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THIS WEEK YOU NEED TO KNOW

It's Still the Economy, Stupid!

The two dominant developments of the week of May 27-June 2, 2002 were: 1) the accelerating collapse of the world economy and the global financial system; and 2) the panicked drive by the utopians in and around the Bush Administration to consolidate a police-state structure, to impose a Roman imperial "Cross the Rubicon" dictatorship on America, to curb resistance to inevitable severe austerity measures, and, at all costs, to block the adoption of Lyndon LaRouche's solutions to the unfolding collapse of civilization.

In numerous locations and over many years, LaRouche has called for the bankruptcy reorganization of the global financial and monetary system, the convening of a New Bretton Woods conference, modelled on the original 1944 Franklin D. Roosevelt initiative, to revive the role of sovereign nation-state governments in steering a global recovery of physical production, through a series of great development projects, centered around the Eurasian Land-Bridge.

Support for such measures is growing globally, as the financial system continues to plunge towards oblivion, dragging down the world's productive economy with it. These themes were prominently developed by LaRouche, in an international webcast Memorial Day Address on May 28, the transcript of which appears in this issue of *EIW*.

Evidence of the accelerating financial and real economic collapse dominated the news throughout the week:

Both London's *Financial Times* and *Daily Telegraph* on May 31 highlighted the collapse of corporate America under a mountain of unpayable debt, compounded by trillions of dollars in credit derivatives. Today, only eight major American corporations have AAA ratings from Moody's and Standard & Poor's. This has major repercussions for the countless millions of Americans who are dependent on current and future pension funds, which are tied to corporate stocks and bonds. Such major U.S. corporations as ATT, Xerox, GE, and Citigroup, are borrowing on short-term capital markets, to cover daily operating costs—a sign of pending collapse. The U.S. current account deficit, projected at \$465 billion, can only be sustained by a continuing inflow of over \$1 billion a day into the United States in the form of foreign purchases of Treasury certificates, stocks, bonds, and assets. This cash flow is beginning to dry up, and this spells doom for the United States.

Indeed, last week, the U.S. dollar fell to a 16-month low against the euro, and a two-year low against the Swiss franc. It continued to crash against the Japanese yen, despite two major interventions by the Bank of Japan. Another key indicator of growing fear of a global financial crash, was the precipitous rise in the price of gold, which peaked at over \$327 an ounce at the end of the week.

The IT sector continued to lead the parade of losers. Adelphia, the cable-TV giant, will be delisted by Nasdaq on Monday, June 3, and this is likely to trigger an immediate default on \$1.4 billion in corporate bonds that will be called in. Subsidiaries of Adelphia already defaulted on May 31. Qwest is also expected to file for bankruptcy protection this week,

after it was downgraded by Moody's by two notches on May 30. Its European affiliate has already gone under. And a further sign of the looming, next-phase crash of the IT sector, was the announcements on May 31 by Hewlett Packard and Sun Microsystems that they will order 400,000 employees to take a one-week vacation without pay in July.

Perhaps the most volatile "shock front" within the U.S. economy, is the real-estate bubble, which has been the leading factor driving continued U.S. consumer spending. The home-mortgage bubble alone is a \$10 trillion, highly inflated, and highly leveraged mess, with Fannie Mae and Freddie Mac in jeopardy of crashing. This past week, there were urgent calls for tougher regulations to be imposed on the two quasi-public mortgage giants, to avert another Enron-style collapse, with far more dire consequences.

On May 30, the Argentine daily newspaper *Clarín* announced that Brazil was facing imminent financial and economic collapse, caused, in part by "contagion" from Argentina. As the *Clarín* story reported, a crisis in Brazil would have global implications, with countries like Spain, Portugal, and Ukraine heavily invested in Brazil's financial and industrial sectors, as well as government bonds.

And in Japan, there was an immediate and violent reaction from the Bank of Japan, after Moody's rating agency downgraded Japan's government bonds two notches on May 30, placing Japanese government paper at near-junk levels—below every other G-7 country (including Italy) and many Third World countries, including Botswana! Nikkei put out a wire warning that should any other rating agency make a similar move, every commercial bank holding Japanese government paper will come under immense pressure to sell, opening up the possibility of a sudden crash of the Japanese banking system and the yen—just what some of the utopian lunatics at the American Enterprise Institute have been pushing for months.

The day before the Moody's action, the Japanese media were forecasting a dollar crash.

A Most Prescient Warning

At the end of the week, Attorney General John Ashcroft and FBI Director Robert Mueller announced a major overhaul of the FBI and DOJ, eliminating all the 1970s guidelines and restrictions on police-state violations of Constitutional rights of American citizens, ostensibly to aid in the "war on terror" on the homefront. These actions by Ashcroft and Mueller came in the context of other draconian measures:

*The Pentagon bureaucracy in the Secretary of Defense office—i.e., the Paul Wolfowitz cabal—is moving ahead with the establishment of a new Northern Command, responsible for the United States, Canada, Mexico, and parts of the Caribbean. A call to the Pentagon press office on May 31 confirmed that the new Northern Command will be a "full combatant command," reporting directly to the Secretary of Defense. This is flagrantly unconstitutional, but is being rammed through with breathtaking speed. The Northern Command is scheduled to go operational on Oct. 1.

To boost the climate of fear and submission, the media propaganda mills were churning out reams of scare stories. On May 31, the *Washington Times* ran a front-page story by Bill Gertz, claiming that the FBI has proof that "terrorists" have smuggled shoulder-held, surface-to-air missiles into the United States, and may be targeting commercial airliners. The story was based, almost exclusively, on the fact that an empty SA-7 Russian SAM casing was found near a U.S. air base in Saudi Arabia. The next day, the *Washington Times* ran two additional editorial pieces, claiming that an unknown number of Soviet-era "suitcase nuclear bombs" have fallen into terrorist hands.

*Attorney General John Ashcroft was in Alexandria, Va. on May 30, promoting his own little Gestapo operation, the Citizens Corp Volunteers in Police Service (VIPS) program, which calls on millions of Americans to become FBI snitches,

spying on their neighbors, and reporting all suspicious behavior to the local FBI office, which will now have enhanced powers to spy on Americans.

Witness the cultural deterioration which has taken place from the 1970s up till today: In the mid-1970s, when the FBI and CIA were exposed for violating the Constitutional rights of American citizens, there were guidelines imposed, Congressional hearings, purges, etc. Today, the FBI is caught in a massive intelligence failure, and they are given even greater police-state powers!

While Ashcroft, Mueller and their Congressional boosters, led by Sens. John McCain (R-Ariz) and Joe Lieberman (D-Conn), were promoting their police-state power-grab under the Big Lie that the new authority is needed to defeat the terrorist threat, Lyndon LaRouche had warned of precisely such a move as early as Jan. 16, 2001—and he revealed that it had nothing to do with terrorism. At that time, LaRouche's campaign spokeswoman, Dr. Debra H. Freeman, delivered testimony before the Senate Judiciary Committee, opposing the nomination of Ashcroft as Attorney General.

She told the Senators: "My opposition to Mr. Ashcroft's confirmation is shaped by two considerations that go beyond the normal factors that one would weigh, in considering a candidate for the top law enforcement post in the U.S. Federal Executive Branch.

"The first of those factors is the extraordinary global financial and monetary crisis that will be the first and overriding order of business confronting the incoming Bush Administration....

"The second factor, in this context, is the role that the next Attorney General will play, as a leading member of the Executive Branch crisis team, dealing with the global financial and monetary crisis, and the other consequent regional and domestic crises, that will arise from these extraordinary circumstances. As the chief law enforcement official of the Federal Executive Branch, the next Attorney General will have responsibilities in this broader crisis-management team setting, that will often supersede his more immediate role within the Justice Department and subsumed Federal law enforcement agencies, proper. Thus, no assessment of Mr. Ashcroft's qualifications can be competently made, without first considering his role within a Presidential team, focussed on dealing with this now unavoidable series of crises.

"These rather blunt words are necessary at this time," she continued. "They underscore the danger represented by the confirmation of John Ashcroft, under circumstances compounded greatly by the Scalia-Rehnquist majority on the current U.S. Supreme Court, which further increases the danger of a Hitler-style, crisis-management dictatorship...."

She next quoted from an international webcast address that Lyndon LaRouche had delivered on Jan. 3, 2001: "What you're going to get with a frustrated Bush Administration, if it's determined to prevent itself from being opposed, you're going to get crisis management. Where members of the special-warfare types, of the secret government, the secret police teams, will set off provocations, which will be used to bring about dictatorial powers and emotion, in the name of crisis management.

"You will have small wars set off in various parts of the world, which the Bush Administration will respond to, with crisis-management methods of provocation. That's what you'll get. And that's the problem. And you have to face that. You've got to control this process now, while you still have the power to do so."

The mobilization of LaRouche supporters in opposition to the Ashcroft nomination produced 42 Democratic Senate votes against Ashcroft—enough votes to have defeated him on a filibuster. However, Democratic (then-)Minority Leader Tom Daschle decided to let the Ashcroft nomination go through, a decision that now has come back to haunt the American people—just as LaRouche warned.

FLASH!

The Lessons of Wartime For Statecraft Today

by Lyndon H. LaRouche, Jr.

Mr. LaRouche delivered a Memorial Day webcast on May 28, sponsored by his Presidential Campaign Committee LaRouche, in 2004. He spoke by video-conference to audiences in Washington, New York, and internationally on the Internet. What follows is his opening speech, and a selection from the discussion period.

Keynote Address

In these times, I'd like to speak on the question of the lessons to be learned from looking at the human side, the human experience, of war. And despite the fact that the Congress has monkeyed so much with the date of Memorial Day, let us consider this Memorial Day Week, and let us celebrate it accordingly.

Now, let me begin with the question of where do you find in yourself, not only the courage to conduct war, to participate in war, when necessary; but where do you find in yourself those qualities which enable you to look beyond the short term of next week, or your immediate community, and find that strength you need to think and act on the basis of what the consequences of your behavior will be, perhaps for the next generation or two yet to come? We need that kind of courage today, that kind of intellect among our own citizens, so that they can begin to think clearly, in the way that the present crisis demands of us. To think clearly, as a similar but different challenge was presented to people who fought and died in two wars in the last century, the two world wars of the last century.

To find that source of strength, I ask you to look inside yourself, and look at the history of your family, what you know of your family, and what you know about the nation beyond your immediate family. And think about the fact that you live and you die, as the people before you did, and you think about not only what you're getting out of living now; but you're thinking about how you look, how the way you behave, how the way you respond to the present crisis, looks in the eyes of those who died, and who can not act any more, but are looking at you, within your own mind, and saying: "Are you capable of doing what needs to be done, as we did in ours?"

Now, in my own case—to start with my own case, as it will help, perhaps, for you to look at your own—I go back about 200 years; that is, in terms of my experience in my family. My parents were born in the 1890s, my grandparents were born in the 1860s. At our family table, we went back, with one character, who was a great-great-grandfather, was rather famous in his time, he was a leader of the Abolitionist movement, and got in some trouble on that account. And he was rather famous, and he kept appearing at the family dinner table—what he said on such-and-such occasion was remembered, and spoken of, again and again. And every family has something like that. My history goes back 200 years.

Now, in terms of the family history of the nation, it goes back further. My first ancestors came respectively to North America from France and England in about the 1670s. Some to Pennsylvania, some to Quebec. Other ancestors came from Scotland and Ireland in the 1860s; one is a Scottish soldier—great-grandfather was a Scottish soldier, a professional saberman, who came over to join the Civil War in the First Rhode Island Cavalry; his brother was a famous sea captain for the

White Star Line; and in the same group, we have some Irish who came in, Condons and whatnot, from Ireland, and they came in at about the same time. We also had, on the French side from Quebec, a certain trace of American Indian ancestry—so, if I go on the warpath once in a while, you'll understand why. But, such is the nature.

So that we all have our own particular type of roots, in our own family history, and in this nation, and in their own nation, if it's a different one. And we think of ourselves as mortal beings, who live for a time, with a succession of families, and within a nation. We think of ourselves as worth being remembered. We remember those who went before us, and their faces are still in our mind as part of our conscience. And that generally is the model for the healthy development of any child, or young person, in society. The family, neighborhood grouping, the roots of the family, back two, three, or more generations, a sense of where the family came from, and where the nation came from; what was important to those who went before us. These kinds of things.

So, instead of thinking about what makes us feel good, today, we say, "What would make us feel good when we're dead? What can we go to our grave, thinking we did, that was good? That we did something necessary; that we had the courage to do something necessary." We all die, sooner or later. And that, essentially, is our history. But, other people die in war. And there's a slight difference between dying in general, and dying in war. And I think it's appropriate to think about that comparison today: that we are all in a similar situation; some have experienced war, some not. But war is a part of experience, and many people in the United States died in the course of two world wars.

Death in Wartime

For example, we talk of heroes who died in battle. But most people who died in war did not die in battle; they died in what Clausewitz, in his writings, called "friction." Jeep accidents, illnesses. For example, in my experience, there was an area in northern Burma, in which soldiers in that area, ran into a disease called, generically, "bush typhus," or in Japanese, tsutsakamushi—which Japanese soldiers had brought into that area, from other parts of Asia. And at that time, we had no cure for it. So, these soldiers, many of whom I saw dying, were simply lying in a hospital barracks, quietly dying, with no cure in sight. They did not return home to their families.

There was a case in one ward in the same hospital, in which there were three people who had died, or were dying, of a plane accident—I believe it was a C-46, of the type that was flying at that time, from Myitkyina [Burma] to China—they crashed on takeoff. They survived, but they inhaled a lot of kerosene or gasoline, and they were dying of the effects of that on their lung system, and so forth. They were certainly semi-comatose, moving. And day after day, they would lie, being cared for, in beds, side by side, by the wall, in that barracks. And across the aisle from that, was a fellow of Hispanic background, a Mexican-American, who was dying because he had been shot by a British MP, while visiting the village. And they were there, day by day—we watched them, living and dying. And one morning, they were simply gone. They'd died overnight, all four of them.

Jeep accidents and so forth. And that's the way most people, who died in war, died. Not in battle, but as a result of friction. That was part of our experience.

So we had two world wars. And let's look briefly at the two world wars. Let's just take a glimpse of some film clips from motion-picture shots made of American soldiers in World War I; and after that, take a look at some shots from Germany, during the period that Germany was going into World War II—just to get a sense, a memory of the feel of what this was

like. The images are obvious to you. These are just old films from that period. This was the kind of war, but many people died.

Now, this image of soldiers going over the top, to charge, over the top to charge, into machine-gun fire, against barbed wire, and so forth. This was a significant part of the American experience. This was one of the ways people died. But they also died, in France, not only in the trenches, trench war, but they died in frictional incidents of war. But they didn't come back. And there were families that were waiting for them. They never had the chance to receive their return. And that's also part of the American experience.

This went on—again, the German phenomenon. The march to war. You see the mobilization, the march to war. It worries you, because you see people like that, marching like that, marching to war. You think what goes on in their minds as they do that. You see the horrors of Nazi Germany, with the SS troops marching; the other troops marching, marching to war, a war which would end up with the virtual destruction of Germany. Marching to war. And that was just the German side in World War II.

Winning the Peace

Look at the case of the war in Asia, in order to learn a lesson: Now, MacArthur was a great general, probably one of the greatest in American history. He did the most for the United States, as a commander. He fought a war in the Pacific, under what seemed to be desperate circumstances; he brought it to a successful conclusion, even before Hiroshima. He fought a couple of heavy battles, or ordered a couple of heavy battles, serious ones, major ones, bloody slugfests, but he fought no unnecessary battles. He moved past islands, occupied by Japanese troops, and didn't attempt to get them out of there. Why waste lives, taking islands? We have them isolated. We control the seas; we control the air around them. Why bother? We'll come back later. No need to fight a war on those beaches; no need to go into those islands. So MacArthur had a sense of economy of war.

MacArthur was not fighting war to kill people. The object of the American soldier in World War II was not to kill people—maybe some people had that idea—it wasn't killing. The purpose of war-fighting was to win the war. The purpose was to win the peace, not to kill everybody you wish to hate, but to win. To win what? To win war. What's war? Winning the peace. That was MacArthur's policy. We didn't need to invade Japan. We never needed to invade Japan. In my opinion, MacArthur never intended to. Certainly MacArthur was the kind of general who would never have done the silly thing of dropping nuclear weapons on Hiroshima and Nagasaki. Why did we need to invade Japan? Why is the myth that we needed to invade Japan told? It's a big lie.

Japan is a country which is an island-country without adequate raw materials, and similar resources in its own territory; Japan lives as an economy, as a modern economy, by imports from other parts of the world, including Asia. Therefore, the American strategy, the MacArthur's strategy for the Pacific war, through World War II, was not to kill Japanese. The American strategy was to bring Japan to surrender, to peaceful surrender. By what? By building a net, a blockade net; a naval and aerial blockade, which would prevent Japan from getting the materials it needed to maintain its economy, and therefore, its war machine.

It was also known during that time, which many of you may not know, that the Emperor of Japan, in the course of early 1945, had entered into diplomatic negotiations for peace. His channel for negotiations was the Vatican. It was the office of

a Cardinal Montini, who was later Pope Paul VI, and some friends of mine were involved in those negotiations, at that time. So, the United States knew it had an offer of negotiations of peace from the Emperor of Japan. Why should we invade Japan? Why didn't the peace come? Well, partly because the British and Americans didn't want it to come—after Roosevelt was dead. Partly because some people wanted vengeance, not peace. But MacArthur and others understood that the problem the Emperor had—the Emperor wanted peace, but he had some generals who didn't want to surrender, and therefore, the U.S. policy was to squeeze, maintain a tight blockade—aerial and naval blockade—which was almost totally effective, and Japan would have to surrender, and the generals would have to bend their knee to the will of the Emperor. And peace would come.

In point of fact, that peace that did come, after Hiroshima and Nagasaki, was the same peace, which the Emperor had negotiated, through the Vatican channels, before then. So there was never a need for U.S. troops to have a forced invasion of those islands of Japan. MacArthur was not out to kill Japanese. MacArthur was out to win war, by using the strategic and logistical might of the United States, mobilized to bring about a condition, in which the Japanese people and institutions would accept peace as the alternative to war. That was the way we used to fight wars.

Now, there's a principle involved, and you may smell what I'm getting at here about present military policies, which, frankly, are immoral and insane. And I would hope that our country would stop it, because it's stupid, immoral, insane.

The Concept of Strategic Defense

We used to have a different military policy. Before they got rid of MacArthur, and before Eisenhower retired as President, we used to have a different kind of military tradition in the United States—different than what we have today, different than what was shown in Vietnam, different than what is being shown right now. What was that policy? The policy was developed in the 18th Century, and there are two figures from the 18th Century who are most important for anyone who wants to understand this to study today. One was the greatest military genius of France—not Napoleon, who was somewhat of a bandit, more than a military genius—but a major-general, Lazare Carnot, who was also a famous scientist.

Lazare Carnot, who was already a military genius, was given the command of the French forces in 1792. At that point, France was being invaded by every army in Europe. The intent of those armies was to divide, cut France up into individual pieces, and chop it up. Lazare Carnot was given the command, a hopeless command at that point. He turned a hopeless command into a total victory, within two years. He reformed the armies of France. He made a scientific mobilization of the type that Franklin Roosevelt probably knew about, and would have been happy to imitate, and France's military forces on the continent of Europe, became invincible. Every invading army was defeated. France's integrity was defended. Unfortunately, Napoleon spoiled the whole show later on.

In this same period, there was another leading military figure in Germany: Gerhardt Scharnhorst. Scharnhorst was a product of an education given to him at the school of a famous fellow, Wilhelm Schaumburg-Lippe. The school, the educational program of the school, was provided by one of the great geniuses of the 18th Century: Moses Mendelssohn, the famous Moses Mendelssohn who designed the program of teaching at the military school which produced one of the greatest military minds of Germany—Gerhardt Scharnhorst. The same group of Scharnhorst, when faced with the point that Napoleon was sending the Grand Armée, which was sort of like the predecessor of the Hitler Waffen-SS, into Russia. The German Prussians, influenced by Scharnhorst, developed a plan which was based on some work by a fellow who was a cousin—or in-law cousin—of Friedrich Schiller; and on the basis of the study of Schiller's history of the Netherlands war, and the Thirty Years War, the Prussian command devised a program, which they presented to the Tsar of Russia, a

policy of strategic defense, which resulted in the entrapment and destruction of Napoleon.

The Citizen-Army

This concept of strategic defense, is consistent with the idea of the citizen-army. One of the things that came out of France under Lazare Carnot, that came out of Germany under the influence of Scharnhorst: the idea of the citizen-reserve army. We, in World War II, were not the best fighters in World War II—the Americans. The Germans were much more effective as soldiers than the Americans, soldier for soldier. And this has been studied extensively. Because they had a training program, in depth, and a reserve program, which was based on the Scharnhorst program. We put together a military force in the United States, after years of negligence of the necessary steps to build a standing reserve, effective reserve, and to build a military force that could cope with these kinds of problems.

So we went into World War II like a bunch of military slob, generally. I saw it myself, so I have eye-witness testimony. But what we won the war with, and what our best commanders understood, was to use the economic might, which had been built up again, under President Franklin Roosevelt, to give us the logistical, and strategic-logistical capabilities to win war by logistics. And the United States won World War II with logistics—not with kill-power. We don't have logistics today. We have kill-power. We don't have a war-winning capability. We have a perpetual war-fighting capability, until it just quits when it gets tired. And that's the big issue.

We emerged from World War II, not only as the greatest power on the planet, but the only power on the planet. No other nation represented a power in world terms; just the United States. We had no need to invade Japan. We controlled everything. We controlled their environment. We controlled their skies. We controlled the seas around them. We didn't need to invade. We were prepared—at least some of us—to make peace with Japan. So why should we fight war? Why should we invade?

There's a famous fellow—Machiavelli, who most people misunderstand these days—who laid down a policy, a military policy, in his works on the books of Livy, and pointed out the reasons why, when an enemy is defeated, you never go in for the kill. Because the enemy may start killing again, in desperation. You never close in—bayonet to bayonet, or otherwise—on a defeated enemy. What you do, is you use the power you have, to create the conditions under which the enemy will accept a peaceful solution to the conflict. Which is the way we should approach our problems today. We should not be the world policeman, like Roman Legions, or the Nazi Waffen-SS, running around the world and killing people we say are the rogue states, or might have weapons of mass destruction, or might have terrorists among them. That policy is idiocy, is criminality. We knew how to do things better before: Build up two things—a strategic defense, in depth, which is largely economic power, physical-economic power. Increase the productive powers of labor of your people, as Roosevelt did during the 1930s in the recovery. Build up your educational system. Open plants. Create new productive jobs, not consumer-society jobs, but production-society jobs. Farms that function. Machine-tool shops that work. Stop being a consumer society, which we've degenerated into, and go back to becoming a producer society.

We have the ability in the United States today, as a nation, to secure, to establish our security, planet-wide, virtually without firing a shot in military fire, in any part of this planet. All we need to do, is to learn the lessons of history of past centuries, including the Roosevelt history, and lay down a plan of reconstruction of a rotting, collapsing world economy, and say: We're going to do our part in revising an economy that has failed.

Leadership: The Case of Jeanne d'Arc

Now back to the individual. The individual must have the courage, the personal courage, to actually exert a command position in warfare. Soldiers go along, as long as they trust their officers and leaders, but it's the commanders who must have the courage which inspires the soldiers in confidence to work with the leader. We need people who are leaders in the true sense, not leaders in the sense of "Do as I tell you or I'll shoot you." But leaders in whom, the people that follow them, have confidence. Leaders who inspire confidence in their people. Not like the politicians we tend to elect nowadays, but actual leaders.

We have some examples of leaders in modern history, at the birth of modern history, for example, the 15th Century. Jeanne d'Arc, a farm-girl, who was seized by the commitment, a mission, to force a King, who was a no-good King, to become a real King of France. And to reestablish France in its dignity as a nation. And she succeeded. But because of betrayal by that very King himself, Jeanne was tortured by the English Inquisition, and burned alive, after torture by the English Inquisition. She refused to capitulate. And by her refusal to capitulate, in accepting the risk of being burned alive, she made possible, not only the existence of France as the first modern nation-state—that under Louis XI—but inspired circles in the Catholic Church to conduct reforms which we saw in the 15th-Century Renaissance. This little peasant girl, who had a sense of a mission in life, who used her life to do a good, because it had to be done, inspired people around her, and by her courage, inspired a nation, and more than just that nation, to establish the first, true modern nation-state in European civilization.

The example of France under Jeanne d'Arc, the example of Louis XI, was used, in England, to free England from a tyranny, the tyranny known as that of Richard III. And Henry VII of England, established in England, the second modern nation-state on this planet.

Now along came an attempt by the enemies of the nation-state, the Venetians, to destroy England, to destroy England's character as a nation-state, and to do that, they sent agents into England, to corrupt a rather foolish heir of Henry VII—Henry VIII; you know, the usual sexual thing; you had the religious adviser, Zorzi, marriage counsellor, they tormented Henry VIII with the promise of a woman, Anne Boleyn, who was nothing but a prostitute, virtually, and the stupid King became corrupt, and England was being destroyed.

Now, what killed Thomas More, was not the fact that he objected to the divorce of the King to marry Anne Boleyn; what killed him, was the fact that he stood against this corruption of what had been accomplished by Henry VII. England had been the second nation-state founded. It was being built as a great economy from the rubble that it had been, under the previous Plantagenet rule. It was being destroyed. He gave his life, on the chopping block, in order to inspire people such as William Shakespeare, who was one of his great followers intellectually, and others, to keep alive in England, that which the Venetians had attempted to destroy, with the case of Henry VIII, and others. And it's because of that courage of Thomas More, in England, and because of the influence, in particular, of Shakespeare and people like him, and his associates, that there was founded in North America, beginning with the Massachusetts Bay Colony in particular, a conception of a new kind of nation-state built on this continent, at a time that Europe was so corrupt, so torn by religious wars—from 1511 to 1648, Europe was torn apart by religious warfare—of the type that some people would like to start around the world today. And during that time, people in Europe said, let us go to North America. Let us build the foundations of a new nation, in this continent. And the Winthrops, and the Mathers, in Massachusetts, typify that great venture.

Then came Penn with Logan. And others came, as things became terrible in Europe. More and more people looked to North America as a place to build a republic, in the legacy of France's Louis XI, the legacy of Jeanne d'Arc, the legacy of Henry VII, the legacy of Thomas More: to build that in this, that republic in this nation. And great Europeans, despairing of the possibility of building a republic in Europe under these conditions, turned in the 18th Century to the English colonies of North America, especially to the circles of Benjamin Franklin personally, to assist us, in building up the foundations for creating this republic, which is therefore an historic exception, in the modern history of mankind. This was the first true republic established in modern mankind, and it was established on the basis of these foundations, contributed to us, largely, by Europe.

And without the courage of the people who did it, people like Jeanne d'Arc, and Thomas More, this could not have happened. So therefore, the highest standing—I'm not recommending to people that they go out and be burned alive, or have their heads chopped off, I'm not particularly fond of that sort of entertainment, as some people are—but rather, I'm saying that you have to find in yourself some element of the quality of courage, the quality of insight into the future, the future that you leave behind, after your mortal life is ended, and say that what I am, in the history of mankind, is, as I view my parents, grandparents, and great-grandparents, and so forth before me: I view myself as a passing mortal individual, but I want my life, while it's going on, to mean something. And therefore, I will spend my life wisely. If I have to die on the battlefield, I will spend my life wisely, for a meaningful purpose, for my nation and for mankind.

Now people who think that way, and can find their roots in family and history and also in the future, that way, have the courage to face gladly, the kind of challenges which we as a nation face today. And one would wish that as I speak, that those who died, or whose families made the sacrifice of their death, during two world wars of the past century, could be with us today, to hear me say this, and to see you hear this, that they might believe that in this nation, there's something that still lives, that made their sacrifice worthwhile.

Ideas as a Source of Courage

And there's the source from which you find your strength also you find another source you have to call upon. It's called ideas. Some people believe, that what's important is what they know from experience. Experience is sense perception, what I can see, what I can taste, what I can touch. What I feel in my neighborhood, my community, my personal, immediate, physical sense of self-interest. Some people think that way. That's a foolish way of thinking. Because you don't understand then, the difference between man and animal. Think of all the people you know, who say that mankind is just another monkey, or just another ape. Now, I admit that we've elected some politicians who might lend themselves to that view. But man is not an ape. Man has a quality which no animal has. Look, if man were a higher ape, whether on high stuff or not, the human species, in the past 2 million years, would never have reached a level above several million individuals. We now have billions of people. How do we get billions of people, out of a being which, as an ape, is only capable of maintaining a miserable bunch of monkeys, so to speak, at about a few million members, planet-wide? How'd we get that? Because mankind has a quality which no monkey has. So don't monkey around with mankind! Mankind is capable of discovering universal principles which cannot be smelled, tasted, seen with the senses, but which the mind is able to define, and we're able to prove experimentally.

This is what we mean, when we say in Christianity, Islam, or Judaism, that man and woman are made equally in the image of the Creator of the Universe. Because we each have within us, that power to discover truth, the truth of universal principles which no monkey, no lower form of life, can do. And through this power, we are able to change man's relations with nature; we're able to change ourselves, to improve and develop ourselves. We're able to transmit these discoveries to our children, over successive generations. We're able to build societies where there were nothing but jungles. This is why man is sacred. This is why every human life is special and sacred. This is why every human being, man or woman, is

equal, in this quality, which need but be developed and expressed.

What gives you the power to deal with great crises, is to recognize that; to think in terms of principles that you can discover, and prove, as Kepler discovered the law of gravity, universal gravitation, in a book he published in 1609. You can discover these principles; you say, that if I can learn an idea, discover, re-discover an idea, or contribute a new discovery of principle; and if I can pass along these discoveries which I've taken in part from people before me—if I can pass them to the next generation, if I can enrich these discoveries with something I contribute myself, then I live forever, as a human being. Because in the time I occupied mortal life, I picked up the heritage of ideas from the culture, people before me; I picked it up from other cultures than my own, I put these together in part, I transmitted these to young people, as good teachers transmit these discoveries to children, and when I die, these ideas, which I've helped to make possible, these achievements, will be transmitted to those who come after me. And therefore, the greatest thing about being human, is to be truly a person who acts in a way, which justifies the characterization of a being, man and woman equally, made in the image of the Creator of the Universe. Given the power to transform this Universe, capable of transmitting these discoveries from one generation to another, to build the human race from its initial imperfection as a beast-like creature with this quality, into something much better.

And therefore, if I can do something, with my life, which helps that process, then my life really means something. And I can go out of this life wearing a smile, because I have won. I have won the battle for the meaning of a personal life.

Therefore, when it comes to war, or things like war, the person on the other side is a human being, made in the image of the Creator of the Universe as we are, of the same nature and the same true, fundamental interest, if they but know it. Therefore, the function of war, is to defend this heritage, this cultural heritage, that we have been given, but to invite others to share it with us. Invite them to enter into fraternity with us. And say, stop being a fool. We will defend—if you go crazy, like a madman, and do something evil—we're going to stop you, if we have to. But we will rejoice, when you become human and accept the conditions of fraternity and peace. And that's the proper object of warfare: to defend what must be defended, so that it can be preserved for humanity, to preserve the dignity and the lives of our people, the purpose of our culture. But it is not to conquer or destroy like a beast trying to destroy another beast. We do not eat man.

The purpose is to bring the human race together, as a community of sovereign nation-states, each perfectly sovereign, but united by an understanding of certain common principles, by which we can live together, but not only merely live together—not merely get along and not kill—but live together in the sense that we are busy living our lives, making a contribution which is not shameful in the eyes of those who came before us. We're contributing something to the future. And therefore, when you are future-oriented in that way, you have a source of courage which no other human being has, who lacks that sense of the future.

The Yiddish Renaissance and Its Enemies

Now let's look at something awful. Let's look, just briefly, at a glimpse of what's going on in Israel and Palestine today. What we have is a short [film] of what is happening in Palestine and Israel now. Let me speak very frankly, because these are frank times, people are being killed, and you don't use soft words to describe hard reality.

A long time ago, in Russia, there was a bad man. His name was Colonel Zubatov. He was the head of a secret police organization which was disbanded, essentially, in that form, after 1905. It was called the Okhrana. This fellow Zubatov

recruited an individual called Vladimir Jabotinsky. Jabotinsky became an agent of the Okhrana, which was a British Intelligence-affiliated Russian intelligence organization at the time. A police state.

The main target of the Okhrana at that time were the Jews of Russia. Now the leading organization among the Jews of Eastern Europe, of Russia in particular, was called the Bund, which was based in the northern parts of what was then called Russia. It's known in the United States as the Workmen's Circle organization.

These people represented a formation called the Yiddish Renaissance, which was an extension among Jews of Eastern Europe, of the tradition of Moses Mendelssohn, of the German Jewish tradition of Moses Mendelssohn. And modern European Jewry, in all its achievements, and there were many, was actually largely a result of a revolution in the standards of the Jew, effected through the influence of Moses Mendelssohn, one of the greatest intellectual figures of the 18th Century.

It was through Moses Mendelssohn and his family and friends, that Jews were first allowed to be treated as human beings in Austria. This was by Joseph II of Austria, the Emperor. And similar status of the Jew was finally—the Jew was elevated to a condition in Germany of full dignity. And from that point on, under the influence of Moses Mendelssohn's program, we have some of the greatest music ever composed, because Mozart, Beethoven, other great composers, the circles of the Bach family, were all part of this same tradition, this so-called Classical tradition, which was linked to this Jewish circle of Moses Mendelssohn.

For example, Schubert—some of the songs of the Jewish service, were composed with the aid of Franz Schubert. Mozart was closely allied with the Mendelssohn family. Beethoven was subsidized, in part, by Itzig, from Leipzig, a part of the extended Mendelssohn family. The great contribution of German Jewish physicians, scientists, and others, like Heinrich Heine and others, to the culture of Europe, and civilization as a whole, as well as Germany, came from these people. And we had in Eastern Europe, what was called the Yiddish Renaissance.

The same tradition, with the famous, famous name like Sholem Aleichem, famous in the United States in particular. Many of the people who came here, who were Jews from Europe, came from Germany, originally, and later came in great numbers from the Yiddish Renaissance masses of Europe. Even into the 1960s, in the mobilization around Martin Luther King, for civil rights in the United States, the Jewish unit, the Jewish element, in the fight for civil rights of African-Americans, came largely from the legacy of the Yiddish Renaissance, of the immigrants of the Yiddish Renaissance, into the United States.

The Heirs of Jabotinsky

So, here's the great tradition against which the Okhrana was fighting, Zubatov was fighting, and Jabotinsky was an agent. Jabotinsky then, as an agent, went to Paris, where he worked for one of the worst Okhrana agents in the world, the fellow who wrote and published the so-called "Protocols of the Elders of Zion." He then became involved, among other things, in a British Intelligence operation called the Young Turks, in Turkey. He was the publisher of the magazine, of the official magazine, of the Young Turk movement. He went to Italy, where he became a close associate of Benito Mussolini, declared himself a fascist, like Mussolini. His organization in Italy became an integral part of the fascist military organization in Italy. He—when Hitler was first elected to office, or nominated to office in Germany—he offered to support Hitler if Hitler would drop the anti-Semitism. This guy Jabotinsky, the Jabotinsky movement, is a fascist

movement.

This movement went, along with others, into Israel, in the settlements in Israel, and became the terrorist wing of Israel which is associated with this terrorist Menachem Begin. Remember Menachem Begin? The fellow who bombed the King David Hotel, and there was the British Governor of this region, or this area, sitting up in his bathtub, and they bombed the hotel. The hotel did not fall down completely, but there's this fellow sitting up in his bathtub, with the building fallen down around him.

So these guys were really killers. What happened is, in the course of developments from about 1967 through about ten years later, the traditional Zionists, like Nahum Goldmann, the founder of Zionism, of that type, these types were pushed out of the dominant position of power, and a group called the Likud, which incorporated the ideas and aspirations and moods of these fascists, declared fascists, became more and more a power in Israel.

Ariel Sharon represents that fascist movement. What you're seeing, or what you could have seen, on the screen, is a copy of an operation which the Nazis of Germany ran against the Jewish ghetto of Warsaw in 1943, which is now being conducted by the fascist Sharon against the Jewish ghettos, or these Palestinian ghettos of the Middle East, Israel and Palestine. And people are saying, if you're against Sharon, you're an anti-Semite. These people are liars. They are moral degenerates. It's not forgivable. For someone who says, "I'm Jewish, I'm fighting for the Jewish people," to do what the Jabotinsky movement did, as an avowed fascist movement, a Jabotinsky who was turned down by Hitler, because Hitler wouldn't give up the anti-Semitism. And to perpetrate a crime, which the Israeli Defense Forces know, is an actual copy of the operation which the Nazis ran against the Jewish ghetto of Warsaw, against the Palestinian people. This is a crime against humanity. This is genocide. And when someone says, "If you call this genocide, you're an anti-Semite," they're sick.

But the problem here is this: How many people in the United States, for example, will defend Sharon, will defend what the Israelis are doing, while other Israelis are risking their lives opposing this, saying this is wrong? Remember, the Sharon government, came to power indirectly, through the terrorist assassination of Prime Minister Rabin of Israel, who recognized that this kind of thing must not happen. You have a terrorist government, a government that came to power through terrorism, the murder of a Prime Minister of Israel, and the crime has never been exculpated. You have in effect a criminal, fascist government in charge in Israel. Period. Don't talk about democracy, the President's misinformed. He should send Condoleezza Rice back to school to learn something, eh? Get some better advice.

So this is the kind of problem we face. But worse is, that not only are people in the United States expressing mass sympathy for this thing, including some of the worst anti-Semites in the United States, who are called the Christian Zionists. You want to find a real racist, anti-Semite, in the United States? Find yourself a Christian Zionist. You'll find among them, the typical Ku Klux Klan types, who also happen to be anti-Semites. These are the guys, the Pat Robertsons, the Falwells, and so forth, who're implicitly fascist themselves. And many Americans have fallen for it.

Worse than that, we have a military policy which is wrong. We don't have a strategic defense policy. We don't have an economy which is geared up to provide the sinews of strategic defense. We do not have a peace policy for the world. We—if I were President of the United States today—we would be bringing the world together, and it would be successful. Because the world wants it. The United States still has an authority and a legacy. If it became itself once again and said, we must have a solution to this worldwide financial-economic crisis, we must have peace and cooperation on this planet, nations all over the world, peoples all over the world, would rejoice and join us. We have that kind of power. So why aren't

we using it?

There Never Was a Recovery

Now, we come to the final point. What's the situation? Let's just go through this [Figure 1]—I've gone through it before—again, but it's important to put what I'm about to say, in this context I've just given you.

Now this is old news to many of you, but just to walk through this, because certain things have happened recently which will make these things much more significant for you than perhaps before. Some years ago, back in 1995, as I reported earlier, I was at a Vatican conference on the question of health care, and, as a participant, I gave them this paper, in which, to try to illustrate what was wrong with the world economy—which of course has something to do with our health-care situation today—that this was the nature of the problem.

We have a system now, since 1966, a degeneration in the U.S. economy, a degeneration from what used to be the world's greatest producer society, into a decaying, decadent, consumer society. We don't produce any more, or we produce less and less. We import from abroad, and we can't afford to pay for it. And we're able to import less and less, now. So what kind of a system do we have? The financial aggregates—that is the rate of growth of stock-market assets and similar kinds of nominal assets, paper assets—were rising at a very high rate. In order to keep this market going, there was a monetary emission, that is, printing of money or similar things, from the Federal Reserve and others, which was being poured into the markets, to push this bubble of financial paper. But, while they were doing that, the way this thing was being done, is the growth of financial aggregates and monetary aggregates was based on looting, actually cannibalizing our pre-existing economy. So that, per capita, the real, physical output of the United States, per capita, was collapsing. Farms, industries, so forth. Runaway shops, all this sort of thing. Now that's the picture. Take the next one.

Now in this case [Figure 2], this is the point reached in about the year 2000. And what this represents is that, you had a point at which the rate of increase of money printing required to maintain the financial markets, was greater in amount, than the amount of financial aggregate they were saving. At this point, there was an acceleration, a steep acceleration, in collapse of the physical economy. Now this happened about the Summer of the year 2000, in real terms. People didn't pay much attention, or didn't wish to pay much attention, because the financial aggregates were still going up. Until the full impact of the collapse of the so-called New Economy, occurred, people didn't pay much attention to it. But that happened then.

In this [Figure 3], these are actual figures, or based on actual government figures. So what you see here is the crossover point. You see, the employment is down, manufacturing employment—that's real employment; the farmers would show a more disastrous effect—corporate profits fluctuating; the debt rising, the debt level rising, but the U.S. money supply is being increased more rapidly than the financial markets are rising. So at that point, you've hit a point which has a historical precedent, a very important one: Germany 1923. Germany was doing a similar kind of thing then, to prop up the Reichsmark while it was trying to pay off the so-called war reparations debt. Up until the Spring of 1923, there was inflation, but not a chaotic or hyperinflationary bubble. Suddenly, in June-July of 1923, the bubble exploded. And by that time, later in November, the German Reichsmark was bankrupt. So what happened here, what you're seeing here, is something similar to what happened in Germany in 1923.

Now, you see on the markets today, if you pay attention to what the reports are from around the world: Since Enron

collapsed, it is now apparent, that every time you were told there was a recovery in sight, or signs of a recovery, in the international markets or the U.S. economy, it was faked. The figures have all been faked. And right now, especially this week, the figures on the amount of this fakery, are beginning to come tumbling out. There never was a recovery. There never was a genuine uptick. And it happened just already today—the day starts out, the market's going up. But then you find out the reason the profits are increased, they said, without mentioning expenses. And the firm had the biggest loss ever. In that kind of fakery. So people today in the United States are faced with the fact: There is no recovery, there never was a recovery, and under this system, there never will be a recovery. The world is going into the biggest depression in modern history, at least since the 17th Century. Right now.

And the gold price was up to, what? About \$5 in one day. That's not an increase in the the value of gold; that's a decrease in the value of the U.S. dollar. We are now in a depression that is worse than what you were in—if you were living then—in 1929-1933. It's happening. It is presently irreversible. Anything they try to do to prevent it will only make things worse. But there are solutions.

There Are Solutions

Now, here's where the hard thing comes. What is the solution? If you look at the history of the United States and the world, from 1945 to 1965, that is the so-called post-war recovery period. And you look at the United States in 1966, to the present, you'll see—that's why I used these figures, '66—because the economy we had, in the post-war reconstruction in the United States, Europe, Japan, and to some degree South and Central America—that was a real recovery. A success. There were a lot of problems with it, a lot of injustices. But, in terms of economic figures as such, it was a success. It was real. There was actually an increase in the productive powers of labor. More was produced, more was available. Consumption standards improved. That sort of thing.

But, 1966 on: It stopped. We began to slide down, and the rate of downslide accelerated. It was accelerated at a fast rate under Nixon. 1971: Nixon took the dollar off the gold reserve system. Created a floating-exchange-rate system. The U.S. economy has never recovered from the effects of that.

Then came along Brzezinski. Don't blame Carter; Carter was President—but he was only the President. Brzezinski ran the show. Under Brzezinski's dictatorship, from 1977 to 1981, the destruction of basic economic infrastructure and regulation in the United States caused the greatest destruction of the U.S. economy in all history, in total amount. That destruction has continued, with Garn-St Germain, with Kemp-Roth, and with other arrangements. It continued—we looted Europe, we looted Russia in particular after 1989-1991, and we got by with a lot, because we were able to loot countries. We looted Europe. Europe became, when the Soviet power collapsed, Europe became less powerful, because now it was at the mercy of the Anglo-American interests. And the looting of Germany, and of continental Europe, really took off at that point. Russia was looted beyond belief. Poland has been looted beyond belief. The Poles would be happy to have communist Poland back today. The same thing is most of Eastern Europe, the same thing. Around the world. Look at Japan. Japan is about ready to blow. There is a healthy industrial economy inside Japan, but the entire financial system, which has supported the United States, is about to collapse. Look at the ASEAN countries, other countries.

The collapse is fully under way. We are now in a worldwide collapse which has been caused by a change in the world system, from a system with imperfections, but which nonetheless worked—the post-Roosevelt system. The system was actually built by Roosevelt. From 1945 to '65, we had an economy, a real one. With policies that actually worked. Since 1966, we've gone step by step into an economy that doesn't work. Now it's collapsed. The amount of debt which is

outstanding today, could never be paid. We are sitting on top of a real-estate bubble collapse in the United States today, the Fannie Mae/Freddie Mac bubble is about to blow. What day it's going to blow, I don't know. But it's going to blow. People are going to find that houses which they have listed as mortgages at a half million or so, plus or minus, in the Washington, D.C. area, or the New York area, these shacks will probably be lucky to go for \$100,000 redeemable value. People are going to be wiped out. Jobs are going to be wiped out. Firms are going to be closed down.

What is the government going to do? It's going to happen. Well, if you had a Franklin Roosevelt in there, you'd know what to do. You'd freeze what you had to freeze, you'd put the country through bankruptcy reorganization and restore the fixed-exchange-rate monetary system, and believe me, we could get it through quick, right now. You would put regulation worldwide. Regulation of trade. A new tariff system, a protectionist system. You would make sure that people were not fired. We'd keep banks from closing their doors, even if they're bankrupt, to keep the trade going. We would keep people employed, and the government would turn around and start a large-scale, mass-employment program based on infrastructure to stimulate the re-growth of the entire economy. We would do that in cooperation with nations around the world, which are now desperate. And if the United States said we're willing to do it—for example, if I were President right now, every one of them would say, "Yes." They'd agree with everything I say. They wouldn't even know half of the things I'm talking about, but they would agree with it, nonetheless, because in a time like this, they're looking for leadership. They want credible leadership, that knows what it's talking about, and is willing to act, and is trustworthy, in the sense that it will act. And if they find that, they're going to say, "Okay, we're working with you." And we'll sit down and we'll discuss the details of what we're going to do. And then do it.

A Mobilization of Courage

So what we need now, is a mobilization of courage, from among not too courageous leaders around the world, and from the people who will push them. We can get out of this mess; we've dealt with messes before. Organizing and reorganizing a financial system or monetary system is not the greatest thing in the world; it's a tough thing. It would take us 25 years, to repair the damage to the world, and the United States in particular, done by the changes of the past years. We can do it. We'll do it with methods which are not dissimilar, entirely, from what Franklin Roosevelt did, beginning in 1933. It worked then, the post-war version of Roosevelt, which was a diluted version, also worked. It'll work again. We rebuilt Europe with people like Jean Monnet and so forth in the post-war period; we can do it again. We can work with Russia and we can rebuild Russia. We have tremendous potential markets in China, in Southeast Asia, India, and so forth. If we build the system which they need, to do the development which they need, and they represent, therefore, the markets we need, for the products we can produce, that they need. And if we have a 25-year credit program among nations to do that, we can pull this nation and the world, out of the mess.

We have to decide, however, what kind of a world we want to build. Not a world in which we tell everybody how to run their government. Not a world in which we tell you you're a rogue state; you're not a rogue state; or you're a rogue state tomorrow, but not today, or whatever. We need a world in which we agree that there are several simple principles: that every people has the right to be self-governed by a perfectly sovereign form of nation-state republic; that the policy of the United States is that which Secretary of State at the time, John Quincy Adams, said to the nations of South America and to the world: As soon as the United States has enough muscle to do it, we're going to kick the British and the Habsburgs out of the Americas, and we're going to establish a community of principle among perfectly sovereign nation-states. We have to say the same thing today to the world. The world we want, is not a world of our design, it's not a world in which we become the dictator or the emperor; what we need, is a world which is composed of perfectly sovereign nation-states, which in their own mutual interests, will cooperate and will establish principles, a community of principles of agreement.

Right now, we've got a big job. Rebuild the world economy, make the world a safe place to live in, economically. I think

we can succeed. I'm willing to do it. Who else is?

Thank you.

A Dialogue with Lyndon LaRouche

The American Intellectual Tradition vs. the New Violence

The following is a selection from the questions and answers following Mr. LaRouche's speech. The first question was submitted by several former members of the Clinton Administration.

QUESTION: Mr. LaRouche, there's no doubt that the challenge of the moment poses a question of courage. But, it also poses a question of what will work, and what is effective. And, since none of us are inclined to sacrifice ourselves for the mere sake of it, it's useful, when there is an historic precedent to lean on. You spoke often of the example of Franklin Delano Roosevelt, and his actions that brought us out of the Great Depression. What, in your mind, is key, from FDR's '33-'45 recovery strategy, for us to look to today?"

LAROCHE: I don't think there's anything *in particular* you should look to. I think *everything* should be looked at. Because, we've done this report *Economics: The End of a Delusion*, which Richard Freeman has pulled together, in large part, on what the lessons are of the recovery programs of Franklin Roosevelt, particularly during the 1930s. And, we've also done earlier studies, which we've published on the same matter, of what the effect was, the relationship between the economic potential, which was developed in the United States under the recovery program, which made possible the mobilization for strategic victory in World War II, in the way it was done.

We emerged from World War II as the *only world power*. And, we could have done a lot of good, if Roosevelt had lived. So, you have to look at the whole man, and his knowledge, to see what the precedent is.

Now we have, you know--like Harold Ickes, each of them did their part. Each of them did a mission for Roosevelt. They were good people. They did an excellent job. But, there's something behind it: Look for the driving force, not just for the detail. Don't try to get the package. You get the image, of Roosevelt's *way of thinking*, applied to the problems as they presented themselves to him, concretely, at the time. That's what we have to do, now.

Now, Roosevelt's thinking--what is it? And, people know it, especially of my generation, and earlier--they know it. I represent, though a different individual, as Franklin Roosevelt represented, and Abraham Lincoln represented before me, and John Quincy Adams represented before him--I represent an embodiment of the American Intellectual Tradition, which I referred to at the beginning, of my remarks today: that, I had a contemporary, the Rev. Daniel Wood, a Quaker minister, who started his career in the Carolinas fighting slavery, and he had to get out of there. He went up to Ohio, and just north of Columbus, Ohio, he set up shop, married into one of the families up there; and, he set up his own operation there. And he ran the Underground Railroad in Delaware County, north of Columbus, during that relevant period, of the escaped slaves running to Canada. And, he had his church, and barn, and school--which he set up--they were all used to house the slaves, as they were being moved north, toward Canada. Now, he was a contemporary of Lincoln. He was also a contemporary of Henry Clay, with whom he had an encounter on one occasion.

And, you had this American Whig tradition, which emerged around President Monroe, John Quincy Adams, the Careys--Mathew and his son, Henry C. Carey; to some degree Friedrich List, though he was somewhat of a different case, even

though he was important to the Congress. And, they had a protégé. And, their key protégé was Abraham Lincoln, who was the spokesman used by John Quincy Adams, in delivering the Spot Resolution, in the Congress, against [President] Polk's fraud in starting the Mexican-American War. And it was that Lincoln, who was a highly educated man--he was no dummy--one of the most brilliant men in all American history, part of the process.

So, those of us who remember, who studied, who lived, who know what the American Revolution was, who know the tradition, act in a certain way; as opposed to those who have what was called the American Tory tradition, which is hegemonic in the United States today. And, what one has to understand, is that Roosevelt--read Roosevelt's graduation paper, or his final paper at Harvard, on this tradition: Look at his studies, while he was fighting poliomyelitis, studies of his legacy. Look at his ancestor, Isaac Roosevelt, the collaborator of Alexander Hamilton.

Two Essential Qualities

And, the point was, that Franklin Roosevelt had two things: He represented a family tradition, an embodiment of the American Intellectual Tradition, the tradition on which this nation was founded, the tradition of Benjamin Franklin. He also represented a man of extreme courage. And, those are the two qualities that are needed. You need a person like a great general. MacArthur had that same quality in a completely different dimension. The quality of a true leader, who knows something needs to be done. And, if he knows it needs to be done, he will *seize the opportunity to do it*, with resolution. He will seek out collaborators, who want to take a chunk of the job. And he will give them backing to do the job, as he did Harry Hopkins, for example.

And, that's the way you do it. You get the essence of the American tradition. The American economic tradition: You have to have, above all--for example, to understand the *distinction* between the roots of the American Constitution and Declaration of Independence, which are found in Leibniz, in such writings as "New Essays on Human Understanding"--this was the doctrine, which was posed by Leibniz, in opposition to that fascist scum, John Locke, who is the patron saint of slavery in the United States. The Confederate Constitution contains in the preamble, the affirmation of "life, liberty, and property," the doctrine of John Locke: the constitution of slavery. The constitution of degradation; the constitution of treason against the United States.

Whereas the Declaration of Independence and the Preamble of the Federal Constitution, uphold two principles: The sovereignty of the United States must be defended, and that sovereign power used, under all circumstances; secondly, the general welfare of present and future generations' posterity must be promoted. That is the fundamental constitutional law of the United States (which is not exactly being observed these days!). And those two principles, which express this legacy, the whole legacy of the struggle against conditions under which some people are treated as human cattle, to create a society in which we have a society fit for men, women; a society in which people are all equally *human*; in which they participate, equally, in society; in which we do not make a differentiation between the rulers, who behave like beasts, toward the ruled, who are treated like human cattle.

And, the American Intellectual Tradition reflects the use of European philosophy, European accomplishments, to bring forth that kind of idea in this nation. And, those of us who understand that, and who understand how important it is, *and who are prepared to fight and die for it*, and to make ourselves *competent* in doing that, we can do the job. And, we have to see that side of Franklin Roosevelt, and look at his courage, look at his tradition, and really understand him *from the inside*, not from his externalities. And, then all his externalities and some of the questionable aspects of them, all fall neatly into place.

This man was a great man. He was a man who tried to walk in the footsteps of Abraham Lincoln, in restoring this nation to itself, after the Presidency of the pro-Confederacy Teddy Roosevelt, the Ku Klux Klan fanatic Woodrow Wilson, and that all-around scoundrel Calvin Coolidge--together with Andrew Mellon--had ruined the United States, in the course of the

earlier part of the 20th Century.

That's the picture we have to grasp. You can not design, you can not make a Lara Croft President. You can't fit together a "morph" of parts, and make it human. You have to touch the inner-most humanity of the individual, evoke it *in* the individual, and you will get out of that, a leader. But, that's why I said, at the beginning: In times like this, you have to ask, "Who am I? And, what am I? Where do I belong in the scheme of eternity? What is the meaning of my having had parents and grandparents, and so forth? What is the meaning of this nation? What are its accomplishments? What do I represent, for this nation? Not for what I get for my satisfaction, now; but what I am supposed to do? What did God put me here to do?" And do it! Then you find in yourself, the courage to do what's necessary.

Obviously, Franklin Roosevelt found that. But, while I can recommend and detail many things that Roosevelt did, which I would defend as models, that is not the force, the mainspring that makes the clock tick. The mainspring lies in the character of the individual, and the development of that character. Franklin Roosevelt admired his great ancestor Isaac Roosevelt, and he worked to defend the United States *for* the American Intellectual Tradition--the actual tradition behind our Declaration of Independence, our struggle for freedom, and the Preamble of our Constitution. Once you've got that, and then you know the technicalities, you know what to do. It's just a matter of training.

We've got plenty of people, among former Clinton people, who have the skills, or can get them from others--people they know--we can do the job. If you work for me, you get the job done.

A Doctrine of Hatred

QUESTION: Greetings, Mr. LaRouche. Well, I've just been inundated with your perspective on New Violence, especially the component about video games. And I fundamentally disagree, sir. Well, I agree that it does desensitize the youth from violent acts, but unless it destroys your level of rationale, I don't think it's really something to go after. So, I'd like to have your answer to that.

LAROUCHE: Okay. I have done very careful study of this question of this New Violence. And, you have to take what I say very seriously, because I'm an expert, in this sense.

First of all, what you're dealing with here, is you're dealing with a game. Now, by definition, a game is not reality. A game is made up of artificial rules. Now, what happens with this is, these young people--and it has to do, also, with their generation--remember, the key to the New Violence, is not simply the games themselves. The key to the New Violence is the so-called "punk" generation phenomenon; otherwise called the "no future" generation.

What has happened in the United States, to make this possible, is, that the older generation, the parents of those, who are now, say, under 25, who have drifted into the punk generation, resent the betrayal of them, by their parents. That's the beginning of the problem. Most people in that bracket, sense themselves *betrayed*. Maybe not in the sense of active "you betrayed me." But, a sense of estrangement from their parents, that the parents are the enemy.

If you look at the punk-rock product, which I look to as little as possible, but the impression is very clear: This is a doctrine of *hatred*. It's especially a doctrine of hatred against society, and against their parents' generation. Now, some of that hatred has, in a sense, been earned, because the parents' generation has put up with a society, a philosophy, which, in a sense, has produced children, under 25 years of age, who essentially *have no future in the United States, as it has gone, and as it is going today*. That's your first basis, first principle.

See, when people are happy, when people are educated--and you're not educated in American schools, today; the American

public school system, the secondary school system, and, also, increasingly, the universities, are a complete *farce*. That is, the intellectual experience does not occur on the university campuses. You have high-school students, graduating with honors from high school, weeping: "I don't know anything! I never came to know anything at this school." You look at some of the samples of the test programs: You read it, you're disgusted. I'm disgusted, "Is that called education?" What we're doing to our children in our school systems--in the Washington, D.C. area, for example, the Beltway area--is disgusting! It's criminal! What do we give them?

We accept the society of the latchkey-children phenomenon. We accept all these conditions. People accept a society where, if you work, you commute, maybe among three jobs in a week, not just one. There is no family life. There is no community life. There's no intellectual or spiritual activity within the family. The children are thrown on the streets, like it used to be, say, in the Harlem ghetto, among the poorest in the Harlem ghetto, in New York. They're on the streets, they're street children. This is a variety of street children. Now, what do you do? Daddy says, "Aw, kid, don't bother me. I'll get you a game." You have a child, who's rejected! Intellectually, emotionally rejected! He's given a game! The game becomes fashionable. The game was designed to be addictive. The games were designed *to create killers*. That is, the people who designed the core of these games, intended to create killers: "Terminator 2." You get a little kit. You take it, and you plug it in the wall, and you become "Terminator 2."

Look, the kid who takes a point-and-shoot exercise--a little kid, point-and-shoot exercise--will become more skilled than a man who's been on a firing range for ten years. Because he can fire more times, with more precision, and lower cost, than the military could ever do for him. He can go from that game, having never touched a weapon in his life, and, on the basis of that training by that game, particularly if he plays it in a multi-person circle, where they're tied in, like a LAN network; he will become more skilled, as a killer, and more psychotic as a killer, than the worst Special Forces case. What we are training, in the United States today, is, we're training the new Special Forces: jobless, hopeless youth, who have developed point-and-shoot skills and reactions, which qualify them immediately to become "stone killers," for an expanded U.S. military force of the type prescribed by Samuel P. Huntington. They exist.

Now, we have to look at the case of the state of the mind of the punk-generation youngster, the "no future" generation youngster, who lives in conditions approximately like what I've described: the conditions of the New Economy--Joe Lieberman's great New Economy--with no social life, no redeeming social life, no cognitive development, who spends his time numbing his mind, and being occupied, playing these games, particularly in group formats. You create what's called a subculture of game-players, and they're generally associated with certain types of games.

Schizophrenia and the New Economy

Now, what happens then, is, under those conditions, with that load of hate, sitting in the belly of the youngster, you give him violent games: What does he do? It's not the game itself that's dangerous, it's the way it's done: What he becomes is, he becomes *involved* in that. He becomes schizophrenic. That is, *he lives outside the real world, and lives in a world of games, video-game world; a world of fantasy and magic*. Therefore, what he becomes, is a member of a killer-oriented, violence-oriented, sadism-oriented, expression of the built-up load of hate sitting in his gut. And this becomes a socially induced form of a mass schizophrenia.

Now, let's take the case of the guy in Erfurt, Germany, the shooter, who is one of these guys, who fits *exactly* the typical model of the American teenage video-game player. He's typical of it; and I've had these guys write me, and what they write proves that I'm right. Because the way they write and the way they argue corresponds exactly to this schizophrenia. That is: How does the schizophrenia work? The game-player is in a mind-set, the mind-set of the game; the rules of the game. So, therefore, he thinks like the rules of the game. Remember, it's a competitive game. You're either competing against yourself, against the machine, or other competitors. So, everything except the rules of the game are irrelevant to you, while you're locked up, for hours on end, with playing this game out. Now, if someone comes in, and raises a question of reality--

"Your dinner's ready"--or "eating dinner's important," you react against them, because they're bringing into your game-world, they're bringing in an element of reality, which, for you, does not exist in the game-world. That's why you're schizophrenic: You have divorced yourself from reacting to society in reality; you're now reacting primarily to a set of rules, childish rules, which you play by.

So, the result, therefore, is, since the game you're playing is magic, it has no correspondence to the real world, you are now in a socially induced state of psychosis, a schizophrenic psychosis. It is not like normal psychosis. Why? Take the case of what happened in Erfurt: This kid went through the school, killing teachers, and a couple of students who got in his way. One teacher called him by name, and said, "Look me in the eye." The kid stopped. Went into the other room. The teacher locked him in, and the kid shot himself. What had happened? The kid was two people: One person was the guy who went into the room and shot himself. The other was the kid who was playing the game. He played the game as a mass murderer. But, the minute he was struck by reality, in an impressive way, when the teacher said "look in my eyes," that was the change. He suddenly flipped back into his *real*, human personality, which is a pathetic, frightened, weak personality. He shot himself--*to get out of the game*.

That's what these games are doing.

But, the point is, as I said, you can not explain the games by the game itself. Yes, the people, who develop these games, who market the games, they know *exactly* what they're doing. The intention behind the production and marketing of these games, is to create mass-killers in the United States, through video games. One who accepts the games is going to play that role, because that's what they're programmed to do. And, that's the intention behind the people who make the money out of peddling, selling these games. But, the problem is, the reason why the person becomes a victim, is because *we*, with our consumer society, with our post-1966 society, the *unreal society*, in which what is real, is what you *get*, not what you *produce*; before 1966, what was real, was the opportunity to produce something, yourself. The right to produce, the right to have a job; the right to be productive; the right to be respected, because you're useful. After 1966, the shift came: It's not what you *are* or what you produce, or what you can do, that's important. It's what you can *get*. Like, on a credit card....

So, that's the problem. So, the point is, we have *destroyed* our children! Our children are bodies of rage, and somebody comes along--like a prostitute, a pimp--comes along to the children, and pimps to them, and says, "You want to get your kicks? I can give you pleasure. Play the game!"

It's an ugly, evil story. But, what you have to do, to understand this thing, if you've been a video-game player: You have to see exactly what I just told you! You have to see why, what the load of hate is, in your belly, your sense of estrangement, of alienation from society, in your belly, which causes you to flee from reality, into the magic of electronic games. And, there, you release this load of hatred, of frustration, which comes from what is called "anomie," in your belly; and it controls you.

Therefore, you become two people: On the one hand, you're potentially a human being. That's your real self. But, on the other hand, you have a socially induced form of mass psychotic schizophrenia, which is induced in you, by conditioning, through the game. *This is Pavlovian brainwashing*, pure and simple; which produces a person, who's a real person on the one side, but has an artificial personality--a *game-like* personality--on the other side. And they flip back and forth between the two states.

ECONOMICS NEWS DIGEST

BIS Admits: BIS-ness Ain't Exactly Booming

The Basle, Switzerland-based Bank for International Settlements (BIS) published its latest quarterly review on "International Banking and Financial Market Developments," May 27, with an accompanying press release headlined, "Waning confidence in strong recovery." In its typically understated fashion, the BIS, known as the Central Bank of Central Banks, notes: "The early months of 2002 dissipated the earlier ebullient mood that had built up in financial markets during the fourth quarter. From the start of the year to the first week of May, stock prices declined and U.S. long rates edged lower with the waning of confidence in a strong economic recovery."

But, the BIS adds, it's not only the U.S. that's in trouble: "In Europe, rising oil prices and new wage negotiations raised the specter of inflation, pushing up long rates. In equity markets, investors' hopes were dashed by a lack of evidence that corporate earnings were recovering with the economy as a whole. Share prices were depressed further by continued skepticism about corporate disclosure and accounting practices, by new reports about stock analysts' biased recommendations, and by a sudden aversion to corporations that relied heavily on short-term debt."

Translation? There is no recovery, only faked accounting reports. Just as LaRouche told you.

Brazil To Drop 'Debt Bomb'? Warnings of 'Systemic Risk' Abound

Brazil's country-risk rating is nearing 900 basis points over U.S. Treasuries, and the real has fallen again to over 2.5 to the dollar, both factors which are potential detonators of the Brazilian debt bomb. The country risk rose by almost 200 points between January and May, much of it since mid-April. Two economists—Paulo Nogueira of Brazil's Getulio Vargas Foundation, and Martin Grandes of Paris's School of Social Sciences Higher Studies—told Argentina's *Clarín* that if Brazil's country-risk hits 1,000 or above, its debt load becomes "unsustainable."

Nogueira was emphatic: "There is a risk of default in Brazil." The market can be fooled, but not when risk hits 1,000, he said. He pointed, as *EIR* has repeatedly, to Brazil's gigantic domestic debt, largely short-term, and much of it coming due this year. The Central Bank is refinancing this debt, but at great cost, given the current interest rates and rate of devaluation, he said. And he noted that Central Bank reserves are insufficient, in light of the \$20 billion which Brazil must pay this year, between foreign debt service and foreign companies' transfers abroad of profits and dividends.

Under the headline, "Fears of the Tango Effect," *Clarín* wrote on May 30: "Spain, Uruguay, and Brazil are already infected, and if the picture worsens, South Africa and Egypt are on the list of candidates. Could there be another systemic crisis?"

A French banker is cited, naming South Africa and Egypt, along with Brazil, as the "weak links" which will blow "if" there is chaos in Argentina (which there has been for months, now; see below). Grandes listed the similarities between Brazil and pre-collapse Argentina: a heavy public debt load indexed to the dollar; high short-term interest rates which could become "explosive"; deterioration of its fiscal balance; \$26 billion in debt coming due this year without a clear source of financing, etc. He warned that a Brazilian collapse could set off "systemic contagion."

Argentine Collapse Hits Brazilian Industry

Until its economy hit the skids, when the banking system collapsed last December, Argentina was the biggest market for Brazilian industry, buying 20% of Brazil's manufactured products. Since then, Brazilian industrial sales to Argentina have fallen by 70%. In part because of this, industrial GNP in Brazil fell by 3.91% in the first quarter of 2002. Unemployment in Brazil's industrial heartland, the Sao Paulo metropolitan area, hit a record high of 20.4% in April, a bit over the 20.3% registered in April 1999, in the wake the real devaluation. That means 1.9 million workers in one of Brazil's most advanced areas, are unemployed.

Nor is Mexico exempt from the economic catastrophe: The Mexican peso has fallen 7% since April 1, and hit a 16-month low of 9.7705 to the U.S. dollar, on May 29. The lack of a U.S. economic recovery had to affect the peso's value at some point, A Bank of America securities strategist acknowledged that the biggest factor is the economic woes north of the Rio Grande, that is, the U.S. *non*-recovery. Notice is being taken, of the 35% drop in foreign direct investment recorded in the first quarter of 2002.

Japanese Economy Continues To Tank; Huge Corporate Losses in FY01

Total machine-tool orders placed in Japan during April fell 26% on the year, the Japan Machine Tool Association reported May 25. Domestic demand plunged 31%, while exports fell 21%. In the construction sector, five of the nation's seven mid-size contractors just posted net losses for fiscal 2001. Fujita, Hazama Corp, Tobishima Corp, Haseko Corp, and Sumitomo Construction lost, net, a total of over \$1.3 billion together. Haseko Corp. May 28 announced a group net loss of 122 billion yen, almost \$1 billion by itself, with debt exceeding assets by 121 billion yen, so it is on the verge of closing.

At the same time, corporate Japan suffered its first-ever net loss in FY01, Nikkei reported May 25-28. Japan's top 1,416 publicly traded firms will have posted a combined net loss for fiscal 2001, when all the figures are in next month, "the first time corporate Japan bled red ink as a whole in the history of the nation."

According to the survey, 30% of the companies in Japan are posting losses. The combined net loss of the surveyed firms totalled 130 billion yen, over \$1 billion. "That is a drop of historic proportions, worse than in fiscal 1977 when earnings were hit by a global recession," they note. By sector, manufacturing companies suffered a 96% plunge in net profit. Electrical machinery makers, which were forced to slash their work forces, saw their net balance deteriorate by 3.4 trillion yen. Machinery makers posted a net

UK's Vodafone Posts Record Loss After 'Upbeat' Report

Vodafone stock prices rose strongly following the release of "upbeat" annual figures May 28 by the British telecom giant. The good news was a 44% increase of Vodafone's "operating profits" to 10.1 billion pounds, somewhat higher than analysts had forecast. Vodafone chief executive Sir Christopher Gent commented: "I believe these are very strong operating results."

Whoops! Unfortunately, those "operating profits" were only what is known in the trade as EBITDA profits, that is, "earnings before interest, tax, depreciation and amortization." And, there is quite a lot that is depreciating, or rather melting down, in the Vodafone balance sheet, including the market value of Mannesmann AG, which Vodafone bought up for \$168 billion in history's biggest-ever hostile takeover about two years ago. As a consequence, Vodafone ended up reporting an annual *net loss of 16.2 billion pounds—\$23.6 billion*—the single largest loss ever by any European corporation.

Israel Blames Inflation on War, Not Economic Crisis

The Israeli Central Bank raised interest rates by 1% May 30, ostensibly to curb inflation that is running far higher than the European official level of 2-3%. It remains unclear how large a budget deficit there will be this year. Rating agencies such as Standard & Poors have been threatening for almost a month to lower Israel's credit rating, unless it "reforms" its economy.

One effect of the fear of this, is that many Israelis are buying U.S. dollars, driving down the value of the shekel, which, at last report, was 4.93. *Ha'aretz* blames this on the war, beginning with the Sept. 28, 2001 start of the Al-Aqsa Intifada. Its

editorial explains that it would hardly be possible "to be on a war footing without it costing something in the standard of living." While there may be a grain of truth in this, there seems to be no recognition that even Israel's economy is affected by the global financial and economic collapse.

New Census Data Show Growing Gulf Between Rich and Poor

Newly released U.S. Census data for the Washington, D.C. metropolitan area, including Northern Virginia, the Maryland suburbs, and the District, show that, for the 1990s, "the middle class has shrunk and income disparities have increased." Indeed, the number of households in the area "with incomes of \$100,000 or more increased by 40% over the decade," while "growth in poverty ... went up in a dozen of the region's 20 cities and counties," the *Washington Post* reported May 30. As the data reflect the 2000 Census, the impact of the dot.com and telecommunications bust, and the New Economy blowout of in 2000-2001, are not factored in the rosy picture of "well-off newcomers" living in "luxury mansions" reaping the benefits of a "decade of prosperity" painted by the *Post*. These are the deluded ones who soon will have a rude awakening as the housing bubble bursts.

The dichotomy between the housing-bubble boom, on the one hand, and the crisis in affordable housing in the area, on the other, is noted. For example, the *Post* reports the data show "nearly one in five ... homes was built after 1990," and that "the number of homes with nine or more rooms ... grew by one-third," during the decade. Yet, at the same time, an "increase in the number of homes considered severely crowded, meaning they average more than 1.5 people per room" was also shown. In the District, where the "Negro removal" plans of the Lazard Freres' Federal City Council have prevailed, the poverty rate among children grew by 6% over the decade, while those with \$100,000 plus incomes grew by 2%. Across income categories in Maryland suburbs and the District, an increase of households spending "more than one-third of their incomes on mortgage payments" occurred.

The tables below show just a few of the parameters of the Washington area data:

Table 1
Household income during the 1990s

	% of households earning less than \$25,000/year	% of households earning \$100,000 or more
N.Va	10%	31%
MD suburbs	18%	24%
DC	30%	16%

Table 2
Growth in Poverty: People living Below Poverty Level

	% of people 18yrs or older			% of Children under 18yrs		
	N.Va	MD subs	DC	N.Va	MDsubs	DC
1990	4%	5%	17%	4%	6%	25%
2000	5	6	20	6	7	31

The widening split between what Lyndon LaRouche has identified as the lower 80% of income brackets and the upper 20%, is thus beginning to be reported across the nation.

Median Price of Single-Family House in San Francisco Soars to Half-a-Million Plus

The median price of an existing, single-family home in California, jumped 26.1% in April, compared to a year ago, to a record \$321,950, reported the California Association of Realtors on May 28. In the San Francisco-Bay Area (but excluding Napa and Sonoma Counties), only 23% of people could afford the incredible median price of \$530,000 for an existing single-family home—the highest in the country—according to a CAR survey done in April. For condominiums and homes combined, the median price rose to a record \$402,000, compared to \$378,000 a year ago, for the nine-county Bay Area, according to DataQuick Information Systems.

UNITED STATES NEWS DIGEST

LaRouche: President Bush Had No Pre-Knowledge of Sept. 11—Because al-Qaeda Didn't Do It!

During his May 28 international webcast, Democratic Presidential pre-candidate Lyndon LaRouche was asked about the charges that President Bush was alerted during August to what became the Sept. 11 attacks. LaRouche declared that the entire story is a "fraud," being put forward by a bunch of "Democratic fakers." President Bush could not have known that al-Qaeda was about to carry out an attack, he said, because it was *not* al-Qaeda who organized the attack. It was not in al-Qaeda's capability to launch the Sept. 11 operation, which was, in fact, an attempted coup d'etat against the U.S. government, the Bush Administration, and President Bush himself.

To say that the President had access to information that al-Qaeda was about to attack, "is a lie," LaRouche said. There was a general security threat to the United States in August of 2001, which he himself was involved in monitoring, but it had nothing to do with al-Qaeda.

LaRouche elaborated:

"I don't care how many times people have said, 'al-Qaeda did it,' or 'it came from Osama bin Laden,' *it did not happen*. Osama bin Laden and al-Qaeda did not have the capability of even *beginning to do* what happened to the United States on Sept. 11.

"So, you say you had information they were going to do it, just because you now wish to say they did it, it doesn't mean it's true. There is no truth to the official story about Osama bin Laden's being the author of what happened in New York and Washington, D.C. on Sept. 11. Nor has any government official, of any government ever presented the slightest whiff of credible evidence, or plausible evidence, to *show that! No proof has ever been submitted!* So, the government is around, bombing the world, and no proof has been submitted, that the alleged perpetrator actually did it! That's your FBI at work for you. 'We're going to convict him anyway. Why bother with proof?' That kind of mentality.

"So, the President *did not* have any such information. No one gave him such information. He didn't miss the boat on anything. What you have, is, you have a couple of Democratic fakers, who've gotten into the act, of the Joe Lieberman type, who're trying to spin this into a story of the incompetence of the President, who didn't know what was going on. *Nobody* knew what was going on, except the perpetrators! This was a highly sophisticated, military-type operation, which had been in preparation for a year to two years; highly planned; could not have been done by any of the so-called alleged

perpetrators.

"You have to ask yourself a question: All the planes were scheduled to go in the air, at the same time, about the same time. From Dulles and from Boston. Why didn't they hit Washington first? Look at the movements. Some of this on the Internet—reports of this stuff, in the declassified section, of the exact routes of these planes, and what time they were supposed to take off; how they maneuvered; how the maneuvers were coordinated. These planes each made a turn, after the previously assigned plane had made its hit! Why'd they hit New York towers? Because, whoever did it, *intended to blame Arabs, tied to al-Qaeda, for it*. See, what would have happened, if they had hit Washington first? They probably would have gotten the Vice President and probably the Secretary of Defense. What did they do, by hitting New York first? Well, remember in New York, there was a big agricultural fertilizer bomb, was put in the basement of one of the Twin Towers, in New York? There was a trial, up there; some people went to jail; this guy, who was tied to al-Qaeda—this sheikh, who had been a U.S. asset—tied to al-Qaeda, was indicted and convicted in the process? So, by hitting the Twin Towers first, you pin the tail on the donkey of al-Qaeda—at least in the minds of all paranoid Americans, of which there is an abundant supply; including, probably, the President, who is not exactly the sharpest intelligence agent in the world.

"So, there was no basis for it. So, why does somebody come out and say they have evidence? The evidence is, a secret operation, which nobody expected, *hit*. But, we had a great number of things, on which there were many reports floating around, and I was involved in some of this stuff: reports of security threats to New York and other places, associated with a terrorist component of the same people who ran Seattle, Genoa, and so forth. They were about to hit Washington in a way, which I said was a national security threat. So, I said, we have to *look* at this thing, when this kind of planning—and we looked at the way this thing was being covered up, the way this was being put in place: This was *big*. No responsible government would allow that to happen. An open plan for virtual insurrectionary state of affairs, in Washington, D.C., the nation's capital? What government in the world would let that happen? Would not intervene to head it off, before it happened? But they weren't doing it!

"And, that was the big scandal. Sure, the President was briefed. Almost everyone, probably everybody in the Washington, D.C. police department was briefed on that one! Every police department and sheriff's department was briefed on that one! Of course there were reports all over the place. But, did it have anything to do with the story that's being told, about the claims made by the Democrats? Was there ever any proof that al-Qaeda was involved? *Never. No proof has ever been submitted, and none could be submitted*. Not conclusive: Because al-Qaeda couldn't have done it. It's not within their capability."

Ashcroft Scraps Post-Cointelpro FBI Guidelines

During the past week, U.S. Attorney General John Ashcroft and FBI Director Robert Mueller, have announced sweeping changes in FBI and Justice Department operations, which throw out virtually all of the reforms made in the wake of the exposures of Cointelpro operations and the widespread violations of Constitutional rights which were rampant in the 1950s and '60s.

However, this is not just a throwback to the 1960s. Today's changes take place under conditions of global financial collapse, the crumbling of the Bush Administration's policies in all directions, and the establishment of the U.S. Northern Command (USNORTHCOM), which Lyndon LaRouche has described as "a preparation for the Pentagon to cross the Potomac one morning, to place the Attorney General and his minions in power, reducing the President himself to a ceremonial, or even lesser figure in the configuration."

Ashcroft and Mueller held a press conference on May 29 to announce a reorganization of the FBI, in which the Bureau's top two priorities are now to be: (1) to protect the United States from terrorist attack, and (2) protect the United States against foreign intelligence operations and espionage. Law enforcement and prosecution of crimes are no longer matters of

priority for the FBI.

At the press briefing, Ashcroft announced wholesale revision of the Attorney General's guidelines governing FBI investigations. Under the new guidelines, FBI agents will be free to monitor religious and political organizations, libraries, and Internet chat rooms—among other activities traditionally protected by the First Amendment.

In the wake of the Church Committee and Pike Committee Congressional hearings in the 1970s on abuses by U.S. intelligence agencies, guidelines were adopted which, at least in principle, barred the FBI or other agencies from monitoring such activities unless there was reason to believe that Federal laws were being violated, or were about to be violated. Under the changes announced May 29, all such restrictions have apparently been lifted.

In the press conference, Ashcroft said that, from the first moments after the Sept. 11 attacks, "We understood that the mission of American justice and law enforcement had changed," and that from that point on, "The prevention of terrorist attacks became the central goal of the law enforcement and national security mission of the Federal Bureau of Investigation."

FBI agents "are frustrated because many of our own internal restrictions have hampered our ability to fight terrorism, Ashcroft said, blaming "the current investigative guidelines" for contributing to this.

"Beginning in the 1970s, guidelines were developed to inform agents of the circumstances under which investigations could be opened, to inform agents of the permissible scope of the investigations, and to inform them of the techniques that could be used and the objectives that should be pursued," Ashcroft continued, and then stated, incredibly: "These guidelines provide limitations and guidance over and above all the requirements and safeguards imposed by the Constitution, so that these are additional restrictions other than Constitutional ones, and they're beyond the legal framework established by the Federal statutes enacted by the Congress."

The fact is that the guidelines were promulgated because the Congress and the courts had found massive Constitutional violations by the FBI and other agencies, and the FBI and Justice Department would have been faced with legislative restrictions had they not "voluntarily" imposed the guidelines themselves.

SEC Probes Accounting Fraud at Halliburton, Other Firms

According to a variety of sources of May 29 (Bloomberg, the *New York Times*, and the *Wall Street Journal*, the Securities and Exchange Commission (SEC) is probing accounting fraud at Halliburton and Deloitte & Touche. Meanwhile, the chief of Dynege Corporation has resigned in the midst of an SEC probe of his company.

*Halliburton, the world's second-largest provider of services to oil and natural-gas companies, said the SEC has launched a preliminary investigation of its practice of counting as revenue cost overruns on disputed construction projects, even before the customer agreed to pay for the overruns. Halliburton expects to receive a formal request for documents or a subpoena, in the next few days. The change in policy was adopted in 1998, (under then-CEO Dick Cheney, who is now Vice President of the United States), when the company's shares fell 43% and it posted a \$14.7 million net loss, amid falling oil and gas prices.

*The SEC is investigating Deloitte & Touche, the firm that audited Adelphia Communications' books and appears to have been the auditor for entities controlled by the Rigas family (Rigas was the former CEO of Adelphia), which received \$2.3 billion from Adelphia. Deloitte, it seems, never informed Adelphia's audit committee that the family was using the company's credit lines to buy Adelphia stock.

Deloitte also faces a trial in Britain, brought by bondholders seeking \$300 million in penalties, for its role as auditor for Barings Bank, which collapsed in 1995.

Moves to Resuscitate D.C. General Hospital?

"Resuscitating D.C. General?" is the headline of the front-page feature story in the latest issue of the *Washington Business Journal*, reporting that the Doctors Community Healthcare Corp. has hired two consulting firms "to study whether it makes sense to open a new full-service hospital at the site of D.C. General Hospital, which city officials closed just a year ago."

This move by the DCHC privateers comes just as the city's "Master Plan" for the D.C. General site is up for consideration by the D.C. City Council, and as one or more Council members are known to be considering submitting a bill to require a hospital on the site before any other "redevelopment" can take place.

The *WBJ* story cites Ana Raley, the president of DCHC's Greater Southeast Community Hospital, as saying that a small hospital with 120 to 200 beds is under consideration. "Everyone has an opinion about wanting a hospital there," Raley says.

However, District officials, such as City Administrator John Koskinen, say "we have no indication there's any more need for more hospital beds," adding, "If you look at the history of the past five years, that is not the history of a shortage of hospital beds."

"That's just nonsense," responds Council member David Catania. "That's the same crap they said last year when they were trying to close the hospital."

Catania says that the fact that DCHC is conducting a feasibility study, is a "pretty compelling statement" that a small hospital with a fully equipped emergency room is needed at the site, and he says that the ER now at D.C. General is "a joke."

At a hearing May 28 of the full District of Columbia Council, called to consider the "Master Plan" for the D.C. General site (which would demolish all the present hospital buildings, and put condos, parks, high-rise buildings, stores and office buildings in their place), LaRouche representatives presented Lyndon LaRouche's May 20 statement, "The Case for D.C. General Hospital," calling for a full-service general hospital which would be an integral component of a national health-care security program.

Study Shows—Not Surprisingly—Skilled RNs Save More Lives

Skilled hospital nurses save more lives from deadly complications, than do the unskilled medical staffers who have increasingly replaced Registered Nurses, since the advent of "managed care" and Health Maintenance Organizations (HMOs). According to a just-released study by the *New England Journal of Medicine*, researchers from Harvard and Vanderbilt Universities analyzed 6.2 million patients released from 799 hospitals in 11 states in 1997 (about 25% of all who were discharged nationwide). According to the May 30 *Washington Post*, the researchers compared the 25% of general medical and surgical patients who got the most nursing care, to the one-fourth who received the least. The nursing care was analyzed by the number of hours, and how many of those hours were provided by Registered Nurses (RNs)—the most highly skilled, Licensed Practical Nurses (LPNs), and the least skilled, nursing aides.

As one might expect, the study found that patients with the greatest proportion of RN care, relative to LPNs and aides,

were 9% less likely to suffer shock or cardiac arrest, or to get urinary tract infections. They also spent 5% less time in the the hospital; surgical patients with more hours of RN care were 6% less likely to die from pneumonia, shock, or cardiac arrest, upper gastrointestinal bleeding, blood poisoning, or clotting.

Zero health benefit was found from more care by either LPNs or aides, which, as the *Post* noted, "brings into question the cost-cutting practice at some hospitals of replacing RNs with less skilled nursing staff."

Lieberman's DLC Teams with 'Conservative Republicans' To Promote John 'TR' McCain, the Real Manchurian Candidate

Senator Joe Lieberman's Democratic Leadership Council, in the current issue of its magazine *Blueprint*, carries two pro-McCain articles by right-wing ideologues—Marshall Wittmann, of the Hudson Institute and its Bull Moose Party project, and Tod Lindberg, of the Hoover Institution and former editorial page editor of the *Washington Times* (1991-1998).

Both DLC pieces praise McCain as the new Teddy Roosevelt, and demand that President Bush copy TR and give up his echoes of President William McKinley. TR is portrayed, at some length, as a progressive hero, against the reactionary McKinley.

The Lindberg piece is blatantly fascist, praising McCain's "rogue state rollback" policy, praising the Ashcroft "Freedom Corps" (which includes the blockwatch and mass FBI-informants programs) as originally a McCain/DLC proposal, and demanding overwhelming government "energy" in our new task—fighting terrorism. In a 1999 article in the same DLC magazine, "conservative" leader Lindberg totally endorsed the "Third Way" and the DLC.

The Hudson Institute is a "conservative think-tank" sponsored by the Pulliam family of Indiana. Eugene Pulliam (grandfather of Dan Quayle) was a newspaper-man promoter of Teddy Roosevelt and J.P. Morgan against the McKinley wing of the Republican Party. He moved to Arizona, took over the *Arizona Republic*, and ruled the state in partnership with the Bronfman-generated mob—together they created John McCain and other politicians there.

At the end of his piece, Wittmann warns President Bush as follows: "The war has brought out his [Bush's] inner TR, but he needs to leave his inner McKinley behind."

White House Not Pleased with Hollywood's Terror-Mongering

The White House is not pleased with Paramount Pictures' new nuclear-terror movie, "The Sum of All Fears," according to the online *Drudge Report*. The story line of the movie, which stars Morgan Freeman and Ben Affleck, was released May 31, and is based on a Tom Clancy potboiler, involves terrorists who, seeking to start World War III, explode a nuclear bomb during a sporting event in a Baltimore stadium. Among the movie's scenes—a bleeding President being removed from his car by the Secret Service.

The *Drudge Report* says a senior Bush Administration official believes the movie crosses over the line of civic responsibility and commerce. "The President, of course, will let Hollywood be Hollywood, he will not publicly comment on this," the official said, "but I can tell you he is not enthusiastic. I, myself, have serious, serious reservations"—including that it may "numb-down" the public to real warnings issued by the government.

IBERO-AMERICAN NEWS DIGEST

Argentine War Hero Addresses LaRouche Webcast

According to a press statement released May 31 by the campaign committee of Democratic Party Presidential pre-candidate Lyndon LaRouche, the Argentine war hero, former Col. Mohamed Ali Seineldin, made a special address via phone hookup to LaRouche's Memorial Day webcast May 28. Seineldin is highly regarded by patriots throughout Ibero-America, for his defense of the nation-state.

The LaRouche campaign press release reported in full Seineldin's remarks, in English translation:

"My dearest brother, philosopher of humanity, my good friend, Lyndon LaRouche.

"This is former Col. Mohamed Ali Seineldin, speaking to you from the Campo de Mayo military prison in the Republic of Argentina, who sends you, with a very warm embrace, my immense joy at being able to share in your orders, this difficult but marvelous struggle, for the good of humanity, and for a better world.

"You can be absolutely certain that from Ibero-America, together with our mutual friends Marivilia Carrasco, Lorenzo Carrasco, Gerardo Teran, and many others, we are fighting for the triumph of your ideas, and your projects, which are now being accepted, and propagated throughout circles everywhere.

"One of the clearest proofs of this is the integration we have achieved between Argentina and Brazil, which is advancing with a lot of strength, and a lot of faith. And the other one is the acceptance, without a doubt, of your economic proposal, which is the only lifesaver for those nations of Ibero-America, which are currently being destroyed.

"Finally, so as not to extend myself too much, be aware of the fact that we are working to carry the banner of your marvelous message of unity; either we join together, or we hang together. The alternative we face in this crucial moment is: Either we continue with the destruction of the world that has been carried out by the international establishment of the Bushes, the Kissingers, the Soroses, etc., or we lift the standard of the reconstruction of the world with the gentleman and patriarch, Lyndon LaRouche.

"I pray to God and to Mary of Mercy, for the good that you represent to triumph, and that we can save humanity and the human species from the danger which it faces today.

"For God and the great Ibero-American fatherland, Mohamed Ali Seineldin, former colonel."

Prudent To Pardon Seineldin—Argentine Defense Minister

"It would be prudent to pardon Seineldin," stated Argentine Defense Minister Horacio Jaunarena, in comments to *Clarín*. The daily said that Jaunarena thought it would be wise to pardon or commute the sentences of Seineldin and Cuban-linked terrorist Enrique Gorriaran Merlo. "A measure of this type seems prudent to me," he said, but quickly added that anything like this would have to be a "political decision by the President, if he feels it appropriate [as a way of] calming spirits." Jaunarena also emphasized the necessity of "redesigning" the Armed Forces in a "very broad restructuring," in which personnel would be reassigned, rather than fired.

Brazilian President: Promote South American Integration

The promotion of South America's physical integration is the appropriate way to respond to protectionist tendencies in the

U.S. and elsewhere, Brazilian President Fernando Henrique Cardoso told the opening session of the Initiative for the Integration of South America's Regional Integration (IIRSA) conference, which began in Brasilia May 26. Contrasting with some of his earlier criticisms of U.S. protectionist tendencies, Cardoso told businessmen and representatives of 12 South American governments that "an intensification of interrelationships in our own region" and "concrete actions" are the best way to respond to the "uncertainties" of the world situation, according to coverage in the May 27 *Jornal do Brasil*. Even more than regional trade agreements, which he described as "complex," Cardoso proposed "physical integration" as the best way to "take a leap forward, not backward.... We must advance among ourselves, if we are not able to move forward with the rest of the planet."

IIRSA was founded in August 2000, proposed by Cardoso as a way to replicate Brazil's own "Avanza Brazil" infrastructure program in other Ibero-American countries. IIRSA study groups identified 123 projects in energy, telecommunications, and transportation, some of which are close to completion. The IIRSA plan is based on a concept of creating "axes of development," taken from the "Advance Brazil" program.

Brazilian Establishment's Traditional Pro-U.S. Orientation Breaking Down

The number of Brazilian public statements protesting U.S. "unilateralism" has increased since the U.S.-directed ouster of Brazilian diplomat Jose Maurico Bustani as head of the Organization for the Prohibition of Chemical Weapons, followed by U.S. protectionist actions. For example:

*Miguel Jorge, vice president of the BANESPA-Santander banking group, issued an open letter to newly arrived U.S. Ambassador Donna Hrinak, protesting that she had refused to comment on the ouster of Bustani, dismissing that as "yesterday's news." "It is a bad habit of the White House to call everything that its representatives don't wish to debate, 'yesterday's news.'... Brazil is upset with Washington's decisions," he wrote. He added a postscript: And, as for your statement that your 17-year-old son came to teach us to play baseball, "I'm sorry to disappoint him. We are never going to learn it."

*Criticism of U.S. "unilateralism" dominated the XIV National Forum annual policy seminar May 9. The most moderate was Foreign Minister Celso Lafer, who commented that "the room for nuances has diminished, with the polarization of the friends-enemies axis." Brazil's Ambassador to Washington, Rubens Barbosa, reiterated that President Cardoso had "questioned the prioritizing of the war against terrorism as something which reduces development to a secondary level, and hijacks the [international] agenda." The Ambassador to Cuba, Luciano Martins, received general applause when he denounced current U.S. global unilateralism as "irresponsible," in the sense of being "unaccountable" to anyone or anything. Development Minister Sergio Amaral stated flatly that "we must admit the hypothesis that the Free Trade Accord of the Americas (FTAA) could be put off, or that it might not be reached." Amaral stated that Brazil will have no reason to reach an accord, if the U.S. refuses to put key products on the table for negotiation.

*The May 13 editorial of *O Estado de Sao Paulo*, entitled "The U.S. Attacks Again," protested U.S. steel protectionism, declaring that the Bush government "invented trade terrorism," and would not hesitate to use it to "devastate the world market." "There is no reason to discuss cooperation, be it in the area of trade, be it in other areas, with a partner who only knows savageness and unilateral interests."

Uruguayan Leaders Deny Rumor of Freeze on Bank Deposits

According to the May 24 issue of the Argentine newspaper *Clarín*, Uruguay's President and Economics Minister were both forced to deny wildly circulating rumors that the government would impose a freeze on bank deposits, like Argentina's "corralito." The Central Bank of this small country of just over 3 million people has lost 47% of all its reserves since the Argentine crisis detonated. (This drain includes Argentines who are pulling their money out of the Uruguayan banks, since

they can't get at what they have in Argentina.) President Jorge Batlle admitted there is a crisis, "of course," but said this provides a "terrible advantage," an opportunity to put through the reforms which no one wants to accept. The International Monetary Fund is demanding Uruguay sell off its still-strong state sector, which provides jobs for one out of every six Uruguayans.

Meanwhile, the Uruguayan government doesn't have enough votes in the Congress to approve the austerity package recently presented by President Batlle. The package includes proposed hikes of income and other taxes, increased utility rates, and other measures the IMF is demanding as conditionalities for new loans. Fifty votes are required to approve the legislation, and although there are 55 legislators belonging to the government coalition, at least six say they don't support the measures. Alejandra Rivero de Bejerez said her "no" vote was due to the fact that the government's fiscal adjustment package "contains no measures for economic recovery." Uruguay's Constitution stipulates that if the legislation is rejected, it can't be submitted again until next year.

Leaders of the PIT-CNT trade-union federation met with Presidential adviser Carlos Ramela to protest the proposed austerity measures, arguing that the government is demanding "more sacrifice" to continue imposing the same neoliberal measures. The question of how to launch an economic recovery must be addressed, said labor leader Juan Silveira, and what about a "reform of the financial system?" What is the role of the public sector as part of the country's overall productive apparatus? The government won't discuss any of these crucial matters, he charged.

LaRouche Associates Tour Ibero-America

Longtime Lyndon LaRouche associate Dennis Small on May 27 Uruguay's Center for National Advanced Studies, the country's strategic studies graduate school for civilians and military, which operates under the Defense Ministry. Some 85 people attended, as the word went out that "LaRouche's rep" would be speaking—more than the students in this year's class. Small addressed the nature of the world crisis; the significance of Sept. 11 and the way it has been used by the utopian "permanent war" faction in the U.S.; the West Point tradition vs. the utopians; and LaRouche's solution. Those present received Alexander Hamilton's *Report on Manufactures*.

On May 23, Small had spoken at a forum in Buenos Aires, on the theme "There is an alternative to economic suicide: the LaRouche solution!" Participation overflowed the room, whose capacity was 200 people. Attendances included European and Asian diplomats, military officers, judges, members of different political parties, students, and lots of subscribers and old friends who have followed LaRouche since the 1980s, were present.

Small began by saying, there once was a country where one in three people were unemployed, and banks were closed. It had been a proud country, but its people were demoralized and frightened—until they elected a President to provide leadership. That country was the United States, and that President was Franklin Delano Roosevelt. The U.S. faced a situation of poverty and crisis like that of Argentina today—where people have become angry and, worse, pessimistic and cynical. Cultural pessimism is very dangerous, Small warned. The anger must be turned into the driving force of a mobilization for a solution.

Argentina must bank everything on "the LaRouche option," the only way out of this crisis which is not "Argentine," but a crisis of the global system, Small stressed.

Meanwhile, another longtime LaRouche associate, *EIR* senior editor Jeffrey Steinberg, was in Monterrey, Mexico for three days, May 22-24, at the invitation of the Monterrey City Council, the Mayor's Office of Guadeloupe (a working-class suburb of Monterrey), and several major universities. He gave a series of well-attended lectures on "The New Violence" and "The World Since Sept. 11," focussed on the global financial collapse and the LaRouche solution, and also addressed an *EIR* seminar, attended by approximately 80 subscribers and supporters, including a large contingent of young people,

mostly university students.

Steinberg's events included numerous media interviews, a lecture sponsored by the Law School at the Autonomous University of Nuevo Leon, a second event at the AUNL campus, at the Biology School, an event sponsored by the Monterrey City Council, and, finally, a lecture at another private university in Monterrey, on the danger of a global Thirty Years' War religious conflict, and the relationship to the financial collapse.

The situation in Monterrey is dramatic. There have been massive layoffs and shutdowns in the *maquiladoras*, which surround the city, and the older national industries have also collapsed even more substantially. It is a graphic example of the tremendous potential of Mexico, on the one hand, and, on the other, the accelerating rate of real economic collapse, brought on by the NAFTA free-trade and globalization policies of the past decades.

WESTERN EUROPEAN NEWS DIGEST

Danube Basin Countries Adopt Declaration on Regional Cooperation

Delegations representing the 13 countries comprising the Danube River's basin area—Austria, Bosnia and Hercegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Germany, Moldavia, Romania, Slovakia, Slovenia, Ukraine, and Yugoslavia—agreed on May 27, in Vienna, to amplify and improve the existing cooperation and support the existing international organizations active in the Danube area, through a Danube Region Cooperation Process, with the aim of:

*Improving economic cooperation to make optimal use of the Danube for transport;

*Developing regional infrastructure;

*Bringing countries that are potential candidates for European Union membership, but have not yet started the association process, like Ukraine and Moldavia, closer to the EU.

The cooperation also covers the areas of culture, tourism, and ecology. The process is conceived as a continual effort, based on bi-annual conferences at the Foreign Ministerial level. The next such meeting is to be held in 2004, in Bucharest, Romania.

NATO Troops Raid Bosnian Serb Air Force HQ

According to a report filed with AP out of Sarajevo on May 29, NATO troops on May 28 raided the Bosnian Serb Air Force headquarters, investigating Bosnian espionage against SFOR and NATO. An estimated 50 troops took part in the raid of Bosnian AF headquarters in Banja Luka, SFOR spokesman Maj. Scott Lundy reported. Specifically, the allegation has to do with Bosnian Serb electronic monitoring of SFOR and NATO aircraft. The raid followed an investigation of two Bosnian radar sites in northern Bosnia accused of observing NATO communications, which monitoring is banned under the 1995 peace agreement. Computers and documents were seized in the raid.

The head of the Bosnian Serb Air Force, Lt. Col. Gen. Milan Torbica, has been suspended by SFOR commander Lt. Gen. John Sylvester, pending a full investigation. Sylvester also demanded that the Bosnian Serbs disclose electronic warfare and electronic intelligence monitoring operations directed at SFOR, and banned any Bosnian Serb Air Force training or movement during the investigation.

Meanwhile, according to a variety of Balkan sources over the days May 22-26, the fourth military attack has taken place against Macedonia in four days: On May 25 the new Kosovo Liberation Army—now calling itself the Albanian National Army (ANA)—launched its fourth terrorist attack on the Macedonian Army in four days. The renewed campaign was unleashed while the Kosovo Assembly on May 23 voted a resolution declaring the borders with Macedonia "illegal." The representatives of the Serbian community in Kosovo refused to participate in the debate.

Following the 1999 NATO bombings of Yugoslavia, including Kosovo, the Serbs in the province have been subjected to a campaign of constant aggression and harassment. A large number were forced out of Kosovo by ethnic cleansing. The Assembly itself is an administrative organ put in power following elections conducted under the control of NATO, elections that Serb representatives have declared lawless. The Assembly, however, has only administrative powers, at least officially. Decision-making is in the hands of NATO and the UN administrator. Officially, the province of Kosovo is still a part of Yugoslavia, on the basis of UN Resolution 1244.

The Kosovo Assembly resolution calling the borders with Macedonia "illegal" was also made while the Kosovo "Prime Minister," Bajram Rexhepi, was on an official visit in Washington, and was received as the "Prime Minister" by Secretary of State Colin Powell. Rexhepi, who is a former member of the Kosovo Liberation Army, told the Washington media that Kosovo independence under the present regime has to be accepted, because "There are radical groups [in Kosovo—ed.] ready to start a conflict if we do not see action." Until the May 25 attack, leading NATO officials had maintained a consistent position of minimizing the relevance of the new wave of terrorist attacks, calling them "isolated" and "limited." However, the ANA forces have been seen training in uniform, without prompting any intervention by NATO or the many agencies of the international community.

The UN high representative in Kosovo, the UN Security Council, the U.S., Europe, and so on, have rejected the Kosovo Assembly's resolution concerning the borders, but the terrorist operations, instead of decreasing, are escalating. The situation is similar—according to well-informed Balkan sources—to what happened in Macedonia last year with the terrorist offensive launched out of Kosovo.

The Macedonian Prime Minister said the resolution on the borders means "cold or even real war." Ljubco Georgievski stated May 24 that the Kosovo Assembly's resolution declaring the Macedonia border "illegal," raises a situation of war-tension similar to that between India and Pakistan. "The nonrecognition of the borders constitutes a real and continuous danger," he said, "as a new assault like the one of yesterday could happen tomorrow or in the future." The Prime Minister stressed that several times Macedonia has requested increased NATO attention to the borders inside Kosovo, making concrete proposals, "but for inexplicable reasons we never did get a satisfactory response."

Interestingly, Georgievski also denounced the International Monetary Fund. In fact, in a pre-electoral situation (elections will take place in September) and while the trade unions have declared a general strike due to the dramatic economic conditions, Georgievski said he intends to increase minimum wages. However, the IMF has vetoed it; wages must remain frozen despite the galloping inflation. "The problem is not that Macedonia does not have enough funds allocated to increase the salaries ... the problem lies with the IMF ... the IMF does not want to open this issue. In the past three years I have been stressing that, but pressures are imposed by the international organizations that insist that salaries must be 'frozen.' ..."

More German States Impose Budget Freeze

More German states are imposing budget freezes, with three states—Hesse, Saarland, Thuringia—announcing such steps in one day alone. The states are running into ballooning deficits because of drastically sinking tax revenues.

Several other states, like Berlin, Schleswig-Holstein, Hamburg, Bremen, Lower Saxony, are in the same situation and had

already decreed a budget freeze.

All of this implies that every single euro assigned for spending will be up for review, before its expenditure is authorized. The budget freeze therefore actually amounts to a budget cut.

Rifts in Atlantic Alliance Get Renewed Attention from U.S. Writers

In the aftermath of President Bush's trip to Europe, the rifts and tensions in the Atlantic Alliance are coming in for renewed scrutiny from American editorialists and policy gurus.

Thus, *Newsweek International* editor Fareed Zakaria writes in the June 3 issue of *Newsweek* magazine that Europe must get back into the business of making war. "A battle is brewing across the Atlantic, but it's mostly a war of words," Zakaria says, referring to accusations of European "anti-Semitism" and "irrelevance," and U.S. "global hegemony" and "unilateralism."

"Beneath the Atlantic froth, however," he continues, "there is one large issue that, unaddressed, could fatally divide the Alliance. If it wants to be a global power and a player in the Atlantic Alliance, Europe has to get back into the business of making war.... Europeans simply do not believe in making war anymore."

The division of labor—that "Americans fight and Europeans do peacekeeping and reconstruction"—can't be sustained. "Military power trumps all others...."

Zakaria says that Europe will have to develop a significant strike force, which would strengthen the Alliance, and would make Europe "a more mature world power."

Meanwhile, in a May 26 op ed in the *Washington Post*, Robert Kagan (a resident clash-of-civilizations guru at the Carnegie Endowment, where his specialty is China-bashing), wrote that the source of "the U.S.-Europe divide" is that "Europe ... has entered a post-historical paradise, the realization of Immanuel Kant's 'perpetual peace.' The United States, meanwhile, remains mired in history, exercising power in the anarchic Hobbesian world, where international rules are unreliable, and where security and the promotion of a liberal order still depend on the possession and use of military might."

"The irony is that this transatlantic disagreement is the fruit of successful transatlantic policies. As Joschka Fischer and other Europeans admit, the United States made the 'new Europe' possible—by leading the democracies to victory in World War II and the Cold War, and by providing the solution to the age-old 'German problem.' Even today, Europe's rejection of power politics ultimately depends on America's willingness to use force around the world against those who still do believe in power politics. Europe's Kantian order depends on the United States using power according to the old Hobbesian rules.

"Most Europeans don't acknowledge the great paradox: that their passage into post-history has depended on the United States not making the same passage. Instead, they have come to view the United States simply as a rogue colossus, in many respects a bigger threat to the pacific ideals Europeans now cherish, than Iraq or Iran. Americans, in turn, have come to view Europe as annoying, irrelevant, naive and ungrateful, as it takes a free ride on American power...."

Turkish Prime Minister Ill, Misses Meeting on EU

Turkey's Prime Minister Bulent Ecevit is very ill, so much so that he missed a meeting on the European Union. Ecevit has been hospitalized twice in the past month, the second time earlier this week. However, Ecevit was too ill to meet with his

top military and political leaders May 30 in the National Security Council. The purpose of the meeting had been to discuss Turkey's efforts to join the European Union.

Asia News Digest

Indonesian Intelligence Figure Says State Department Terror Report a Fraud

The former Indonesian intelligence chief, Maulani, called the recently released U.S. State Department annual terrorism report an economically motivated fraud. According to *Agence France Presse* from Jakarta, he said the main aim behind the U.S. accusation that Indonesia harbors al-Qaeda and other terrorists was to weaken the forces of Islam in Indonesia and to control its abundant natural resources. "To maintain its sole superpower position, its war and economic industries should survive, and they need oil. The world's largest oil producers are in the Islamic world and that is why there is a need for U.S. hegemony over the Islamic world," he charged.

Maulani said he believed the United States was bent on dividing Indonesia into smaller states so that none will have the power or capability to stand up to the Americans. "They are applying a preventive strategy, to prevent Islamic countries, including Indonesia, from becoming advanced countries."

Indonesia should do all it can, he said, to safeguard national dignity in the face of such pressure, which was made difficult due to the huge foreign debt. "There is no dignity in the international world for debtors and the worst thing is that we are the world's largest debtor," Maulani said.

Indonesian Expert Says U.S. Returning to the Cold War

"I am afraid Mr. Dulles is leaving the airport behind, and returning to politics—the U.S. seems to be moving back to the Cold War." So said Indonesia's foremost expert on military-civilian affairs, Professor Salim Said of the University of Indonesia, speaking in Washington at a USINDO Society meeting on military reform in Indonesia. In response to a question from *EIR* regarding his view of the utopian permanent-warfare faction around the Wolfowitz cabal in the Administration and Congress, Said said: "In the 1960s, the U.S. thought that democracy was not working in Indonesia, and that there were only two choices: either Communism or a military dictatorship. So it supported a military takeover against the father of this President, Megawati Sukarnoputri, and the PKI (The Indonesian Communist Party). I apologize for saying this, but it was asked. You Americans must learn to be more patient. The *New York Times* reports all the time that there are terrorists all over Indonesia, and that Indonesia must give up its new democratic laws against arrests without cause, and go out and arrest all these people you say are terrorists. I am afraid America will now say that Megawati and the Indonesian democracy will not be able to defeat the terrorists, so you will again support a military dictatorship."

He also said that Singapore's Lee Kuan Yew, who keeps telling Indonesia to arrest terrorists, "is seen now as an agent of America, of doing their bidding." He quoted an Indonesian General to the effect that Indonesia, too, placed "conditions" on U.S. assistance and investment—that the two countries must be equal partners, not one pushing the other around.

South Korean Paper Accuses U.S. of Stalling Talks with North Korea

"U.S. Blamed for Stalling Talks with NK" was the headline in the May 29 *Korea Times* headline, a thinly disguised leak from South Korea's Presidential palace aimed to pressure the utopians in the Bush Administration to stop the sabotage. "The envisioned dialogue between North Korea and the United States has long been delayed because key policymakers in the U.S. Administration have shown conflicting approaches, according to sources in Seoul," the *KT* wrote. Talks were originally to take place in June with a visit to Pyongyang by U.S. Ambassador Jack Pritchard, arranged in April at a

meeting of North Korean leader Kim Jong-il and President Kim Dae-jung's special envoy, Lim Dong-won.

"Sources attribute the delay to the failure of the U.S. in working out a delegation, timing, and a specific agenda for the talks. The functional specialists in the U.S. State Department, represented by Under Secretary John Bolton, have been disputing with regional (Asia) specialists led by Assistant Secretary James Kelly," they report, with lunatic Bolton insisting the U.S. must "mobilize for military options against Pyongyang" and "[wield] considerable clout in the U.S. foreign policy arena."

"Pentagon officials have been maintaining the upper hand over State Department counterparts on security issues, including those on the Korean peninsula," another "observer" was quoted as saying. The Pentagon (that is, the Wolfowitz-Perle utopians) he said, are "insisting on no dialogue for its own sake," to wit: We won't talk just to talk; we must first be assured of the results we demand. Their demands include deal-breakers such as the ultimatum that North Korea remove its million-man army from the edge of the Demilitarized Zone between the two Koreas.

Japanese Paper: China Taking 'Anti-Free-Trade' Actions To Protect State Industries

China is having to take "anti-free-trade" actions to protect state-run industries, even after having joined the World Trade Organization (WTO), the Japanese paper *Asahi Shimbun* reported May 29. Beijing "is likely to incur the wrath of other nations with its anti-free-trade actions, such as tariffs on steel imports and anti-dumping investigations into chemicals," the article stated.

In accordance with WTO rules, Beijing lowered steel tariffs in January, but, especially after the U.S. imposed its "safeguard import curbs," China's steel imports from Japan and other countries jumped 28% year-on-year during January-April. The price of thin steel sheets has fallen 15%, and large steel producers have faced profit crashes of 6-7%.

Also, Chinese enterprises have complained about the dumping of foreign chemical products. Hebei Cangzhou Dahua Co., a big chemical producer, is down to working at only several thousand tons of its 30,000-ton manufacturing capacity, due to low-cost imports.

The *China Business Times* on May 20, according to *Asahi*, complained that the government moves towards reintroducing protection would prop up weaker state enterprises and force consumers to use lower-quality Chinese steel. "Private firms ... have been betrayed by the government's change in tactics. Beijing wants to protect state-run firms to prevent a surge in unemployment," complained the *Asahi* article.

South Asia News Digest

India's Advani Talks Plainly to Britain's Straw About London Pass-Along of Terrorist Money

During a rough 75-minute meeting between India's Home Minister L.K. Advani and British Foreign Secretary Jack Straw, India provided Straw with evidence indicating that the Pakistani ISI intelligence agency is using London to launder the money it sends to the Kashmir extremists within India. The contents of the meeting was reported in the May 30 issue of *The Pioneer* of New Delhi.

Sources told *The Pioneer* that Advani raised the issue of ISI funding, and revealed to the British Foreign Secretary that Indian law-enforcement agencies have documentary evidence to establish that huge amounts of money were transferred from Islamabad to New Delhi via London.

The evidence that Advani referred to is the connection between the Pakistani ISI; the U.S.-based Kashmiri expatriate Ayub Thukar, president of the World Kashmir Freedom Movement; and a Delhi-based insurance agent, Imtiaz Bazaz. On a tip from the Intelligence Bureau, police traced accounts in Standard Chartered Grindlays in New Delhi and the Development Credit Bank Ltd., also in Delhi. In fact, a secret report by the Reserve Bank of India, India's central bank, pointed out that between April 17 and May 21, these two accounts received more than \$70,000 from a London-based firm, Mercy Universal, owned by Ayub Thukar, through the Barclays Bank in London.

Imtiaz Bazaz has since been arrested; he has admitted that he was a frequent visitor to Pakistan, where he met senior ISI officials and the Hizbul Mujahideen leader, Syed Salahuddin. Imtiaz also indicates that he withdrew the money sent by Thukar to hand over to one SAS Geelani, leader of the student wing of Jamaat in Kashmir, and another female Muslim fundamentalist leader.

Al-Qaeda Activists Are Living in Pakistani Cities

Quoting senior Pakistani officials, *Washington Post* correspondents in Karachi, Kamran Khan and Karl Vick, point out in the newspaper's May 29 edition that hundreds of al-Qaeda activists are residing in Pakistani cities, noting that in March, Pakistani police and FBI agents captured Abu Zubaida, said to be a top-ranking al-Qaeda member, in the Pakistani textile town of Faisalabad. One official is quoted as saying, "Local al-Qaeda footprints have been found" in every strike against so-called soft Western targets in Pakistan. The Pakistani officials also claim that it is evident that the al-Qaeda members have now become a part of the Pakistani militant groups who operate within Pakistan and across the border in India.

What this means is that the Americans and British have to move into major Pakistani cities to ferret out the al-Qaeda members, and not restrict their search just to the hilly and distant western terrain along the border with Afghanistan. As long as the searches were carried out in the hilly terrain, the foreign troops remain mostly invisible to most Pakistanis. But raids in houses in cities will not only make the Americans and British hated by the average Pakistani, but will make them easy targets for the terrorists.

To drive more fear into the heart of the foreign troops, one former Pakistani intelligence official has been quoted as saying, "My sense is that the recent terrorism cases are just the trailer of a movie we may see in the future."

Pakistan Heightens War Tensions Another Notch

News reports from Islamabad, including from *Agence France Presse*, indicate that Pakistani President Pervez Musharraf has ordered the redeployment of Pakistani troops from the Afghan frontier to his country's eastern border with India. Simultaneously, militants recently attacked a Kashmiri police post, killing three policemen before being gunned down after a 17-hour fight.

New Delhi, for whatever reason, has remained quiet. Military spokesman Sruti Kant told the *AFP* that India is aware of Pakistan's troop movements. These troops, Kant said, have been redeployed along India's western border states of Rajasthan and Punjab, the theater of previous wars between the two nations. President Musharraf was seen recently in combat fatigues, inspecting the troops.

Indo-Pakistan War May Force Americans, British To Abandon Their Agenda

A war between India and Pakistan may force the Americans and the British to abandon their agenda in Afghanistan and Pakistan, says Brookings Institute strategic analyst Stephen Cohen. He told the *Indian Express* that if "India goes to war against Pakistan, the U.S. knows well that its war against al-Qaeda and search for bin Laden is well nigh over."

Similar trepidation has been expressed by British Army Chief Gen. Sir. Michael Boyce, who said Pakistan's energies were focussed on its tense border with India, rather than its western border with Afghanistan, where remnants of the al-Qaeda and Taliban are believed to be hiding. "Yes, the present India-Pakistan crisis is having an effect on our operations.... President Musharraf, who I know wishes to help in the campaign against al-Qaeda, would want to put more troops up into that particular part of Afghanistan-Pakistan border, but at the moment it appears his priorities lie elsewhere," Boyce said.

Beware of Hekmatyar!

Gulbuddin Hekmatyar's old buddy, former Pakistani ISI chief Hamid Gul, told the AP wire service that the British are searching for Hekmatyar, who has declared war against the "foreign infidels" in Pakistan. He said the targets of the British-launched Operation Buzzard along the Afghan-Pakistan borders near Khost, are the al-Qaeda, Taliban, and the "pan-Islamists," such as Hekmatyar.

Hamid Gul said Hekmatyar should not be underestimated. "He is a hard-liner, who has a large following.... The point is, that if Masood's people"—in the Northern Alliance—"are now killing Pashtuns, then obviously Pashtun sentiment will turn against this government and will turn toward a hard-liner Pashtun, and that is Hekmatyar."

Hamid Gul said Hekmatyar draws his support from both Pakistan and Iran. "I personally think right now that he will receive more support from Iran than from Pakistan, because the Americans are everywhere here right now.... There is certainly a lot of sympathy for him in ISI, but that doesn't necessarily translate into material assistance.... The assistance would likely come from Iran," Gul added.

Charge Pakistan's Nuclear Triggers Are in U.S. Hand

The nuclear expert of the New Delhi-based Institute for Defense Studies and Analysis (IDSA), Dr. R.R. Subramaniam, ridiculed Pakistan's assertion that it would use nuclear weapons against India even in case of a conventional conflict.

Citing Munir Akram, Pakistan's newly appointed Ambassador to the United Nations, who told the diplomats that "India should not have the license to kill with conventional weapons while Pakistan's hands are tied regarding other means to defend itself," Ram Subramaniam said, "The Pakistani nuclear trigger is in the hands of the U.S. forces, who are present in their base at Jacobabad. Islamabad fully knows our nuclear deterrence capability. Pakistani assertions regarding resorting to a nuclear strike against India do not impress us." He also said the Indian Prithvi and Agni missiles are "ready."

"They know that, while a nuclear strike by them against India would cause havoc, our country will survive despite paying terrible costs. But if we are to retaliate, which would be several-fold more, Pakistan stands to be wiped out."

Urging the Pakistanis not to adopt "belligerent postures," Dr. Subramaniam criticized U.S. nuclear expert David Albright for saying that a nuclear conflict between India and Pakistan would result in 12 million deaths. "His estimate about the uranium production in Pakistan is exaggerated and his assessment about lives being lost in the subcontinent in case of a nuclear conflagration is wide off the mark," he said.

Musharraf Threatens: 'We Will Unleash a Storm'

According to *The Hindu*, Pakistani President Pervez Musharraf has warned India that Pakistan would "unleash a storm" in case of "any incursion by the Indian forces across the LoC (Line of Control in the State of Jammu and Kashmir) even by an inch, [a storm] which will sweep away the enemy."

Disregarding calls by the international community to end cross-border terrorism and reduce tensions with India, Musharraf said: "A befitting response to any adventurism by India will be given.... The defense forces of the country are fully prepared and ready to respond in a befitting manner in case of any aggression from across the borders." He was addressing officers and airmen at the Minhas base of the Pakistan Air Force (PAF).

Musharraf's tough talk was followed by an announcement from Islamabad which indicates that Pakistan is sending five special envoys to the United States, Europe, and several Muslim countries to explain Pakistan's stand-off against India. Former President Farooq Leghari has been asked to visit Germany and Russia. The other four emissaries will be former Senate Chairman Wasim Sajjad; the former Foreign Secretary, Najimuddin Sheikh; the ex-Ambassador to India, Ashraf Jehangir Qazi, and former Army Chief Jehangir Karamat.

World Community Pressures Pakistan To Stop Cross-Border Terrorism

Stating that the rising tensions in South Asia have been fuelled by provocations by Kashmiri extremist organizations, Russia and the European Union have asked Pakistan to stop cross-border terrorism against India, according to *The Press Trust of India*. In a joint statement issued at the end of a day-long summit in Moscow, Russia and the EU said: "The present escalation of tension is fuelled by unending provocative activities of Kashmiri extremist organizations, threatening the stability of the whole South Asian region."

In a strong statement, British Foreign Secretary Jack Straw, during his visit to India, said: "The definition of terrorism has been laid down in the International Law and the UN Security Council Resolution 1373, which includes cross-border terrorism and terrorism labelled as freedom-fighting." He also said, "The United Kingdom stands foursquare behind India in its fight against terrorism."

Meanwhile, Chinese President Jiang Zemin assured a visiting U.S. delegation that China is friends with both Pakistan and India, and does not want to side with either party, but is using its influence to basically make contacts. U.S. Congressman Curt Weldon told the press that President Jiang "told us about some trips and meetings that have taken place to provide a sense of urgency to both sides that this question of Kashmir and the concerns of disagreements must be resolved peacefully."

As Japanese Deputy Foreign Minister Seiken Sugiura arrived in New Delhi from Islamabad, the possibility that the international community could use economic aid as a lever to persuade Musharraf came from a Japanese Foreign Office statement. Criticizing Islamabad for conducting several missile tests in defiance of the world's advice for restraint, as well as appreciating India's "endurance" in the current situation, Japan said it would take another look at the aid to Pakistan revived after Sept. 11. Analysts point out that Japan's surprisingly forthright statement on the possible use of economic aid as a lever to influence Pakistan, had to have been made as a coordinated response with Japan's major allies, the U.S. and Britain.

Sugiura's visit to New Delhi was squeezed in between Jack Straw's visit and that of U.S. Deputy Secretary of State Richard Armitage. There is also talk of U.S. Defense Secretary Donald Rumsfeld visiting both Islamabad and New Delhi.

AFRICA NEWS DIGEST

O'Neill, Touring Africa, Insists All Tariff, Trade Barriers Be Removed

U.S. Treasury Secretary Paul O'Neill, still on tour of Africa with Irish rock star Bono, insisted May 24, according to that

day's *SAPA*, and the May 27 issue of the Lagos-based *This Day*, that all Africa's tariff and trade barriers should be removed.

However, African leaders and press outlets increasingly note that President Bush does not believe any of this.

Speaking in Pretoria, O'Neill told reporters: "Economic science tells us that if we can eliminate trade and tariff barriers completely, the world would be better for its inhabitants in the sense that economic productivity would improve and economic life would be better." While in Pretoria, O'Neill also praised South African President Theo "Mbeki's New Partnership for Africa's Development," NEPAD, a pro-globalization, free-trade association.

The night before O'Neill flew into Ethiopia, the country's Prime Minister, Meles Zenawi, accused the U.S. of hypocrisy for calling on the African countries to open up their markets, while imposing tariffs and subsidizing farmers in the U.S. itself.

Zimbabwe Government Declares AIDS Emergency

The government of Zimbabwe has declared a state of emergency over HIV/AIDS, and will allow the importation and manufacture of generic drugs. In a notice published in the latest *Government Gazette*, made available May 28, the Minister of Justice, Legal and Parliamentary Affairs, Patrick Chinamasa, said the emergency order would enable people to have access to the drugs. "In view of the rapid spread of HIV/AIDS among the population of Zimbabwe, the Minister hereby declares an emergency for a period of six months, with effect from the promulgation of this notice for the purpose of enabling the State or a person authorised ... to make or use any patented drugs," Chinamasa said in the notice.

Zimbabwe is the first African country to declare a state of emergency over AIDS. Since last year, the government has permitted the use of anti-retroviral drugs. The drugs are being given free of charge at about 35 centers throughout the country as part of government efforts to reduce the transmission of the AIDS virus to unborn children.

Statistics indicate that at least 2,000 people die of AIDS every week in the country, and that at least 20% of the country's 14 million people are infected with HIV.

Zimbabwe To Act on 'Indigenization' of Mining

According to the May 28 issue of the Harare-based *The Herald*, in an article headlined "State To Act on Indigenisation of Mining," the government of Zimbabwe will enact legislative instruments if large mining companies continue to resist indigenization of the sector. The Minister of Mines and Energy, Edward Chindori-Chininga, told delegates attending the Chamber of Mines annual meeting in Nyanga that meaningful participation in the sector by indigenous Zimbabweans must be across the board. "We are not satisfied with the window dressing of corporate boardrooms ... what we want is meaningful ownership of the means of mineral production. My intention is to enact appropriate legislative instruments if it becomes apparent that indigenization is being resisted."

President Mugabe has in the past stated that indigenization of the mining industry is long overdue.

UN Warns: 10 Million Threatened with Famine in Southern Africa

The United Nations has warned that 10 million people are threatened by famine in southern Africa because of poor harvests due to drought, economic crises, and—so the UN claims—farm invasions in Zimbabwe. The UN's Rome-based World Food Program says southern Africa has overtaken Afghanistan as the center of the world's worst food crisis.

The WFP estimates that southern Africa needs 4 million metric tons of food imports in the next year, and 1.2 million tons of emergency assistance immediately. The estimate of the number of Africans at risk will rise as assessments for Zambia and Mozambique are added to those for Lesotho, Malawi, Swaziland, and Zimbabwe. At least 6 million are considered at risk in Zimbabwe currently. The price of white corn, a regional staple, has doubled in the past year, while South Africa's harvest fell to 7.5 million tons from 10.2 million tons a year earlier.

U.S. Posts Diplomat to Sudan, First Since 1996

The United States has posted its first resident diplomat to Sudan since 1996, when the U.S. suspended regular embassy operations because of security concerns. The change in policy is seen as a reward for Sudan's cooperation in the U.S. "war on terrorism." Jeffrey Millington has assumed the post of chargé d'affaires in Khartoum, an indication that the U.S. is trying to forge closer links with Sudan, a country it still accuses of sponsoring terrorism.

This Week in History

June 3-9, 1933 and 1934

Nearing the end of his First One Hundred Days, President Franklin Delano Roosevelt turned his attention again to the question of the financial markets, particularly the securities markets. Roosevelt had called for the implementation of a program of regulation for securities back at the end of March, but the Securities Act of 1933 was passed only at the end of May, and signed on May 27. Its companion piece, which established the Securities and Exchange Commission (SEC), was signed into law about a year later, on June 6, 1934.

Roosevelt had promised during his campaign to reform the marketing of securities, whose frequent flim-flam character was more than reminiscent of the stock and accounting frauds we are seeing exposed today. But there was tremendous hostility coming from the banking community, at the same time that the leaders of that community—specifically, Junius P. Morgan and his family—were being forced to testify about their financial dealings before the Congress.

The Truth-in-Securities Act required full disclosure in the issue of new securities to the public. Heavy penalties would be levied for failure to give full and accurate information to the government about securities. The concept of this bill, as defined by its authors, was that a corporation seeking funds from the public, must be considered "in every true sense" a public body, and its managers and bankers public functionaries. There was considerable argument, however, as to who should have this regulatory function. It was eventually decided to give it to the Federal Trade Commission (FTC).

Because of its compromise character, the Securities Act (also known as the Thompson bill) dealt only with the issuances of new securities, and left unregulated the market in which the vast bulk of securities already issued were bought and sold. The result was predictable: After the President had appointed new Commissioners for the FTC, who were seen by the banking community as "out to get them," the market in new securities virtually dried up (according to FDR adviser Raymond Moley).

The President realized that it would be necessary to expand the regulation to the broader market. His objectives were contained in the Securities Exchange Act of the following year, which set up the Securities and Exchange Commission to regulate and oversee the securities markets. Certain manipulative practices (such as washed sales and matched orders) were prohibited. Insider trading was eliminated.

In the meantime, however, another major regulatory bill was passed in the beginning of June, which had been in the offing

for three years. This was the Glass-Steagall Act of 1933—the act which divorced commercial banking from securities-selling for decades, until the modern-day devotees of John Law, like Senator Phil "Enron" Gramm, repealed it in 1999.

The major elements of the Glass-Steagall bill, according to FDR adviser Moley, were:

1. The Federal Reserve Board got authority to prevent speculation in securities, real estate, and commodities.
2. Payment of interest on demand deposits by member banks was prohibited.
3. Beginning on Jan. 1, 1934, there could be no overlap between officers and directors of member banks, and officers and directors of a security-selling firm or private bank.
4. National banks were put on a parity with state banks in branch banking.
5. Within a year, member banks were required to divorce their security affiliates, and private banks required to stop selling securities.
6. Most importantly, the bill created the Federal Deposit Insurance Corporation, which provided insurance for member banks on deposits up to \$2,500. This provision was temporary, until July of 1934, when it was extended until July 1935. Finally, the FDIC system became part of the Banking Act of 1935.

It should be of prime concern to citizens today that the regulations proposed in these bills have been more honored in the breach than in the observance, over recent years. The bankers have taken the view that they need more freedom to speculate, not less—and foolish or corrupt Congressmen have gone along with them. Wise citizens would do well to recall the effective legislation of 1933, and 1934, and to demand that their Congressmen and President do likewise today.

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