

Electronic Intelligence Weekly
Online Almanac
Volume 1, number 10
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May 13, 2002

THIS WEEK YOU NEED TO KNOW

President Bush Mis-Briefed, Again - - Lyndon LaRouche Comments

Saturday, April 13, 2002

Those Americans who are asking questions such as "What happened to my pension?" "How did I blow out my credit cards?," or, "Who closed down the only full-service public hospital in town?" have good reason to take a hard look at the notorious Milton Friedman, who is reported as about to turn 90 this July.

The May 9 *New York Times* online edition quotes Federal Reserve chairman Alan Greenspan describing Friedman as "the most formidable economist" of the 20th century. Friedman has, indeed, racked up a formidable record: as perhaps the most awesomely incompetent of widely known economists of the recently closed 20th century.

Leading British (Cambridge University) economist Mrs. Joan Robinson once ridiculed him, quite appropriately, as a forecaster of the "post hoc, ergo propter hoc" school: or, in free translation from her Latin, an economist who, in fact, claimed credit for predicting the past. Lyndon LaRouche, like some other well-known economists, such as Arthur Laffer, has described Friedman as one whose proposals may be interpreted as fascist. A similar characterization came from certifiable right-winger William F. Buckley, Jr., who described Friedman as a man whose dogmas are inappropriate for a democratic form of government. To be exact, Friedman stated: "The object of such controls [on wages, prices, and credit] is the restriction of spending on the part of individuals.... Such a policy if rigorously enforced should restrain a rise in the price level. This policy appeared to have been successful in Nazi Germany," leaving the reader to guess whether Buckley was condemning or supporting Friedman's policies.

In 1980, LaRouche published a book, *The Ugly Truth About Milton Friedman*, a documentation of the scientific evidence which showed that letting Milton Friedman's influence into the Reagan White House, would lead to a continuation of same kind of national economic disaster which Friedman's ideology had caused under both Henry A. Kissinger's Nixon Administration, and also that Administration of Zbigniew Brzezinski's Carter which had ensured the November 1980 proliferation of Democrats for Reagan. It worked out exactly as LaRouche had forewarned.

Apparently, the new President has not yet learned that lesson. The *New York Times* quotes Bush: "He [Friedman] has used a brilliant mind to advance a moral vision—the vision of a society where men and women are free, free to choose, but where government is not as free to override their decisions.... That vision has changed America, and it is changing the world." The *Times* adds a quote from Bush's Defense Secretary Donald Rumsfeld, saying that Friedman had "changed the course of history."

Economist LaRouche, who has a published record as the most successful long-range forecaster of the recent 35 years, has given *EIW* the following few, timely remarks explaining why Friedman might be admired, by some erring souls, as a man whose influence had become significant in "changing the course of history."

LaRouche comments on the *Times'* May 9 report: "Friedman's growing influence among right-wing ideologues, since the late 1950s, did in fact contribute to the mid-1960s shift in the U.S. economy, from the successful growth of the U.S.A. as a producer economy, over the course of the 1933-1965 interval, into the presently disastrous process of slide into the persistently increasing impoverishment of the lower 80% of family-income brackets, under the decadent consumer society of the 1966-2002 interval.

"It seems never to have occurred to either Friedman or his legion of dupes, that the British East India Company interests which owned Adam Smith, had created the doctrine of 'free trade' solely for the edification of Britain's intended victims abroad. Every time some British government, such as the foolish Harold Wilson, Margaret Thatcher, and Blair governments, has been so silly as to apply Smith's slogan to the United Kingdom itself, that Kingdom has slid into a monumental economic catastrophe. Those catastrophes do represent, as the famous 'Chairman Greenspin' claims, 'a formidable record,' but only of a certain sort."

The Three Follies of Friedman

LaRouche warns whoever is advising the President, to avoid committing the same blunder. "There are three features of the Adam Smith and related dogma of Friedman's dupes which must be recognized, if our republic is to avoid the now-looming catastrophe which that dogma threatens to ensure at this juncture.

"First, we must recognize that the 'free trade' dogma of Lord Shelburne's creature, Adam Smith, as in *The Wealth of Nations*, was concocted as a swindle intended, at the time it was published, to support the American Tory cause, against the economic and related policies of both those circles, led by that authentic genius Benjamin Franklin, who crafted both the 1776 Declaration of Independence and Federal Constitution. Smith's tract was also part of the effort to neutralize the growing, 1763-1776, strategically crucial support for the American cause, not only on the continent of Europe, but within the United Kingdom itself. In short, then as now, Adam Smith's dogma was essentially a political manifesto to be used by the enemies of our republic.

"Second, contrary to Karl Marx and other dupes of Bentham's British East India Company's Haileybury school of faked economic history, the dogma of Smith et al. has no positive relationship to the successful development of modern political-economy.

"The kernel of modern political-economy was formed, both conceptually and in actual national practice, beginning the Italy-pivoted 15th-century Renaissance. This occurred as a byproduct of the same revolutionary developments which brought the France of Louis XI and the England of Henry VII and Sir Thomas More's ascendancy into being, as the first actual models of a successful design for a modern sovereign nation-state economy. In the later rebirth of Europe from a 1511-1648 little dark age characterized by recurring religious wars, the leadership in reviving the cause of national economy was initially centered around Cardinal Mazarin and his protégé Jean-Baptiste Colbert. Out of Colbert's sponsorship of the science-driver economic program of Christiaan Huyghens, Leibniz et al., a science of political-economy, known as 'physical economy,' was founded and developed by Leibniz during the interval 1671-1716.

"The doctrines of the Physiocrats, of Mandeville, and Smith, came into circulation out of plainly stated hatred against all of the leading authors of that concept of national-economy which our Federal Constitution established, as the framework for what Treasury Secretary Alexander Hamilton and others named 'the American System of political-economy.'

"Since 1789, every period of sustained improvement in the physical and related prosperity and growth of the U.S. economy, has been, like the Franklin Roosevelt-initiated recovery of 1933-1945, the result of resumption of American

System economic policies; while every economic and related disaster, such those under Andrew Jackson and Aaron Burr's putative heir Martin van Buren, has been the consequence of a substantial degree of uprooting American policies in favor of the dogmas of Smith et al.

"Third, from the standpoint of religion, John Locke, Bernard Mandeville, Adam Smith, et al. belong to a theological tradition known in traditional English slang as 'the buggers,' otherwise known as radically gnostic pseudo-Christian cults, such as the Cathars. This current had gained renewed support in modern English and French tradition, through the widespread influence of the doctrine of empiricism. This was the doctrine injected into England and other cultures by the internationally powerful Venetian leader Paolo Sarpi and his household lackey Galileo Galilei, the latter the teacher of Thomas Hobbes. This doctrine was the result of Sarpi's revival of the so-called 'Occam's Razor' of the medieval gnostic William of Ockham, to slice off essential attributes from modern Aristoleanism. The effect of that economy-measure, is to move crucial issues of science and theology from the domain of sanity, into the license for practicing sundry wild-eyed varieties of superstition, akin to those of Aaron Burr's wild-eyed grandfather, thunderous Jonathan Edwards. Typical of this lunatic religious mysticism, are, John Locke's doctrine of what is called today 'shareholder value'; the doctrine of Bernard Mandeville, that public good is the fruit of private sin; and, the explicit resurrection of gnostic 'buggery' in the teachings of the Physiocrats and Adam Smith.

"These three categorical features of current 'free trade' dogma, taken into account as facets of the same clinically significant aberration, point to the reasons why today's 'free traders' must be understood as having a corrosive impact on civilized society, an impact comparable to that of the roving predatory hordes of the cult known as the 'Flagellants,' during Europe's 14th-century New Dark Age."

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Milton Friedman Fêted at the White House

At a White House event May 9, President George W. Bush honored Milton Friedman, author of the monetarist bible *Free To Choose*, who turns 90 years old in July, as "a hero of freedom." Secretary of Defense Donald Rumsfeld said Friedman had "changed the course of history." And Federal Reserve chairman Alan Greenspan called him "the most formidable economist" of the 20th century.

The back cover of Lyndon LaRouche's book *The Ugly Truth About Milton Friedman*, published by Benjamin Franklin House in 1980, asks the question: "Is Milton Friedman a fascist?" In answer, Arthur Laffer is quoted: "You want to prove that [Friedman] is a fascist? It's easy. Quote him." Even the odious William F. Buckley, Jr. is forced to admit that "it is possible that Friedman's policies suffer from the overriding disqualification that they simply cannot get a sufficient exercise in democratic situations." And Friedman himself, the senile guru of monetarism and the free-market madness that has dominated U.S. economic policy for 35 years, states, "The object of such controls [on wages, prices, and credit] is the restriction of spending on the part of individuals.... Such a policy if rigorously enforced should restrain a rise in the price level. This policy appeared to have been successful in Nazi Germany."

Nonetheless, President Bush, whose reading list probably did not include LaRouche's book, dutifully repeated what he had been told: "He has used a brilliant mind to advance a moral vision—the vision of a society where men and women are free, free to choose, but where government is not as free to override their decisions." When he added "That vision has changed America, and it is changing the world," he came closer to the ugly truth than he realizes: Unless Friedmanite economic lunacy is abandoned in the immediate future, the only thing the U.S. will be "free to choose" is our poison.

ECONOMICS NEWS DIGEST

Unemployment Swells: What Recovery?

During April, U.S. official unemployment shot up by 483,000 workers, bringing the official total to 8.594 million, as the U.S. Department of Labor's Bureau of Labor Statistics (BLS) announced May 3 (See IN DEPTH article: "The Mis-Fortune 500"). While forced to report this, the BLS report also contained the following ruse: an alleged increase of 43,000 workers on non-farm payrolls. This 43,000 increase is dubious, as we will show.

The U.S. government has been busy releasing a plethora of faked reports: On April 30, the Commerce Department reported an astonishing increase of 5.8% in Gross Domestic Product during the first quarter of 2002; on May 7, the BLS reported another increase of 8.5% in productivity. Both reports use wildly fraudulent methods in order to portray an economic recovery underway.

The reality is far different. As a recent piece in the German edition of the London *Financial Times* showed, foreign capital flows, which have held up the U.S. financial bubble, and thus, America's position as importer of last resort, are drying up.

The May 3 BLS report underscored the fraud of the "recovery": How can you have a recovery, with no jobs? When unemployment hit 8.594 million in April, that meant the U.S. unemployment rate rose to 6.0% that month—unemployment rate and level both being at their highest point in eight years. (And in reality, as EIRNS has shown, the official BLS unemployment figures are vastly understated.)

Manufacturing Jobs

The BLS report also highlighted the collapse of one of the most critical sectors of the economy: manufacturing. Since July 2000, some 1.742 million manufacturing payroll jobs have been axed from the U.S. economy, as manufacturing capacity has shut down. As mentioned above, the Bush Administration and the media adopted a sleight of hand to put a "positive spin" on the latest numbers. The BLS cited the fact that by the "establishment data series" in April, there was an increase of 43,000 workers in non-farm payroll employment.

But wait a minute! In March, the BLS had also reported an increase in employment of non-agricultural workers, at that time by 58,000—only to revise that March figure downward, from plus 58,000 to negative 21,000! In February, the BLS reported an increase in employment of non-agricultural workers of 66,000, only to revise that February figure downward from plus 66,000, to negative 2,000!

Yet, in reporting on the employment situation in April, every media outlet, from Bloomberg to Reuters, reported the alleged 43,000 gain; not a single one reported the actual increase of 483,000 in unemployment in April, because reality would puncture the "recovery" hoax.

GDP Fraud

In addition, the government set out to manufacture growth, by putting out figures that claimed that Gross Domestic Product (GDP) grew by 5.8% during the first quarter. GDP is always a meaningless measure, based on underlying fraudulent methodological assumptions. But the Commerce Department outdid itself in the way it reported the first-quarter 2002 GDP. As we reported in *EIW* #9, last week, the Commerce Department faked private business inventories, in order to show a 3.1% "increase" in GDP, during the first quarter of 2002.

Commerce used other fraudulent methods to make up the rest of the 5.8% growth figure at a time when the economy was

actually contracting. Since "productivity" is based on GDP, with some adjustments, the reported productivity growth is based on the same hokum.

But reality is asserting itself. The May 7 German edition of the *Financial Times* reported that during the first two months of 2002, compared to the same period of 2001, foreign investors' purchases of U.S. stocks fell by 75%, and foreign investors' purchases of U.S. corporate bonds fell by 40%. The U.S. depends on foreign purchases to keep up the financial bubble, and to pay for its current account deficit, which is greater than \$400 billion a year. Without such foreign purchases, the U.S. can maintain neither the bubble, nor its current account deficit—and down comes the world financial system. No amount of fraud will hide *that* reality.

State Revenues Hit Bottom of Barrel; No Bailout from Taxes

Even before April 15 tax collections have been tallied, 40 of the 50 states, and the District of Columbia, have slashed expenditures in order to balance the budget before fiscal year's end, June 30, 2002. The National Association of State Budget Officers (NASBO), as of the end of March, estimated total state-budget shortfall had reached \$40 billion. Budget-cutters have now had to slice deeper into the bone in crucial areas of education, health care, aid to towns and cities, or, in some cases, even public safety. As of the end of March, the National Conference of State Legislatures "State Fiscal Update" reported: 17 states had cut K-12 education programs; 29 states cut higher education; 22 cut Medicaid programs; 16 cut Temporary Assistance to Needy Families; 25 cut corrections; while 10 laid off state workers, three imposed furloughs on state employees, and five reduced employee benefits, including health-care coverage. Such cuts ultimately increase costs as they undermine the health, well-being, and future of the citizens.

Other balance-the-books accounting tricks used throughout the year have included: raiding "rainy day" funds (26 states); tapping other reserves (25 states and D.C.); taking special or dedicated funds (14), raising taxes (seven), boosting user fees (four), delaying capital improvement projects (13), and/or selling off tobacco settlement funds (17), all to get a one-time, quick fix to fill the budget holes that began appearing with the start of the fiscal year July 1, 2001. These desperate acts mean they will have no cushion to fall back on as the economy nosedives and the revenues vanish.

Most states have been anxiously waiting for April 15 tax collections, hoping against hope for a quick revenue boost. Although the final tallies are not yet in, those few states which have reported their revenue estimates, now project even bigger shortfalls. The likelihood of emergency legislative sessions to slash budgets further in these last six weeks of the fiscal year is probable in at least five to nine states, and it could be more. Depending on how short these monies come in, states that used every accounting trick, and cut to the bone, will, in all probability, be in emergency sessions in the fall, in the midst of elections, scrambling to find funds to keep government services running.

Here is a sample picture:

*California: Prior to April collections, state officials have scrambled to plug a \$22-billion revenue deficit. On May 14, finance officials will release a revised report on the status of the state's finances, based on the April tally. However, an initial estimate shows that the personal income tax (PIT) component fell short of expectations by \$2.876 billion, or 33% below forecast.

*Illinois: The \$1.2-billion deficit, having already required across-the-board cuts, including state-employee layoffs, just got bigger. The state's Economic and Fiscal Commission, after totalling April collections, announced revenues for fiscal 2002 will be down \$456 million, resulting in a \$1.35-billion hole; lawmakers had assumed a \$900-million gain when they passed the budget. Governor George Ryan is holding one-on-one meetings with legislators who have hit an impasse on dealing with the budget, while 4,000 AFSCME workers marched on the statehouse protesting the newly announced 1,800 layoffs, which are on top of 1,800 already made.

***Iowa:** The budget crisis here is deemed to be "the nightmare that never ended," as April collections estimates trickled in, forcing the seventh downward revision of revenue estimates. Having already made two across-the-board cuts to the existing budget, causing an 8% reduction in the state workforce, the May 8 report of the state's Revenue Estimating Conference states, that Iowa has a revenue shortfall of \$219 million this year, and should expect a \$212.5-million one for the fiscal year starting July 1. Governor Tom Vilsack will call a special session of the legislature in late May.

***Michigan:** On May 9, the House Fiscal Agency reported tax revenues are down \$458 million in the first six months of the fiscal year—compared to a year ago, a drop of 13.4%. It also reported that tax revenue for the last three months is down 24.6% from a year ago.

An example of the 30-year gutting of our manufacturing base is the plight of the formerly industrialized city of Flint. After two years of massive budget cuts, it still had a \$38-million deficit, as of April. City officials, desperate to prevent a state takeover of the city, called for more bloodletting, proposing \$9 million in additional cuts, including in the police force, ending ambulance service, out-sourcing waste collection, etc. The budget reduction plan also sought \$1.25 million in concessions from the unions. Despite all this, by the end of April, Gov. John Engler was expected to put the city of Flint into financial receivership. Flint's general fund deficit reflects depression conditions. In one year, from June 2000 to June 2001, its deficit grew by 100%, from \$13.09 million, to \$26.6 million.

***New Jersey:** Newly elected Democratic Governor Jim McGreevey, who took office in January, assuming a \$2.4-billion budget deficit, immediately imposed across-the-board cuts to all agencies, laid off hundreds of state workers, used some accounting tricks to plug the hole, and even planned for a \$500-million surplus to aid in dealing with next year's expected \$5-billion shortfall. But April tax returns, still being tallied, changed the picture: It is now estimated there will be a \$700-million shortfall which will swallow up the \$500-million surplus and require \$200 million more in cuts or new revenues.

***North Carolina:** On May 3, the state's Budget Officer David McCoy issued a memo to all state agency department heads, projecting a budget shortfall of at least \$1.5 billion—half a billion more than expected. He ordered "additional expenditure restrictions" including, a hiring freeze, payments of only mandatory obligations of current payroll, utilities, debt service, and required state aid which is defined by statute as compulsory or required for public safety and welfare. Yet, for next year's budget, now being debated, \$330 million in cuts are proposed to public-assistance programs such as Smart Start for infants and young children, prescription drug assistance to the poor and elderly etc.

***Pennsylvania:** Governor Mark Schweiker, expecting a \$667-million deficit, got a rude awakening on May 7, when top budget officer Robert Bittenbender announced a \$1.2-billion deficit based on the results of lackluster April returns. For now, the state plans to loot its "rainy day" fund to cover the hole.

***Rhode Island:** A state with a relatively smaller budget just got a hole blown through it when April collections came in \$83 million below target. Overall revenues for the year are off by \$119 million from a year ago. The shortfall may result in cancelling a promised 4.5% raise to state workers, cuts to state programs, as well as withholding payments to cities and towns.

***Tennessee:** News of April's tax collections, reveal the state is experiencing a negative 3.25% rate of growth in revenues. The shortfall for the fiscal year is now estimated at \$475 million. Revenues from tax on stock-and-bond dividends were down 26.5% over last year. Lawmakers expect to heavily drain reserve funds to get to June 30. Based on a projected revenue growth rate of 1.8% to 2.3%, a scant \$100-140 million in new tax money for state programs can be expected. This is far short of the \$550 million required, and points to a train wreck about to happen.

O'Neill: U.S. Government May Default on National Debt

U.S. Treasury Secretary Paul O'Neill warned that the government could default on the national debt, unless Congress raises the debt ceiling by \$750 billion, above the present limit of \$5.95 trillion. "If we run into the ceiling, that's really bad," as it "casts a shadow on the good faith and credit of the United States," he said in a speech to the Republican Main Street Partnership, AP reported May 8.

The U.S. Treasury has shifted funds from the Federal retirement system, to avoid hitting the debt ceiling in mid-May, but those maneuvers won't work in late June, raising the prospect of a default on payments to holders of government bonds.

Whether Congress will comply in raising the debt ceiling in the next two weeks is uncertain. What is more likely is that Treasury will juggle trust funds, or tinker with Treasury auction schedules, to keep the government operating. But Treasury officials realized last week (after tallying tax receipts), that the shortfall is so great that, by June 28, when the U.S. government must make \$60 billion in semi-annual interest payments to trust funds, primarily Social Security, the juggling act will be over—the government will not have the funds to meet the debt.

"The end of June is really the end of the party," admitted Bush Administration Undersecretary of the Treasury Peter Fisher. "Congress [must] do this before the end of June," he insisted, adding somewhat hysterically: "We expect they are going to do it before the end of June. They need to do it before the end of June." The House Ways and Means committee's top Democrat, Rep. Charles Rangel (NY), was not so sure: "No one wants the government to default.... But the people and their representatives have a right to know how the Bush Administration plans to get the nation out of this fiscal mess before it authorizes a debt ceiling increase."

Dollar Slide Signals Trouble for U.S. Economy

"Time Is Running Out for the Dollar," headlined an op-ed by Paul Craig Roberts, in the *Washington Times* May 8. Roberts writes that the U.S. current account deficit is running about 4% of GDP—or approximately \$1 billion a day. For a number of years, this deficit was accompanied by a strong dollar, but now, the strength of the dollar may be coming to an end.

What will happen to the dollar when foreign investors decide not to hang onto U.S. holdings, he asks, or when they own the economy? A fall in the dollar, relative to foreign currencies, will raise the cost of what are now cheap goods from overseas, even creating political instability, as people find it harder to pay for what they need. "If crisis arrives, it is a good bet Washington will have no clue," he concludes.

Outside of the publications associated with Lyndon LaRouche, this is the first op-ed or article to appear in the U.S. press, addressing the dollar slide against the euro and the yen.

Consumer Credit Zooms Through the Stratosphere

Outstanding consumer credit rose by \$4.6 billion in March to a total \$1.69 trillion, the Federal Reserve said on May 7. The increase in borrowing was led by a \$3.1-billion jump in non-revolving credit, including loans for cars and vacations, while revolving credit, such as that on credit cards, rose by \$1.5 billion.

German Economist: America Is Delirious with Debt

Nor are America's economic tribulations going unnoticed in Europe, as indicated by the headline of a half-page guest commentary—"America and the Delirious Debt"—written by the former Dresdner Bank chief economist Kurt Richebaecher, and published in the leading German business daily *Handelsblatt* May 3. Richebaecher points to the barrage

of accounting tricks which are now routinely being used by the U.S. government, to fabricate the "recovery" hoax. As an example, Richebaeher indicates the monthly "increases" in employment figures or industrial orders which are being engineered by simply revising downward, the figures for the previous month. Or, a relatively small \$1.5-billion increase in corporate computer sales during the fourth quarter, is transformed into a \$20.3-billion increase by sophisticated "adjustment" techniques.

At the same time, he says, the ugly reality of the U.S. economy is still being neglected: "the monstrous discrepancy between money and credit expansion and the growth of gross domestic product." In spite of stagnating incomes, U.S. private households increased their debt burden by another \$610 billion, but only one out five of such borrowed dollars resulted in consumption. In the year 2001, U.S. Gross Domestic Product increased by \$235.4 billion, but the debt of consumers and non-financial corporations increased by \$1 trillion.

On top of this, the financial sector borrowed an additional \$916 billion. Much worse was the turnout during the fourth quarter, when the annualized net borrowing of households, corporate, and financial sectors amounted to \$1.916 trillion, compared to a measly \$38.4 billion increase in GDP.

Richebaeher emphasizes that we are obviously not dealing here with a usual inventory-cycle recession, but instead with "the most severe profit and capital investment crisis in postwar history, which has its roots and is still being driven by an excessive generation of debt in particular for the use of consumption and financial speculation."

Richebaeher was co-speaker with Lyndon LaRouche at the Nov. 5, 2001 *EIR* seminar in Berlin on the global economic/financial crisis.

Documents Prove Enron Manipulated California Energy Prices

Internal documents handed over to the Federal Energy Regulatory Commission (FERC) and released May 6, provide details of how Enron, under cover of deregulation of electricity, created and carried out a corporate conspiracy to drive up energy prices in California last year. In testimony before Congress in April, California Public Utilities Commission (PUC) head Loretta Lynch charged Enron with creating imaginary shortages, through multiple sales of the same power between its own subsidiary companies, and fraudulent sales of power to create congestion on the state's transmission grid. Enron even provided fanciful names to these shenanigans, likely taken from movies and videogames.

For example, the "Death Star" strategy is described in internal memos, as having Enron collect payments "for moving energy to relieve congestion without actually moving any energy or relieving any congestion," according to the *New York Times* May 7. The "Load Shift" strategy, which generated about \$30 million in profits in the year 2000, created the appearance of congestion through overstatement of the amount of power it was going to deliver.

As has been alleged by the state PUC, Enron engaged in "megawatt laundering," buying electricity in California at \$250 per megawatt-hour, the maximum under the price cap, and reselling it outside the state for nearly five times as much.

California Senator Dianne Feinstein (D) has reportedly asked Attorney General John Ashcroft to "pursue a criminal investigation to determine whether, in fact, Federal fraud statutes, or any other laws, were violated." Numerous criminal investigations are also still underway in the state.

Not Just Enron: FERC Orders Power Sellers To Preserve Records

The Federal Energy Regulatory Commission (FERC) has ordered all power sellers to preserve records in electricity-trading

strategies in California during 2000 and 2001, widening its investigation beyond Enron, to other energy traders who may have manipulated the state's deregulated markets for financial gain. The FERC notice, posted on the agency's website May 8, instructed all energy traders dealing in the California market to keep documents detailing "trading strategies that are discussed in" the three Enron memos. The memos, showing how Enron ripped off the state, were released by FERC on May 6. "Such material includes, without limitation, correspondence or memoranda discussing trading strategies or correspondence between companies with respect to transactions that are part of such trading strategies," the FERC notice said.

SEC Plans Formal Probe of Dynegy Natural Gas Deals

The Securities and Exchange Commission (SEC) plans a formal investigation of Dynegy Inc.'s natural-gas transactions, an upgrade from an informal investigation into deals that inflated how much cash the company generated from operations. The SEC will be able to subpoena documents or testimony about "Project Alpha," the agreement by one of Dynegy's partnerships to buy gas over five years from ABG Gas Supply LLC. Dynegy, which backed out of a deal last November to buy Enron Corp., recorded \$300 million in cash from operations for the plan—which required a \$300-million loan from Citigroup to subsidize the trades—and now Dynegy is reclassifying \$300 million as coming from financing. Dynegy also reaped \$80 million in tax benefits.

Texas Governor Proposes State's First Big Desalination Plant

Texas should build its first large-scale ocean-water desalination plant, Gov. Rick Perry (R) proposed April 29 at a San Antonio water plant, to provide desperately needed fresh water for the state. Perry is featuring the \$208-million proposal in his "Controlling Our Destiny" program, which includes financing options and additional water measures. "It is not a matter of whether saltwater will one day be used as an abundant source for public use, but when," Perry said. "As a people, we must have the courage to look into the future and invest today in a better tomorrow. There is no greater untapped source of water than the ocean water which Texas can easily access." The population of Texas is projected to double over the next 40 years.

Perry said that financial assistance for water projects—such as those proposed within the state's 16 regional water plans—can go further with increased public-private partnerships and design-build authority.

He also proposed use of Private Activity Bonds, which are tax-free investment bonds. These bonds, frequently used for industrial projects, have been an underused source of financing to develop new water sources, Perry said. Under current state law, Texas will have more than \$2.2 billion for Private Activity Bond projects over the next five years: "Even if we use half of that bonding money for water projects, not only can we fund a desalination plant, but a significant portion of important water projects needed across our state."

Without Desalination, U.S. and Mexico Face Standoff Over Water

A nasty "water war" could be fomented between Texas and Mexico, if smaller minds insist on "getting theirs" in the midst of a severe drought, rather than setting out to create more water, as Texas Governor Rick Perry has proposed. Texas farmers were to meet with U.S. state legislators on May 3 in the border town of Brownsville, to show them their dying fields, while the farms across the border in Chihuahua are allegedly green. The farmers are urging Congress to stall bills sought by Mexico (such as on immigration), until the dispute is settled. AP, which headlined its May 3 article "U.S. and Mexico in Standoff Over Water," quoted an irrigation manager from Mercedes, Texas, saying, "It's time to teach them a hard and bitter lesson" for "illegally" using Texas water.

U.S. officials estimate Mexico owes Texas famers 1.5 million acre-feet of water, under the terms of the 1944 treaty

between the U.S. and Mexico. Mexican officials acknowledge they have not complied, but say it's physically impossible to meet their treaty obligations, because the water is simply not there. Both sides of the border have been suffering from drought for several years. For example, reservoirs in the state of Chihuahua—whose farmers have reportedly dared to expand cultivation of "thirsty crops" like corn and alfalfa—are at less than 25% capacity, too.

Swiss National Bank Cuts Interest Rates; Dollar Fall Stalled

The Swiss National Bank cut interest rates, stalling a fall of the U.S. dollar. Bloomberg's spin on the story, was that the Swiss move, described as "capping gains in the franc," was read by speculators as a sign that the dollar had fallen too much in the past months. The Swiss get 45% of their GDP through exports, so the stronger franc was seen as a problem. Even Bloomberg admits that this will have only a temporary impact on the falling dollar.

German Industrial Production Falls; Unemployment Rises

German industrial production "unexpectedly" fell in March by 0.8% compared to the previous month, while unemployment in April rose for the 15th time in 16 months. The March production figures, released by the German Finance Ministry on Wednesday, are quite shocking in comparison to the level of one year ago: Total industrial output was down 11.2% and capital goods production down 15.4%. Production of durable consumer goods in March was 17.3% lower than one year ago. While industrial decline during the recent 12 months was much sharper in western Germany than in eastern Germany—where there is not much left to cut—eastern Germany was hit by a further 10.3% drop in construction output in March compared to last year. German Finance Minister Eichel describes this process as the early stage of a "recovery."

UK Manufacturing Shrinks at Fastest Rate in 20 Years

Manufacturing output in the United Kingdom faced its biggest decline in a decade, in 2001; however, during the first three months of 2002, this process accelerated even more. Government figures released on May 8 show that manufacturing production unexpectedly declined by 0.8% in March compared to February, a 6.8% drop over one year ago, marking the biggest year-on-year percentage drop in more than 20 years, since June 1981.

Even seven rate cuts by the Bank of England last year, which have brought short-term interest rates to the lowest level in 38 years, have failed to avert the disaster in the British industrial sector. Instead, the liquidity-pumping further boosted the British real-estate bubble. In April, housing prices in Britain rose at their fastest pace since 1988. According to Lombard Street Research in London, real-estate prices surged 13.8% within the last 12 months. This amounts to an asset-price increase of 300 billion pounds, compared to an annual disposable income, for all British households, of 700 billion pounds, and annual savings of just 35 billion pounds.

O'Neill Pushes IMF's 'Poverty-Making Machine' on Argentina

[See [IBERO-AMERICA NEWS DIGEST](#)]

Argentina Pays IMF at Demand of Bankers

[See [IBERO-AMERICA NEWS DIGEST](#)]

Foreign Banks Bolting From Argentina

[See [IBERO-AMERICA NEWS DIGEST](#)]

UNITED STATES NEWS DIGEST

LaRouche To Hold International Memorial Day Webcast May 28

Democratic Party 2004 Presidential pre-candidate Lyndon LaRouche issued a solemn statement inviting international leaders and the public to participate in his Memorial Day international webcast, which is being held Tuesday May 28, at 1:00 p.m. Eastern Daylight Time. Coming on the heels of the candidate's historic May 1 webcast, this follow-up event will be conducted to further the process of bringing together an international combination that can turn the world back from the precipice of global religious war, and a New Dark Age. In his May 9 statement, LaRouche, a World War II veteran, said: "After the close of the first of the two world wars of the last century, our republic committed itself to remember in perpetuity those who had fallen in battles. Let us remember them today.

"Thus, when I returned from the last world war, I passed the house of a boyhood friend, Leon, the sole companion of the aging grandparents who had raised him. As I came up the sidewalk to a place by the front windows of that house, I saw a gold star in the window. I shall never forget that awesome moment.

"Let us therefore pledge, as President Abraham Lincoln did, that if government must send men to die in war, let the war end as quickly as possible, and let the leaders of our nation be assured in advance, that the citizen's sacrifice not be in vain. Let us pledge as much wisdom as we are capable of calling forth today, to that end."

U.S. Northern Command Would Be Waffen-SS-Model Dictatorship

While an alleged battle inside the Defense Department over Secretary of Defense Donald Rumsfeld's decision to kill the "traditional" artillery weapon known as the "Crusader," is getting a lot of media coverage, little attention is being paid to the creation of a new Northern Command, under a four-star Air Force General, as another part of the drive towards a real police-state structure inside the United States. This proposal, coming on top of serious erosion of civil liberties under the "war on terrorism," represents a real crossing of the Rubicon, a "no-no" which would be recognized as such by any sane military leader in the American intellectual tradition.

What is really being proposed, with the creation of a full-scale U.S. military command for the continental United States, Canada, Mexico, and parts of the Caribbean, is to put the U.S. military, domestically, under the control of the FBI, in effect (under the vaguely reported plans for the launching of the Northern Command on Oct. 1, 2002, the military will function as an adjunct to civilian agencies). This is a Waffen SS model, a Himmler-style dictatorship, which is raising concern inside the Bush Administration, but which is being ignored by Congress and the press in their mad drive to sacrifice the U.S. Constitution and American history in the name of the "war on terrorism." Congress' war on terrorism amounts to nothing more than support for Ariel Sharon's Nazi-like actions (see below).

Former NSC Chief Scowcroft Warns Against Unilateralism

The *Washington Times* reported that former National Security Adviser and alter ego Brent Scowcroft (under President George H.W. Bush) spoke on May 4 at a conference of the Council for National Security Affairs, and warned the current Bush Administration that it must "restrain" its tendency toward unilateralism, or face a failure in the war on terrorism. It is widely believed that Scowcroft is speaking on behalf of the former President, who would not wish to publicly attack his son and a cast of his own former Cabinet officers. "We can't operate in coalitions of the moment, in which we use certain

countries when we need them and then throw them away," Scowcroft warned. "Foreign policy has always been an option for the United States, but not any longer. We don't have a choice any more, and we are not necessarily adjusting to it well.... We appear to be acting increasingly in an arrogant and unilateral way. We need to restrain our instincts for unilateralism."

Scowcroft's remarks were in keeping with his public criticisms, during the annual Wehrkunde meeting in Germany this past February, in which he chastized Senators Joe Lieberman and John McCain, and Defense Department adviser Richard Perle, from the floor for flaunting a go-it-alone attitude on the issue of overthrowing Saddam Hussein, among other issues.

Rep. Baca Introduces Bill To Ban Killer Training Videogames

California Congressman Joe Baca (D-42nd Dist) has introduced "The Protect Children from Video Game Sex and Violence Act of 2002," in a long-overdue move that will challenge the Hollywood corruption in the Democratic Party. The bill, making it a Federal crime to sell violent videogames to minors, has 21 Congressmen co-sponsoring it so far. Acting as a parent and grandparent in introducing the measure, Rep. Baca cited the recent school massacre in Erfurt, Germany, and the 1999 Columbine High School shooting. The director of the videogame industry trade association has denounced the new legislation as unconstitutional.

In a statement last week, Baca said 92% of children between the ages of 2 and 17 play videogames, and studies have shown they tend to be made to identify with the "digital criminals." Baca asked, "Do you really want your kids assuming the role of a mass murderer or car-jacker when you are away at work?" The law would fine or jail retailers and rental companies who provide minors with access to video games depicting:

** Decapitation, amputation, dismemberment or mutilation

** Killing of human beings using any object as a lethal weapon or hand-to-hand fighting

** The carjacking of a vehicle

** Rape or other sexual assault and prostitution

** Aggravated assault or battery

** Other violent felonies.

FBI Goofs Again in Missing 'New Violence' Terrorist Profile in Pipe Bomber

The FBI, whose director, Richard Mueller, recently admitted that the Bureau has been unable, in the months since Sept. 11, to find any written evidence of a planned attack, has apparently goofed again, in attempting to apprehend the latest domestic terrorist—the Midwest pipe bomber. According to reports, the way the FBI learned of the lead suspect in the pipe bombings in the Midwest and West was that alleged bomber Luke Helder sent his father a letter saying that "Mailboxes are exploding." The FBI then traced Helder through his new cell phone. He had already been stopped—and released—by police three times for traffic violations while travelling to locations where the bombs were placed, before the FBI put out the all-points bulletin, based upon leads from his father.

On May 8, Helder is said to have told the FBI that he had made a total of 24 pipe bombs out of tape, paper clips, and

Christmas tree bulbs, and placed them in 18 mailboxes in five states. When found, Helder still had in his possession six of the bombs, packed with smokeless gunpowder and BBs or nails, and wrapped in black electrical tape.

U.S. District Court Magistrate Robert J. McQuaid denied a request to release Helder to the custody of his parents, stating, "It's apparent to me that he suffers from some apparent mental health problems."

It is notable that the FBI Behavioral Science Lab had come up with an entirely different profile of the probable bomber, ignoring the "new violence" music and video game addictions of schoolyard killers such as Michael Carneal, Eric Harris, and Kip Kinkle. Preliminary reports show that Luke Helder fits the "new violence" profile, particularly connected to the band Nirvana, whose leader, Kurt Cobain, became a cult figure after committing suicide. As to Helder's alleged "anti-government" profile, the evidence for this amounts to an incident last fall at the University of Wisconsin-Stout in Menomonie, Wisconsin. When he was cited for possession of a marijuana pipe, he told the officer: "Is this what the government is for?" When he was arrested, Helder was wearing a Kurt Cobain T-shirt.

Lieberman's Cronies Make Billions Training Zombie Killers With Videogames

At present, the market for computer games worldwide is said to be heading for sales in the range of up to \$25 billion (\$20 billion last year). Of that total, the explicitly violent games (Ego-Shooters, Group Combat, Soldiers of Fortune, etc.) account for about 20%. On a world scale, Germany is fourth in that market, ranking second in Europe, behind the United Kingdom. Last year, game sales reached a total volume of about 3 billion marks, in Germany.

This is only the "legal" market. Especially for the games on the official black list, estimates are that another 30%, if not 50%, of the figure for "legal" sales can be added in, for "illegal" sales. As Lyndon LaRouche notes in his strategic analysis, "The Rules by Which Games Are Played" (see IN DEPTH), the development of these games is part of the utopian game-plan of creating cold-blooded killers for the new empire's policy of "perpetual war."

LaRouche is proven absolutely right in a recent issue of *Reboot Camp Review*, which boasts that "Some military secrets are only for elite troops—and for gung-ho gamers," in its review of a recently launched combat game named "Rainbox Six—Rogue Spear." The review reads as follows: "What's the surest sign that your military combat game is a hit? When the Army wants to use it train U.S. soldiers. Thanks to a deal between military contractor LB&B Associates and game developer Red Storm Entertainment, some of our troops have been learning tactics from a computer simulation powered by the Tom Clancy-inspired shooter, Rainbow Six—Rogue Spear."

"The Army would have to spend 10 times as much to create a comparable system," claims chief game designer Brian Upton. Plus, Red Storm's access to battlefield hardware goes straight into current titles like "Ghost Recon," which lets players try out a communications system the military is still developing. Of course, the Army's version of the game has been modified to generate scenarios soldiers might actually face. "If they were using it straight out of the box," says Upton, "I'd be really, really scared."

Ariel Sharon's 'Big Lies' About White House Visit

Ariel Sharon's visit to the United States was a carefully orchestrated production, where the real action occurred, not at the White House, but in a series of meetings with behind-the-scenes financiers, and reporters, who broke new ground in proving that journalism *is* "the world's oldest profession." Sharon's 15-minute meeting with President George W. Bush, was followed with an avalanche of disinformation from some of Sharon's most trusted press hitmen, who put out the word that "Bush says Arafat is finished."

Sharon held a private meeting with columnist Jim Hoagland, joined by fellow *Washington Post* writer Jackson Diehl and the *New York Times*' resident Sharonist, William Safire, for a group interview with the Israeli Prime Minister, right after the Sharon-Bush White House meeting—which was cut short, due to another suicide bombing by "Sharon's Hamas," as assassinated Israeli Prime Minister Yitzak Rabin called the anti-Arafat Hamas group. In addition, Sir Rupert Murdoch's resident Sharon-booster, Uri Dan, also retailed the same story: That there will be *no* peace talks until Yasser Arafat is reduced to a "meaningless, powerless figurehead." Uri Dan, an Israeli spook who served under Sharon in the Israeli military, and wrote a fawning biography of him, cites an Israeli source who travelled with Sharon to Washington, to the effect that a "full understanding" was reached with Bush that no peace is possible until Arafat is a powerless figurehead. Bush supposedly agreed that peace talks could not begin until the Palestinian Authority created a new Constitution and held new elections to replace Arafat with a new leader, according to the source.

"The President said no such thing," insisted White House spokesman Sean McCormack, as quoted in the *New York Times*, but the press, especially in the U.S. and Israel, continues to peddle the Sharon line.

What George W. Bush Actually Did Say; Record Shows Israeli Lies

In a press availability on May 8 with visiting King Abdullah of Jordan, President George W. Bush, whose statements have been vastly distorted by Israeli Prime Minister Ariel Sharon and his entourage, said the following. First, in answer to a question about intervening against an Israeli retaliation for the most convenient May 7 Hamas bombing, the President said the expected, which could be interpreted as a "greenlight": "...Israel is a nation that is a sovereign nation. But whatever response Israel decides to take, my hope, of course, is that the Prime Minister keeps his vision of peace in mind, that we have got to want peace in order to achieve peace. And that's what the United States is working toward."

Asked about Yasser Arafat's radio and TV condemnation of terrorism against Israeli civilians, Bush said: "Well, first of all, I was pleased to read the transcripts of his call against terror in Arabic. I didn't read the transcripts in Arabic—I read the English translation. But I was most pleased that he did that. I thought that was an incredibly positive sign. As you know, I have been one who he has disappointed in the past, and therefore I hope that his actions now match his words."

On May 9, Bush again tried to clarify some of the disinformation spewed out by Israeli spokesman on their return journey to Israel. A partial transcript appears here:

Q: Mr. President, Israeli officials told me yesterday that you weren't against the idea of moving Yasser Arafat out of a position of power in a reformed Palestinian Authority as long as he was neither hurt nor exiled. Is that an accurate reflection of your opinion?

PRESIDENT BUSH: No, it's not. No, it's not an accurate reflection of what went on in the Oval Office, as the Secretary of State has made clear—who was in the meeting, as well. What is an accurate reflection of my opinion is that Mr. Arafat has let the Palestinian people down. He hasn't led. And as a result, the Palestinians suffer and my heart breaks for the Palestinian moms and dads who wonder whether or not their children are going to be able to get a good education and whether or not there's going to be a job available for their children.

And one of the things that we did talk about was how to put institutions in place so that a potential Palestinian state can be a peaceful neighbor with Israel. Reforms, such as making sure there is a single-command security force that can be held accountable for arresting terrorists; reforms such as having a kind of economic system that would help promote rule of law and defeat corruption; reform so that if there is ever a rebuilding campaign—which we've expressed an interest in doing and the Europeans have—that the money is actually spent on the projects that we intend them to be spent on. And that's what we did discuss.

Q: Do you have any confidence that the Hamas members arrested today, sir, will stay in jail?

PRESIDENT BUSH: We'll have to see. But what I said was—I said I was pleased that Chairman Arafat spoke in Arabic against terrorism. That's good. That's a positive development. Now it's up to Chairman Arafat to perform, to keep them in jail, arrest them and keep them in jail. In order for there to be peace, there must be—we must rout out terror. And the answer to your question, time will tell.

The Arme-y-geddon Battle: GOP Fundamentalists Call for Mass Expulsion of Palestinians

The U.S.-based combination of neo-conservative universal fascists, Christian Zionists preaching the "End Times," and the rightwing Mega gangsters who finance (and dictate policy to) Israel are a deadly combination that is hijacking U.S. interests in the direction of global war with a Israeli trigger. Actions by the U.S. Congress in support of Sharon's "Operation Warsaw Ghetto" invasion of Palestinian territories have all but taken over Washington in the past weeks, with a series of extremist resolutions that have passed Congress and the Senate. On May 1, House Majority Leader Dick Arme-y (R-Texas) demonstrated the religious fanaticism behind Sharon's "Greater Israel" plan, in his interview with Chris Mathews, host of MSNBC's "Hardball" talk show (May 1), where Arme-y says he believes all the Palestinians in the West Bank should be transferred to other Arab lands—the same line as Rehavam Ze'evi and Ariel Sharon. This idea is in Tom DeLay's resolution in the House, which passed on May 2. The following is an edited partial transcript:

Mathews asks if Arme-y agrees with DeLay that the Palestinians should not have a state.

ARME-Y: I am perfectly content to have a Palestinian state alongside Israel if it is a state that honors other's borders.

MATHEWS: You are in total, 180-degree disagreement with Tom DeLay, who said this week that the entire West Bank belongs to Israel and it belongs to that country that's not an Arab country?

ARME-Y: No, I'm perfectly content to have a Palestinian state. I am not content to give up any part of Israel for that purpose of that Palestinian state.

MATHEWS: Wait a minute. Tom DeLay, whose resolution you're going to put on the floor tomorrow and schedule, has said that the entire West Bank, he calls it Judea and Samaria, belongs to Israel. How can you say that this resolution doesn't support the DeLay position, which is Israel has a right to grab the entire West Bank?

ARME-Y: No, I—I'm content to have Israel grab the entire West Bank. I'm also content to have the Palestinians have a homeland and even for that to be somewhere near Israel, but I'm not content to see Israel give up land for the purpose of peace to the Palestinians who will not accept it and would not honor it. It is time to...

MATHEWS: Well, where do you put the Palestinian state, in Norway? Once the Israelis take back the West Bank permanently and annex it, there's no place else for the Palestinians to have a state.

ARME-Y: No, no, that's not—that's not at all true. There are many Arab nations that have many hundreds of thousands of acres of land and—and soil and property and opportunity to create a Palestinian state.

MATHEWS: So you would transport—you would transport the Palestinians from Palestine to somewhere else and call it their state?

ARMEY: I would be perfectly content to have a homeland, just as—most of...

MATHEWS: But not in Palestine?

ARMEY: Most of the people who now populate Israel were transported from all over the world to that land and they made it their home. The Palestinians can do the same, and we're per—perfectly content to work with the Palestinians in doing that. We are not willing to sacrifice Israel for the notion of a Palestinian homeland.

MATHEWS: Have you ever told George Bush, the President from your home state of Texas, that you think the Palestinians should get up and go and leave Palestine and that's the solution?

ARMEY: I'm probably telling him that right now. This is...

MATTHEWS: Have you thought this through?

ARMEY: I have thought this through. I've thought it through for a lot of years. I believe that Israel is the state for the Jewish people. It needs to be honored. It needs to be protected.

MATHEWS: Yeah. That's not what you're saying. You're saying Israel should expand its borders to the Jordan River....

ARMEY: No.

MATHEWS: ...And kick out all the Palestinians? That's what you just said.

ARMEY: I am—I am content to have Israel occupy that land that it now occupies and to have those people who have been aggressors against Israel retired to some other arena, and I would be happy to have them make a home. I would be happy to have all of these Arab nations that have been so hell-bent to drive Israel out of the Middle East to get together, find some land and make a home for the Palestinians. I think it can be done....

MATHEWS: Well, just to repeat, you believe that the Palestinians who are now living on the West Bank should get out of there?

ARMEY: Yes.

On May 5, one of the most extremist Likudnik groups in the U.S., Americans for a Safe Israel, headed by Herb Zweibon, issued a widespread e-mail featuring extensive quotes from the Armeiy interview, and urging its members and Christian Zionists to support a future bill that Armeiy will be introducing supporting Israel's full annexation of the Palestinian territories.

Maryland Becomes Second State To Impose Death Penalty Moratorium

On May 9, Maryland's Governor Parris Glendening (D) imposed a moratorium on executions, until the state completes a study of whether there is racial bias in the use of the death penalty. That makes Maryland the second state, after Illinois, to impose a moratorium. The study is supposed to be completed in September. Glendening stayed the execution of Wesley Eugene Baker, one of 13 men—nine of them black—awaiting execution in Maryland. Lt. Gov. Kathleen Kennedy Townsend, who is running to succeed Glendening, asked the Governor last week to impose the moratorium. Both

Glendening and Townsend support the death penalty in limited cases.

Meanwhile, President Bush's Texas will lead the U.S. this year in executions. Seven people will be put to death in May, and another seven in July. Last year, executions were down, because the Texas Court of Criminal Appeals stayed a few cases, to consider whether inmates had a right to competent counsel during *habeas corpus* appeals. But this year, the court has definitively ruled that while state law does provide prisoners a right to a lawyer for *habeas corpus* appeals, *this does not bestow a right to competent counsel!* So now, executions that were stayed last year, have been rescheduled. Since 1982, Texas has executed 265 people, more than any other state.

Madman Bolton Expands 'Axis of Evil' List at Heritage Foundation War Fest

In a speech at the Heritage Foundation, on May 6, Undersecretary of State John Bolton went "beyond the Axis of Evil" (his words) in adding three nations to the list given by George W. Bush in his January State of the Union address. Bolton, a leading utopian fanatic within the Administration, was the hit-man in the U.S.-run dumping of the head of the UN's Organization for the Prohibition of Chemical Weapons, Jose Mauricio Bustani of Brazil. While this was aimed at facilitating the war on Iraq, it also is now shown to have been part of the "continual warfare" policy.

Bolton, speaking at the Heritage Foundation on combatting the proliferation of weapons of mass destruction, first reviewed Iraq, Iran, and North Korea (the original three in the Axis of Evil), accusing all three of continuing efforts at developing chemical, biological and nuclear weapons. He then went "beyond," naming Syria, Libya, and Cuba. He hit throughout the speech at pharmaceutical industries in these countries, indicating plans to extend the Sudan treatment globally. In Libya, for example, he says the Rabta facility had produced chemical weapons, then was shut down, but reopened in 1995 as a pharmaceutical plant. Said Bolton: "Chemical weapons production at Rabta cannot be ruled out."

Syria, he said, has a stockpile of sarin gas and is working on VX gas, and has Scud missiles and other means for delivering chemical weapons. But he saves his strongest venom for Cuba (see [IBERO-AMERICA DIGEST](#)). Cuba has been cuddled since the Clinton Administration, which said in 1998 that Cuba was not a military threat to the U.S.—a blunder, said Bolton, partially due to the activities of the Cuban spy Ana Belen Montes at the Defense Intelligence Agency, who confessed this year. Bolton's critical threat was as follows: "For four decades, Cuba has maintained a well-developed and sophisticated biomedical industry, supported until 1990 by the Soviet Union. This industry is one of the most advanced in Latin America and leads in the production of pharmaceuticals and vaccines that are sold worldwide [!]. Analysts and Cuban defectors have long cast suspicion on the activities conducted in these biomedical facilities. The U.S. believes that Cuba has at least a limited offensive biological warfare research and development effort. *Cuba has provided dual-use biotechnology to other rogue states*" (emphasis added).

Bolton concludes that the U.S. "will take whatever steps are necessary to protect and defend our interests and eliminate the terrorist threat."

MIDEAST NEWS DIGEST

***EIR* Releases 'Ariel Sharon: Profile of an Unrepentant War Criminal'**

Executive Intelligence Review, the weekly magazine founded by Lyndon LaRouche in 1974, has issued a website dossier on Ariel Sharon, which includes documentation of *EIR's* groundbreaking exposés of Sharon's crimes going back to 1982. The profile, which can be accessed by visiting the homepage of *EIR* magazine, www.larouchepub.com, provides links to *EIR's* original stories from *EIR* magazine and Special Reports. The introduction to the dossier, appearing in the IN DEPTH section of *Electronic Intelligence Weekly (EIW)*, this week, says: "*EIR* has 'written the book' on Sharon's blood-

soaked career for over 30 years (see 1994 Profile). As a service to the current worldwide debate on his government's fascist actions, we provide this summary dossier on the Israeli mass murderer. This summary is linked to a compendium of earlier exposés of Sharon and his partners in crime."

Sharon's Warmongers Mass Troops at Gaza and Egypt Border

On May 10, Egypt's State Information Service reported that President Hosni Mubarak sent two urgent messages to U.S. President George W. Bush and Israeli Prime Minister Ariel Sharon, calling on them to stop the Israeli drive to launch military actions against the Gaza Strip. Israel Defense Forces (IDF), had already deployed, as of May 8, with tanks around Palestinian population centers on the border with Egypt.

Writing in the May 9 edition of the Israeli newspaper *Ha'aretz*, senior Israeli military commentator Ze'ev Schiff asserted, "It is clear that a large-scale military operation in the major Palestinian population centers in Gaza would entail fierce fighting and heavy losses on both sides—particularly among Palestinian civilians...." Unlike the relatively small refugee camps in the West Bank, such as Jenin with its 13,000 residents, the Gaza Strip has five huge camps, each one of them home to almost 100,000 residents. Each camp is larger than the Warsaw Ghetto, which had 60,000 Jewish residents when it was attacked by the Nazi SS in April of 1943.

Israeli opposition leader Yossi Sarid of the Meretz Party denounced the pending attack: "An incursion into the Gaza refugee camps would invite Jenin-like tragedies and could exact a bloody price from Israel." By May 10, *Ha'aretz* reported that there appeared to be doubts in the Israeli army over an all-out assault on the Gaza Strip, with some expressing the concern that such a move would appear to many international observers as a Warsaw Ghetto-style attack.

One senior officer was quoted as saying, "Tanks going into Gaza will leave a lot of damage, even if we don't mean to do so. If they tell us to go, we'll follow orders, but that won't reduce our questions about the wisdom of the order." But despite such doubts, no troops have been pulled back.

In addition, the *Jerusalem Post* reported May 9 on a number of cross-border incidents involving Egyptians. An Egyptian soldier was hit in the thigh by a bullet from IDF soldiers on the Israeli side of the border on May 8. At least 10 Egyptians, including a woman allegedly carrying explosives, have tried to cross the border during the past six weeks to fight for the Palestinians. On April 15, a man was shot dead by Israeli troops while trying to cross the frontier to join the Palestinians, but no circumstances are known.

***Ha'aretz* Specialist: Sharon Was Preparing To Assassinate Arafat and Trigger Regional War**

Senior Israeli military correspondent Ze'ev Schiff, writing in the May 10 *Ha'aretz*, asked: Why did Sharon comply so quickly when the U.S. demanded that he lift the siege on Arafat, as opposed to when President George W. Bush demanded that he withdraw from the Palestinian control areas? Schiff answered his own question: "What went on behind the scenes here? It turns out that Bush's insistence in this case was based on information obtained by U.S. intelligence that Sharon was determined to break into the compound and arrest or liquidate the assassins of former Tourism Minister Rehavam Ze'evi, capture the official who was responsible for organizing the Iranian arms-smuggling operation on the Karine A, and also take the opportunity to nab Arafat and expel him from the territories.... The Americans were concerned that something might go wrong in the operation, and Arafat might get killed in the process. That event, they believed, could have the effect of inflaming the region. Egypt and Jordan would be obliged to react against Israel, and both countries would undoubtedly suspend certain elements of their peace treaties...."

According to Schiff, the U.S. feared Egypt would close the Suez Canal to Israeli navigation. Also, a senior Jordanian official warned the U.S. at the time, that Jordan would have to make a demonstrative move. The U.S. also feared that a

"second front" could open up on the Israeli-Lebanon border, and with Syria. Schiff wrote that, "From remarks made by Sharon that have not been made public, Washington knew that Sharon does not attach much importance to an Egyptian reaction against Israel, and that if the Syrians provoked Israel through Hezbollah, they would be dealt with forcefully.

"Bush's advisors recommended to the President that he act promptly to prevent this chain of events...."

Schiff was in Washington, D.C. in late April, where he observed firsthand the fanatics of the U.S. Israeli lobby and top Israeli officials at the conference of the American Israel Public Affairs Council (AIPAC), demanding Arafat's head. Schiff was one of the speakers at an AIPAC seminar on the question of what would follow Arafat for the Palestinians.

Israeli Military Copies East German Stasi, in Addition to Nazi SS

"Since Wednesday, the Israelis have placed two enormous cranes dominating the [Nativity] Basilica [in Bethlehem] with a laser and a machine gun on top: When the laser detects a movement in the area, the machine gun shoots with deadly precision," wrote *Corriere della Sera* correspondent Lorenzo Cremonesi on May 2. The new IDF device, which is fully automatic (without human intervention), is in the tradition of the infamous East German automatic shooting devices along the Wall between East and West Berlin, put in place by the Stasi—the East German secret police.

Arab Nations Keep Pressure on Washington: Why Do We Need a New Peace Conference?

Despite George W. Bush's "charm campaign" to woo Arab leaders, from Saudi Crown Prince Abdullah, to Morocco's King Mohammed, to Jordan's King Abdullah II, the key Arab leaders are not relenting on their perspective that there is *no* military solution to the Middle East, and Sharon and the Israeli assaults must be stopped. Several developments this week show that Bush's call for a peace conference is mere hollow rhetoric.

*On May 4, the Arab League's Secretary General, Amr Moussa, stated, "How could we think about such a conference while Israel is still occupying the Palestinian territories? What is the authority and agenda of this conference?" The statement came one week before Arab League Foreign Ministers will be meeting in Cairo.

*In statements, several Arab leaders, including Saudis, made clear they do not support the Bush Mideast conference proposal. They believe that such a conference could only be useful if it negotiates a final, two-state settlement, including the status of Jerusalem. Otherwise—the concept of land for peace was already agreed on at Madrid, and Oslo. What is needed, they think, is to implement what has already been agreed upon, not to replace it with some new formula. "What are we going to negotiate on?," asks Syria's President Bashar al-Assad. Syrian analysts say that if there is still no peace ten years after Madrid, what would a new conference do? One Syrian commentator asks whether it is reasonable to believe that the the United States, which has failed to make the Israelis withdraw from territories they occupied a month ago, will now make them withdraw from all the territory they have occupied ever since 1967, as the Abdullah Plan, for example, would require.

The Saudis are publicly silent, reported the *New York Times* on May 6, but they think that negotiations should be carried on by the two parties, and that a peace conference should not be mistaken for the objective. Asked about the conference, the Saudi Foreign Minister, Prince Saud al-Faisal answered, "Well, really, the idea that came out from the quadripartite meeting is being looked at. The conference or a meeting is not an objective in itself; it depends on what that meeting includes. And until these ideas are cleared [up], I don't think we can give an opinion on that. But it is not a bad idea if the content is the proper content." Note also that he attributes the idea for this conference to the four-part meeting of the U.S., UN, EU, and Russia, rather than to the discussions in Texas between Bush and Saudi Crown Prince Abdullah.

Israeli Occupying Forces Condemned by UN General Assembly

In a 10-hour debate May 7, some 74 members of the United Nations General Assembly voted to adopt a resolution condemning Israeli forces' assaults on Palestinians, and Israel's refusal to cooperate with the UN Security Council's special fact-finding mission to Jenin. The resolution also demands Israel cease all hindrances to the work of humanitarian organizations, and requests that the Secretary General investigate and report on the recent events in Jenin and other Palestinian cities.

Four nations opposed the resolution: the United States, Israel, the Marshall Islands, and Micronesia, while 54 nations, many of them European Union member nations, abstained. Russia's representative insisted that each paragraph of the resolution be voted on separately. The resolution said that the General Assembly,

"Gravely concerned at the extensive loss of the life and injuries suffered by the Palestinian people, as well as the destruction of both public and private property, including homes and institutions of the Palestinian Authority,

"Gravely concerned in particular about the reports of grave breaches of international humanitarian law committed in the Jenin refugee camp and other Palestinian cities by the Israeli occupying forces,

"Expressing its profound concern at the dire humanitarian situation of the Palestinian civilian population, including the lack of access to food, water and medicines, owing to the Israeli siege and the attacks on Palestinian cities,

"Deploing the destruction of holy sites in the Occupied Palestinian Territory, including mosques and churches, and expressing its expectation that the Israeli military seige on the Church of the Nativity in Bethlehem will end immediately, ...

"Deploing Israel's disregard for relevant Security Council resolutions, and stressing the need for full accountability in this regard, ...

"1. Condemns the attacks committed by the Israeli occupying forces against the Palestinian people in several ... cities, particularly in the Jenin refugee camp;

"2. Condemns also the refusal by Israel, the occupying Power, to cooperate with the Secretary-General's fact-finding team to the Jenin refugee camp, in disregard of Security Council resolution 1405; ...

"4. Demands the immediate and full implementation of Security Council resolution 1402;

"8. Calls for the provision of urgently needed assistance and services to help in alleviating the current humanitarian situation and reconstruction efforts..."

In TV Address, Arafat Demands End to Terror Attacks on Israel

On May 7, Palestinian Authority President Yasser Arafat gave a televised address, following the suicide bombing claimed by the Sharon-stooge Hamas. Arafat said, in Arabic, "I gave my orders and directions to all the Palestinian security forces to confront and prevent all terror attacks against Israeli citizens from any Palestinian side or parties...." One day later, in Washington, President George W. Bush, welcomed the statement by Arafat, noting that it was important that it was in Arabic, and that he himself had read the statement, in English translation (see U.S. NEWS DIGEST).

Arafat added that the Palestinian Authority's forces were now too weak to carry out his orders, after Israel had attacked and assassinated PA personnel. He appealed to the United States and other nations for help to his forces, so they could carry out his orders. Estimates of the cost of the devastation caused by the Israeli assault on the West Bank areas is \$600-800 million.

Middle East Policy in Washington: The Congressional Factor

With the "Mad Hatters" of the House of Representatives leadership—Tom DeLay and Dick Armey—exposing themselves as religious fanatics calling for the expulsion of Palestinians from the Holy Land, the U.S. Congress and Senate exhibited shameful cowardice in voting up separate "Solidarity with Israel" resolutions on May 2.

The resolutions condemned Palestinian attacks on Israeli civilians, but, despite massive pressure from constituents *against* the Israeli military attacks, there was no similar condemnation of Israeli actions. The vote reflects the power of the blackmail pressure coming from the neo-Conservative/Christian Zionist (fundamentalists)/Israeli lobby billionaires block (Mega).

The vote was officially 94-2 in the Senate and 352-21 in the House, but there was far more opposition than reported in the media, reflected in those who voted "Present" or were "Absent" from the vote. The following are the members of Congress who did not vote "yes":

In the Senate. Voting NO: Byrd (D-WVa), and Hollings (D-SC). Not Present: Bennett (R-Utah), Bunning (R-Ky), Helms (R-NC), Torricelli (D-NJ).

In the House. Voting NO: Abercrombie (D-Hawaii), Hilliard (D-Ala), Obey (D-Wisc), Bonior (D-Mich), Inslee (D-Wash), Paul (R-Texas), Boucher (D-Va), Jackson (D-Ill), Petri (R-Wisc), Condit (D-Calif), Kleczka (D-Wisc), Rahall (D-WVa), Conyers (D-Mich), Lee (D-Calif), Rohrabacher (R-Calif), DeFazio (D-Ore), McKinney (D-Ga), Smith, Nick (R-Mich), Dingell (D-Mich), Miller, George (D-Calif), Stark (D-Calif).

Voting "PRESENT" (not voting in favor): Baldwin (D-Wisc), Kaptur (D-Ohio), Peterson (D-Minn), Barr (R-Ga), Kilpatrick (D-Mich), Rivers (D-Mich), Becerra (D-Calif), Kind (D-Wisc), Sabo (D-Minn), Bishop (D-Ga), Kucinich (D-Ohio), Sanders (I-Vt), Brown, Sherrod (D-Ohio), McDermott (D-Wash), Solis (D-Calif), Capuano (D-Mass), Mink (D-Hawaii), Thompson, M. (D-Calif), Clayton (D-NC), Mollohan (D-WVa), Thurman (D-Fla), Farr (D-Calif), Moran, Jim (D-Va), Watt (D-NC), Hostettler (R-Ind), Oberstar (D-Minn), Woolsey (D-Calif), Jones, Steph. (D-Ohio), Payne (D-NJ).

Not Voting: Bereuter (R-Neb), Fattah (D-Pa), Riley (R-Ala), Bilirakis (R-Fla), Hoekstra (R-Mich), Ros-Leht. (R-Fla), Brown, C. (D-Fla), Hooley (D-Ore), Roukema (R-NJ), Burton (R-Ind) Istook (R-Okla), Stenholm (D-Texas), Callahan (R-Ala) Jefferson (D-La), Sullivan (R-Okla), Cannon (R-Utah) Jenkins (R-Tenn), Taylor, C (R-NC), Cantor (R-Va) John (D-La), Thompson, B (D-Miss), Cooksey (R-La), McHugh (R-NY), Traficant (D-Ohio), Crane (R-Ill), Millender-McD (D-Calif), Wamp (R-Tenn), Dooley (D-Calif), Murtha (D-Pa), Young (D-Fla), Everett (R-Ala), Oxley (R-Ohio).

In the May 2 Congressional Record, the statements by voting members on House Resolution 392, indicate some serious questions about Israeli actions, even from those who eventually voted in favor of the resolution. Some said that Israel is not Sharon, and attacked Sharon, others that the resolution was unbalanced and didn't serve a quest for peace, and others that it was bad timing to introduce a resolution when the Administration was involved in negotiating. (In fact, the White House had asked Tom DeLay to pull the House resolution off the table, and not have it voted on, because of the danger that it would disrupt Mideast negotiations.)

WESTERN EUROPEAN NEWS DIGEST

German Newspaper Emphasizes Government Role in Economy

In its May 4 edition, in its retrospective of Ludwig Erhard, Germany's newspaper of record, the *Frankfurter Allgemeine Zeitung*, insisted on the role of government in the economy.

Using the occasion of the 25th anniversary of the death of former German Chancellor Ludwig Erhard, who was Economics Minister under Chancellor Konrad Adenauer, during the post-World War II *Wirtschaftswunder* ("Economic Miracle") reconstruction of Germany (and hence, somewhat undeservedly dubbed the "Father of the *Wirtschaftswunder*"), the *Frankfurter Allgemeine Zeitung* published a commentary by Nikolaus Piper, who squarely took the government to task for its failure to develop some conception of economic strategy. This is quite remarkable, inasmuch as *FAZ* is usually a mouthpiece of economic liberalism—which, however, is increasingly exposed as a failed doctrine.

Piper says that much of the secret of Erhard's success was based on the fact that he developed the Economics Ministry into a supervisory institution over the other ministries, to direct the development of the economic order. Central to this were the "department for principal" and the "department for money and credit." In 1972, the Economics Ministry lost responsibility for money and credit, and in 1998, lost its division for principal. Without these functions, "the Ministry is just unnecessary," writes Piper. He continues: "We have more than a decade of experience with this conscious rejection of concepts for economic policies. And, as everyone can check the results, it may not be a bad idea to go back to the roots, to Ludwig Erhard. Concretely: The next Federal overnment should reassemble economic expertise within the Cabinet, and create a real Economics Ministry, with a department for principal and a department for credit policies.... The government needs an institution to competently comment on the consequences of the pension and health reforms for the whole economy.... To rebuild the responsible Ministry is probably just what Ludwig Erhard would do today."

Charge That Italy's Berlusconi Ignores Importance of Infrastructure-Building

Italian Prime Minister Silvio Berlusconi has forgotten that infrastructure investment should be his priority, critics are charging. Berlusconi's grand electors have issued a stiff warning that he should reset priorities and honor his promise to deliver infrastructure investments, instead of focussing on labor reform issues which promote social conflict. The warning came in the form of an editorial in the May 3 *Corriere della Sera*, by *Corriere's* former publishing director, Alberto Ronchey.

Ronchey complains that for decades, infrastructure such as "railway lines, airports, highways," have not been upgraded to keep up with a growing population and economic activity. It is true that large works need time, Ronchey writes, but "it cannot be repeated often enough that Cavour needed nine years to build the Frejus Tunnel" between France and Italy, beneath the Alps, 150 years ago.

The Berlusconi government "has announced a plan of 80 infrastructure projects to modernize Italian society. An investment of 120 billion euros is planned. However, the major national controversies at this moment are concentrated on two other questions," Ronchey continues—the labor reform known as "Article 18" (against which the trade unions mobilized in a general strike), and Berlusconi's potential conflict of interest as being head of the government while being owner of 50% of the national TV networks. Ronchey accuses the opposition of being responsible for promoting the latter issue, which currently offers no apparent solution; however, Berlusconi is responsible for having promoted the phony and "highly explosive" issue of labor reform.

Ronchey has been a spokesman for the ownership of *Corriere della Sera*, which is also connected to large Italian building

construction interests. These interests are representative of one component of the coalition that allowed Berlusconi to take power at the last elections. Thus, such an editorial represents a serious warning that Berlusconi should reset his priorities, or he will lose his mandate.

Top German Diplomat: East German Stasi Created Neo-Nazism

In an interview published in *Moskovsky Komsomolets* (and reported on by Reuters May 8) on the anniversary of the German surrender in World War II, Ernst-Joerg von Studnitz, German Ambassador to Russia, says "The former [East German] secret service—the Stasi—laid down the basis for neo-Nazism during the period when Germany was divided." Neo-Nazism was no sociological phenomenon, Studnitz insists; rather, the Stasi "formed and supported the first group of neo-Nazis in [West Germany]."

The Ambassador said the opening of the Stasi archives after German reunification, clearly established the artificial nature of the origin of the neo-Nazis in West Germany.

As long ago as 1993, *EIR* published, and widely circulated to European police and other investigators, a German-language special report on the Anglo-American and Soviet-Bloc secret services' participation in running the neo-Nazism plaguing Germany.

One section of the *EIR* report described the actions of a U.S. national, Dennis Mahon, who worked with the Stasi inside *reunified Germany*:

"Dennis Mahon described [in an interview with *EIR*] his training by USA military and intelligence authorities, and his anti-German cooperation with members of the East German Communist secret police—the Stasi.

"...Mahon claims that U.S. Secret Service and other Federal police agents have him under constant surveillance, always seeking pretexts for his arrest or blackmail. Given this constant monitoring, Mahon is asked, how did he manage to elude the German police?

"He replies that throughout the German phase of his career, he has worked closely with agents of the Stasi, the East German Communist secret police. He says this collaboration began at least three years before his 1991 visit to Germany, that is, before reunification. Since reunification, of course, the Communist police agents have all become 'former' Stasi agents. Mahon, with his Naval intelligence training in electronic countermeasures, works jointly with these sophisticated former Stasi men, monitoring all the German police radio frequencies. This way, he says, they are always a step ahead of the German police and always elude them....

"With his skinheads and his Stasi protection, Mahon asserts, he made a 1992 German visit through the eastern section of the country and to Nuremberg, Mainz, and Karlsruhe. 'We travelled 1,100 kilometers in four days, stopping and talking to people every 100 kilometers or so.'...."

Netherlands Reeling After Assassination of Anti-Immigrant Populist Politician

On the eve of national elections to be held May 15 in the Netherlands, a gunman on May 6 assassinated Pim Fortuyn, an anti-immigrant populist politician who was expected to win as much as 20% of the vote. His assassination came in the wake of a wave of assassinations in the last months, part of a "strategy of tension" targetting Western Europe.

Fortuyn was a 54-year-old homosexual university sociologist professor and columnist, who entered politics in the very

recent period, running on an anti-immigration, anti-Islamic, and anti-European Union platform. A few months ago in the Rotterdam Council elections, his party got 35% of the vote. His new party, called Lijst Pim Fortuyn, was expected to win at least as much as Le Pen did in France. In fact, his party could still win big, since the election has not been called off.

The police seized ammunition, a computer and documents from the alleged killer's house. Although they say he has no criminal record, they would not say whether he had licences for his weapons or where he was trained. The killer was obviously skilled, since he shot Fortuyn five times in the chest, neck, and head. He was also able to penetrate the security of the parking lot of the government broadcasting center in Hilversum, outside of Amsterdam. The police claim he acted alone.

Besides the immediate shock (no Dutch politician has been assassinated in at least 200 years), the political shock will destabilize Dutch politics for a long time to come. Lijst Pim Fortuyn was a one-man show, already greatly factionalized because of all the relatively crazy types it has attracted. Nonetheless, it could win a lot of seats, which could eventually create another political crisis and the possible fall of the government.

The Fortuyn assassination was the ninth incident in the "strategy of tension" which has hit Europe since Sept. 11. Since the attacks on the World Trade Center and the Pentagon, the following incidents have occurred in Europe:

*Sept. 27: A gunman killed 14 people and himself at the Canton assembly in Zug, Switzerland.

*March 18: Former Belgian politician Alain Van Der Biest committed suicide amid new revelations surfacing of his alleged role in the 1991 murder of senior Belgian politician Andre Van Cools, a case that was linked to massive international arms trade and operations of the NATO-linked "Gladio" network.

*March 19: Marco Biagi, a top consultant to the Italian government, was gunned down in an attack attributed to the Red Brigades.

*March 21: Basque ETA separatists assassinated a Spanish socialist councilman. On the same day, a suspicious fire burned down the offices of the Spanish representative in Brussels, killing two.

*March 26: in the French town of Nanterre, a City Council meeting turned into a bloodbath when a 33-year-old man said to be suffering from "furious dementia" pulled out two pistols and killed eight people, seriously wounding 30 more in the process. Within 24 hours, the killer died after falling from a window at the Paris police headquarters while being interrogated.

*April 11: Fourteen German tourists were killed in a terror attack on a synagogue in Tunisia.

*April 18: In a "mini twin towers attack," an Italian pilot flew his small airplane into Milan's Pirelli tower, killing himself and two others.

*April 26: In Erfurt, Germany, 19-year-old Robert Steinhauser marched into his high school, shot 16 teachers and students, and then took his own life.

*May 6: Dutch politician Pim Fortuyn was assassinated.

Say Assassin Was an Eco-Terrorist

The man alleged to have killed Fortuyn was apparently an ecological-terrorist. His name is Volkert Van der Graaf, and he was a member of an extremist animal rights group called Milieu Offensief (Environmental Offensive)—a take-off from a more moderate group with the name Milieu Defensief. The 32-year-old Van der Graaf is married and the father of one. He had been in the animal rights movement since his student days, and was involved in legal proceedings against farmers for violations of animal rights laws in factory-farming.

One source who is a lawyer and involved in many environmental cases, said that various Dutch press reports indicate that Van der Graaf was known to the Dutch intelligence services, who follow these groups closely, but never really arrest or repress them. Thus, some sort of intelligence link is not out of the question.

This same source pointed out that the political effect of this assassination should not be underestimated. He said the Netherlands' leading constitutional law expert, Prof. Ales Koekoek, was interviewed on Dutch TV suggesting that after the national elections this week, a national unity government of all the parties should be formed. This source commented, "Why hold elections then?"

He said that with such a national unity government you have, in effect, a dictatorship, or paralysis, a circumstance which, in the context of European policy, could have strategic significance.

Chirac Wins Second Round of French Election in Landslide

In the second and final round of voting May 5 in the French Presidential election, incumbent President Jacques Chirac beat xenophobic rightwinger Jean-Marie LePen in a landslide, with about 82% of the vote to LePen's 18%. A few weeks ago, in the first round of the elections, LePen horrified France, and the world, by coming in second in the voting, defeating incumbent Prime Minister Lionel Jospin (and about a dozen other candidates). Jospin had been projected to win the second spot in the runoff.

Some voters went to the polls May 5 wearing latex gloves and clothes-pins over their nose, to demonstrate how distasteful they found it to have to vote for Chirac (who is, among other things, mired in a series of corruption scandals), in order to defeat LePen. A 27-year-old medical student seemed to sum up the attitude of many, when he told AP, "I obviously voted for Chirac, but against all my values. He is a crook, but better him than a fascist."

IBERO-AMERICAN NEWS DIGEST

Vicente Fox Investigated for Illegal Foreign Financing of Campaign

In an unprecedented decision with the potential to create a Constitutional crisis down the line, Mexico's Electoral Court of the Federal Judiciary Branch (TEPJF) has ruled unanimously that the Federal Electoral Institute (IFE) must investigate allegations of foreign financing of Mexican President Vicente Fox's campaign.

The charges were brought before the IFE by two opposition parties, the PRD and the PRI, in separate cases, in the month before the Presidential election of July 2, 2000. (Foreign financing of electoral campaigns is illegal.) On June 22, 2000, the PRD filed a formal complaint with the IFE against the Fox "Alliance for Change," citing reports of illegal foreign and corporate financing. On June 23, the PRI filed its own complaint, charging the Fox campaign had set up a "money-laundering network," presenting photocopies of checks issued in the U.S. and Mexico, and bank records from Belgium.

But, on July 25, 2001, the IFE voted, 5-1, to throw out the PRD and PRI complaints, without further investigation, hiding

behind the excuse that they could not violate bank secrecy.

The Electoral Court found otherwise. It ruled that, because the political parties are "entities of public interest," maintained by citizens' taxes, they must give an accounting of their financial activities, and therefore banking and tax secrecy regulations could be lifted. The magistrates, in fact, took the unprecedented measure of ordering the National Banking and Securities Commission to make available all documents relevant to the investigation. The Court specified various ways in which the IFE should proceed, beginning with requesting that Fox's Alliance for Change respond in writing to the charges, and requesting the help of the Foreign Relations ministry in the investigation.

EIR does not have a full reading yet of exactly how far this investigation might go, but the Congress and the Supreme Court have, in the last few weeks, delivered major blows to Fox on the issue of energy deregulation and foreign policy. Should President Fox be found guilty, the legitimacy of his Presidency could be called into question. Under Mexican law, if the President is unable to serve, for whatever reason, within the first two years of the six-year term, new elections are to be called—in this case, by Dec. 2, 2002. After that two-year cut-off, Congress is responsible for appointing a new President.

Mexican Trade Unions Call for Defense of Nation State vs. New Imperialism

Speaking before 25,000 workers gathered in the Plaza Juarez of Guadalajara on May 1, the national leader of Mexico's Revolutionary Workers Confederation (CROC), Javier Montero Orozco, presented a strategic argument in defense of the nation-state and against the IMF and its policies, which he said were aimed directly against the Mexican trade unions, and Article 123 of the Mexican Constitution, which protects the basic rights of Mexican workers.

Montero Orozco declared: "The pressures to privatize Pemex [the state oil company] and the Federal Electricity Commission are intended to hand over to the IMF management of our strategic resources and, at best, to turn our nation into one big *maquiladora*. We will never become exporters of delusions. We will defend autonomous national development. We will defend Mexico!

"Hanging over our heads is the government initiative to play our savings from the SARH [the government pension fund] on the international stock market, risking everything without our consent, instead of encouraging domestic savings and creating new sources of employment. [This] is dragging us into an economic and information-age bubble which does not produce, but does speculate.... That is why we say here that this is the crucial hour for Mexico. To move forward, our country is once again obliged to take recourse to its most precious asset: Mexico's workers.

"It is clear that globalization will not take place by destroying the workers' organizations.... Our criticism is not that of the globo-phobes. We are not fighting globalization for the sake of fighting. We are fighting to return to the origin of the nation-state, where the people come first, before the usurious banks.

"...As a nation which loves peace, we cannot allow ourselves to become involved in an 'army of the north,' where we know that the last thing the imperial power and its war economy are interested in is our weapons. What they are going for is our oil. That is why we reaffirm here, before the image of Benito Juarez, the universal truth of his maxim: 'Among men as among nations, respect for the rights of others is peace.'"

Bush Officials Call for Policy of Regime Change in Cuba

Bush Administration officials laid out a policy of "regime change" for Cuba, speaking in speeches May 6 before David Rockefeller's Council of the Americas annual conference, which was held, as always, at the State Department. Secretary of

State Colin Powell said, "Cuba cannot remain forever the sole holdout from the Hemisphere's march of democracy and free markets," and added President Bush's "goal is to promote a rapid, peaceful transition to democracy in Cuba." Assistant Secretary of State Otto Reich told people that the President has ordered "a review of the policy tools we have available to help accelerate Cuba's transition to democracy." He berated businessmen who are lobbying for an opening of the embargo for trade with Cuba (ADM and other grain cartels, in particular, have been campaigning hard for this), saying that the United States "will not throw a lifeline to save a regime that is sinking under the weight of its own historic failures."

Assistant Secretary of State John Bolton, speaking the same day at the Heritage Foundation, expanding upon the list of George W. Bush's "axis of evil," adding Cuba (and several other countries) to the list of nations deemed to form an "axis of evil," because of its biomedical industry. (See USA DIGEST for more on Bolton's speech.) Both Bolton and Reich are hard-core members of the utopian "perpetual war" grouping that has been called the Wolfowitz cabal. Bolton, who was a founder of the New Atlantic Initiative project of the Anglo-American "perpetual war" grouping in 1996, functions as a kind of "forward point" for the Wolfowitz cabal inside the Administration, often announcing policies as a *fait accompli*, exacerbating international tensions. Earlier this year, at a briefing to the *Washington Times*, Bolton announced the targetting of non-nuclear states for nuclear strikes, which later came out as a proposal in the Defense Department's Nuclear Policy Review.

Venezuela's New Cabinet: Neo-Liberal Economics and FARC Collaborators

Venezuela's President Hugo Chavez is now out to combine University of Chicago economics and rule by his "Bolivarian circles." Chavez announced new Cabinet changes during his May 5 Sunday "Hello, President!" media show.

On the security side, Armed Forces Commander Gen. Lucas Rincón was named Defense Minister, replacing Jose Vicente Rangel, now the Vice President. Former Vice President Diosdado Cabello replaced Capt. Ramon Rodriguez Chacin as Interior and Justice Minister. Rodriguez Chacín, Chavez's long-time "special operations" envoy to the FARC and other continental narcoterrorists, was clearly too hot to be kept on.

Diosdado Cabello may not have all the international ties of Rodriguez Chacín, but he certainly has the same domestic ones. As Vice President, Cabello had run the fascist, FARC-trained "Bolivarian Circles."

Named to the two key economics posts, were plain old neo-liberals. The new Planning Minister, Felipe Pérez Martí, is a product of the notorious University of Chicago. He promised to implement a vague "fourth way," which he said involves "growth from below," combined with fiscal discipline. As for the latter, Perez said Venezuela has to have fiscally sustainable policies from now on, and they will achieve that "with pretty orthodox measures." The new Finance Minister is Tobías Nóbrega, a lesser-known neo-liberal economist.

Mont Pelerinites Plotting 'Post-Duhalde' Government for Argentina

The same international circles of the Mont Pelerin Society's free-market fanatics which destroyed Argentina, are now preparing a political option for Argentina, on the assumption that the Duhalde government can't last. A key figure in this campaign is multimillionaire Mauricio Macri, owner of the popular Boca Juniors soccer team, being played up as an example of a new "entrepreneurial class," ready to present himself as a viable political option uncontaminated by traditional corrupt politics.

The May 5 edition of the *Christian Science Monitor* touted Macri as exemplary of the "new leadership" Argentina's population seeks. He urges "profound reform" of the state, the justice and political systems, "to make them more efficient." And, "we must seek legislation more in line with the times in which we live," he argues, for example, "in dealing with crime."

Sources in Buenos Aires ask whether this concern with crime extends to the Boca Juniors team, since Macri has hired Colombian soccer players with suspected links to the Cali drug cartel.

Macri claims he's not a candidate for President, but has set up a think-tank with a 200-person staff, and has been courted by Anglo-American institutions in London, New York, and Washington since the beginning of the year. He has also met on several occasions with Ricardo Lopez Murphy, the University of Chicago graduate who served as Finance Minister for two weeks in March of 2001. An announced Presidential candidate affiliated with the Mont Pelerin FIEL think-tank, Lopez Murphy advocates draconian "shock therapy" for Argentina. An alliance with Macri is not to be ruled out. In a recent speech, Lopez Murphy implicitly presented himself as "the de Gaulle" Argentina, needed to solve its problems.

Last November, Macri visited Oxford University, where he announced he intended to enter politics—why didn't he do that in Buenos Aires? Then, about 10 days ago, non-candidate Macri did a whirlwind tour of Washington, where he met with Paul Volcker, National Security Council officer John Maisto, Alan Greenspan, and the State Department's Otto Reich, and made presentations at the Brookings Institution, CSIS, and the Heritage Foundation. Then in New York, he met with Citigroup's William Rhodes, and also spoke at the Council of the Americas and the Americas Society. According to *La Nacion* April 28, the U.S. embassy in Buenos Aires helped prepare Macri's U.S. agenda.

O'Neill Pushes IMF's 'Poverty-Making Machine' on Argentina

On May 5, Daniel Muchnik, economics editor of the Argentine daily *Clarín*, noted that U.S. Treasury Secretary Paul O'Neill says, "The world is ready to help Argentina" when "it has reached the limits of what is tolerable."

It appears, Muchnik commented, "that 15 million poor aren't yet sufficient reason to help a devastated nation." So, "will there be international aid with 20 million poor, or will 'critical mass' be reached at 25 million? If these are our friends, who needs enemies?" Muchnik charged that the IMF program for Argentina, which O'Neill insists Argentina must implement in full, is a "poverty-making machine," which instead of pulling Argentina out of the disaster, has forced 300,000 people a month to enter the ranks of the poor.

Argentina Pays IMF at Demand of Bankers

Argentina dipped into its reserves to make a \$159-million payment to the IMF on May 7, and intends to make another payment of \$135 million on May 22. Also due later this month is an \$800-million payment to the Fund, which the government hopes to roll over. If that option fails, then the Argentine government hopes that Brazil, or some other Ibero-American nation, will come through with a billion-dollar bridge loan. The World Bank and the Inter-American Development Bank have made clear they won't disburse a penny to Argentina, until it signs on the dotted line with the IMF and accepts all austerity conditionalities.

Not so the Italian government, which continues to be a source of aid to Argentina. The Berlusconi government is sending a \$91-million loan for the development of small and medium-sized businesses, and also for the health-care sector. Italy has also signed two agreements with the Inter-American Development Bank, by which another \$10 million will go to Argentina in the form of anti-poverty assistance. Italy's Deputy Foreign Minister stated recently, "We believe that Argentina's collapse would be much worse for all our interests.... Italy is the only country which is organizing concrete assistance for the Argentine people."

Foreign Banks Bolting From Argentina

According to Bloomberg May 7, foreign banks are pulling out of Argentina, due to government failure to create the "right conditions" for their functioning. In typical "screw you" fashion, Bank of Nova Scotia announced May 7 it intends to sell its Argentine subsidiary, Scotiabank-Quilmes, rather than keep financing it with fresh capital, and there is speculation that many other foreign banks will pull out as well. On April 29, Alfredo Saenz, CEO of Spain's Santander Central Hispano bank, said that its Argentine branch, Banco Rio, had cash only for three more months, and "when the money runs out, it's over—assuming the situation doesn't clear up.... The bank has a commitment not to invest one peseta more," he said.

What foreign banks mean by "clearing up" the situation is removal of any obstacles to their wholesale looting. Like the IMF, they want the "economic subversion" law eliminated—too many dirty bankers have been arrested for illegal operations—scrapping of the bankruptcy law, because it "favors debtors," and compensation for having had their dollar loans converted into peso-denominated assets. They liked the plan the government came up with last month, and which Congress refused to discuss, to bail out the banks by converting deposits into state bonds. Various Wall Street sharks say that ScotiaBank's pullout increases the pressure on the Duhalde government to resort to some kind of bail-out scheme.

Colombian President: UN Wanted To Investigate Jenin—Why Not Investigate FARC Attack?

In the latest atrocity in the ongoing battle among rival narcoterrorist forces for control of key drugs- and weapons-smuggling corridors in Colombia, the Revolutionary Armed Forces of Colombia (FARC) bombed a rural church filled with hundreds of women, children and elderly seeking refuge from gun battles raging in the streets of their village. An estimated 120 people were killed outright, and another 100 were wounded in the attack, which occurred in the isolated town of Bojaya, in the impoverished and largely black northwest province of Choco. Hundreds of villagers who fled into surrounding jungles are still unaccounted for.

Colombian President Andres Pastrana compared the FARC massacre to that alleged to have been perpetrated in Jenin against the Palestinians, and demanded that the United Nations send an international team of investigators into the area. "The UN Security Council is studying the possibility of sending a humanitarian mission [to Jenin]. Why is the Colombian case in Choco any different?" Pastrana demanded. The FARC has dominated this abandoned area of the country for the past several years, after killing most police officers and forcing elected officials to flee for their lives. When drug-linked paramilitary forces moved into the region to contest the FARC's dominance of the region, not far from the Colombian-Panamanian border, warfare broke out, with villages like Bojaya caught in the middle.

International media coverage on Bojaya has been filled with hypocritical and self-serving attacks on the Colombian military and government for not having a presence in the ravaged Choco region, while in fact international policy toward Colombia has been the deliberate dismantling of the nation's defense capabilities, under the guise of so-called "peace negotiations" with the narcoterrorist FARC cartel. This policy has been backed for years from the highest levels of Wall Street, the City of London, the State Department permanent bureaucracy, the European Union, and the vast majority of international Non-Government Organizations (NGOs). The result has been to turn Colombia—on the eve of Presidential elections—into a bloody No Man's Land, where horror stories like Bojaya are fast becoming commonplace.

Asia News Digest

Utopians Push Philippines Toward Perpetual Warfare

During the May 1 international webcast by Democratic Presidential pre-candidate Lyndon LaRouche, a question was emailed from the Philippines, asking how to assess the growing chaos in that country as U.S. military operations there proliferate, the economy deteriorates, and political forces are breaking up into factions, without any competent leadership in sight.

LaRouche replied, "The instability [in the Philippines] has been rendered acute by a succession of U.S.-directed coups d'etat, beginning with that against President Marcos [in 1986]. These coups have been a product of the utopian faction of the U.S. military, especially the legacy of Col. Lansdale. Currently, the Philippines is being transformed to serve as a model of, and bastion for, perpetual-warfare operations in Southeast Asia. These influences from the U.S.A. utopians intersect the impact of the lack of that economic development which would provide a sense of progress, and therefore stability. Thus, this problem must be assessed as expressing more the general global situation, rather than something endemic to internally generated Philippines development."

Coups and Threats

Philippines President Gloria Macapagal-Arroyo would do well to heed this advice. Unfortunately, she appears unwilling to risk telling the truth about the current U.S. role in the military and political crises in her country. In fact, the leading U.S. agent-of-influence in the Philippines, since the 1986 coup cited by LaRouche, former President Fidel Ramos, has removed two Presidents from office under the guise of "people's power revolutions," and is openly threatening to repeat the process against President Arroyo, if she fails to obey the economic and strategic demands coming from the utopians in Washington. Rather than confront that fact, President Arroyo has further weakened her Administration by defending Ramos.

Thus, when a group calling itself the Freedom Force, composed of leading political figures mostly connected to Ramos, leaked the fact that they were organizing for a military junta to take power, President Arroyo responded on her weekly radio interview of April 30: "The premise that Mr. Ramos could be part of the Freedom Force, just because most of his political associates are involved in it, is very wrong." Arroyo is further quoted: "First of all, the premise is wrong. Not many of the Ramos boys are involved. In fact, a lot of Ramos boys are in the Cabinet."

The View From Wall Street

What is in store for the Philippines, if this capitulation continues, was spelled out in a lead op-ed in the May 6 *Wall Street Journal*, by Brett Decker of the editorial staff.

The *Journal*, which speaks for the utopian faction currently pushing for a state of continual warfare globally, under the cover of the war on terrorism, ridicules the current "nonsensical rules of engagement" for the U.S. Special Forces now deployed as "advisers" in operations against the criminal kidnap-for-ransom gang, the Abu Sayyaf, in the southern province of Mindanao. Ignoring the Philippine Constitutional ban on foreign troops fighting on Philippine soil, the *Journal* demands that the U.S. drop the role of "adviser" and do the job itself.

This will make it easier to carry out the next step, argues the *Journal*: the reestablishment of a U.S. military base in the country—something also banned by the Constitution.

More revealing, the editorial threatens President Arroyo with economic and political repercussions if she fails to follow orders. Pointing out that foreign investment collapsed by nearly 90% in the first quarter, accompanied by "weekly rumors of coup attempts" (without mentioning *Journal* darling Ramos as the perpetrator), the *Journal* states ominously, like a colonial master, that "it can be argued that a U.S. presence might lend stability to the Philippine government."

A voice of sanity was sounded in the *Daily Tribune* of Manila May 6, in a column by Herman Tiu Laurel. He pointed out that the Philippine economic crisis is not a local one: "The American economic bubble is in final collapse. They're seeking ways to avert the catastrophe.... But there is no solution to the U.S. and global economic collapse without a shift in economic paradigm to the LaRouche New Bretton Woods system, and global pump priming through the Eurasian Land-

Bridge plan...."

The perpetual war the U.S. utopians are pushing, Laurel continued, "will destroy, not build, the world economy. Gloria Arroyo, given the same pea-size-brain attitude as Bush, is going along with that disastrous, cynical notion of saving the doomed system through voodoo economics and war."

If other Philippine leaders will face this truth about the global economic breakdown, then, and only then, can corrective measures be found.

Philippines, Malaysia, Indonesia To Sign Anti-Terror Pact

Philippine President Gloria Macapagal-Arroyo and Malaysian Prime Minister Mahathir bin Mohamad will witness the signing of an anti-terrorism pact among their two countries and Indonesia on May 7. The accord, to be signed in Kuala Lumpur by ministers of the Southeast Asian neighbors, would lead to intensified joint patrols and intelligence sharing aimed at curbing the movement of suspected terrorists across borders, they said. The three countries began working out the agreement after the Sept. 11 terror attacks in the United States.

Diplomatic sources said details on the "Agreement on Information Exchange and Establishment of Communication Procedures" on counter-terrorism were ironed out recently, after several rounds of talks.

President Arroyo said in her weekly radio address on May 6, that she would seek Dr. Mahathir's continuing support for Manila's peace and development initiatives in Mindanao, as well as her government's war on terrorism. She will also discuss with Dr. Mahathir efforts to speed up peace talks, brokered by Kuala Lumpur, between Manila and the Moro Islamic Liberation Front. Also to be discussed is the plight of thousands of Filipino workers, who have been deported recently from the eastern Malaysian state of Sabah.

Malaysia's Mahathir: 'Embrace the Out of the Ordinary'

Hosting the 35th annual Pacific Basin Economic Council Conference in Kuala Lumpur, Malaysian Prime Minister Dr. Mahathir bin Mohamad spoke of the need to change axioms, in order to solve the global crisis. He warned that the world is "plunging into more chaos" due to the crises in the Middle East and Afghanistan, financial upheavals, and white-collar crime, and suggested that others could learn from Malaysia's relative success in escaping the looting of the 1997-98 period, which he attributed to "our ability to look beyond the existing measures, mechanisms, systems, practices, and rules, and to embrace the out of the ordinary. We have not been afraid to throw away the old measures and embrace the new, untried and radical though it may be."

Arguing against deregulation, he said that "Globalization has already shown signs of becoming a religion that tolerates no heresy.... The old way is not all about corruption, cronyism, and lack of transparency. Japan, for example, was vilified for the close working relations between the government and the private sector. The term 'Japan, Inc.' was coined as a derogatory description of the allegedly unhealthy practice. South Korea, too, built its huge chaebols through government/private-sector cooperation. Malaysia deliberately adopted this practice and openly called itself Malaysia, Inc. In helping the corporations to make a profit we, the government, were simply helping ourselves. Since government spends a big portion of its budget on the public, we believe we were helping the people as well. It is strange that the people who condemn government/private-sector cooperation are not hesitant about asking the government to give privileges and incentives to sectors such as foreign direct investments.... If helping foreign companies is not cronyism, then why should helping local companies be considered as cronyism, be considered as unfair business practice and negate fair competition?"

North-South Korea Talks Cancelled Over Diplomatic Tiff

A comment by South Korean Foreign Minister Choi Sung-Hong, has provoked the cancellation of talks between the two Koreas, scheduled to begin in early May. Choi was quoted in the U.S. press as saying, in reference to the Bush Administration's stance on North Korea, that "Sometimes carrying a big stick works in forcing North Korea to come forward." The South Korean official has claimed it was misinterpreted, but the North's Central News Agency called Choi a "sycophantic traitor," and demanded his dismissal, while cancelling the planned four-day economic-cooperation talks.

South Korean President Kim Dae-jung's efforts to get the Sunshine Policy back on track, have also been damaged by corruption scandals involving members of his family. President Kim resigned May 6 from the Millennium Democratic Party, which he founded, saying he would "devote myself to state affairs during [his] remaining term of office," which ends after the December elections. Kim quit as head of the party in November.

Japan To Fund Vietnam Highway Project

Japan has pledged \$12 million for road construction in Vietnam. The funding will go for the purchase of road-construction equipment for Vietnam's proposed Ho Chi Minh (Trail) highway project. When completed, the project will add a second north-south highway, running parallel to the existing National Highway No. 1.

Several problems must be overcome in constructing the Ho Chi Minh Highway, including the mountainous terrain and the quantity of unexploded ordnance and landmines along the route. The Japanese grant includes funding for 20 bush cutters to be used in de-mining operations.

U.S.-Thai-Singapore Military Exercises Bigger Than Ever

This year's Cobra Gold annual military exercises in Thailand will more than double the size of those of previous years, the *Bangkok Post* reported May 5. U.S. military hardware has arrived at U-tapao Air Base for the May 14-28 U.S.-Thai-Singapore exercise, including some 3,000 transport and armored vehicles, along with a fleet of 73 U.S. aircraft, including F-16 and F-18 jet fighters and C-130 transports. U-tapao, which served as the launchpad for U.S. bombers during the Vietnam War, will serve as the command center for this largest-ever Cobra Gold exercise.

Whereas in 2001, about 5,000 U.S. troops took part in Cobra Gold, this year 13,200 U.S. troops, from the Army, Marines, Special Operations Command, Military Sealift Command, U.S. Pacific Air Force, Air Combat Command, and Air Mobility Command, will participate, along with 7,700 Thai troops, and 70 Singaporean soldiers. The exercise will focus on peace-keeping missions, and suppression of international terrorism and drugs. Other aspects of this year's exercise will include anti-terrorism training, with emphasis on handling chemical and biological weapons, including anthrax. Civilian evacuation and the use of safety gear to contain and dispose of chemical and biological weapons will be included.

Cobra Gold will be observed by delegates from 18 countries: Australia, Malaysia, the Philippines, Indonesia, Japan, Mongolia, Sri Lanka, France, South Korea, Cambodia, Tonga, India, Russia, China, Brunei, Vietnam, Fiji, and Bangladesh.

Another military exercise in the Northern Philippines, with 2,700 U.S. troops, ended this week, while the presence of U.S. "advisers" in combat against the Abu Sayyaf in Mindanao will continue for at least several more months.

U.S., India To Hold Joint Military Exercises

The U.S. and India will conduct their first joint military exercises in 39 years in mid-May, AFP reported May 5. An "elite brigade" of Indian paratroopers and U.S. Special Forces from the Pacific Command will carry out war games called "Ex-Balance Iroquois" in Agra, near the Taj Mahal. More joint exercises are planned for the future.

Nobel Laureate Released Unconditionally in Myanmar

Aung San Suu Kyi, 1991 Nobel Peace Prize Winner and daughter of Myanmar (Burma) independence leader Aung San, was released with no conditions attached, following 19 months of house arrest—and 18 months of diplomatic intercession led by senior Malaysian diplomat Rizali Ismail, in his capacity as special envoy of UN Secretary General Kofi Annan. Rizali Ismail told journalists that elections could be held in Myanmar within two to three years.

A statement issued May 6 by the country's ruling State Peace and Development Council declared, "As of today, she is at liberty to carry out all activities, including her party's. Today marks the start of a new page for the people of Myanmar and the international community. We shall commit ourselves to allowing all of our citizens to participate freely in the life of our political process while giving precedence to national unity, peace and the stability of the country, as well as the region." The ruling council also announced it had released 600 political prisoners in recent months.

Upon her release, Suu Kyi met with her party, the National League for Democracy, at NLD headquarters in Myanmar's capital, Yangon, where she told a news conference that the party continues to oppose foreign investment, aid, and tourism to Myanmar, as long as the military junta remains in power. However, she confirmed that no restrictions have been placed on her.

U.S. Secretary of State Colin Powell told reporters as he left an event at the State Department, "I'm very pleased that she has been released and allowed to participate in political life once again." Despite this positive response, U.S. sanctions remain in effect. On behalf of the European Union, Spanish Foreign Minister Josep Pique called Suu Kyi's release "a step in the right direction," but not enough to warrant lifting more severe sanctions, which were renewed on April 22, including an arms embargo and ban on travel to the European Union by Myanmar junta officials. Moreover, the European Parliament has indicated the sanctions could be extended to include a ban on EU investment.

Japanese Foreign Minister Yoriko Kawaguchi held out the prospect that Tokyo would reward political reform in Myanmar with a review of its aid policy and with more active support for the country's nation-building.

The George Soros-funded Free Burma coalition dismissed the announcement as entirely without significance.

U.S. Treasury Man Eyes Asia's Savings To Feed U.S. Bubble

Deputy U.S. Treasury Secretary Kenneth Dam is touring Malaysia, China, and South Korea to promote what he labelled the "George W. Bush Administration's new international economic initiative," in his speech to the Pacific Basin Economic Council meeting in Kuala Lumpur on May 6. Problem is, it's not new, and it won't work.

Dishing out the same old recipes which have caused so much misery around the world, Dam shamelessly promoted "liberalization of [the] financial sector to boost economic growth." Dam said national airlines and heavy investments in manufacturing will no longer be badges of economic advancement, but rather: "We believe that well-developed and competitive financial sectors must be the engines of growth in this decade." Such efforts are essential so that Asian countries can make the best use of their deep pool of domestic savings "in the best interests of Asia, the U.S. and the world economy.... Now in the 21st century, the fate of all our economies is intertwined.... We have entered into a period of economic convergence. When the U.S. grows, Asia grows. And vice versa. It's that fundamental."

Nepal War-Fighting Spirals as Bush Pledges U.S. Aid

The government of Nepal is claiming it has killed more than 600 Maoist rebels in the western part of the country, after six days of helicopter and other attacks on Maoist mountain training camps in the Rolpa, Pyuthan, and Dodi districts, some 300 kilometers west of the capital Kathmandu. The rebels have killed at least 140 Royal Nepalese security forces during the battle.

This is the bloodiest fighting since the war began in 1996; some 3,800 people have died so far. While the fighting continues, Nepali Prime Minister Sher Bahadur Deuba is visiting Washington, where President George W. Bush promised help for this "campaign against terrorism." The U.S. has pledged some \$20 million in "non-combat" military aid for Nepal, plus military "advisers" in this latest battlefield of the "war on terror."

However, the numbers of bodies being produced by the Nepal government is far smaller than the death toll claimed; in the latest figures, after fighting which supposedly killed 200 or more enemy soldiers, only 37 bodies were "found" by the Royal Nepalese forces. The training camp is very well fortified, with concrete underground bunkers.

Meanwhile, in Washington, Nepali Prime Minister Sher Bahadur Deuba was reportedly "very happy" after meeting President Bush, and will follow up with a trip to London where he will meet Prime Minister Tony Blair. Deuba said at a White House press conference May 7: "I am very glad, I am very happy, President Bush is very much supportive to our campaign against terrorism and he has assured us he will help in many ways."

U.S. National Security spokesman Sean McCormack also said that Bush and Deuba "talked about ways the U.S. can support Nepal in combating the Maoist insurgency and to provide greater benefits of economic development to the people of Nepal."

White House Press Secretary Ari Fleischer said Nepal "is fighting a Maoist rebellion, and Nepal is a democracy. The United States is committed to helping Nepal." Nepal has asked for funds, armaments, and helicopters for the war. In the recent period, U.S. military experts have been to Nepal to assess the situation.

Al-Qaeda Operatives Enter Indian-Controlled Kashmir

Al-Qaeda operatives have entered Indian-controlled Kashmir, and are working under the direct control of the Pakistan-based Jaish-i-Mohammad, planning big strikes in the Vale of Kashmir, according to "top intelligence sources" in India. They said that two groups of al-Qaeda militants had crossed the Line of Control from Pakistan-occupied Kashmir.

"The two groups comprise 10 to 15 men.... They are moving and operating with Jaish cadres in the Valley. The highly trained and motivated al-Qaeda men are planning to strike in Kashmir in a big way," the sources were quoted as saying in *The Hindu* May 8. Police sources in Kashmir did not rule out the presence of al-Qaeda cadre in the Valley.

The intelligence sources warned that as the spring thaw begins, infiltration of al-Qaeda operatives is most likely to increase, which could greatly exacerbate India-Pakistan tensions, already very high.

Close to 1 million troops, mostly Indian, remain on alert along the Line of Control, as they have been since late last year.

Pakistani ISI Chief Warns of 'High Risk' of Conflict with India

There is a "high risk" of conflict with India in the coming weeks, the Pakistani Inter-Services Intelligence (ISI) chief Eshanul Haq is warning, according to the *Pakistan Observer* of May 7.

The *Observer* also quoted sources saying that there are "credible intelligence reports" suggesting that the Indian Army is prepared for a limited assault on Pakistan under the guise of "hot pursuit"—a factor greatly exacerbated by the U.S. military's "hot pursuit" policy from Afghanistan into Pakistan.

Inter-Services Intelligence head Haq told Pakistan's Formation Commanders' conference on May 6 that, with the international community turning a blind eye to the brewing tension between India and Pakistan, "there exists an all-time high risk" of conflict in the coming weeks at the Line of Control and the border. Haq, who was appointed after Sept. 11, attacked what he called the Indian Army's "eyeball-to-eyeball position with Pakistani forces." This formulation was not in the official statement of the meeting.

Pakistani Director-General of Military Operations, Ashfaq Kiani, outlined extensively the deployment of the Indian Army and the threat he said it poses to Pakistan.

Armitage Claims Pakistani Infiltration of Kashmir Declines; India Disagrees

U.S. Deputy Secretary of State Richard Armitage claimed that Pakistani infiltration of forces across the Line of Control in Kashmir has declined recently, in an interview with *The Hindu* published May 8. Meanwhile, Indian Ministry of External Affairs spokesman Nirupama Rao declared that there had *not* been any decline in cross-border infiltration in Jammu and Kashmir: The "figures (of infiltration) closely match with the figures of the previous year. As far as infiltration is concerned, there is no cause for complacency" and "there is a need for exercising vigilance," she said.

Official Indian sources noted that there was a "visible escalation" in infiltration during March, compared to last year. In March 2001, there were 113 incidents, but in March 2002, there were 132 attempts at infiltration. There had been a sharp decline in January and February, but that is now reversed.

Armitage, however, claimed that "cross-border infiltration has gone down," but given that the snows had only just begun to melt in the areas, it would be possible to "get a better sense" of the situation, to determine whether the decrease in infiltration reflected the result of "deliberate actions" or the weather.

While many militant training camps in Pakistani-controlled Kashmir had been shut down at the launch of the "war against terrorism," an estimated 60 new terrorist training establishments had been set up in Pakistan-occupied Kashmir recently, *The Hindu* reported. Some 3,000 militants are in the new camps.

When asked if there were any suggestions from Washington, or any offer from New Delhi, to station U.S. troops in India for the U.S. military operations in Afghanistan, Armitage's answer: "I don't think we've requested ... and I just can't imagine why we would want to station troops in India.... [But] the interesting thing about this war on terrorism is that we're not sure where it goes next. So I wouldn't rule anything out."

AFRICA NEWS DIGEST

Zimbabwe Elected to UN Rights Commission in Defiance of Commonwealth

Zimbabwe was elected this month to the UN Commission on Human Rights, based in Geneva. The *Herald* of Harare, in a

May 2 editorial, described the development as "another "victory against Britain." "The election is recognition of Zimbabwe's respect for human rights and democracy.... We wonder how the election could have caught many by surprise, when only last month, the UN threw out a proposed EU investigation into alleged human rights violations in Zimbabwe.... The election has also shown that not all countries and governments are unfriendly to Zimbabwe. There are many countries around the world who are now seeing through the British lies and political trickery."

The *Herald* added: "Zimbabwe is under siege but that should not see the country cowing down to imperialist forces. Zimbabwe now needs to use its position on the 15-member commission to be the voice of the voiceless that have endured untold suffering at the hands of the same forces that seek to entrench their dominance on the Earth."

Elites Threaten African Nations Over Support for Zimbabwe

The Group of Eight (the U.S., Britain, Canada, Germany, Italy, France, Japan, and Russia) is threatening to punish African nations unless they abandon Zimbabwe before the group's June 8 summit. The lead editorial of the May 6 *Washington Post* makes explicit the G-8's strategy to use the misguided commitment of Nigerian President Olusegun Obasanjo and South African President Thabo Mbeki to the New Partnership for Africa's Development (NEPAD) as a means to crush Zimbabwe's sovereignty, with no concern for the economic development of Africa. The *Post* writes: "If Africa's new partnership means anything, it is that the continent's leaders must tell Mr. [Robert] Mugabe [President of Zimbabwe] to stop terrorizing his country and call fresh elections. But Africa's leaders have equivocated. Mr. Obasanjo and Mr. Mbeki played their part in expelling Zimbabwe from the Commonwealth, much to their credit. But, they have not used their partnership as a tool to squeeze him."

China Blocks Attempt To Turn UN Meeting into Attack on Zimbabwe

China recently thwarted attempts by the United States to alter the agenda of a United Nations meeting on the conflict in the Democratic Republic of Congo (DRC), and introduce the issue of Zimbabwe's April 29 Presidential election, according to the *Zimbabwe Herald* of May 7.

Sources who attended the meeting of representatives of the 15-member UN Security Council, and Zimbabwe's President Robert Mugabe, said U.S. Ambassador to the UN meeting Richard Williamson tried to introduce complaints about the recent Presidential election, and allegations of violence on farms. (Under Mugabe, farm land has been taken over and more equitably redistributed from large, white-owned plantations, to poor, landless black farmers.)

Chinese Ambassador Xu Chen quickly dissociated himself from the move, and reaffirmed his country's support for Zimbabwe. The U.S. envoy was reminded that the meeting had been called to discuss the DRC conflict, and that if he wanted to raise bilateral issues between Zimbabwe and the U.S., there were proper channels to do so. The sources reported that Mr. Xu said it was China's view that Zimbabwe was capable of managing its own internal affairs.

In Harare, Zimbabwe, President Mugabe retorted: "To this day we still do not know who actually won the Presidential election between [U.S. President George] Bush and [former U.S. Vice President Al] Gore, but once the U.S. Supreme Court decided on the winner, we accepted that verdict." President Mugabe said the white farmers still had a role to play in Zimbabwe, but on the basis of equality with blacks.

"We don't think we have lessons to learn from them [the U.S.] about democracy. We took up arms for democracy and forced our erstwhile enemies to accept that there should be no racism and there should be equality," he said.

It took 14 years to dismantle the racist Rhodesia regime of Ian Smith, but after that Mr. Smith was allowed to live, still

keeps his farm, and is still a free man despite the atrocities he committed, the President said.

"Our own Nazis are still with us today. Elsewhere, they would have been hunted down ... we have chosen to let bygones be bygones," Mugabe said.

"We have not offended the U.S. We do not quarrel with the U.S. over their ill-treatment of blacks. We leave it to them to resolve their own internal problems. Why should they involve themselves in Zimbabwe's affairs?"

Zimbabwe and Malaysia Establish Agricultural Cooperation

Zimbabwe and Malaysia have agreed to exchange agricultural products for farm machinery, the *Herald* reported May 2. The export of agricultural products to Malaysia is scheduled to begin this month, following a successful visit by a high-powered team from Malaysia. Under the deal, Zimbabwe's Agricultural and Rural Development Authority (ARDA) secured a \$2.5-billion export deal with Malaysia International Trading Corporation (Mitco) that would benefit some 35,000 farmers in Zimbabwe.

The Malaysian delegation discussed the supply of machinery to ARDA, under a 10-year revolving facility that should recapitalize the organization, and make it the largest player in the agricultural sector. ARDA has been hit by a severe shortage of tractors, combine harvesters, motor bikes, planters, and other important farming implements. The billion-dollar export deal, brokered by Metropolitan Bank, would earn the country more than \$250 million annually, over 10 years. Met Bank chairman Enoch Kamushinda said: "The initiative is intended to provide an alternative method for the survival of our country.... Implementation of this program will go a long way towards solving the foreign-currency shortage currently dogging the country, and obviate the need for the much-talked-about IMF support which may never come."

New Crisis Brewing in Somalia?

The UN Security Council has asked for a panel of experts to investigate "violations of the arms embargo on Somalia and to strengthen its enforcement," according to *Afrol News* of May 3. The Council is requiring that a panel investigate violations of the arms embargo by land, air, and sea. It also called for research in Somalia and other states, to assess the capacity of states in the region to fully implement the embargo put into effect in 1992, and to recommend steps to strengthen its enforcement. The Security Council called on all states, the Transitional National Government, and local authorities to fully cooperate with a committee of experts.

Then, a few days later, on May 7, the UN announced it was suspending all activities in the Somali capital city of Mogadishu, effective May 9. The suspension will affect programs including interventions in the health field, water and sanitation, education, and teacher training. The action was taken after kidnappers refused to release an abducted UN staff member.

As *EIW* has reported previously, Somalia has been repeatedly targetted by the Anglo-America media, and by the utopian grouping inside the U.S., as a new target for military action in the "war against terrorism," because of the alleged "presence of al-Qaeda training camps."

RUSSIA AND EASTERN EUROPE NEWS DIGEST

Russian Security Official: Americans Dizzy With Illusory Military 'Omnipotence'

Oleg Chernov, deputy secretary of Russia's Security Council, spoke frankly about delusory thinking on the part of U.S. strategists, in a May 7 interview with the daily *Izvestia*. Chernov's remarks came just after a Security Council meeting chaired by Russian President Vladimir Putin, and two weeks before the summit meeting between Putin and President George W. Bush, scheduled for May 23 in St. Petersburg.

Chernov said, "Today the combined military potential of the United States is larger than that of the rest of NATO. That is causing the USA to become dizzy in the head.... But in my personal opinion, the omnipotence of the USA is a big illusion. And anyway, omnipotence never lasts very long. Action provokes counter-reaction, and the offended nations might unite, which would change the political map of the world. Some people in the USA and its closest allies realize this. Even today there are major splits and controversies in NATO."

Concerning U.S. plans to attack Iraq, the Russian official said it was "impermissible, to live and act in isolation," without support from other countries for such an action. Russia's position on this matter is carefully considered, Chernov said. "Russia has normal business relations with Iraq. Iraq owes us \$8 billion, recognizes this debt and is paying it. But that is not the only point. Not only Russia, but also others oppose the use of force against Iraq. This was shown by the [Mideast] trip by Vice President Cheney. Many European countries object, and above all the Arab world. Even Kuwait, which has no reason to love Saddam Hussein. The whole anti-terror coalition could break apart on the Iraq question.... The United States is scaring everybody with Iraq.... But we insist that anti-terror operations must be well conceived. It doesn't work, to try to resolve centuries-long conflicts in the Near and Middle East—ethnic and religious conflicts—by simply pushing buttons to drop bombs."

In the Israeli-Palestinian conflict, Chernov said, "The key to the problem now is not the ethnic-religious, but above all the social component. Look: the average yearly income of an Arab is \$800, while an Israeli earns an average of \$18,000. With such a gap you cannot just declare peace. Where there is no social equality, there cannot be social peace.... I think this is the key to the Near East problem. Everything else is ideological folklore."

International Finance Is the Driving Force for War, Says Military Analyst

General Leonid Ivashov, former head of the international relations department of the Russian Ministry of Defense and now with the Geopolitical Studies Academy, gave a press conference May 8, in advance of the Putin-Bush summit and the next round of Russian negotiations on its relationship with NATO. Setting the stage for detailed answers he gave on arms control and NATO organizational questions, Ivashov made a number of striking comments about the world at the end of an era—"in a transitional phase from one established system to a different system," as he put it. The press conference was carried by Federal News Service.

"In the opinion of researchers at the Geopolitical Studies Academy," said Ivashov, "and that opinion has much in common with the opinions of analysts in other countries, including Western countries, the world community is moving toward chaos, disarray, and possible collapse. The main factor at work in the world today is finance capital. And the main instrument that directs these processes, as it were, is the International Monetary Fund. And I must say that Western scholars themselves consider the International Monetary Fund to be an instrument that may lead to a new world war, describing that war as a financial war. We say that the threat of a world civil war is looming ahead."

Ivashov identified two difference concepts of world dominance. According to the first concept, the United States is "a powerful state that seeks to dominate the world.... But there is a different concept, the concept of subjugation of the world community to the power of capital, the power of money, and that includes the subjugation of the United States itself."

The retired general said that claims made after Sept. 11 about a possible "strategic alliance" between Russia and the United States, had been "overly optimistic," because "in the absence of common strategic goals, there are no grounds for talking

about a strategic alliance." He went on, "Yes, the fight against international terrorism seems to be a unifying and integrating task. Yet even there we see different approaches.... The U.S. is using the struggle against terrorism to establish—and let us be frank—its world domination....

"If we take the question of coinciding economic interests, here again we see that the basic interests of Russia and the U.S. are also different. The U.S. is reluctant to see Russia as a powerful economic country. These are not my words. These are the words of ideologists of U.S. policy, such as Kissinger and Brzezinski, the figures of the moment in the United States."

Attack on Parade in Dagestan Kills 41 or More

At least 41 people, 17 of them children and 18 military servicemen, were killed by a remote-controlled, anti-infantry land mine set off in Kaspiysk, Dagestan on the parade-route of the May 9 Victory Day celebration, commemorating victory in World War II. Over 100 more people were hospitalized, many of them in grave condition.

President Putin, addressing the May 9 celebrations in Moscow, said, "This crime was committed by scum for whom nothing is sacred. We have every right to treat them just like Nazis, whose only purpose is to inflict death, sow terror, and kill." Putin put Federal Security Service (FSB) chief Nikolai Patrushev in charge of the investigation. Patrushev, together with Presidential Representative for the Southern District Viktor Kazantsev, flew to Makhachkala, Dagestan on May 9. No one has yet claimed responsibility for the bombing. Dagestan, in the North Caucasus, has been the scene of attacks by Chechen guerrillas before, but Kazantsev said upon arrival that it was "premature" to blame Chechens.

On May 10, Patrushev stated that persons had been detained "who may have had to do with the terror act." Three men were flown from St. Petersburg to Makhachkala for questioning the morning of May 11. Patrushev's statement was widely reported in the form put out by *RIA Novosti*, that these are "suspects" in the bombing and that Patrushev said they could lead to its organizers. This would be in contrast to other bombings in Dagestan, including the 1996 blast that killed 68 Russian soldiers at a military base in Kaspiysk. The Internet news service Polit.ru reported a high state of mobilization in southern Russia, with sweeps being done of all military facilities, to check for mines. Patrushev declined to reveal the detained persons' names, in order to protect the investigation.

Dagestani sources, meanwhile, leaked that a field commander named Rapani Khalilov, originating from Dagestan but active in Chechnya and implicated in the 1999 incursions from Chechnya into Dagestan, was behind the blast. There has recently been turmoil among the Chechen field commanders, who intersect the international "Afghansi" networks, deployed to foster the Clash of Civilizations. The Jordanian citizen, field commander Hattab, is reportedly dead, but the leading version of his demise attributes it to poisoning by another faction of the support networks of the Chechen insurgency, rather than to Russian actions. Russian Chief of Staff Anatoli Kvashnin recently stated that field commander Shamil Basayev had also been killed, but had to back off from this claim.

Russian media are quoting President Bush's statement that he was "grieved and concerned" about the deaths in Kaspiysk, side by side with a remark by a State Department official that Bush intends to seek "total clarity on the question of human rights violations" by Russian forces in Chechnya, when he meets Putin. It is noteworthy that the Kaspiysk attack happened two weeks before that scheduled summit. Various war-mongers have been flooding the Washington think-tank circuits with speculation about what it will take to get Russia to fully support military actions against Iraq and other targets of the Clash of Civilizations.

Putin Again Chastizes Government for Lack of Economic Plan

For the second time in little over a month, President Vladimir Putin told the Russian government he is dissatisfied at its lack of an effective economic policy. Addressing a Cabinet meeting on May 6, Putin singled out the two most liberal

members of the government, Minister of Finance Aleksei Kudrin and Minister of Economic Development and Trade German Gref, for failing to act on his demand for improved growth targets. (Both of them, as well as Prime Minister Mikhail Kasyanov, were absent from the meeting, which took place during a holiday week in Russia.) "We have already talked about the need to revise the basic parameters for the country's development during the next four to five years," said Putin, referring to a document prepared by Gref. "A month has passed, yet I have seen no new figures." The widely read Russian news and commentary site Strana.ru, again raised the question of possible changes in the government, as a result of the "shocking inaction" of Gref and Kasyanov.

Academy of Sciences Economists Intervene on Economic Policy

Taking rhetorical advantage of President Putin's complaints against the government, Academician Viktor Ivanter, who headed the group of economists who authored the famous Ishayev report to the Russian State Council, gave a rather self-confident interview to Strana.ru on May 7, in which he heaped scorn on the incompetence of the liberal "reformers" dominating the government, and demanded that the President take personal responsibility for changing economic policy. The Ishayev report, commissioned by Putin in late 2000 from a group sponsored by Khabarovsk Territory Governor Ishayev, outlined dirigist credit-creation and related measures to launch a science-intensive industrial revival in Russia. *EIR*, in its issue of March 2, 2001, published excerpts in English translation.

Academician Ivanter said, "Our boss wants growth, and has demanded that the government must figure out how to get it. But instead of thinking about that, people just put out new statistics, which is not what he asked for. He needs growth, because without it, he cannot solve the problems of the Russian state." The problem with the government, he said, is this: "They have ideological illusions. They think, all we have to do is reduce taxes, then the increase in private demand—which is more effective than state demand—will bring growth. Yes, that is what is written in all the textbooks. But life shows a different result."

"What is missing?" asked Strana.ru, "Not enough money?" Ivanter: "Of course, there is not enough money. But the main problem is lack of responsibility and lack of political will.... State power must assert itself, and that power is concentrated in the President, whom we elected, and from whom we demand performance. See, in economics everything is very simple. If you take correct, adequate, and energetic actions, then you will get economic growth. So if you are getting economic decline, that means your policy is wrong."

Russian Government Will Look at National Wealth Policy

A Russian government session on May 20 will take up the question of "where should money from taxes and natural rents remain—in the federal center or the producing regions?," *Izvestia* reported April 30. This is no mere squabble over oil and mineral riches, but a key question of Russian national economic policy. It was to discuss "natural rent," the allocation of benefits from the ownership and exploitation of natural resources, that Academician Dmitri Lvov was summoned to meet with Putin in mid-March. Academician Lvov is the Academy's leading advocate of a national investment policy, to direct the so-called natural rent proceeds into real economic development.

Izvestia reported on the upcoming meeting, in the context of a feature on Leonid Drachevsky, Presidential Representative in the Siberian Federal District. Drachevsky has been engaged in a two-year fight with German Gref's Ministry of Economic Development and Trade, over the need to adopt a strategy for the development of Siberia. The strategy was drafted by a Siberian working group after Putin visited the Siberian Division of the Russian Academy of Sciences, but it hit a stone wall when sent to Gref's Ministry in June 2001. In November, Drachevsky charged that the Ministry of Economic Development and Trade had "castrated" the plan by refusing to consider the special climate and physical features of Siberia. According to *Izvestia*, "Gref was proposing to place Siberia on a strictly market footing: non-competitive industries would die out of their own accord, and the population would become concentrated around large

manufacturers and mining enterprises." Drachevsky secured Putin's support for reconsideration of the policy draft, and hopes for a positive resolution in the framework of the "natural rent" discussion.

This Week in History

May 13-19, 1933

We return this week to the story of the Federal Emergency Relief Administration (FERA), the first mass public assistance program put into effect by President Roosevelt's Administration. Faced with mass unemployment, mass foreclosures, looming starvation, and collapsing state budgets, the President had called for this \$500,000,000 program on March 28, and he finally signed it into law on May 12. As you may recall from our previous report, the allocation was divided into two portions: half to be spent as matching funds for localities, and the other half for distribution to locations which could not meet the matching requirement.

The critical decision which the President took, however, was not simply the structure of the program, but *who* would administer it. On May 19, he decided to tap Harry Hopkins, then the chairman of the New York State Temporary Emergency Relief Administration, which had been established by Roosevelt himself when he was Governor. The President overrode the objections of New York Governor Lehman, and ordered Hopkins to report to Washington, D.C. on May 22.

Hopkins was a career social worker, who had come from a small town in Iowa. But he had none of that squishy "how do you feel?" quality that one might associate with a social worker today. Hopkins was the kind of person who immediately took charge, assumed responsibility, gave orders, and acted. He had that same voluntarist spirit that inspired the President to act so decisively to save the republic—a spirit that led Hopkins to become an increasingly trusted ally of Roosevelt's in the Administration.

Thus, the FERA administrator threw together a staff within 48 hours. He immediately began collecting information, and alerted the Governors of the 48 states that they should set up state organizations for him to coordinate with. Within that same period, Hopkins sent money to seven states. In fact, according to one source, he spent over \$5 million in his first *two hours* in his new job, working from a makeshift office in the halls of the Reconstruction Finance Corporation, which provided some of the funding.

While FERA's mandate included direct relief, including the traditional "means test" whereby individuals had to prove their indigence in order to receive aid, Hopkins was much more disposed to provide work relief projects. He realized that a vast proportion of those who needed help, had been thrown out of work, and, for the sake of their own self-respect, wanted to work.

Thus, Hopkins moved as rapidly as possible to set up the Civil Works Administration (CWA), which was a totally Federal agency, able to employ workers directly. The FERA Administration got permission from the President to establish the CWA in late October 1933. The agency's mandate, in Hopkins' view, was to employ 4 million people over the winter. The agency devoted half its funds to employing people from the relief rolls, and half to others who needed work. The CWA paid minimum wage, not "relief."

As the CWA developed, it became a massive public works employer. Hopkins improvised, using much of his FERA staff for CWA work, including generating the projects which needed to get done. By mid-January 1934, the CWA had employed 4,230,000 persons.

And what did these people do? As opposed to the Public Works Administration, which was involved in building major

dam projects, for example, they concentrated on medium and small-sized projects. According to Arthur Schlesinger, Jr., about a third of them worked on roads and highways. The next largest group of projects involved building or improving schools, including playgrounds. At least 50,000 teachers were provided to rural schools which could not otherwise afford to pay them in the midst of the Depression. In addition, the CWA workers built 500 airports, developed parks, cleared waterways and sewers, and even employed writers and artists.

For a fuller report on this aspect of Roosevelt's recovery program, see LaRouche in 2004's Special Report, "The End of a Delusion." It is also available in *EIR* magazine, Vol. 29, No. 17, cover date May 3, 2002.

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