of the Stabilization Fund (from high oil export revenues) will be spent on "any projects"—though he didn't mention the newly created, now separate Investment Fund—and that Russia will repay another \$10 billion of its Paris Club debt to Western governments, ahead of schedule, during 2006.

The financier-oriented paper *Kommersant-daily* has attacked the Russian government for moving in the direction of economist Sergei Glazyev's views, by its dubbing the 2006 budget a "Development Budget" and by the increase in social spending. Glazyev, however, doesn't think so. In an interview with *Zavtra* weekly of Sept. 21, Glazyev said, "There is no

social 'left turn,' by those in power. This is just an imitation; all you have to do is look at next year's budget figures." Speaking to a local election rally of his "For a Worthy Life" movement and the Rodina bloc, in the defense-industry city of Izhevsk on Sept. 24, Glazyev said, "If you look at the budget breakdown, you'll see that it's the budget of a late-19th-Century bureaucratic police state," with 42% of federal spending going to defense, police agencies and the bureaucratic apparatus, while only 21%, or 3.5% of GDP, goes for social spending. Only 3% of state-sector workers will be affected by Putin's much-advertised wage hikes, Glazyev said, while "800 billion rubles [\$28 billion] is simply taken out of the economy, put into the Stabilization Fund and invested in American government bonds. Thus we are paying taxes and producing goods with our labor, but the taxpayers' money is going to finance the U.S. budget deficit."

Russian Cabinet Meets on Child Health Disaster

On Sept. 29, the Russian government discussed issues of health care for Russian children, in the framework of President Vladimir Putin's announced commitment to boost spending on critical social needs. In advance of the session, the Russian Ministry of Health and Social Development issued a report, according to which the number of children (up to age-17) in Russia has fallen by 7 million during the past decade, to the level of 30 million. The Ministry of Health pointed to the health of parents as a grave problem, noting that, due to poor health of the mothers, only 32% of births in Russia last year were without complications. Illness among newborns has risen by 32% in 10 years, while teenagers fall ill at a rate 64% higher than a decade ago.

During the cabinet debate on how to allocate the spending increases, prominent pediatrician Leonid Roshal said that Putin's proposed pay increases for doctors and nurses were merely a drop in the bucket, while hundreds of clinics lack the resources to provide basic care. Health Minister Mikhail Zurabov, who is responsible for making government spending produce results, could be heard on national television shouting, that only 10-15% of young women in Russia are healthy, and that the whole situation around health care is like the socialist period, when, "we proclaim one thing at party conferences," but what happens is quite different.

Ukraine's New Premier Visits Russia

Newly confirmed Prime Minister Yuri Yekhanurov made his first foreign trip since taking office, with a Sept. 30 visit to Russia. After meeting with Russian Prime Minister Mikhail Fradkov, Yekhanurov said that Ukraine and Russia have "similar views on the development of relations between Russia and Ukraine." One of the issues on the Yekhanurov's agenda was certain to be Russia's energy deliveries to Ukraine, which has received Russian natural gas at discount rates. Russia is preparing to triple the price as of Jan. 1, 2006. Representatives of the Russian natural gas company Gazprom and Ukraine's Naftohaz were to be involved in the Moscow talks,

Southwest Asia News Digest

LaRouche: Cheney Gang *Intended* Non-Winnable War In Iraq

In an interview with Jack Stockwell on KTKK radio in Salt Lake City Sept. 29, Lyndon LaRouche was asked about the perpetual-war policy of the Bush-Cheney gang. LaRouche replied:

"The issue here, is you have a faction of international finance, which is, as I said before: They're committed to making sure that in this crisis, they come out on top, and government goes down. They're determined to eliminate many governments of this planet—just eliminate them. They're determined to bring the governments they *don't* eliminate, fully under submissive control....

"Now, they are not all wise. As a matter of fact, they're rather stupid. Compared with banking power, financial power, in previous generations, these guys are really stupid. And they can't do anything right. They can not win, but they can cause the world to lose. Take the case of Iraq, for example: There's no way that that can be won as a war. That was known from the beginning. What people didn't understand, is that the people behind Cheney did not *intend* to win a war: They intended to set fire to Asia. In other words, they intended a non-winnable war in Iraq, and they got it! They're determined to have non-winnable wars elsewhere.

"Now, look at the Iraq situation, to get a clear picture of what this is: We do not have, as the United States, any more—we do not have the ground forces *to control territory*, anything. We don't have the ground forces to control the territory of Iraq, let alone something else. So therefore, what you've done, is, you've created a situation where conventional warfare, as we used to understand it—troops marching to war, winning war, declaring a victory, and then leaving—that is not possible right now. We're now at a point, where these idiots are playing into the worst kind of a situation: Despite our big nuclear weapons and so forth, *we can not win wars!* In the conventional sense of winning wars. We can only cause trouble, and in the end, the trouble we cause, *will eat us up*.

Therefore, the question is this—forget this bully, bully, bully, war, war, war stuff. Yes, we need defense capabilities, and so forth. I would build them. *But*, we have to deal with these problems by diplomacy.

For example, take the case of Iran: Now, Iran was provoked, and the reaction that they had in cancelling their membership in the NPT [Nuclear Non-Proliferation Treaty], was predictable. You want to have that? You force the issue? You get it! Now you got it!

The problems with North Korea: Most of these problems we have, where there's some reality to the problem, or some conflict, we could deal with this very successfully by the right diplomatic approach. We don't do it. We used to have diplomats, and we do have people still, who are experienced people who know how to do this. There's not a single problem on this planet, that can not probably be dealt with successfully, without shooting anybody.

Terrorism, for example: What's being done on that, is crazy! It's wrong! What you have to do, is *starve it out* of existence by—stop provoking! Stop putting oil and gasoline on the fire! Get more allies. Get more people who will join you for the sake of stability, and *isolate* the problem, isolate this isometric problem. We can do that. We can do that with help of economic development.

But ... the government of the United States is presently insane. And the bankers who control it, are insane, at least the controlling factor. It's not a hopeless situation, because in a crisis like this, as you've seen from the Senate, and you've seen from bipartisan tendencies in the Senate: You've seen that there exists, still, in this country, with all the shortfalls that our people have, we still have the character and capability of making the kinds of decisions, which can deal with our problems, and enable us to do a good job, in bringing the rest of the world around us, some of the international problems."

(See This Week's Latest from LaRouche for the full transcript of this interview.)

Blair: UK Will Not Withdraw Iraq Troops

British Prime Minister Tony Blair's government denied reports published in the *Observer* Sept. 25 that Britain will begin to pull its troops out of Iraq in May 2006. Blair told the BBC that he will not set any "arbitrary date," and that any exit strategy "depends on the job being done." The *Observer* article stated that British ministers had privately told Japan of plans to start bringing forces home in May. Blair also had to admit he had not expected the "ferocity" of the resistance in Iraq.

The Ministry of Defense also told the BBC that military pull-out would be done at different times across Iraq, and not until the Iraqi government could "take over counter-terrorism."

But dissension continues. Former Air Marshal and Liberal Democrat peer Lord Garden said on GMTV, also on Sept. 25, that British troops should be pulled out of Iraq within about 12 months. After that, the operation would "carry on drifting," which means a "grand plan" for Iraq is necessary.

The *Observer* wrote that more details on a major British withdrawal would be published this month, and that this "roadmap" is being drawn up by the British and U.S. governments. The paper also wrote that Japanese officials, reportedly told of the British plans, said Japanese troops would also have to leave when the British did.

At the annual conference of the British Labour Party, Blair defended the British alliance with the George W. Bush Administration in invading Iraq, and gave no mention of a withdrawal strategy.

Arab Members of IAEA Submit Letter Condemning Israeli Nukes

On Sept. 25, a joint letter from the Arab member-states of the International Atomic Energy Agency (IAEA) submitted a letter to the body, condemning Israel's nuclear weapons, and calling for a "nuclear-free" Middle East.

The letter, which came out while the Anglo-Americans were pushing for measures against Iran for its nuclear energy program, states:

"Israel's possession of nuclear weapons is likely to lead to a destructive nuclear arms race in the region, especially if Israel's nuclear installations remain outside any international control.... Whereas all Arab states have accepted the Non-Proliferation Treaty, Israel continues to defy the international community by refusing to become a party to the treaty or to place its installations under the [IAEA'S] comprehensive safeguards system, thus exposing the region to nuclear risks and threatening peace. The policies of the present Israeli government have obstructed the peace process in the Middle East and all initiatives to free the region of the Middle East of weapons of mass destruction, and in particular of nuclear weapons, have failed."

The text also listed 11 UN General Assembly resolutions calling on Israel to join the NPT as well as five IAEA General Conference Resolutions. Sixteen Arab countries signed, including Oman, Jordan, Egypt, Saudi Arabia, Libya, Algeria, Lebanon, Syria, the United Arab Emirates, and Sudan.

Iran Parliament Calls for Suspension of NPT Protocol

The Iranian Parliament voted 162-42 (15 abstentions), on Sept. 28, for a motion which would bind the government to suspend its voluntary implementation of the NPT (Nuclear Non-Proliferation Treaty) additional protocol, "until Tehran succeeds in obtaining recognition of its right to complete the nuclear fuel cycle," wrote IRNA Sept. 28. The government is to present a report to the Parliament, within one week, on the mechanism of the protocol, and a report on the status of trade relations with countries which voted for the IAEA resolution. The protocol grants the IAEA more inspection powers.

Fatah Party Wins Majority of West Bank Local Elections

The Fatah faction loyal to Palestinian President Abu Mazen, won 54% of the vote in elections for local councils in the West Bank, while Hamas won 26%, *Ha'aretz* reported Sept. 30. Fatah now controls 61 of the 104 local councils, and Hamas controls 26, while the rest are controlled by independent lists and the Popular Front for the Liberation of Palestine, and

Islamic Jihad. The turnout was 81% of the registered voters.

British SAS Running 'Secret War' in Iraq

British SAS (Special Air Services) soldiers are running a "secret war" against insurgents allegedly bringing sophisticated bombs from Iran to Iraq, according to the *Sunday Times* of London Sept. 25. The *Times* reported that the SAS soldiers captured by Iraqis in Basra the previous week, were engaged in intelligence about a new type of roadside bomb being used against British troops, like those allegedly being supplied by Iran to Hezbollah in Lebanon.

"Since the increase in attacks against UK forces two months ago, a 24-strong SAS team has been working out of Basra to provide a safety net to stop the bombers getting into the city from Iran," The *Times* quoted one source as saying: "The aim is to identify routes used by insurgents and either capture or kill them." The SAS is now concentrating on the Iraq-Iran border.

Asia News Digest

Interior Minister Resigns as Afghan Situation Worsens

Afghan Interior Minister Ali Jalali has officially resigned, expressing his desire to go back to scientific research work. Jalali has kept quiet about his differences with Afghan President Hamid Karzai, while strongly opposing Karzai's policy of appeasing the Afghan opium warlords. Prior to the Sept. 18 elections, Jalali had left Afghanistan, but was cajoled back by Karzai. But it became evident to Jalali that Karzai, fully under the thumb of Washington, could distance himself from the warlords. Former Afghan Finance Minister Ashraf Ghani Ahmadzai, who resigned in 2003, to take up the job of Vice Chancellor of Kabul University, had also battled Karzai on the opium issue.

Meanwhile, it is becoming increasingly clear that the Afghan rebels have got in their arsenal the dangerous shoulder-fired surface-to-air missiles (Russian SA-7s, most likely, along with a Chinese version). At least four Chinook helicopters have been downed already by these missiles. But the Pentagon continues to deny presence of any missiles in Afghanistan.

Interestingly, according to a senior Pakistani journalist, Afghan rebels have brought under their banner former religious commanders, some communist fighters and the poor. He claims this new fighting force against Kabul and Washington is more nationalist, and less religious.

Upset Iran Scrapped Gas Export Deal with India

Iran's Ambassador to the International Atomic Energy Agency (IAEA) has reportedly conveyed to India's permanent representative at the IAEA that Iran is scrapping the gas export deal signed last June, IndiaDaily reported Sept. 29.

Under the deal, India planned to import 5 million tons of LNG annually for 25 years with deliveries beginning in 2009. The deal was worth \$22 billion.

Tehran's action followed India's Manmohan Singh government's decision to vote against Iran on Sep. 18 at the last minute at the IAEA Board of Governors' meeting at Vienna in support of a resolution to allow Iran's nuclear case referred to the UN Security Council.

The Manmohan Singh government was telling the Indian people that Iran will not retaliate.

IMF: Philippines Lags Behind Neighboring Economics

The Philippines next year will continue to lag behind its Southeast Asian neighbors in terms of economic performance, the International Monetary Fund said in a report released Sept. 28.

Hounded by huge public debts and political uncertainties, the Philippines is expected to post the slowest growth of 4.8% in gross domestic product and the highest inflation rate of 7.5% among four mid-level peer economies on the Association of Southeast Asian Countries (ASEAN-4) in 2006, the IMF said in its latest report on economic prospects.

Grouped as ASEAN-4 are the Philippines, Indonesia, Thailand, and Malaysia. "Looking forward, the key macroeconomic priorities remain continued fiscal consolidation—particularly in the Philippines, where large external financing requirements and high public debt remain significant vulnerabilities," the IMF said.

The government has a newly revised target of 5.7-6.3% for 2006.

The IMF report puts the projected 2006 average growth of ASEAN-4 economies at 5.4%, and that of other emerging economies on the regional bloc at 6.9%.

It forecasts Indonesia's growth at 5.8%, Thailand's at 5.0% and Malaysia's at 6.0%.

The IMF forecasts Philippine inflation in 2006 at 7.5%, compared with the ASEAN-4 average of 5.1%: Indonesia with 6.5%, Thailand with 2.7%, and Malaysia with 2.5%.

For this year, the IMF forecasts Philippine GDP growth at 4.7%, compared with Thailand's 3.5%, Indonesia's 5.8% and Malaysia's 5.5%.

It expects inflation this year to average 8.2% in the Philippines, 8.2% in Indonesia, 4.2% in Thailand and 3.0% in Malaysia.

Overall, the IMF said persistently high oil prices would adversely affect the region's economies.

"In the Philippines, where, after several months of improving fundamentals, the recent political turmoil has raised concerns about the prospects for economic reforms and led to downward revisions to the ratings outlook," it said, citing country-specific risks.

The IMF added that the very low level of private investment was the greater concern, underscoring a need to complete the unfinished reform agenda in financial and corporate sector restructuring, including improvements in governance.

The IMF expects the Philippines to perform well, second only to Malaysia, in terms of surpluses in the current account.

It forecasts the Philippine current account surplus at 2.1% of GDP this year and 1.9% next year, as against a deficit in Indonesia at 0.4% of GDP this year and a surplus of 0.7% of GDP next year. (See this week's InDepth for additional coverage of the Philippines.)

Vietnam, China Slammed by Typhoon

Typhoon Damrey, which translates as "elephant" in Khmer, slammed into Vietnam and China's Hainan Island and Guangdong province Sept. 27. Officials characterized the storms as "60-year" storms, where officials also had to deal with destroyed protective dikes, not unlike New Orleans. Vietnamese authorities mobilized 30,000 troops and police to move some 300,000 people *before* the storm hit. Two adjoining districts in Vietnam had to contend with 13-foot waves breaching the dikes.

Chinese officials admitted that the storm triggered the biggest-ever evacuation campaign. Some 3.9 million residents of Hainan and another 1.8 million people in Guangdong were affected. A total of 287,000 people were successfully evacuated to safer areas.

Africa News Digest

Slavery in Africa Increasing: Slave Raids Reappear

Nineteenth-Century-style slave raids have returned to East Africa. In the Ituri District of eastern DR Congo (next to Lake Albert), the Lendu are torching Hema villages before dawn, then capturing the able-bodied as they flee, and killing those not fit to work as slaves on farms and in mines. The modus operandi is identical to that of the 19th-Century slavers.

The illegal Rwandan and Ugandan mining enterprises in Congo have been using slaves for some time. But the London *Daily Telegraph* stated Sept. 3, "until January, slave raids were unheard of," implying an increase in scale and organization.

Slavery in Africa Increasing: Kenya an 'Emerging Center'

Addressing a Nairobi workshop in mid-August on human trafficking in East Africa, Kenyan Labor Minister Newton Kulundu said that Kenya was "an emerging center for human trafficking, as a country of origin, transit, and destination," according to *The Standard* (Nairobi), Aug. 18.

Monrovia Living Standard: Sex in Exchange for School Fees

The abysmal living standard in Monrovia, capital of Liberia, is such that 60 to 80% of secondary schoolgirls are selling themselves to pay their school fees, officials of the Save the Children Federation (UK) claimed Sept. 5, when they released "State of the World's Mothers 2005—The Power and Promise of Girls' Education." (The report itself does not include this claim.) An article in the *Times of London* Sept. 4 cited the horror story of an 18-year-old who started selling sex at age 12 and now averages 5-6 sexual encounters a day, but after paying her school fees, doesn't always have enough money to buy food.

Assassination in South Africa Likely To Fuel Split in ANC

In South Africa, the assassination of a wealthy funder of the left wing of the ruling African National Congress (ANC) is likely to accelerate the growing split in the party. Prominent gold-mining magnate Brett Kebble was hit by five bullets while driving at night in a Johannesburg suburb Sept. 27.

According to the London *Independent* Sept. 29, Kebble "reportedly was among the key benefactors" of former Vice President Jacob Zuma, recently sacked by President Thabo Mbeki because of corruption charges. Zuma has become the hero of the ANC left. Kebble "had bankrolled the ANC's powerful Youth League, which is fighting a running public battle with Mr. Mbeki over Mr. Zuma's sacking and other policy differences," the *Independent* adds.

Tony Leon, leader of the British-owned opposition party, the Democratic Alliance, is quoted in an I-Net Bridge story Sept. 28: Kebble was "very political.... I believe there will be a [political] dimension and dynamic which will flow from this event. But perhaps it is too early to comment on that."

It would be surprising if the left did not blame the murder on Mbeki's government. The killing may have been an Anglo-American intervention for the purpose of splitting the party. Anglo-American spokesmen have claimed it is "undemocratic" for a ruling party to have such a large majority.

Nigerian Gangster Suspends Threat To Blow Up Oil Platforms

The threat to blow up oil producing facilities in the Niger Delta—from Nigerian gangster Mujahid Dokubo Asari's organization—receded on Sept. 23. Asari first issued the threat Sept. 15, when the governor of a Delta state, Diepreye Alamieyeseigha of Bayelsa state, was arrested in London for money laundering. Nigerian President Olusegun Obasanjo hailed the arrest as part of his anti-corruption campaign. On Sept. 23, Asari ordered his people to back off, so they would not put his own case in jeopardy. He was arrested Sept. 20 for treason for promoting separatism, but the heart of the matter is the ongoing theft of 10% or more of Nigeria's oil output by organized crime rings, one or more of which are Asari's—and Alamieyeseigha's—patrons.

This Week in History

October 4-10, 1858

Lincoln Exposes Douglas's Sophistry on the Issue of Slavery

The seven debates between Abraham Lincoln and Sen. Stephen A. Douglas during the U.S. Senate campaign of 1858, known today as the Lincoln-Douglas Debates, dealt overwhelmingly with the effects of the Kansas-Nebraska Act and the Dred Scott Decision. But each debate had a slightly different focus, and the one at Galesburg, Ill. on Oct. 7 was memorable for Lincoln's ability to reveal the inconsistencies in Douglas's arguments, and the intentions behind the constant sophistries which Douglas employed.

Douglas was a slippery orator who would speak for hours, but never directly answer Lincoln's questions. What Lincoln aimed at, was to make both his and the Senator's actual policies crystal clear, even if the Senator would not, so that citizens could easily choose between them. And it was not just the voters of Illinois that Lincoln was talking to. Lincoln's view was that when most Americans saw clearly what the choices were, the looming danger to the nation might be averted.

Senator Douglas always stated that the words in the Declaration of Independence, "All men are created equal," was never intended to apply to the Negro. Douglas claimed that he did not care whether slavery existed or not; it was of no concern to him, and certainly not a moral issue. What he did provide for dealing with this "problem" was what he called "popular sovereignty," the supposed right of a state or territory to regulate slavery as it pleased. Despite the overwhelming evidence contained in the drive to bring slavery to America's new territories, and the national legislation and Supreme Court decisions which presaged making slavery legal in all states, Douglas maintained that a new territory could use "popular sovereignty" to keep out slavery.

He put it this way to the citizens of Galesburg: "Chief Justice [Roger] Taney has said, in his opinion in the Dred Scott case, that a Negro slave being property, stands on an equal footing with other property, and that the owner may carry them into United States territory the same as he does other property. Suppose any two of you, neighbors, should conclude to go to

Kansas, one carrying \$100,000 worth of Negro slaves and the other \$100,000 worth of mixed merchandise, including quantities of liquors. You both agree that under that decision you may carry your property to Kansas, but when you get it there, the merchant who is possessed of the liquors is met by the Maine liquor law, which prohibits the sale or use of his property, and the owner of the slaves is met by equally unfriendly legislation, which makes his property worthless after he gets it there.

"What is the right to carry your property into the territory worth to either, when unfriendly legislation in the territory renders it worthless after you get it there? The slaveholder when he gets his slaves there finds that there is no local law to protect him in holding them, no slave code, no police regulation maintaining and supporting him in his right, and he discovers at once that the absence of such friendly legislation excludes his property from the territory, just as irresistibly as if there was a positive constitutional prohibition excluding it.

"Thus you find it is with any kind of property in a territory, it depends for its protection on the local and municipal law. If the people of a territory want slavery, they make friendly legislation to introduce it, but if they do not want it, they withhold all protection from it, and then it cannot exist there." This sanguine view, of course, did not comment on the still-recent events in "Bleeding Kansas," where the pro-slavery Lecompton Constitution had been stuffed down the throats of the anti-slavery settlers.

The firepower for enforcing this decision had been provided by heavy funding to gun-toting, pro-slavery forces imported from Missouri. Less than two months before the Galesburg debate, the majority of Kansas settlers had finally succeeded, despite the murders of Free-State men at Lawrence, in rejecting the pro-slavery constitution and had come into the Union as a free state.

Lincoln avoided the controversy over Kansas, but deftly pointed out the fallacies in Douglas's argument: "The Judge [Douglas had been an Illinois Supreme Court judge] has alluded to the Declaration of Independence, and insisted that Negroes are not included in that Declaration; and that it is a slander upon the framers of that instrument, to suppose that Negroes were meant therein; and he asked you: Is it possible to believe that Mr. Jefferson, who penned the immortal paper, could have supposed himself applying the language of that instrument to the Negro race, and yet held a portion of that race in slavery? Would he not at once have freed them?"

"I only have to remark upon this part of the Judge's speech that I believe the entire records of the world, from the date of the Declaration of Independence up to within three years ago, may be searched in vain for one single affirmation, from one single man, that the Negro was not included in the Declaration of Independence. I think I may defy Judge Douglas to show that he ever said so, that Washington ever said so, that any President ever said so, that any member of Congress ever said so, or that any living man upon the whole Earth ever said so, until the necessities of the present policy of the Democratic Party, in regard to slavery, had to invent that affirmation.

"And I will remind Judge Douglas and this audience, that while Mr. Jefferson was the owner of slaves, as undoubtedly he was, in speaking upon this very subject, he used the strong language that 'he trembled for his country when he remembered that God was just;' and I will offer the highest premium in my power to Judge Douglas if he will show that he, in all his life, ever uttered a sentiment at all akin to that of Jefferson."

Lincoln then dissected Douglas's supposedly amoral view of slavery. "I suppose that the real difference between Judge Douglas and his friends, and the Republicans on the contrary, is that the Judge is not in favor of making any difference between Slavery and Liberty—that he is in favor of eradicating, of pressing out of view, the questions of preference in this country for Free over Slave institutions; and consequently every sentiment he utters discards the idea that there is any wrong in Slavery. He insists that, upon the score of equality, the owners of slaves and owners of property—of horses and every other sort of property—should be alike and hold them alike in a new Territory."

Lincoln then said that he had asked Douglas at Freeport a question which he had not answered, only contenting "himself with sneering at the thought that it was possible for the Supreme Court ever to make such a decision." Lincoln had asked, "If the Supreme Court of the United States shall decide that the States cannot exclude slavery from their limits, are you in favor of acquiescing in, adhering to and following such decision, as a rule of political action?"

Lincoln then read from the U.S. Constitution, where it states that the Constitution and the laws of the United States made in pursuance of that Constitution, and all treaties, shall be the supreme law of the land, "and the judges in every State shall be bound thereby, anything in the Constitution or laws of any State to the contrary notwithstanding." Then Lincoln read from the Supreme Court's Dred Scott decision, which stated that, "Now, as we have already said in an earlier part of this opinion, upon a different point, the right of property in a slave is distinctly and expressly affirmed in the Constitution."

Said Lincoln, "I believe that the right of property in a slave is not distinctly and expressly affirmed in the Constitution and Judge Douglas thinks it is. I believe that the Supreme Court and the advocates of that decision may search in vain for the place in the Constitution where the right of property in a slave is distinctly and expressly affirmed. I say, therefore, that I think one of the premises is not true in fact. But it is true with Judge Douglas. It is true with the Supreme Court who pronounced it. It being affirmed in the decision that the right of property in a slave is distinctly and expressly affirmed in the Constitution, the conclusion inevitably follows that no State law or constitution can destroy that right."

Therefore, what value had Douglas's conception of the "popular sovereignty" which would stop slavery from being introduced into an area, if the Supreme Court followed up its statement in the Dred Scott decision with another which enforced slavery as the supreme law of the land? "So far in this controversy," said Lincoln, "I can get no answer at all from Judge Douglas upon these subjects. Not one can I get from him, except that he swells himself up and says, 'All of us who stand by the decision of the Supreme Court are the friends of the Constitution; all you fellows that dare question it in any way, are the enemies of the Constitution.

"Now, in this very devoted adherence to this decision, in opposition to all the great political leaders whom he has recognized as leaders—in opposition to his former self and history, there is something very marked. It marks it in this respect, that it commits him to the next decision, whenever it comes, as being as obligatory as this one, since he does not investigate it, and won't inquire whether this opinion is right or wrong. So he takes the next one without inquiring whether it is right or wrong. He teaches men this doctrine, and in so doing prepares the public mind to take the next decision when it comes, without any inquiry.

"In these general maxims about liberty—in his assertions that he 'don't care whether Slavery is voted up or voted down'; that 'whoever wants Slavery has a right to have it'; that 'upon principles of equality it should be allowed to go everywhere'; that 'there is no inconsistency between free and slave institutions.' In this he is also preparing (whether purposely or not), the way for making the institution of Slavery national! I repeat again, for I wish no misunderstanding, that I do not charge that he means it so; but I call upon your minds to inquire, if you were going to get the best instrument you could, and then set it to work in the most ingenious way, to prepare the public mind for this movement, operating in the free States, where there is now an abhorrence of the institution of Slavery, could you find an instrument so capable of doing it as Judge Douglas? Or one employed in so apt a way to do it?"

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[top of page](#)

[home page](#)