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From the Associate Editor

Lyndon LaRouche's June 16 webcast, which we feature this week, hones in on the emergency measures that the U.S. Senate must take—because of the incapacitation of the Executive branch—in order to reverse the ongoing, precipitous economic-financial collapse. We publish LaRouche's keynote remarks here; these were followed by extensive discussion, much of it with people from Capitol Hill, which I urge you to watch at www.larouchepub.com. From the quality of the dialogue there, you will see how seriously LaRouche's ideas and solutions are being studied, both at home and abroad. It is clear that the reason for this, is that governments are *finally* admitting that the systemic financial catastrophe that LaRouche has been warning of, is now upon us—and they are petrified. As Nancy Spannaus reports in *International*, this state of mind is creating a crisis of ungovernability in many regions of the world. The only real option on the table, is that offered by LaRouche.

Also in our *Feature*, you will find some “snapshots” from the growing file of animated economic graphics which are now posted prominently on our website. This material is constantly being updated, and its pedagogical usefulness and clarity improved. I encourage you to use it as members of the LaRouche Youth Movement do when they visit Congressional offices in Washington: Pull it up on the screen, and show people graphically what has happened to the population, jobs, and living standards of their county, state, and country.

An unusual article this week, “Discussion on Science With Helga: Man's Original Creations,” is a profound epistemological discussion by LaRouche that was prompted by a conversation with his wife, about the contributions of Cardinal Nicholas of Cusa.

As you may have suspected from the cover photo of last week's issue, Helga Zepp-LaRouche is now officially running for Chancellor in Germany. Her statement of candidacy appears on page 22.

I also draw your attention to our report on the indictment of former Pentagon official Larry Franklin. This story, the biggest espionage case since that of Jonathan Pollard in 1985, was relegated by the *Washington Post* to a small article in its “Metro” section, way behind the splashy coverage of the Michael Jackson trial and the latest local murders and mayhem. Coverup, anybody?

Susan Welsh

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By Lyndon H. LaRouche, Jr. "At a time when many in the U.S.A. and elsewhere are inclined to accept my assessments and proposals as important," he writes, "they tend, nonetheless, to worry all the more; they fear, that in their accepting what they now tend to admire in my work, they might tend to overlook my possible errors on related other accounts. I am therefore obliged to attempt, once again, to make the entirety of my methods and world-outlook transparent to those increased numbers of influentials and others who consider it important to know the fuller implications of my outlook, beyond what is expressed as explicitly on the subject of economy."

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A Panamanian lawyer, author, and former trade union leader, Ríos was one of the signers of the founding declaration of the Schiller Institute, and a founding member of the Schiller Institute Trade Union Commission.

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Correction: In our issue of June 10, p. 16, we misidentified one of the signers of Helga Zepp-LaRouche's call for a New Bretton Woods system. Asger Baunsbak-Jensen is the former, not current, chairman of the Social-Liberal Party of Denmark.

LAROUCHE WEBCAST

Urgent Changes Needed in World Financial System

This is Lyndon LaRouche's webcast speech to a town meeting of the LaRouche PAC in Washington, D.C. on June 16, 2005. Mr. LaRouche spoke from Europe, by video-conference. The meeting was chaired by Debra Hanania-Freeman.

Freeman: Good afternoon, ladies and gentlemen. My name is Debra Freeman. As some of you know, I serve as Lyndon LaRouche's national spokeswoman and his representative here in Washington. And on behalf of Mr. LaRouche and the LaRouche PAC, I'd like to welcome you to this afternoon's event.

It's really hard to believe that the last time we gathered here, was just eight weeks ago. Because, indeed, the pace of events over the course of just those few weeks has been nothing short of absolutely breathtaking.

On May 23, here in the United States, in an extremely important victory for patriotic force, a bipartisan group of United States Senators delivered a very significant defeat to the Bush Administration by putting down what came to be known as the "nuclear option." The event was significant not only because it meant a defeat for the Administration, but in fact, because it was a defeat for what was nothing short of an attempted coup against the Constitution of the United States.

Just a few days later, on May 29, voters in France, in what would otherwise seem to be an unrelated event, overwhelmingly defeated the newly proposed European Constitution. In and of itself, it might have been difficult for Americans to understand that, in terms of its significance. But the French vote was perhaps more than anything else, driven by the absolute disgust by the citizens of the nation of France, with the economic disasters that they have been faced with since the adoption of the Maastricht Treaty Stability Pact, and the policy of globalization that it characterized.

The French events themselves had been foreshadowed a week earlier by a very significant election in the North Rhine-Westphalia region of Germany, where the German Social Democrats suffered a significant defeat, and a defeat that was attributed, above all else, to the failed economic policies of the Schröder government there.



EIRNS/Finn Hakansson

Lyndon LaRouche delivers his webcast speech on June 16: "I propose that the United States government must step forward now—before it's too late—and . . . make the decisions which will bring together the nations of this planet, or at least many of them, to establish a new world monetary system, modelled upon the Bretton Woods system, with the intention to make this planet a place that's fit to live in."

When Mr. LaRouche addressed this audience back in April, he reiterated a warning that he had first delivered in mid-February, concerning the significance of the impending bankruptcy of General Motors. At that time, many people in the United States thought that Mr. LaRouche might be exaggerating, or might be a little bit off in his timetable. But, I think that recent events here in America have made absolutely clear, that Mr. LaRouche's forecast was more than accurate. And in fact, we find ourselves in a situation right now, where the intensity of the crisis, although it frightens many people, has actually set the stage for long-overdue fundamental change in global, and American, economic and financial policy.

Mr. LaRouche, who, as most of you know, is principally a physical economist, has called most urgently for the revival of the American System principles that governed FDR's reversal of the last Great Depression that our nation faced. The fact of the matter, is that the situation today, however, is really far worse: The post-Bretton Woods 1971-to-the-present system has brought the United States, and really the world, to the brink of total monetary collapse. More importantly, it has gutted global production of the vital physical goods, both industrial and agricultural, that the human race needs to survive and to prosper.

LaRouche, in a series of statements that he has released, has identified the conjuncture of the political shocks in Washington, in Paris, and in Berlin, and the accelerating disintegration of the financial crisis, as a moment of great opportunity. While it might be frightening, for someone with Mr. LaRouche's competence—and Mr. LaRouche's courage—

this really presents a moment of great opportunity, not only for the United States, but for all of humanity. It gives us a moment, in which we actually have the potential, and the possibility, to return to sanity in our economic policy.

The fact of the matter is, that if we don't, the alternative is something that probably none of us wants to consider.

I think that during the course of this afternoon's event, Mr. LaRouche will more than adequately address these questions—and a lot more. This event is being broadcast over the worldwide web. Mr. LaRouche will be addressing us from Europe, where—although he has an extremely tight schedule of meetings and activities—he felt that it was absolutely critical to address the United States in particular, at this moment, and to do it before we reach the end of this fateful quarter.

So, ladies and gentlemen, without further ado, I'd like to take this opportunity to introduce to you, Lyndon LaRouche.

Lyndon H. LaRouche, Jr.

I must repeat to you, today, what Franklin Roosevelt said to the American people under similar conditions. Because, what I'm about to say, now, would terrify you, unless I showed you, there is a solution for this problem. Roosevelt said, "There is nothing so much to fear, as fear itself." And that's the case now.

And let's take the top of the list right now: What faces us presently, as of July 1, is a termination of certain existing contracts, involving hedge funds, which are in the process of going down. In point of fact, what happened as a result of the

General Motors crisis, the process in which the announcement of the pending potential bankruptcy of General Motors was announced, along with Ford, and in which, then subsequently, the General Motors stock was dropped to a junk-bond status, which means that the people who have invested, as institutional investors, in those bonds *have* to pull out of them, because they can not legally remain holding stocks which are in junk-bond status.

Now, this runs out by the end of the July—according to present schedule. No one can say exactly what's going to happen. But we know what the shape of things to come is, and we know what has to be done about it. So, if I say definite dates or timetables, the timetables are flexible, but we're in a very tight schedule, and however much the schedule might change slightly, the time for decisions is not going to be far off from what I indicate to you. All right.

During this period, there was an approximately 40% collapse, minimally, in the value of hedge-fund holdings, which were in lots of things. This is now getting worse. The reason you're not hearing much about the hedge-fund problem, as much as you *should*, if you realize that the fate of the whole world monetary system now hangs on it, is the fact that major banks, which are associated with the hedge funds, are now, at this moment, trying to decide which of the hedge funds to dump and which to support: Because the magnitude of the crash of the hedge funds, is so large that they can not be bailed out as a whole. The banks are going to try to protect *themselves* from the hedge-fund collapse, by throwing some hedge funds to the wolves. And are now in the process, from all we know, of still deciding which ones—whose throats they're going cut, in order to protect the banks themselves. And the banks we're talking about are the world's biggest commercial banks. These are the ones that are in jeopardy.

Now, the hedge funds are a form of insanity, which was introduced in 1987, approximately, after the October 1987 general stock market crash in the United States. In that period, when Paul Volcker was then going out of his position as the Federal Reserve Chairman, and about to be replaced by Alan Greenspan, Alan Greenspan said, "Ho-o-ld everything, until I come on board!"

What Alan Greenspan did, was he brought in a system called "financial derivatives." Now, financial derivatives sounds like some kind of investment. Well, it's not an investment. As every crooked gambler knows, this is nothing but a side-bet on the real action. Financial derivatives are side bets on the economy. Just like a bunch of guys up an alley, some people are shooting craps and putting their money on the ground. And beside them, a bunch of people are betting *against* the bettors, with side-bets.

Now, this is called, also, a "hedge fund," to dignify the thing. You can imagine a bunch of gamblers up in an alley, saying, "I'm investing in hedge funds!" This is an organized-crime type of thing—"I'm investing in hedge funds!" Great dignity, right? Big, important stuff!

No! But it's big. And right now, the financial derivatives bubble in the world is about to collapse. And the hedge fund collapse is right at the tip of it.

If the hedge funds go down, and the banks may be pulled down with them, or at least some banks, and may have to be bailed out as banks, or put into receivership by governments, then, against what are the side-bets placed? Things like mortgage portfolios of major banks, at a time that the mortgage portfolios of the United States, the United Kingdom, and some other places, are in deep trouble. As much of the major press has indicated, in parts, what the nature of the problem is.

If the mortgage bubble goes, as the result of a collapse of GM, then you're in trouble.

In the meantime, the GM crisis has created an additional problem: We have a Congressional institution which was created some years ago, to try to give minimal support to pension funds, which might be in trouble because of a corporate failure. Now, recently, a bankruptcy judge told United Airlines that it could dump its pension responsibilities to its retirees and to its current employees. The danger, of course, is that, with that decision, that the next step would be that Delta—which is already in a bankruptcy situation—and American Airlines might do the same! And it is known that General Motors management is planning to dump the pensions of its retirees and people onto the public funds.

This means an inundation of the public funds, which affect largely people in the lower 80% of family-income brackets. This means, that if you are an average person—not in the top brackets with special kinds of funding, but in the normal course of funding—your pension may be gone. The only safe pension you have left, is your Social Security pension! And the President of the United States, as you know, has been trying to rob you of that: by asking you to switch your Social Security assets into the private funding market, where these private insurance funds, these private pension funds, *are collapsing!*

They want to bail out the stock market, by taking your Social Security assets away from *you*—and giving them to somebody in the financial community.

That's what the President of the United States says he wants to do. Now, I don't blame the President for too many things, because I don't think he knows what he's doing. I think other people are using him. I don't think the man really knows what time it is, in a sense.

Now, the situation is, such that people now generally realize that the United States is in deep trouble. The U.S. economy's in trouble. It's about to go under in a chain-reaction collapse. When, nobody knows exactly. But we know it's oncoming. That's why I say, as Roosevelt said, "We have nothing to fear, as much as fear itself." *Because there are things we could do about this.* There are things the United States government could *do* about this. There are things the American people could force the United States government to do about this.

But the average person doesn't understand this problem. Therefore, they're not sure of what to do, and they're not sure about what kind of a proposal they should support. But they know they've got to get some action, from government, to protect them from the danger of a collapse, which, in point of fact, is much bigger than the 1929-1933 collapse; 1929-1933, which was given to you by Presidents Coolidge and Hoover, was relatively mild in its effect compared with the threat, to the world, as well as the United States, from the presently onrushing crash.

The situation is this: The entire world system is coming down. Not just the United States' system, but the entire world system. Now, there're many people who're whistling in the dark, and saying, "It's not going to happen. It couldn't happen"—well, it *is* going to happen! It's inevitable!

What do we do about it?

The United States' Responsibility

Well, we in the United States have the principal responsibility for dealing with this. Why? Because, the world system, the world monetary system, and the world financial system therefore, hangs on the basis of a monetary system, *which is still a dollar-based monetary system*. The holding of U.S. dollars by foreigners—China, Japan, South Korea, and so forth; Europeans: If the United States dollar were to collapse by 30%, this would be a *catastrophe* for the rest of the world. Because it would cause chaos, a chaotic collapse of the monetary system *of the world*. We, in the United States, have the legal responsibility for defending ourselves and cooperating in defending other nations, by taking appropriate actions to protect the world monetary system from collapsing.

Now, there are some people in various parts of the world, who are cheering, especially after the Iraq War and a few other things like that—they're cheering for any catastrophe that happens against the United States. They don't *like* the United States! They're happy to see the United States going down, because they think the United States has pushed them around much too long, especially since George Bush became President. But that's a very foolish attitude. There *is no substitute* on this planet for the American System.

Therefore, the responsibility lies with us, to prevent world chaos, *by taking actions which will lead to a stabilization of the value of the U.S. dollar as a unit of monetary reserve, worldwide*. That means, we're going to have to go back to something which was proven: the methods of Franklin Roosevelt in getting us out of the last Depression, and transforming a bankrupt U.S. economy of 1933 to the most powerful economy the world had ever seen, by 1945. We did it then, we can do it again. It's a tougher job now than it was then. We had more railroads, we had more farms, we had more industries, we had more places in which we could put people to work, then as now. But we can do it!

What does this mean? This means, we take these U.S. obligations, U.S. Treasuries—that's the principal obligation

of the system: We must secure that *the U.S. Treasuries maintain their value on the world market*. We must make this as an arrangement, and a guaranteed arrangement, in cooperation with other nations on this planet.

Now, as I said, some other people say, "Let the United States go." That's a very foolish thing. Some people say, "We need a system to replace the United States." It's a very foolish idea. Any such ideas will lead to a crash of the entire world economy. Not a financial crash, an actual chain-reaction crash of the world economy: Because, some idiots, in their great wisdom, have tried to *globalize* the economy. What we did, is, we took our industries from the United States and Europe, we shipped the work that was done by our industries, out to countries where labor was cheapest. And we kept going, trying to find a cheaper, and cheaper, and cheaper labor market in various parts of the world.

Since we were no longer producing, since the lower 80% of our family-income brackets were going down, and down, and down, in terms of the physical value of their income, and their job opportunities, we began to lose infrastructure. What government did, under this silly policy, especially since 1971-72, we began to destroy the infrastructure on which our productive power depended. At the same time, we were shutting down our plants, and putting our people out of work, *into cheaper-paying jobs!* People moved from skilled productive jobs, into jobs at Wal-Mart, and things like that, which are not particularly productive. Producing cheap goods, which we would have been ashamed of, in old times, as what we consumed.

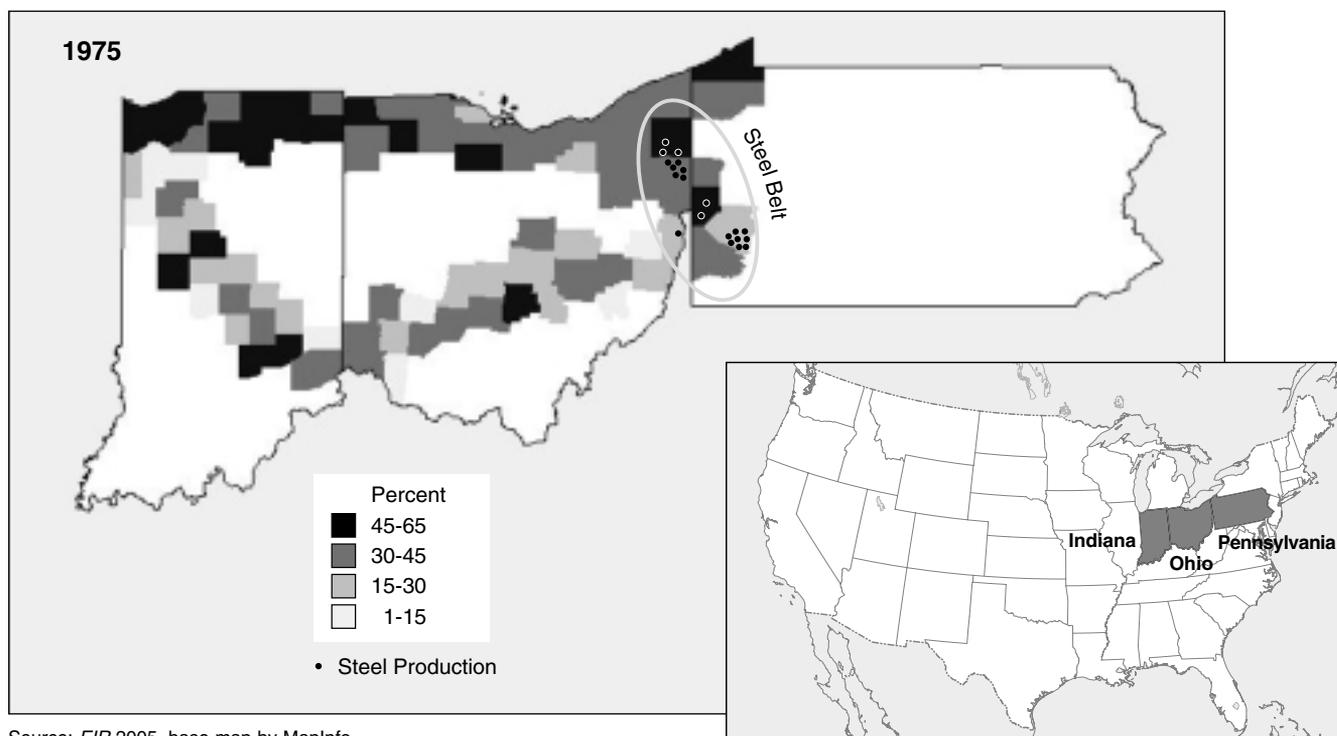
And we let our infrastructure collapse: We collapsed our railroads, we collapsed our power systems, we collapsed our water-transportation systems, like our river systems; we collapsed our municipal systems, we collapsed our educational systems; we've shrunken and destroyed our health-care system. [See **Figures 1-3.**] All these things, which were the basis, and basic economic infrastructure, for skilled and productive employment were destroyed, as we destroyed employment, and shifted people from productive jobs, into make-work jobs, at low wages. We took people who were one-and-a-half persons of the adults in a family, which support the family, and now you've got the people having several jobs! Each of them, all members of the family!

You have real estate bubbles, where you have shacks in the Washington, D.C. area, around it, where people have moved in from all over the world, to live in the D.C. area: And they pile into these places, and combine their incomes, and they put up money for a shack—put together, not with nails but tacks!—and this shack goes at \$600,000 mortgage up to \$1 million. And these are just poor-class shacks, around the entire area. You have people tumbling into these places and out of them, living no regular family life, going to bad schools, with poor health care which is worsening all the time: These are the conditions of life! [See **Figure 4.**]

And this thing is about to come down. And more and more

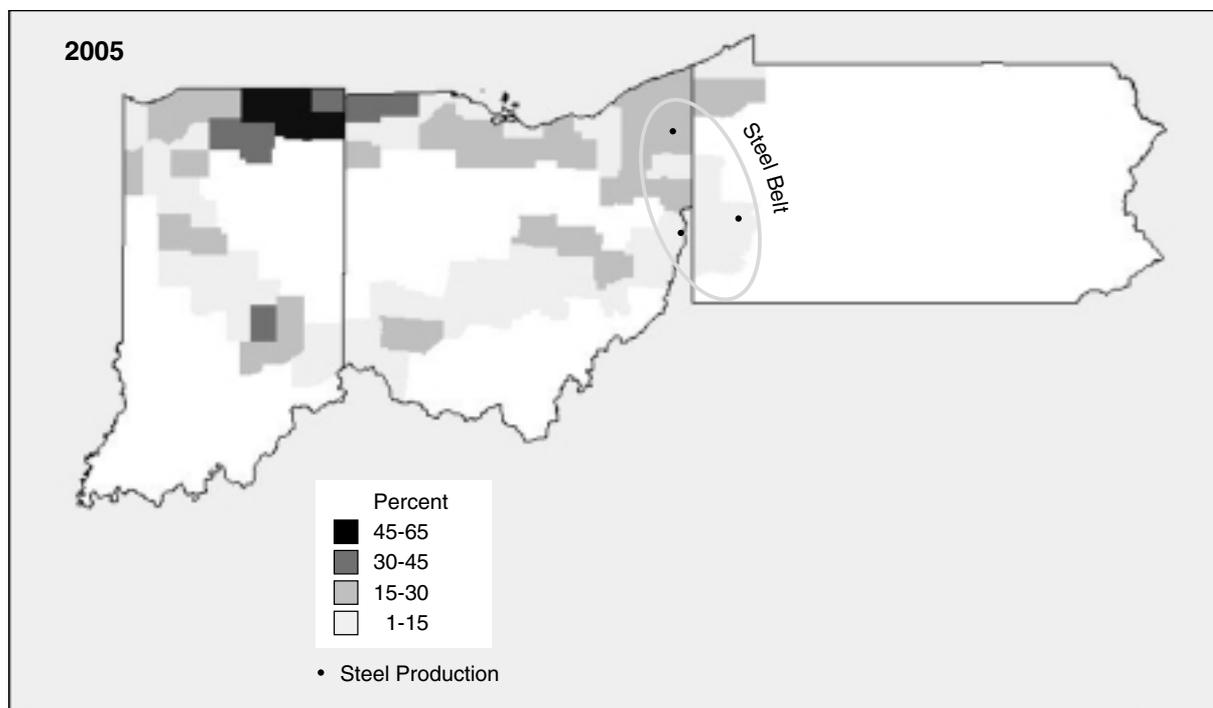
FIGURE 1

Decline and Revival of Manufacturing Share of Total Workforce, by County Along Two Main Corridors for High-Speed Rail



Source: EIR 2005, base map by MapInfo.

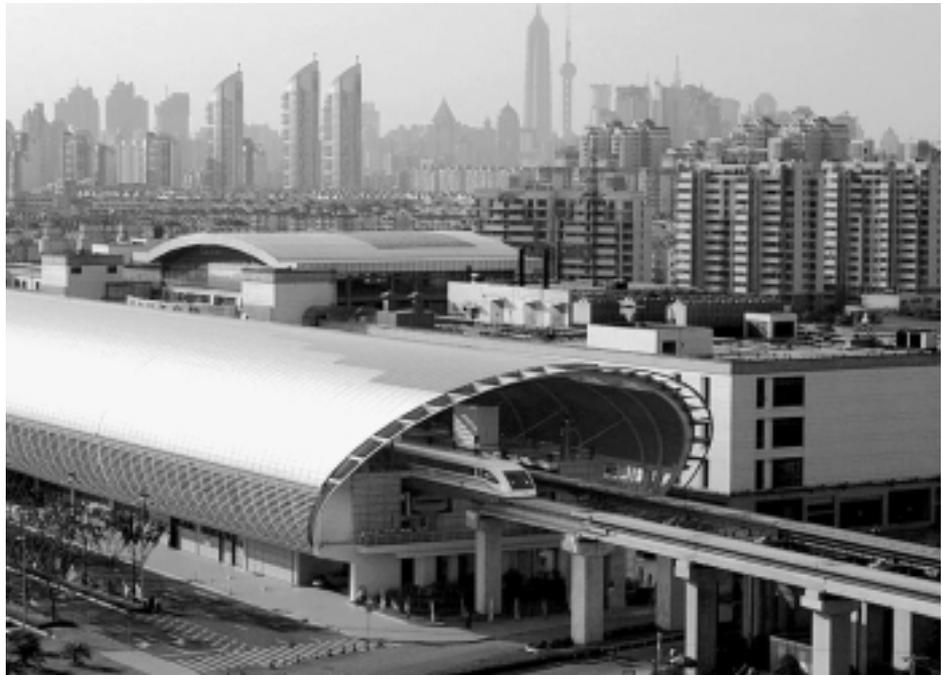
FIGURE 2



Source: EIR 2005, base map by MapInfo.



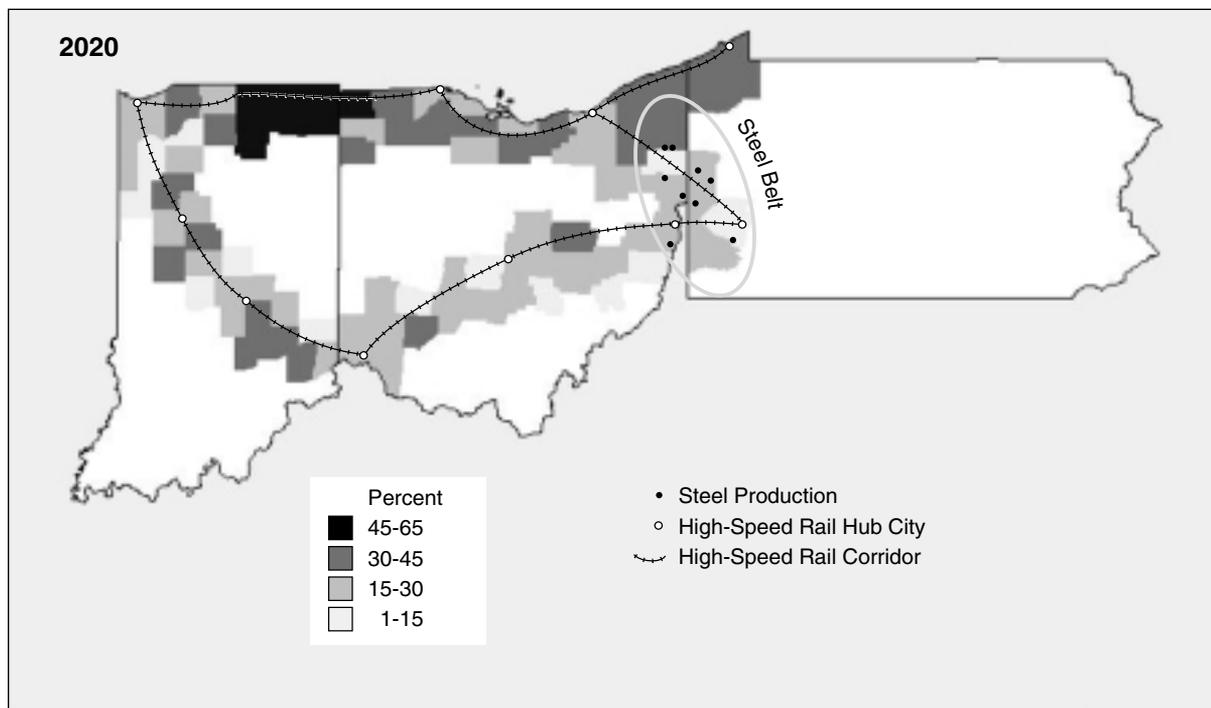
transrapid



transrapid

The Siemens magnetically-levitated, 225 miles-per-hour Transrapid (above) opened in Shanghai in 2003. In the Pennsylvania, Ohio, Indiana corridors shown, building high-speed rail lines, especially maglev, would revitalize the heavy industrial base. Over the past 40 years, the Midwest steel-belt was drastically taken down, as shown in the Pittsburgh-to-Youngstown, Ohio region. Now, to construct high-speed rail, and the nuclear power plants required, means re-establishing high-output, integrated steel production with the most advanced technologies. See a color animation of this process on www.larouchepub.com.

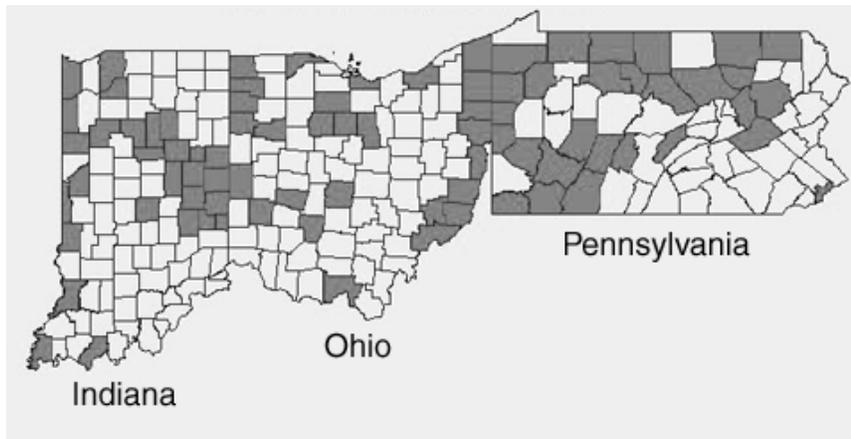
FIGURE 3



Source: EIR 2005, base map by MapInfo.

FIGURE 4

Counties Which Have Lost Population, 2000-2004



Source: U.S. Bureau of the Census, *EIR*.

Population declined in this three-state region, from 29,714,679 in 2000, down to 29,691,466 in 2004. One-third of the counties in the three states—84 out of 246 total—lost population (shown with dark tone). Ohio saw a 2.8% loss, from 11,353,140 state residents down to 11,050,605 in 2004. Extensive areas were depopulated within the other two states. An animation on solving the economic crisis behind this trend accompanies this webcast transcript on www.larouchepub.com.

is being done, to say, that when you can't pay the mortgage any more—they kill you, in effect. They throw you out, they milk you. This is what we've become!

Murderous Effects of Globalization

Now, what did we do to the rest of the world? We shipped production out of the United States, and out of Europe, into the poorest countries in the world. Into countries, for example: India is a respectable country, in many respects. China is a respectable country, it's a power in many respects. But, 70% of the Indian population is desperately poor, and has virtually no infrastructure to support them. China, 70% are still desperately poor, despite the success of China's growth in many other respects.

The other countries from which we take labor, as part of globalization—what are they doing in Europe? They're taking labor in Eastern Europe, in countries like Poland, where skilled people are working as stoop labor in Central and Western European countries. And now, they're moving people from those countries, at the wage levels paid in those countries, into France and Germany and so forth! And destroying the infrastructure of the countries of Western and Central Europe, which were once powerhouses of production in their own right.

So, what we've done with globalization, which is one of the most *evil* ideas that was ever conceived: We have lowered the productive power of the world per capita! We destroyed the infrastructure and employment in countries which were the powerhouses of production of wealth, the United States

and Europe.

We destroyed the levels of productivity which existed, and standard of living in Mexico, and in South and Central America, while we put the employment there. We couldn't get enough cheap labor in the United States, so we got Mexicans to be driven across the border—by hunger!—as illegal immigrants, into the United States. We took the jobs which cheap labor, brought into the United States legally, was doing, and we took the jobs away from them and gave it to immigrant labor—illegal immigrants! The illegal immigrants are coming to us, because they were driven from Mexico: They're coming to us, because somebody sucked them into the United States, because they weren't satisfied with the cheapness of labor here! Even with what had been the cheapest. That's what's been done to us. [See **Figure 5**.]

That's what's been done to the world.

And now, we're on the verge, where you've seen your health care, your public utilities, your education in the United States are collapsing. And you look around the world, you look in Argentina: Argentina had the fourth highest standard of living in the world, back at the end of World War II. Where is it today? What's happened to Mexico, which was on a track for growth, back in 1982, when we *destroyed* it, by imposing a policy upon it? And we've virtually destroyed a country, which was a growing, powerful country. We did the same thing to Venezuela, or we're doing it. We did it to Colombia; we did it to Peru; we destroyed Ecuador; we destroyed Bolivia. We're undermining our friends in Brazil. And what we're doing in the Caribbean is—

What we're doing in Africa, especially Sub-Saharan Africa, *is deliberate, conscious genocide!* And spread of disease, because they want to help the genocide by spreading diseases, to get rid of the Africans. This was a policy from the 1970s; the policy was, that Africa has a lot of raw materials, and those raw materials are going to come to us, *back here, in the United States!* We're not going to let the Africans eat up those raw materials! We don't want their population to grow, we want it to shrink! We don't want the Africans to get a higher standard of productivity, because *they'll use up more raw materials, which we're saving for us* in the future.

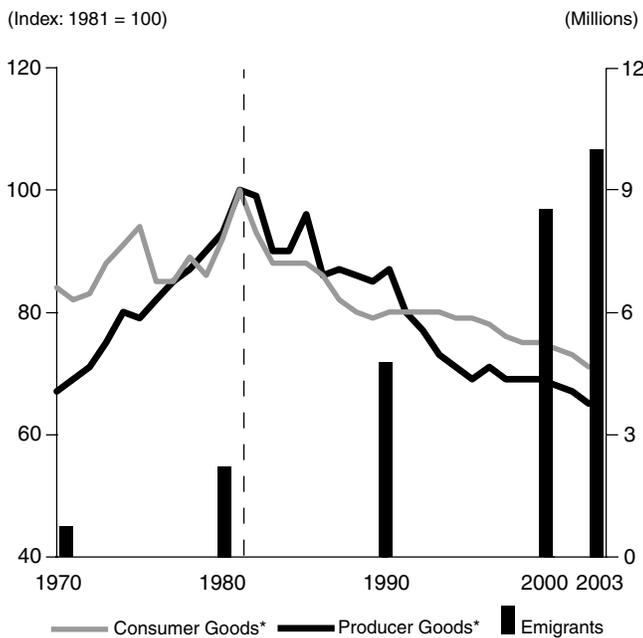
That's what we've done.

We don't *care*, about the 70% of the population of India, which is still in worsening conditions of poverty—despite the progress of India in other respects. We don't *care* about the long-term prospects for the people of China. We don't care, about the people of Southeast Asia.

FIGURE 5

Economic Refugees' Flight From Mexico to the United States

(Index: 1981 = 100)



* Mexican production, excluding the maquiladoras for export only.
Source: EIR, 2004.

The real “great sucking sound” under NAFTA, as LaRouche explains, has been the forced economic exodus of millions and millions of Mexicans, and Central Americans, to the United States, as those nations’ economies and consumption levels have been devastated by the wonders of “free trade.” See color animation of this and related physical-economic process maps on www.larouchepub.com.

You see this tsunami thing. What does the tsunami represent, the tsunami crisis? You have these areas along the coast, which were hit by this tidal wave, caused by a major earthquake. What happened?

Well, the waves came in, and all the poor people, who were living virtually on the beach or next to the beach, in order to provide cheap labor service for tourists, were struck—and many of the tourists, too. But why were the people living there? Because there was no infrastructure. Why was there no infrastructure? People in the United States and elsewhere, said, that the policy for this area of the world: There will be no investment in infrastructure. The labor of this part of the world, will work in hotels, or in entertainment industries, and be the cheap labor, and the sexual recreation supplied for tourists!

So we created by our policy, instead of developing this part of the world, as we intended at the time that Roosevelt was still President, as his post-war policy—instead of helping these nations to develop, we actually lowered the conditions

of life of the people of this part of the world, because we used them up, for cheap labor and entertainment, in resort areas.

That’s what our criminality is. We did it! *This is globalization!*

And what it does, it’s hit us. Because the values we are counting on, in terms of financial values, are not real values. They’re fake values. They’re highly inflated values—speculation.

Use the Roosevelt Model

What we have to do, and we can do, by using the success of Franklin Roosevelt’s policy as a model, and that experience of 1933 through 1945, we have to guarantee the stability of U.S. Treasuries, which is the basis for the security of the U.S. dollar. We have to enter into agreements with Europe and with other parts of the world, on a fixed-exchange-rate system, which can be fairly described as a New Bretton Woods system. The kind of system which Roosevelt created at the closing period of the war, the fixed-exchange-rate system which worked, it worked fine until the middle of the 1960s. It was the system under which we in the United States helped Europe rebuild itself from war, especially Germany; which, with its Kreditanstalt für Wiederaufbau policy, created what was called an “economic miracle.” With similar benefits in France, similar benefits in Italy, and so forth, during the period from the late 1940s, 1950s, 1960s.

We have to go back to that kind of system, which was destroyed by Nixon, where our troubles really began. And by getting long-term credit, instead of having short-term credit, we have to have agreements on long-term credit: credit in terms of investment in infrastructure.

Now, infrastructure’s long-term stuff. A power station is 25, 30 years life-cycle, physical life-cycle of a power station. Maybe 50 years, with certain improvements in design. Water systems are 25- to 50-year systems. The water systems in the United States today are crashing, because of their old age; they have not been fixed. You used to be able to get fresh, drinkable water out of a faucet. You can’t—in more and more places in the country, you can’t get safe water out of a faucet. Because the water systems have been destroyed. You’re not guaranteed the access to the power you need, for the things you need. We don’t have a public transportation system. We have super-highways which are used as parking lots at rush hours. We have people out on the highways, spending more time on the highway, and other forms of commuting, than they are with home life, with waking home life—because of these conditions.

So what we have to do, is we have to rebuild the world economy. We have to build new infrastructure for places that don’t have it. We have to rebuild the infrastructure of the United States and Europe. This is going to require long-term investment.

So, what’s the plan? Well, we’re now operating below breakeven. The basic problem, apart from the people that



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Mexican cheap labor produces for the U.S. consumer market. "What we've done with globalization, which is one of the most evil ideas that was ever conceived: We have lowered the productive power of the world per capita!"

aren't paying taxes and should be—I'm talking about the really upper brackets, who, as you observe as they come out of court, didn't really earn it. Like Enron. They never really earned that income. They stole it. And this is your high-paid stuff. Look at the salaries people are getting at General Motors, who mismanaged that thing into the ground! Look at what they're getting for pensions! Look at what they're getting as executives. It's a parasite economy.

We have to rebuild the economy. We have to build up the industries, and so forth. We have to employ our people productively. A lot of the employment has to be in *basic economic infrastructure*: Building water systems; building mass transportation systems; improving our cities; building water systems; building new industries and expanding old ones.

You take one example—let's take the example of the auto sector: Now the automobile industry is a *strategically crucial part of the U.S. economy*. We are now producing too many automobiles—and we've been doing it too long. And as a matter of fact, the automobile manufacturers have been *paying* people to buy automobiles. And the people buy into a longer-term debt, but they're getting *paid* to buy an automobile. It's the only way that these companies can sell the automobiles they want to sell—and that's not working too well. That's why General Motors is bankrupt; that's why Ford's in trouble.

But let's look at the industry. Let's look at the large number of people who work in this industry and its associated industries, the people who depend upon those industries. What do they represent? Well, they represent, in part, the core

of the machine-tool capacity of the United States. The United States power in World War II, was based on our ability to mobilize our machine-tool capacity. We won the war with sheer tonnage of productive power.

We didn't have the best army in the world. Most of us were just called into service a year or so, before getting into battle. But we won the war because of our power of logistics, the logistics we used to support our own forces, the logistics we gave to other forces of other countries of our allies. We maintained a two-front war, to defeat the Hitler empire. And without us, it wouldn't have happened. Without the U.S. economy under Roosevelt, it couldn't have happened.

We did that. We came out of that as the most powerful country in the world. We can do it again.

What we have to do, is use government credit, the power under our Constitution of the government to create Federal credit—long-term and low-interest-rate, 25- to 50-year bonds, loans. We have to get other countries to do the same thing, either by issuing credit in the form of state credit, or the form of credit in treaties, long-term trade agreement treaties. Such as those between Western Europe today, and countries in Asia, such as China, India, and so forth.

China needs everything. Seventy percent of the population is still poor. They must build new cities. They must build new transportation systems. They must upgrade their population, by development. They need long-term credit. They can generate much themselves, but they need to build their country.

Southeast Asia is a similar situation. Indonesia's a similar problem. Malaysia: They're building up fairly well, but they



U.S. Navy/Photographer's Mate 2nd Class Philip A. McDaniel

Devastation in Banda Aceh, Indonesia after the tsunami of Dec. 26, 2004. The storm's death toll was so high, because "people in the United States and elsewhere . . . said that there would be no investment in infrastructure. The labor of this part of the world, will work in hotels, or in entertainment industries, and be the cheap labor, and the sexual recreation supplied for tourists!"

can do better—and will do better. India, Myanmar. These parts of the world need to be rebuilt.

The so-called Middle East, Southwest Asia: A cockpit of war and death now, it needs to be built up by water systems and other things, so a decent quality of life is available to people in that part of the world.

These are long-term investments of one to two generations. We must generate, together with other countries, the new forms of long-term credit, of state-guaranteed credit. We must organize this credit, into an international monetary system, modelled on the old Bretton Woods system, but adapted to the new conditions of today. We must have a fixed-exchange-rate system; we must peg these currencies and stabilize them. Therefore, under those conditions, we can guarantee the future payment against the bonds we issue in the form of debt, to do what? To put people to work today, such that we bring the U.S. economy *above breakeven*, in terms of current operations. If enough people are working, and earning money, a large enough percentage of our population are earning money, in productive occupations, in infrastructure and other forms, manufacturing and so forth, then, we are generating enough income per capita to carry this economy above breakeven.

If we can operate on that basis, above breakeven, and do it over a period of one to two generations, *we can guarantee, therefore, the repayment of the debt that we issue and create in order to do that work.* Under that basis, with agreements among nations to that effect, we can then say, we have a fixed

value for the U.S. dollar, and you can count on it for 50 years to come. And other countries can do the same thing.

But we are in a situation, where it is *our* responsibility. No other country or group of countries on this planet could do that, without the United States. And since we took charge of this thing, and created this as a dollar system, we are morally and otherwise practically responsible. We are the ones who must step forward to save the world: Because, without us, if we go down, we'll be like Samson—we'll bring the world down with us.

So, this is our responsibility.

Foreign Development

Now, what is involved in terms of foreign development? What lessons do we have to learn from this? Well, for example, it'd be easy to do this, in one sense, because—take Germany: Germany is the key country of Western Europe. It is the country which is best able, if allowed to do so, to generate within Europe, a pattern of growth. It did it before. Germany, in the post-war period, accepted Roosevelt's terms. And Germany created an institution, under a leading banker there, but modelled upon the U.S. system of Roosevelt. It's called the Kreditanstalt für Wiederaufbau. It works.

If you put enough credit into the German system, and take the people who are becoming unemployed—take what are called the *Mittelstand*, these small private businesses which are the great producers of engineering and other things, which the large corporations depend upon; you get them back into



National Archives

“The United States power in World War II, was based on our ability to mobilize our machine-tool capacity. We won the war with sheer tonnage of productive power.” Here, workers turn out parts for bombers at Willow Run, Michigan, in 1942. Where are Michigan’s factories today?

business. Then you have a driver, an engine of growth. As long as Germany is operating above breakeven, which it’s not doing presently, *Germany works*. When Germany works, with its connections with its neighboring countries, Europe works—at least Continental Europe does.

If Germany works, then Germany is going to follow the trail it’s now started under Schröder, to extend cooperation with Russia, the countries around Russia, in a triangular cooperation among Russia, China, and India; bringing all of the countries of Asia into a system of cooperation with Europe.

My view is that *we*, as the United States, must be the *partners* of Europe, and Eurasia as a whole, in this kind of arrangement. We should bless their efforts to do that. We should seek to cooperate and participate in what they’re doing. Under that basis, we can bring Europe back to life. We can make commitments to countries in Asia, that we, together with Europe, to perform the acts of justice that they need from us.

We, together, have the power to deal with the problem of Africa. The problem of Africa is one of great crimes, committed from Europe, and particularly since 1492. Since the Spanish introduced chattel slavery, treating Africans as animals who were hunted down to be captured and used as slaves. And that process has gone on. And relics of that process continue in Sub-Saharan Africa today. The human race outside of Africa has committed a great crime, in what it did, and what it contin-

ues to tolerate. And we are not going to be able to live with ourselves in the future, unless we do something to fix that.

And therefore, if we, in Eurasia and the Americas, are taking care of our own shop, then we jointly must intervene to help Africa.

What Is Our Conception of Man?

We must have a conception of man, which is associated with the idea: We’re going to *build* the future; we’re going to create a new future for humanity out of the dregs of the mistakes we’ve made so far. And because, you know, people think that the purpose of economy is money. And when they think the purpose of economy is to get money, they don’t understand what it is to be human.

The purpose of economy is to realize what man is. Man is not an animal. No animal can discover a physical principle, and apply that to increase its power to exist in the planet in the universe. Only man can do that. This is done through the power of reason. We are not animals, we are creatures of reason.

The net thing that we do with our lives, the very conception of immortality, the practical conception of human individual immortality, is that, while we’re alive, we can contribute something which will last into the future, as a foundation, benefit for generations to come. That what we’re producing therefore, if we are wise, is not products. We’re producing

infrastructure; we're producing means of manufacturing; we're producing improved technologies; we're raising the standard of living; we're increasing the potential for the intellectual and moral development of the individual in future generations. What we're producing is man. What we're producing is culture. What we're producing, is better human beings—not simply better because they're moralized into being better, but better because they have risen to a higher level. They have more access to knowledge. They are able to make better judgments. They're able to be more productive. So that you can say, as many immigrants to the United States thought, when they came here—they sacrificed, so their children and grandchildren could have a better life.

The greatest motive in economy, is to use scientific and technological progress to improve, not just the standard of consumption, but the *quality of existence*. If we can say, that those who were born who come after us—our children, our grandchildren, and those beyond—are going to have a better life, as human beings—not just as consumers, but as human beings—than we have, today, then we have discovered the secret of economy.

Look at the world as a whole. Look at us from the United States, from South America, Central America, from Europe, who are on this broadcast today. Look at us. What's the meaning of our life? We're all going to die! When we die, what has the meaning of our life *been*? What have we done, now, in which we can take pleasure, can rejoice, that our lives *have meant something*? That we can face death, knowing that we have accomplished something while we lived!

How many people in the United States and other parts of world, *have the right to think that way today*, in practice? The conditions of life of people today, is, you think about your future. You think about the people in the United States, as having a *worse future* than you grew up under! That's been your experience for two generations, during the past 40 years. So, you can foresee your grandchildren as living, almost as animals, relative to your standard of life. *Things are getting worse, under George W—much worse.*

What we used to think, even in our own crude way, we used to think we were making things better, the community was better, the state was better, the nation was better; our children were rising to a higher standard of living and importance; your grandchildren were the promise of the future. And you could look beyond that, to say, we're going to *build* this nation. We're going to jointly build *other nations*, to make this planet a better place: And say, "*I can go to my death with a smile on my face, because we're doing that.*" And that's the great purpose of economy.

It's not profit! Yes, we need to have a profit, we need to have a gain in productivity over what we put in in the first place. Yeah, we need that kind of profit. But the purpose of life and economy is not profit. The purpose is to build a better society, to develop human beings who could do what we never

could do. And to hope that they would do the same for those who come after them. And we can say, "We mean something in the scheme of eternity. We have a right to think of ourself as something more than an animal."

That's what we really need.

The Crisis of Anglo-Dutch Liberalism

Now, we face a great crisis, right now. Evil has overtaken us. And, being a person who's plainspoken, I have to say that Dick Cheney is evil. The President of the United States is a mental case. And the Vice President of the United States is a

The greatest motive in economy, is to use scientific and technological progress to improve, not just the standard of consumption, but the quality of existence. If we can say, that those who were born who come after us—our children, our grandchildren, and those beyond—are going to have a better life, as human beings—not just as consumers, but as human beings—than we have, today, then we have discovered the secret of economy.

morals case. They're evil. What Cheney did—I don't blame poor George W. Bush; I don't think he had the brains to know what he was doing—but Cheney did. Or his wife did, and maybe she told him.

What he tried to do, in the Congress, is the following.

Very few people around the world know what the Constitution of the United States is. Because of the educational situation, nowadays, very few people do, still, even today—*younger people*. Only some of us older folks really know what the United States is. And a few, very sharp younger folks, who are beginning to come along.

The United States was a creation of Europe. From 1492 through 1648, Europe was immersed in religious war. Now, it was a Europe which had come out of a terrible period, and was beginning to develop modern society, the modern nation-state. But this was being destroyed by religious warfare, which ended in 1648. During this period, people in Europe said: What're we going to do? Well, let's get out of Europe, and go, as Nicholas of Cusa proposed, go across the seas to other areas. And so, they came across the ocean, across the

Atlantic, to North America, with the idea of building up settlements here, which would form a kind of society here, which would then feed back into Europe, and become the model for the freedom of Europe from the terrible conditions which existed there. That's what the United States was intended to be.

And from the Massachusetts Bay Colony's founding, in the 17th Century, on, that was the thing that guided all the best leaders of the United States in their thinking: to build a republic, not simply to have something that is our own, but to build something which we could not do in Europe, at that time! By building something here, and inviting people to come here, and join us, and be part of us. To build up a republic, which would then become a model and a force of influence for the rest of the world, *to cure* the great evils which had take over Europe. And continue to take them over.

So, in the course of time, when Europe became evil because of the spread of this Anglo-Dutch Liberalism, we became desperate. And we launched, beginning 1763, a struggle for our independence. It was a dangerous struggle, and we drew upon friends in Europe who knew what we were doing, and supported it. We won that war. We established a republic. And once we had won the war, we then had to think about putting our house in order.

The Indispensable Role of the Senate

So, in the course of the 1780s, we had a process which centered around a number of institutions, including the military veterans of the war, the so-called Cincinnatus Society. And we met, our leaders met, to design a republic, an institution for the future. This republic was based on knowledge of the best experience of Europe. And it came to the time, as to what kind of a state apparatus we were going to have. The big fight on the Constitution was that: What kind of a state would we have?

And it was decided to have a Presidency. And when we decided to have a Presidency, we came to an argument. We said: "Wait! But, the Presidency, as we've designed it, is a very powerful institution. What if that institution fell into the hands of somebody who used it maliciously? Would our republic survive?" So, what we did, among our other checks and balances in our constitution of government, was to give certain powers to the *permanent body of elected government*. Now, the permanent body of elected government, is the U.S. Senate: It never goes out of existence. Approximately one-third of the Senators come up for election every two years.

So, the Senate, unlike the House of Representatives, never goes out of business. The majority of the Senate always remains seated, before and after the election. And the Senate is supposed to reflect. That's why this two-thirds rule existed on certain issues, that if one-third of the Senators said "no" on these issues, they could block the decision of the majority. Because the assumption was, the next two-year election will give the Senate the chance to reflect, and the people of the

United States the chance to reflect, on whether that proposal was right or not. And to select their representatives they put into Congress, into the Senate, on the basis of settling that question.

So therefore, what Cheney tried to do—and it wasn't just he, it was people behind him; but he's just the thug, that led the charge—was try to overthrow the Constitution of the United States. Because this question of powers of the Presidency is crucial. The power to make war: *We are still engaged in a war in Iraq, which is an unlawful war, in violation of our Constitution!* A war we got into because we were lied to! Or, because members of the Senate believed the liars, who were the President and Vice President and others. That was a *subversion* of our Constitution! That was not a lawful act of war! Apart from being an act of war, done by *authority of lies!* Lies by the President! Lies by the Vice President! Lies by many others in government!

Then they come along, they say, "We want a dictatorship." Well, how do you get a dictatorship? "We got a majority in the House and Senate, and we just stole the Presidency, again. So therefore, if we could get a straight majority vote, in the Senate, *by overthrowing the Constitutional provision, against precisely dictatorship*, we can establish a dictatorship."

So, what happened was, men of conscience in the Republican Party joined with the men and women of conscience of the Democratic Party, in the Senate, and said: "No!" *We just saved ourselves from a dictatorship*. We'd be under a dictatorship today, if these men and women of the Senate had not acted to block Cheney.

Now, the President himself is now a lame duck. He doesn't really function. It's the duck that doesn't fly. He gets flown, but he doesn't fly.

But we're in danger still. Because in times like these, in most parts of the world, in the case of a financial crisis like this one, you often get coups. You get assassinations of heads of government, and other important people. This is characteristic of Europe! It has never happened in the United States. We've had a few Presidents assassinated—quite a few—for political reasons, by powerful interests, usually powerful financier interests. Often European-based, powerful financier interests, who have killed a number of our Presidents, because they didn't like our policies.

But never has our form of government been overturned by dictatorship. Europe's often has been. We're in a time, where that is the danger. Cheney and company tried once. If they get a chance, they'll try it again. You see the mood for it, all around you.

And therefore, you understand something else, perhaps, then: How important the United States is. So far, even on the 23rd of May, we did not become a dictatorship. Whereas during such periods of time, many times, most of Europe has gone into dictatorial systems.

Our system of government—which is not a capitalist sys-



murray.senate.gov

Democratic Senators mobilized in defense of Social Security at the Franklin D. Roosevelt Memorial in Washington, D.C. in February. "We'd be under a dictatorship today," said LaRouche, "if these men and women of the Senate had not acted to block Cheney" in his bid to eliminate the Senate filibuster with the so-called "nuclear option."

tem: It's the American System of political economy, which is what our Founders called it. It's not a socialist economy. It is not a capitalist economy. It's an American economy: a unique form of economy, a unique form of Constitutional system in the world. And this system of government, a nation which became a power *because it had this system*.

What are we? We're largely Europeans! We come from Europe. Some not, but most of us come from Europe. They came here, because there was a better opportunity to develop here. This nation was built up, because it created a better opportunity for development of economy and development of its people, than *any country* of Europe. That's why we became the power we were. For that reason. We are a unique institution! And there is a place for patriotism, in the United States: patriotism about our historical role in the past, and what our historical role must be today.

Toward a New Bretton Woods System

I've looked at the governments of Europe, South America, Central America, Asia. I don't see the capacity to make the kind of initial decision, that some great nation of this planet must make, that I propose that the United States government must step forward now—before it's too late; and after July 1, who knows when "too late" will come?—step forward and make the proposal, and make the decisions, together with that proposal, which will bring together the nations of this planet, or at least many of them, *to establish a new world monetary system*, modelled upon the Bretton Woods system, with the

intention to make this planet a place that's fit to live in; to eliminate globalization; to promote the sovereignty of every people and every nation, but to promote in terms of *cooperation*, collaboration among sovereign nations, *not* trying to put us all into one minestrone soup. And to break this system up.

So, that is my message. This should be a time of hope. We are a great nation, or a great nation is somewhere hidden among us. We collectively can become a great nation, any time we decide to do it again. The members of the Senate who blocked the coup d'état on the 23rd of this past month, demonstrated that virtue among our people.

I would propose that that same body in the Senate, and others who agree with them, in the Congress and in other institutions, must now begin to cooperate and unite with an understanding of the great peril which threatens us, but also the great opportunity which stands before us.

The great opportunity is: *We have made the most stupid mistakes imaginable during the past 30-odd years*. We have, now—recognizing that stupidity, which got us into all this mess—we should now decide we're going to end it, and stop being stupid. And go back to being what we're supposed to be: Being a United States, again. And being the United States to which the rest of the world looks up, as the one which they turn to for action, when they need somebody to step forward and take leadership, in providing the kind of action needed to save the world from Hell.

And that's exactly where we stand, today.

Thank you.

Systemic Financial Crisis Creates Global Instability

by Nancy Spannaus

A swath of serious political crises, ranging from coup threats, to destabilizations, to political hysteria, is sweeping governments on all continents. This worldwide pattern is unprecedented in recent decades, noted *EIR* founder Lyndon LaRouche, and cannot be understood from the standpoint of the internal features of each nation. All of these crises are a reflection of the fact that the financial system is coming down, and that under those conditions, government cannot deal with the crises they are facing.

Under “normal” conditions, governments are able to maintain themselves, and control the opposition, by throwing a little bit of money at problems, and otherwise making concessions. But under the current situation of extreme financial instability and distress, the financial powers who dictate to governments, are telling political leaders that they cannot spend money to solve problems. Such standoffs are setting up confrontations that could even lead to coups.

The most significant crisis, in terms of the global strategic situation, of course, is the trans-Atlantic financial disaster, which is leading to a liquidation of hedge funds, and threatening the solvency of the dollar-based banking system itself, on top of the ongoing collapses of industry and government services. The very existence of the European Union’s institutions is being threatened by this development, in the wake of the French and Dutch rejections of the new monetarist European Constitution, and governments which threw their weight behind the monetarist perspective are finding themselves seriously threatened as well.

But just rejecting the European monetary straitjacket, is not enough to win European governments a stable base of support in their populations.

It was with an eye to the decline in the government’s popularity, as well as to the accelerating financial crisis, that

German Chancellor Gerhard Schröder acted on June 13 to declare his intention to move toward regulation of the hedge funds, during upcoming international financial meetings. Within 24 hours, the Chancellor had become the target of no less a figure than U.S. Secretary of the Treasury John Snow, who was touring Europe at the time. Snow declared that hedge funds were crucial instrumentalities of the “free market,” and threatened that any “excessive” regulation would lead Americans to pull their capital out of Europe. Leading financial figures in Germany itself, from Deutsche Bank, also attacked the Chancellor’s statement of intent to regulate this wildly speculative capital.

The outcome of this conflict will ultimately be determined by whether sane forces in the U.S. Congress, especially the Senate, move to replace Bush Administration insanity, with a rational policy of bankruptcy reorganization, re-regulation of markets, and long-term, low-interest credit for economic growth—in sum, the beginnings of a new world financial system.

The Cheney-Bush team has been showing increasing signs of hysteria lately, in the wake of the May 23 defeat by the Senate of Cheney’s coup d’état, as reflected in incidents such as Rep. James Sensenbrenner’s (R-Wisc.) shutdown of his own subcommittee hearing, Vice-President Cheney’s surly appearances on television, and the Administration’s thumbing its nose at the endless revelations of abuses at Guantanamo Bay. That hysteria can only be expected to increase, as the Administration’s popularity ratings sink, and Republicans begin to join Democrats in challenging disastrous economic, social, and war policies.

Thus, the political turbulence will only increase—until and unless the measures outlined by LaRouche in his June 16 webcast are carried out.



bolivia.indymedia.org

Bolivian President Carlos Mesa resigned on June 6, warning that the country is “on the edge of civil war.” Here: a demonstration in Sucre, Bolivia on June 3, demanding the nationalization of hydrocarbon production. Increasingly violent demonstrations are being run by the MAS Party of Evo Morales, leader of the coca-farmers.

When the Superpower Catches a Cold . . .

There is a folk saying that, when the big power catches a cold, the little folks who are dependent on him are wracked by pneumonia. The same principle applies to the social and political results of the global financial crisis in the developing sector, compared to that in the United States.

Thus the political instability in Western Europe and Washington, D.C. is mild compared to the upheaval being created in Ibero-America, Asia, and Southwest Asia, as a result of the systemic financial crisis. In Ibero-America, there is hardly a nation which is not threatened with chaos, from Mexico, to Ecuador, and even to Brazil, thanks to the International Monetary Fund (IMF) austerity regimes which have been imposed on their populations.

We review two case studies here as exemplary of what can be expected to happen in many other nations under current conditions.

Bolivia on the Edge

The night of June 6, Bolivian President Carlos Mesa tendered his resignation, in a televised address to the nation. He then made a second address, to issue a dramatic appeal: “The country cannot play with the possibility of breaking into a thousand pieces. This is a plea from a President on his way out, to a country that is on the edge of civil war.”

After several days, the leaders of the two houses of Congress who were constitutionally next in line stepped aside, and Supreme Court President Eduardo Rodríguez was sworn in as President on June 9.

Rodríguez immediately announced that early Presidential

elections would be held within 150 days.

There will be no solution, however, to Bolivia’s crisis, until the overturning of the IMF policies which, over the past two decades, have looted the nation and driven its impoverished people over the brink. According to the Bolivian Statistical Institute, fully 36% of Bolivia’s 8.7 million inhabitants are unemployed; 64% live below the poverty line; and 37% are indigent. Among children, 51% are anemic, and 27% have suffered at least one instance of acute diarrhea. Both these maladies are frequent causes of death.

Mesa’s resignation followed three weeks of protests by tens of thousands of peasant farmers and miners, who have blockaded all roads into the capital, La Paz, halted most inner-city commerce and transport, cut off all highway connections to other countries, occupied seven oil-and-gas fields, and held increasingly violent demonstrations to demand nationalization of the country’s oil-and-gas wealth and the convocation of a Constituent Assembly to reform the government. The protests were led by the MAS Party, headed by Evo Morales, leader of the nation’s coca-farmers, a long-term asset of speculator George Soros’s narco-legalization project, and an ally of Colombia’s narco-terrorist FARC.

For three weeks, Morales’s hordes strangled the capital, provoking scarcities of food, gasoline, and water. The protests devastated the capital physically and economically, and exacerbated the polarization of the country between its Indian and peasant population, on the one side, and the inhabitants of the raw-materials-rich section of Bolivia, the southeast, which have been organizing for the creation of a separate “Camba Nation.”

The international financiers' treatment of Bolivia, from the 1960s forward, set this conflict in motion. The nation has been treated as a raw materials looting-ground, as well as a leading center of the international dope trade. After an IMF "reform" program in the 1980s led to a shutdown of the state-owned mining company, thousands of miners were left with no livelihood but coca-growing. Then, in the 1990s, foreign multinationals bought up the mining companies for a song, and shifted the emphasis of raw-materials production to natural gas for export. Needless to say, the profits were not going to be used to benefit or develop the nation.

The stage was set for an escalating conflict between the representatives of the export industries and foreign financier interests—who encouraged the residents of the part of the nation known as Santa Cruz to demand autonomy—and the representatives of the largely dispossessed section of the population, now mobilized, also by international financier interests, to defend coca production as their own livelihood, as well as demanding renationalization and heavy taxation of the export industries.

So far, it has only been the LaRouche forces who have articulated a solution to this seemingly insoluble conflict. On June 14 *EIR* Ibero-American editor Dennis Small gave an hour-and-a-half interview on La Paz's television channel 13, in which he outlined LaRouche's proposals for reorganization of the world monetary system. The host, Anibal Aguilar, invited Small to be his sole guest, on his polemically titled program, "Bolivia IS Viable," a program designed as a platform to organize against foreign efforts to dismember Bolivia. Small's topic was "The International Financial Crisis and Bolivia's Viability as a Nation-State."

Small emphasized that the hope is that there are forces moving internationally to replace the IMF system which has destroyed Bolivia—most significantly, LaRouche-led forces inside the United States. He explained that it has been Venetian-British strategy for centuries to manipulate peoples into become the instruments of their own destruction, by getting them to fight one another, along their well-known profiles—the better to seize Bolivia's oil and gas, along the lines of Henry Kissinger's National Security Study Memorandum 200. Look for the international hands—Dick Cheney's American Enterprise Institute, George Soros, Luigi Einaudi—orchestrating the situation, and do not play your designated part in a play written by Wall Street's script-writers, Small told them.

The Philippines: To Coup or Not To Coup

In Asia, the leading example of a nation threatened with disintegration under conditions of global economic crisis, is the Philippines.

The economic collapse currently ripping apart the social fabric of the nation has devolved into a probably fatal crisis for the regime of President Gloria Macapagal-Arroyo. With poverty, unemployment, and malnutrition reaching intolerable

proportions, while over 70% of the nation's revenues are swallowed up in debt service, a scandal involving the President's husband, son, and brother-in-law, accused of taking payoffs from the illegal numbers racket, has now been joined by the release of tapes by elements of the domestic security and military intelligence institutions, purporting to show that President Arroyo and her husband engaged in vote fraud during the Presidential elections of May 2004.

It is doubtful that the Arroyo government will survive this conjunctural crisis, unless President Arroyo were to break completely from the nation's subservience to the now rapidly collapsing IMF-centered financial institutions. The nation has lacked economic sovereignty since 1986, when the first Washington-directed "people's power" hoax was used to depose the nationalist regime of President Ferdinand Marcos, and only a reassertion of that economic sovereignty today could save the Arroyo Administration. Barring that (not impossible) eventuality, the question remains: whether the nation will suffer yet another military coup under Washington's careful supervision, as in 1986 and again in 2001 (when President Arroyo was placed in office by extra-constitutional means), or if constitutional means can be employed for a peaceful and legal transfer of power.

Several neo-conservative think-tanks supporting the Bush-Cheney regime, including the Heritage Foundation and the American Enterprise Institute, have been releasing studies over the past year portraying the Arroyo government as a turncoat, for its withdrawal from Iraq and embrace of China, while describing the largely Islamic southern province of Mindanao as the training ground for Islamic terrorism across Asia, claiming that the Philippines is incapable of controlling the region. The U.S. Chargé d'Affairs in Manila, Joseph Mus-someli, went so far as to describe Mindanao as the "next Afghanistan." The desire of certain U.S. interests to establish a permanent military presence in Mindanao is well known in the Philippines, and Mussomeli's statement was not well received.

Knowledgeable Philippine sources were fearful that the situation might have come to a head during Independence Day celebrations over the weekend of June 12. Fortunately, however, a coup did not occur. Two factors were significant in aborting it: one, the fact that Susan Roches, widow of the Presidential candidate defrauded by the Arroyo government in the last election, refused to give coup action her blessing; and two, the insistence by Sen. Aquilino Pimentel, leader of the Opposition, that the political crisis be dealt with by *Constitutional* means, not a military coup.

Pimentel has called for Arroyo's resignation, together with that of the Vice President, and for new elections. "I want a peaceful, Constitutional way out for her," he said. "I don't want any extra-Constitutional means. Using 'people power' will only make it lose its moral authority. A military coup could not be relied upon to restore or protect democracy."

Germany Struggles for New Economic Policy

by Rainer Apel

German Chancellor Gerhard Schröder's June 13 keynote address at an economic policy congress of his Social Democratic Party (SPD) was useful, to the extent that he came out strongly in defense of the social market economy model—meaning, defense of living standards, including of the most vulnerable sectors of society—and that he announced legislation to tighten control of hedge and equity funds. The hedge funds, which are completely unregulated, are taking enormous losses on global markets, especially since May, when the debt of General Motors and Ford was downgraded to “junk” status by Standard & Poor's.

But Schröder was wrong, when he announced that “the debate about the system is decided: All theoreticians who ever forecasted the imminent collapse of capitalism, have been discredited by reality.” Saying that at a moment when even the usually strongly pro-monetarist ideologues in the economic press of Germany and Europe are warning of a blow-out of the hedge funds in the nearest future, shows that Schröder himself is still at odds with economic reality. Otherwise capable of grasping certain ideas of statecraft and positive power politics, the Chancellor keeps trying to square the circle, by combining such policies as his brutal budget-cutting Agenda 2010, with attempts to tighten controls on the financial markets. Schröder defends the social market economy model in one sentence, and in the next breath he reiterates his commitment to the budget-cutting reforms, with all their devastating, unsocial consequences.

Both aspects were featured in Schröder's Berlin address. The better passages went as follows: Schröder said that politicians are challenged by the need not to allow globalization to cause social disruptions, but to intervene in this process. Even if the dynamic of capitalism was impressive, a free market economy was “not just by nature.” And there are those, among the opposition parties, that go around with the fraudulent label “new social market economy,” which only serves as a pretext for a “willful retreat from the social sphere.” Those who think so, “lay an axe to the foundations of the social market economy,” Schröder said.

Politics is supposed to secure a life for citizens in dignity and in productive labor, Schröder said, adding that his notion of freedom is not that of the free market, but “freedom from alienation, exploitation, and poverty.”

What is needed is “a state that puts the common good above the particular interests,” because “without a strong and social state,” there would only be “privatization of education, of the public goods, and of infrastructure, as well as risks to life.” Responsible entrepreneurs, of which there are thousands in Germany, don't look for short-term maximization of profits, but pursue “a longterm objective, a strategy. They want to be the best, not the cheapest. . . . And it is those enterprises which contradict the allegation that the common good and social cohesion are a fair-weather luxury that cannot be afforded in difficult times.

“If global markets jeopardize nationally achieved standards, we are obliged to protect the freedom, the stakes, and justice that we have achieved in the German social state, through European and global regulations. We do not want just to be world champions in exports of goods, but also in the export of these values. The social market economy that has made our country strong, is not outmoded, it is a model for the global economy.”

Regulate the Hedge Funds

“Foreign investors and also investment funds are and remain highly welcome in our economy, but what remains decisive, is that they play by the rules of our social market economy,” Schröder said, adding that “the short-term engagement of some hedge funds in Germany in the most recent period has rightly posed some questions,” so that the criteria under which they operate in Germany, are being reviewed.

“We want stable financial markets. That is why we need effective monitoring on a global scale, and a visibly improved transparency of the hedge funds. I will, therefore, use the G-8 summit to endorse the definition of internationally unified minimum standards for hedge funds. And I will endorse there, again, measures for the improvement of transparency on the oil markets. The speculation on the oil markets still poses big threats to the economies of the consumer nations.

“In order to improve the transparency of the hedge-fund market in Germany, we will consider the obligation to make public any asset purchase—as already is the practice in the United States and in Great Britain.”

“Without social justice, there is no real freedom nor democracy,” Schröder concluded his address.

Labor and the Social Democratic Party

The Chancellor's reluctance to move efficiently against monetarism, to incorporate essential aspects of the LaRouche-led international momentum for a New Bretton Woods global financial reorganization, radiates into the Social Democratic Party, which is trying to avoid a public debate on these issues. The SPD has shown no sign yet that it might align with politicians in Italy who recently passed a parliamentary resolution in favor of an international conference to reorganize the bankrupt financial-monetary system. Just as the LaRouche movement is working on, and with leading

Democrats in the United States, so the catalyst for a change in Germany is the German LaRouche movement and its Civil Rights Movement Solidarity (BüSo) party.

Helga Zepp-LaRouche, the national chairwoman of the BüSo, on June 14 announced her candidacy for Chancellor, in the Fall elections (see her statement, below), and a lot of leafletting, e-mailing, and other contact work is being done now, by the LaRouche forces into the SPD and its constituencies. In Berlin on June 13, as Schröder was speaking, LaRouche Youth Movement organizers were talking to participants, handing out programmatic leaflets and other material.

It is from within the labor movement, that economic issues, such as the hedge-fund problem, are being addressed much more aggressively than within the SPD. The labor unions are hammering away on the issue of a state-run incentives and employment program. A 28-page programmatic platform was published by the German Labor Federation (DGB) on June 8. Under the title, "Shaping Germany Socially," it calls for an increase of public sector investments to 2.5% of GDP annually (from only 1.4% presently). The money, which with a GDP of now 2.2 billion euros would then be in the range of 50-55 billion euros, would be spent on projects of science and research, social and health infrastructure, but also transport infrastructure.

The memorandum calls for an anti-speculation tax, for much tighter controls of hedge funds than those announced by the Chancellor, and for a "new financial architecture," with the central banks entering agreements on stable currency exchange rates to build a wall against speculative attacks. The DGB urges the German government to take a leading role, among G-8 nations, in the promotion of such an arrangement.

Thus, the labor unions made a step forward, with the potential of joining the campaign for a New Bretton Woods (a term not used by the DGB, though); this step still is to be made by the SPD, but the labor base of the party may help the Social Democrats to soon make this long-overdue step.

Helga Zepp-LaRouche

Why I Must Become Germany's Chancellor

In the immediate aftermath of German Chancellor Gerhard Schröder's June 13 speech on economic policy, Helga Zepp-LaRouche, the leader of the Civil Rights Movement Solidarity (BüSo) party in Germany, declared that she will run for Chancellor in the expected September national elections. Her full statement follows. Subheads have been added.

Much of what Chancellor Schröder said on June 13 at the so-called Capitalism Congress of the Social Democratic Party, was good and urgently necessary to have been said: that a strong state must defend the common good of all in difficult times, that certain neo-liberal powers have spoken with sophisticated fraud of a "new social market economy," and in reality, wanted to lay an axe to the root of the social state, and that he, Chancellor Schröder, would insert himself on the international level so that the hedge funds would be compelled, through registration requirements, to be transparent. So far, so good.

The problem lies in what he did *not* say: namely, that the Common Good can only be defended under the currently exploding systemic crisis, if the government begins with a state investment program of at least 200 billion euros this year alone, and then continues this on a yearly basis, in order to again reach productive full employment. The other thing the Chancellor also said nothing about was the dramatic collapse of the international financial markets, and the resulting necessity for a new financial architecture, a new Bretton Woods system. And as I announced in my declaration of June 10, in the event that Schröder fell short of what's required on these two points, I hereby officially declare that I will participate in this crisis situation, as a candidate for Chancellor in the coming Federal elections.

The Real Problem

Because the situation could hardly be more dramatic: Already, on the next day, June 14, the whole gamut of the financial press, from the [London] *Financial Times*, to *Handelsblatt*, to the *International Herald Tribune*, to the [Swiss] *Neue Zürcher Zeitung* as well as admitted publicly what, until then, was only insider knowledge among financial circles and governments. Namely, that a bloodbath had played out among the "locusts," the so-called hedge funds, in the first half of May, and that its systematic effects are now rushing forcefully toward the surface. As a result of the fact that General Motors and Ford had been downgraded to junk bond status due to their hopeless over-indebtedness, the hedge funds who were speculating in these bonds have lost, according to the statements of market participants, up to 40 or 50% of their capital. The dynamic of accumulated risk has again brought a whole series of international investment banks to the edge of going under, a situation which cannot be hushed up much longer due to its huge dimensions.

Thus, when the Chancellor spoke about the necessity for transparency for the operations of the hedge funds, he did so naturally with the knowledge of the real situation of this mega-speculation; and therefore, I simply cannot let pass unchallenged, his statement that the debate over economic systems is definitively closed, thanks to capitalism's ability to adapt to change. Indeed, I venture the forecast that the world is not going to want to see or hear more about the "impressive dynamic of capitalism," once the first victims



Claudio Celani

Christian Democratic Union Chairman Angela Merkel, running for Chancellor: "Progress Is Going Backwards."

among the hedge funds, and possibly the big banks, become known.

It's happening exactly as I had warned at the end of 1989 and beginning of 1990, in my many speeches in east and west [Germany], that if one made the mistake of covering over the bankrupt system of the G.D.R. [East Germany] with the essentially equally bankrupt system of unbridled free market economy, in a few years an even more powerful collapse would come. We now find ourselves today exactly at that point.

The communist system became extinct because it neglected the existential needs of mankind; the system of the so-called free market and globalization is going under not only because it has destroyed the economic basis of a considerable portion of the population of Germany and a great part of the world population, but also because it has undermined the moral basis for society. The paradigm of the egoistic society of speculators and of the post-industrial fun-society, has undermined the moral core of the population to such a degree that many people are now in an amazing situation of denial of reality, and are generally not at all prepared for what is about to happen.

When the communist system began to disintegrate in 1989, many spoke rightly of the great historic opportunity of 1989. And indeed, the world witnessed a glorious hour for mankind, in which the demise of a superpower could have meant the opportunity to fully establish a new peaceful order in the world, and to pull together an entente of sovereign

nations through a common development perspective. I and my organization then laid on the table the program of the "Productive Triangle Paris-Berlin-Vienna," and from 1991 on, the concept of the "Eurasian Land-Bridge." But the historic opportunity was stymied by the "New American Century" doctrine of the neo-cons of the Bush, Sr. Administration, by Thatcher's "Fourth Reich" campaign, and by Mitterrand's blackmail to tie down Germany with the earlier currency union, to name only a few of the factors.

Now it's happening exactly as I warned back then: The global so-called free market system is going under. In this crisis lies the opportunity to establish a new just economic order, which would make possible the survival of all nations on this planet, but only if we learn the lessons of 1989.

The Way Out of the Crisis

Nevertheless there does remain one alternative: The most important governments must immediately convene an emergency conference, and, in the tradition of Franklin D. Roosevelt, establish a New Bretton Woods system. The completion of the Eurasian Land-Bridge as the programmatic basis for a new order of peace is still, as before, the way out of the economic crisis. Germany can only be a social-welfare state, if we again achieve productive full employment through a new industrial policy, invest in modern technology in Germany itself, and help develop growing export markets with ever richer clients. Thus, only a state investment program of at least 200 billion euros, this year as jump-start financing, and then, as long as necessary, 200 billion yearly, can again build up the scientific, technological, and industrial capital which the neo-liberal regime of globalization has destroyed.

Neither communism's planned economy nor the neo-liberal free-market economy can assure the existence of society, but only the system of physical economy, which goes back to Leibniz, and which proceeded from Colbert, Alexander Hamilton, Friedrich List, the two Careys (the advisers of Lincoln), Count Witte, and FDR, and which has been further developed by my husband Lyndon LaRouche. Once again, the cognitive potential of mankind must stand at the center of economic policy. Therefore, we must again turn back to our Classical tradition in science and culture, since they alone advance the creative faculties of mankind.

Because these concepts are indispensable, if we want to come out of this now unfolding crisis, and because CDU chairwoman Angela Merkel represents the exact opposite, and Federal Chancellor Schröder only represents a few aspects, I hereby declare my candidacy for Chancellor. The defeatism with which members of the German Social Democratic Party came out of their election defeats, is intolerable. What would Germany become, if we, in this situation, had Angela Merkel as Chancellor?

I will do everything possible to ensure that this Schiller year will be just the opening of a true Schiller Era.

No Real Conflict of Interests Between Israel and Iran

by Mary Burdman

What emerged most clearly in discussions at an excellent seminar on a potential “Nuclear Iran,” held at the James Shasha Institute for International Seminars at the Hebrew University in Jerusalem on May 30-June 2, is that there are *no* intrinsic conflicts between the real strategic and economic interests of Israel and Iran. While tensions remain high, in reality, these nations are not enemies and have never been. There are certainly ideological conflicts between Jerusalem and Tehran, yet, at this time, neither state poses a serious threat to the other. The real impulse for conflict in the region of Southwest Asia, comes from the neo-con/pre-emptive strike faction now running the Pentagon and the White House in Washington D.C., led by Vice President Dick Cheney.

Presentations by seminar participants, representing Israeli academic, intelligence, and official circles—as well as academics, analysts, and policymakers from the United States, Germany, France, Italy, India, Russia, and other nations—demonstrated that many in Israel have a sure grasp of Iran’s actual strategic concerns. There was general and strong opposition to Iran developing nuclear weapons, while the existence of Israel’s own nuclear capabilities remains unquestioned. At the same time, Tehran maintains its position, dating from the regime of Ayatollah Khomeini, that Israel does not exist, and government rhetoric constantly attacks Israel. Yet, a number of Israeli and other speakers maintained that Iran’s interests—at least if it does not develop nuclear weapons—do not fundamentally conflict with those of Israel. One Israeli participant noted that Israel is *not* the main reason for bad U.S.-Iran relations.

Iran, with a rapidly growing population and urgent need for economic development, is an independent nation of 70 million people, slightly larger than the size of Alaska, and surrounded by the most volatile region in the world. The determining factor in the region at this time, is the U.S. presence in Iraq, Afghanistan, and the Persian Gulf, and Tehran perceives itself as being “engulfed” by this overwhelming U.S. presence. Iran is a nation with a long-term perspective; over the last 26 years, its focus has shifted to national interests, rather than the Islamic Revolution.

Israel itself, as some leading analysts there emphasize, after the demise of Saddam Hussein, now has no enemy ex-

cept terrorism. Syria is far too weak to be a concern; Iran, without nuclear weapons, is not a threat. These analysts report that there is a growing consensus in the country—expressed also by some seminar speakers—that the only way for Israel to solve the terrorism threat, is to itself pull out of the occupied territories and go ahead with the two-state solution, with or without Palestinian cooperation. The withdrawal from Gaza will go ahead this Summer—not without a lot of problems which will look bad on television—but most Israelis are committed to this withdrawal. Further developments will take time. But Israel’s presence in the territories is now being understood as a heavy economic and military burden, rather than a first line of defense. The situation, particularly around Jerusalem, is *extremely* complicated. This, however, is hardly a new problem—its history goes back well over 2,000 years.

As one perceptive Israeli had it, the real problem afflicting the country, is that every *mishegaas* in the world is there. (*Mishegaas* is a Yiddish word of Hebrew origin, meaning insanity, although with a generous shot of irony.) Much of this current plague of *mishegaas* originates outside Israel. Israelis also point to the October 1973 war as a turning point. Immediately after the 1967 war, Israel’s founding father David Ben Gurion had wanted to return the just-captured territories, with the exception of Jerusalem, accompanied with a rational re-drawing of some borders, which had been left in a patchwork by the 1948 cease-fire. Many in Israel supported this idea, but the Egyptian attack in 1973 set off the messianic tendency which has grown to become so dangerous today. In a broader context, it was in this time period that President Nixon’s first Secretary of State, William Rogers, developed a plan for mutual Israeli-Palestinian security and territorial accords, but ousted and replaced by Henry Kissinger, who wrecked all potential agreements.

It is also noteworthy, that many of the most messianic types infesting Israel today—Jewish and Christian alike—are recent immigrants from the United States. These lunatics, as Lyndon LaRouche said in a recent discussion of Southwest Asia, come out of the U.S. fundamentalist-fascist movements, and are bringing that fascism to Israel.

Then, there is the demographic issue. Israel, in including the occupied territories, is now over 50% Jewish, but this will

be reduced to some 45% in the coming 15 years. For Israel to maintain itself as a democratic Jewish state—its national goal—it will have to pull out of the territories, and carry out the “two states for two peoples” policy.

The Neo-Con Danger

The biggest problem lies with the Cheney crowd in Washington, LaRouche noted. Israel has no intrinsic interest in a conflict with either Syria or Iran at this time; thus, anything being done by Israel to push conflict in this area, is being done to try to placate those dictating policy from the United States. In reality, any Israel-Iran conflict is a U.S.-Iran conflict, which has been the problem all along. In reality, LaRouche said, Israel’s interests coincide with cooperation with Iran, on economic and security problems. Both nations have enough economic, security, and other problems of their own to solve.

The danger of a conflict, of course, should not be underestimated. Iran’s internal situation, and to what degree Tehran’s “death to Israel” rhetoric reflects real policy or merely internal politics, was hotly debated at the seminar. Meanwhile, Israel opposes Iran developing nuclear energy—a long-term goal—on the grounds that this would only be a step to weapons. Iran insists that its program is peaceful, and that it has the sovereign right to nuclear energy.

In the region, Iraq was Iran’s real enemy—a rivalry that goes back to ancient times. Allowing the brutal eight-year Iran-Iraq War to be “forgotten” is a serious error, as Israeli and other analysts stressed. Iran suffered hundreds of thousands of casualties—ten times all of Israel’s casualties in its entire history—and was on the verge of surrendering to Saddam Hussein. This has been the most critical factor in Iran’s security policy since the 1979 Islamic Revolution. Iraq’s military capabilities far surpassed Iran’s; for this reason, Tehran determined to develop an independent, effective defense. The “hot topic”—at the seminar and beyond—is whether, and when, that defensive stance might become offensive.

In the debate on a “nuclear Iran,” several high-level analysts emphasized that Iran does not yet have any fixed nuclear doctrine, and one intelligence analyst suggested that Iran would tend to consider a nuclear capability, and nuclear deterrence, in a way similar to India and Pakistan, rather than the United States, Russia, or Israel. This would mean a regional, rather than international policy. A more serious potential threat would be if Iran were to build a lower-level, “dirty bomb” capability.

Independent Nation

Iran is an unusual nation in South and West Asia. Its Constitution really works, and elections matter. It is a genuinely independent nation. Iran’s real rulers are its conservative religious elites, yet the country is now the most open that it has been in the last quarter-century, with more open internal discussion than in its neighbors—despite repression and jailings of dissidents. The opposition is weak and divided, and it



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Iran’s Bushehr nuclear reactor, under construction with Russian assistance. Iran has a sovereign right to nuclear power, and a sensible regional approach would break the current deadlock by giving Iran an “existential” guarantee for its security.

is a mistake to make judgments based on the views of exiled dissidents. All vital issues—national security, nuclear policy, and so on—are determined by the supreme religious leaders; the military has little role.

Iran is also independent in foreign policy. Tehran does not take “Islamic” positions: Iran opposed the Taliban in Afghanistan; it supports Russian policy in Chechnya and never supported Muslim militants against India. It supported Christian Armenia in the conflict over Nagorno-Karabakh, and its closest relations among its neighbors are with Armenia and secular Turkmenistan. In Afghanistan, Iran did cooperate with the United States in getting President Burhanuddin Rabbani to resign in late 2001, to let Hamid Kharzai in: George W. Bush reacted by denouncing Tehran as part of the “Axis of Evil.” However, Iran insists, rightly, that it is not to be compared with North Korea.

Before 1979, Iran was an ally of the United States and Israel, and an enemy of the Soviet Union, a policy reversed after the Islamic Revolution. Now, the neo-con-controlled Washington Administration is a new level of threat. As one European pointed out, the United States is the pillar of the system targeting Iran; it is trying to contain Iran economically, militarily, and politically, and threatening a whole new level of attack: “regime change.” Yet, while the U.S. war in Iraq sends a clear message to Tehran, it was emphatically noted by some seminar participants, that the United States simply does *not* have the military capability to move into



EIRNS/Mary Burdman

Al-Aqsa Mosque, the Dome of the Rock, and the Western Wall in Jerusalem.

Iran. U.S. forces are already totally overstretched, and Tehran knows this.

Europe, India and Russia

Europe has been playing an important role in relation to Iran, but the future of that relationship is up in the air—as is much else in Europe. At the same time as the Jerusalem seminar, the German ruling party lost crucial state elections, and first France, and then the Netherlands voted “no” in referenda on the proposed European Constitution. Modern European direct interests in Southwest Asia go back to the famous Berlin-Baghdad railroad; with Turkey (potentially) a member of the European Union (EU), Iran would become a direct neighbor.

This writer raised a proposal, based on the April 2004 LaRouche Doctrine for Southwest Asia. It is obvious that Israel is a unique *economic* capability in the entire region. It has achieved a level of development and advanced technology beyond any other regional nation. Iran, with its 70 million people, has a growing economy but is in urgent need of development. Israel, in just one example, produces water desalination plants, which generate the water supply for Cyprus. Water is an issue of urgent concern in the entire region. Could not these two nations, from *inside* the region, cooperate on solving the water and other crises?

The question provoked a positive response, and reference to EU proposals which advocate an in-depth regional approach as the only way to stabilize the situation. Military and security guarantees would be essential—but the perspective is viable.

The most useful proposals, especially from Italy, a nation with long-term close ties to Iran, were for the creation of a *regional* security order, to break the current deadlock. This

would end the demonization and isolation of Iran, which is surrounded by nuclear weapons in Russia, Pakistan, Israel, Turkey (U.S. weapons), plus the “new” U.S. nuclear capabilities in Iraq. As one Italian strategist emphasized: “Never put your enemy in a corner.” The United States has lost its credibility after the weapons of mass destruction debacle over Iraq, and should reconsider its allegations about Iran. The current initiative of Germany, France, and Britain, is too narrowly focused on the nuclear issue: It should be broadened to give the government an “existential” security guarantee, and focus on Iran’s interests with its neighboring nations. Under the Non-Proliferation Treaty—which Iran signed—it has a sovereign right to nuclear energy, and to control the full nuclear cycle. At the same time, the International Atomic Energy

Agency (IAEA) has found no evidence of any military program in Iran.

There were coherent views presented from India and Russia. Russia is carrying out its nuclear energy agreement with Iran, and will complete it. India sees a convergence of interests with Iran, including to supply India’s growing energy needs, and as a “corridor” to Central Asia. Now, when India talks to its “Eurasian triangle” partners Russia and China, Iran is on the agenda. In New Delhi, the view is that U.S. attempted containment of Iran is a bad policy, badly carried out.

Neo-Con Insanity

Despite the generally excellent quality of presentations and discussion at the seminar, neo-con hysteria raised its ugly head. This was certainly not the only view from Washington, and at least one participant from a continental European capital calmly presented the bloodcurdling view that, failing all else, the only way to finally “deal” with Iran’s (alleged) nuclear ambitions, would be to blow up its nuclear facilities—whether by stealth or military attack. The essential point, he said, is to make the threat clear and keep the (alleged) international consensus against Iran strong.

Similar views came from the U.S. neo-con faction. While it was acknowledged that the U.S. consensus is that a military move would be the worst possible option, no one—in the United States or in U.S. allies such as Britain—should downplay the military threat to Iran. “Democratization” is to be taken as a serious commitment of the (insane) President Bush—even while Iraq sinks deeper into chaos. The existence of any other policy than that of the pre-emptive strike faction, is denounced as undermining “consensus.” Here, as in Washington, the pre-emptive strike faction showed itself out of touch with strategic reality.

Social Security Reorganization In Panama Is a 'Death Plan'

by Carlos Wesley

The government of Panamanian President Martín Torrijos rammed through a package of fascist “reforms” of Panama’s national Social Security system in a matter of just days in May, despite the overwhelming rejection of the plan by most of the population. Days of mass protests by teachers, students, doctors, tens of thousands of others in a general strike, and violent clashes with the police which caused scores of injuries and led to many arrests, were to no avail in stopping the Torrijos-controlled National Legislative Assembly from voting in favor of, among other things, raising the retirement age, increasing the number of monthly installments a person must pay to qualify for Social Security benefits, and handing over a chunk of the system’s financial resources to private banks.

As Panamanian attorney and former labor leader Eduardo Ríos notes in the interview below, the later retirement age and the increase in monthly contributions, mean that some workers in the private sector will have to work up to 40 years to pay in enough to the system to qualify for a benefits. As a result, most people *will never qualify* for benefits, even though they will pay into the system through the mandatory deductions; this is aggravated by the fact that most people are now hired as temporary contract workers, instead of employees, which is also the case increasingly in the United States.

Moreover, since the 1989 U.S. invasion ordered by the senior George Bush, life expectancy in Panama has been decreasing, one of five countries in the Americas where this key demographic indicator is dropping (the Dominican Republic, Guatemala, Honduras and Peru are the others). Although during the late 1980s, life expectancy in Panama was on a par with the United States, according to Panamanian Social Security actuaries at that time, from 2000 to 2004, life expectancy dropped from 75.47 years to 72.14, a decrease of 4.4%, *that is, a little more than 1% per year.*

That’s the average life expectancy for men and women combined. Broken down by sex, the expected life span for men is 69.67 years, which means that by raising their minimum retirement age to 60, in the best of cases they will only enjoy 9 years of retirement, on average, instead of the 12 years they used to have. As Ríos explains, teachers, policemen, and certain other professions, which were entitled by law to retire after a certain number of years of service (28 in the case of teachers), regardless of age, will now have to wait until they reach retirement age to begin to collect on their Social Security

benefits. The question is, what do they live on between the time they retire, and that when their Social Security benefits kick in?

There will also be cutbacks in health services, for which Social Security is largely responsible, since it is Panama’s largest provider of health insurance and health services, with a network of modern hospitals and clinics throughout the country. In addition, the system had been mandated to invest a part of its surplus in building rental housing, and in providing mortgage loans, which allowed large numbers of Panama’s working class and middle class to become home-owners. That is also being further curtailed by the recent “reforms,” demanded by the International Monetary Fund and the World Bank from the Torrijos Administration. This is in exchange for the promise of financing Panama’s planned expansion of the interoceanic canal, whose locks are too small for the new generation of vessels, as reported in the *New York Times* on May 26.

Implications for the Financiers

All these factors mean that people who started retiring last year are now dying off, “which means that virtually within five or six years, the generation that retired, having fulfilled the required 21 years of labor in the public sector [during the military governments, up to and including that of Manuel Noriega’s], will cease to exist, and [the bankers] will then end up with those billions of dollars to enjoy, because no one from the existing generation will be able to retire,” explains Ríos. He is a founding member of the Schiller Institute’s Ibero-American Labor Committee, and a signatory of Helga Zepp-LaRouche’s renewed call for a New Bretton Woods, who has written three books on the Panamanian Social Security System.

As is now the case in the United States, Mexico, and the other places where privatization is being pushed, the Panamanian government tried to sell the plan by creating a false sense of crisis, by insisting that Social Security was on the verge of bankruptcy due to corruption, an aging population, and so on. They also attempted to pit one group of workers against another, and one generation against the other. And, as Ríos notes in his books, the attempt was made to replace the notion of *solidarity*, on which Panama’s Social Security system has been based since its founding in 1941, with the selfish—and

economically imbecilic—notion that each person should carry his or her own weight.

Ríos adds that the banks that are the main beneficiaries of this looting operation—as they were of an earlier round of privatization in 1997—are Spain’s Banco Bilbao Vizcaya Argentaria (BBVA), and the American Citibank. “From the banks’ standpoint, this is even better than the Chilean scheme: Instead of individual accounts, they get the whole thing in one fell swoop. They don’t have to bother with administering anyone’s pension—the government does it for them—and all they have to pay is minimum interest, if that,” Ríos said in an earlier conversation with *EIR*.

Not by coincidence, BBVA and Citibank, along with the Spanish Banco Santander, control the lion’s share of Ibero-America’s privatized pensions and banks, notably Chile’s pension plans, which were privatized by the fascist dictatorship of Augusto Pinochet, at the behest of former U.S. Secretary of State George Shultz, by officials who had been Shultz’s disciples at the University of Chicago.

Leading the effort to privatize Chile’s Social Security was Pinochet’s Labor Minister, José Piñera, who boasts that Shultz asked him to draft a similar plan for the United States, and who now co-chairs the Cato Institute’s committee, which provides the ideological underpinning for the Bush Administration’s push to privatize Social Security.

The Role of George Shultz

As Lyndon LaRouche noted in a Dec. 16, 2004, interview, cited in the LaRouche PAC pamphlet *Bush Social Security Privatization: A Foot in the Door for Fascism*, the financiers’ goal is to impose the Chilean model in the U.S. and elsewhere—as was just done in Panama—to try to save the bankers. “The entire financial system is collapsing. We’re on the verge of a collapse, any time now, for a major financial blow-out of the U.S. and the international markets. At this point, they are counting on looting Social Security, or having proof that they *can* loot Social Security, as a way of putting more capital into a depressed U.S. financial market, to try to bail out the gambling side of the financial-market system.

“Now, George Shultz and company, of course, who was one of the original authors of the Pinochet operation down there, is also behind the Bush campaign. And he typifies these big interests, which are behind both,” said LaRouche.

Shultz, an advocate of drug legalization and one of the “economic hit men” identified by John Perkins in his eponymous book, was also one of the architects of the 1989 invasion, which was carried out to get rid of Panama’s Gen. Manuel Noriega, purportedly for his complicity in drug-trafficking. It was Nicolás Ardito Barletta, one of Shultz’s disciples at the University of Chicago, who created the legislation that transformed Panama into the drug-money-laundering center which it is to this day, a condition demanded by Wall Street in exchange for the U.S. signing of the Carter-Torrijos Treaties, which granted Panama control of the Canal in 2000.

But, as is now increasingly apparent, the Bechtel Corp.’s Shultz and company never intended for this control to be permanent, but rather a step in the transition towards the privatization of the Canal, a transition in which the just-imposed “reforms” of Panama’s Social Security plays a key role, as Ríos explains in the following interview.

Interview: Eduardo Ríos

The Banks Will Make Billions from This

Mr. Ríos is a Panamanian lawyer, author, and former trade union leader. He was one of the signers of the founding declaration of the Schiller Institute, and a founding member of the Schiller Institute Trade Union Commission. Although the Commission is no longer in existence, the Schiller Institute remains active.

Carlos Wesley interviewed Ríos on June 6. The discussion has been translated from Spanish.



EIR: A bill has just been approved in Panama which reforms Social Security. Can you explain what this reform involves?

Ríos: The key aspect of the reform is the increase in the retirement age from 57 to 60 for women, and from 62 to 65 for men. In addition to age, the number of monthly contributions that are required has been raised to 300. That is, previously it was 180, but it has now been raised to a minimum of 300.

EIR: Can you explain this business of contributions?

Ríos: Here in Panama, one retires after paying 15 years’ worth of contributions during your working life. Contributions are paid monthly, and they are mandatory, paid by direct deductions made by the boss or the company for which one works. It can also be done independently.

EIR: The worker pays part and the employer another part?

Ríos: Yes. The monthly contribution is a payment which combines a sum of money equivalent to 7.25% of gross pay, which is deducted from the worker’s wage, plus an amount paid monthly by the employer, which is 10.75% of the salary. So, in general terms, approximately 18% is paid. This contribution is now being raised to 9% from the workers and 13.25%

There will be billions of dollars that the banks are going to enjoy, because no one from the current generation is going to be able to draw their pension. The generation that is now from 25 to 50 years of age has no chance of drawing a pension, either in the private sector or in the public sector.

from the employer. The contribution is increased from 18% to 22.5%. . . .

But the problem with this, is neither the nominal cost of the contribution, nor the number of contributions. The problem is that here in Panama, the average number of months per year that a person nearing the age of retirement contributes to the Social Security system, is now generally six for men and five for women. That is, as one grows older, the opportunities for work are reduced.

Why? Because in Panama, they practice temporary hiring; that is, hiring workers for three months at a time—or for two months, for six months, a year maximum. And because of a law that gives permanent employee status if the contracts are consecutive, people are normally laid off for two to three months, then re-hired. This explains why in a year, the total that one might contribute to the Social Security system would be an average of only six months, at a point when one is approaching the mandatory retirement age.

EIR: But that's a change in the law that was put in place in order to create job instability. At one time, one got permanent employee status quickly. When did it change?

Ríos: These laws were changed in 1995, and they practically established the right to lay off workers without restrictions. The first change, which wasn't substantive, was in 1986, and later it was broadened with the 1995 law. This is what today makes job instability the norm throughout the private sector, and even in the public sector, through the famous contracts which keep a majority of public sector workers under contract for a period which keeps getting renewed—so long as they submit to, and participate in, the activities of the government at the time. Otherwise, they just fire them.

And so, job instability in the private sector here in Panama is what makes it practically *impossible*—and that's the concept, *impossible*—for people to retire. This law has in effect eliminated retirement!

To put it briefly, if I wanted to retire, I would, for example, need 40 years to be able to have the required 20 years of monthly contributions. I would need 40 years! What does this mean? That, beginning at the normal age when people would get a 20-year job, I wouldn't be able to complete the quota of contributions for retirement until 60 years of age.

But here in Panama, even that is practically impossible, because that would mean working and paying in for at least six months every year, which is totally impossible here. Gen-

erally, there is an average of 40 years, during which there is nearly 8 to 12 years in which workers do not contribute here in Panama. That is the average, according to the statistics.

This makes it impossible for [people to retire] in such common industries as fishing, where workers typically only work six months a year. And within that industry, you have the temporary hiring contracts, or workers are contracted per trip, which means working four, five months a year. So, it's a foregone conclusion that they are never going to retire.

Take the construction industry. In that industry, they are never going to be able to retire. Why? Because in construction, one works by the hour, and no matter how big the buildings, technology means that they will finish early. You see a 20-30 story building, yes, but the [workers'] contracts are just for two or three months, or until so many floors are finished, or for a specific operation within the building, meaning that there are never workers who work from the first day to the last on a project.

So there is job instability within that sector. And this obviously implies that, between finishing one job and beginning another, there is generally a tremendous lapse of time. And that already makes it impossible for them to make enough monthly contributions.

The other important aspect is that when construction workers reach age 50, they can rarely find work anymore. When a woman reaches 40, she can hardly ever find work. They're going to have to wait until they reach retirement age, but with the increase in the age requirement, even if they are still alive at the end, they are never going to complete paying the contributions to qualify for a pension.

The other terrible thing that has happened is that, in violation of Constitutional provisions, all the money of that great mass of money that will be accumulated from contributions, is going to be handed over directly to the banks, 5% for each worker.

EIR: Before they approved the new law, where did that money go?

Ríos: The Social Security Fund was given to the National Bank, and here, too, they have run an operation that violates the law. Before, the National Bank had to invest that money by law, and pay interest to the Fund, that was equivalent to the interest the National Bank itself would have earned by investing its own money.

From a certain point on, they twisted that interpretation

of the law, such that the money that the Fund gave to the National Bank was considered the equivalent of any depositor's money, and was treated like the money of any depositor off the streets, and it received a fixed interest rate. So, to repeat, the Fund would enter into a contract, and from the outset it was told, "We are only to pay you 2% or 3% or 4%," and this lost billions of dollars from the reserves of the Social Security Fund. And in this way, the state was able to finance itself with income from the Social Security Fund, to the point that it is believed that if an investigation were done today, the state would owe the Fund more than \$8 billion.

Now, this situation has been made worse. It is no longer just the state that is going to be the beneficiary, but also the banks. Because, it turns out that the issue here is that the different banks are all owned by the same people. So, 5% of the more than 2 billion balboas [equivalent to dollars] now in the Fund, plus 5% of everything that's coming into the Social Security Fund, will be handed over to those banks—which obviously means handing it over to those same people, because they are on the boards of directors of almost all the banks, who already were approved for the first privatization, which was carried out in 1997. . . . Let us suppose that the Fund today has \$2 billion; 25% of that \$2 billion is \$500 million. That would be the total amount that the banks would divide up among themselves. Each bank would get 5% of that \$500 million.

And it is going to be the same banks whose representatives include the Ambassador to Washington, Humber, and others from the Mota family, who are involved with nearly all the banks here. Thus, it is the leading families in Panama who sit on the boards of all the banks, like the Galindos, one of whom is Vice President of the Republic.

In sum, there has been an assault on the Social Security Fund in Panama. The people have been put down. The argument is that there have been a lot of people retiring, but the truth is that the nearly 100,000 retirees who actually exist today are thanks to the 21 years of "dictatorship," when there was labor stability in the public as well as the private sectors. Those are the people who are retiring today, but these people, starting last year, have begun to die out, at a rate of 3,000 to 4,000 a year.

And that means that virtually within five to six years, that whole retired generation, the product of those 21 years of labor stability in the public sector, will no longer be alive, and then, there will be a mass of billions of dollars that [the banks] will keep, which they are going to enjoy, since it will all go to them, because no one from the current generation is going to be able to draw their pension. The generation that is now in their 30s, or from 25 to 50 years of age, has no chance of drawing a pension, either in the private sector or in the public sector.

EIR: The press here, the *New York Times* and others, say that the real motive behind the privatization, one of the factors behind the reform is—and you mentioned this—that the gov-



EIRNS/Stuart Lewis

Mr. Ríos with Helga Zepp-LaRouche at a conference of the Schiller Institute in in Richmond, Virginia, in 1985.

ernment is hoping to accumulate, I think you said \$115 billion, as capital from this reform, to be used to widen the Canal. Is that true?

Ríos: They don't want the money to widen the Canal, because they are also planning to privatize the Canal, and mortgage it *sui generis*. What they do want, what the international financial institutions are demanding that the government do, is to put all the money in the banks, and they in turn promise to give loans for the widening of the Canal—as long as the money from the Social Security Fund is put in the private banks.

This is typical of the international financial institutions, right? "Give me the money; it doesn't matter if you lose, that's not my problem. I want you to put it in the private banks, and in particular, in two foreign banks, BBVA and Citibank. If you put the money here, then we will be happy, and then we will give you \$8 or \$10 billion; we will finance you from the banks. We are going to finance the widening of the Canal in exchange for what we are obviously going to demand as guarantee." No one is going to lend a dollar without a guarantee, and the guarantee is, to put a *sui generis* mortgage on the Canal by means of which, they are going to be guaranteed the administration, the fees, and all the rest.

EIR: This law is approved, it was signed into law by the President. What is the next step? Will there be more resistance?

Ríos: At this moment, virtually the entire education sector is out on strike. The entire health sector is out on strike, because it is going to be extremely hard on them to extend the period

[before they can get a pension], because they are going to go for a while without collecting a nickel. The whole construction industry is on strike. All of Coca Cola in Panama is on strike.

And every day, more and more companies and others go out on strike. It is unclear if, with the approval of the reforms, the strikes are going to be spreading or not. I believe they are going to be spreading. The problem is that, the basis upon which they went out on strike, I think, and have been saying, is very weak. They are accepting that there is a crisis [in the Fund], and that is a very weak argument because it is the same argument presented by the government. And one cannot brandish the government's argument that there is a crisis, and then turn around and confront the government. One has to have a different proposal for solving the situation, because otherwise the proposal of the one in power is going to prevail.

If those who are governed accept that there is such a crisis, they cannot hope to be the ones to proffer the solution. The solution in that case will have to be provided by those in power. This position is very weak.

EIR: Here in the United States, Lyndon LaRouche has been heading up a fight against the privatization of Social Security. . . . There is an economic crisis because they themselves have created it, and the solution is a New Bretton Woods financial system. There is no problem with Social Security; the problem is with the world financial monetary system, and therefore, LaRouche proposes that the alternative is to move forward with this New Bretton Woods, to reorganize the financial system, to declare it in bankruptcy because it is bankrupt, and to reorganize it completely. We are going to reorganize the system by investing in great infrastructure projects. Not widen the Canal, but build a whole new Canal.

Ríos: . . . This is good, trying to have people see things on a macro level, because, truly, this is the level at which things are happening and domestic policy is a consequence of that. But we also have to see the very specific case of Panama. And the situation is that in Panama, our pension system was a self-regulating one; it was flexible. When you had drops, you increased such and such a thing; when you had increases, you decreased such and such a thing. That worked for 64 years, and it remained healthy. Today, the Social Security Fund is the institution with the most assets in the country; it has the most cash of any institution in the country; it is the largest institution in the country; it has the most employees; and it is the institution which, in its 64 years, has never failed to pay an invoice. I don't know how you can say that an institution with such a historic pedigree is in crisis.

EIR: The Italian Chamber of Deputies approved a resolution in April, which calls for convening a meeting of heads of governments and heads of states to reorganize the world financial system in view of this calamity, that it is collapsing. We have had scandals like that of Parmalat and Enron, and truly, the system is no longer sustainable. Do you think that

you can begin to educate the people about this concept, about this New Bretton Woods idea of the Schiller Institute, of which you were a founder?

Ríos: Well, I do think that it were necessary for Panama and all the other countries to see the big problem, the macro problem, while also working on the domestic problem. That is, that the domestic problem must be attacked at the same time as the international one, and within the domestic problem one can clearly see that this problem is caused by, or is a product of, the macro problem. We here have been fighting, I believe, on all these fronts.

What's more, these [Social Security] reforms correspond to the macro problem; that is, as you have so well described it, to the collapse of the system. This has not stopped with privatizing all the public services in this country, which has driven up our costs four, five times, impoverishing the country; but now it has also seized upon the only healthy institution left in the country. They carried out a campaign and put it in crisis with this campaign, and they've snatched it up.

Obviously, next will be the Panama Canal, which they are going to seize through this strategy of widening it and contracting loans. It is already all very clear. So yes, I believe that the macro problem is relevant, and it must be addressed in this way. We must have very clear guidelines, such that the Latin American population understands it well, and knows that when it is fighting in the framework of a domestic problem, a national problem, it is confronting precisely this large problem, which must also be confronted at the same time, right?

EIR: Do you have a message for the readers of *EIR*?

Ríos: What I would like to say to the people of the United States, to the workers, is that they should try to use all the tools at their disposal now. I believe that the issue is not accepting that these measures be imposed on them, which afterwards they have to fight, but rather to stop them from being imposed, using all the force and all the pressure movements at hand to prevent this from materializing.

Because if this [Social Security privatization] fails in the United States, this will allow us a greater ability to contain those who are coming here with that strategy.

EIR: One last question: You knew Lyndon LaRouche well, and collaborated with him. Is there something you would want to communicate to him?

Ríos: What we would like, is, I believe now more than ever, to have a kind of seminar or event—but Latin American-wide—to exchange these experiences we are having and to provide, from our experience, tools for fighting to those who have not yet fallen into this. And to see how to counteract the siren calls from the lackey governments which are implementing these [reforms], always inventing a domestic issue, just as they did here where, with extensive propaganda, they invented the story that the Fund was in crisis, without showing any figures to prove that this was true.

Franklin Indictment: Bigger Than the Pollard Affair

by Jeffrey Steinberg

On June 13, a 20-page grand jury indictment—dated May 26—against Pentagon analyst Lawrence Franklin, was unsealed in Federal Court in Alexandria, Va., opening a new page in a several-year-long espionage probe that now promises to blow more circuits than the 1985 Jonathan Pollard arrest and espionage conviction.

Some clues as to the scope of the network being targeted in the Franklin probe were offered in the indictment itself, which pointed to two other Pentagon officials, two “former” senior AIPAC (American Israel Public Affairs Committee) employees, a recently departed political officer at the Israeli Embassy, and at least one former senior Mossad official, as possible co-conspirators with Franklin in passing classified U.S. intelligence to Israel.

Although the indictment did not name the suspected co-conspirators, most of their identities have already come out. For example, the two ex-AIPAC officials are Steven Rosen and Keith Weissman. For 27 years, Rosen was AIPAC’s director of international affairs, and Weissman was, for years, AIPAC’s top Iran expert. In April, both men were fired by AIPAC, as part of a deal struck between the Justice Department and the Israeli lobbying group, brokered by Washington lawyer Nathan Lewin.

However, sources report that the deal negotiated by Lewin may have already been broken by AIPAC. The agreement was that: 1) the two men would be fired; 2) AIPAC would vow to “never do it again”; and 3) that AIPAC would not provide any financial compensation or support to the two ex-employees. However, AIPAC admits that it has paid over \$1 million in legal bills for Rosen and Weissman to date. It is expected that the two men, who are listed as “Co-Conspirators 1 and 2” in the grand jury indictment, will themselves be indicted before the end of June.

Associates of Rosen have reported that the former AIPAC chief political operative has been seen around Washington in

a state of near-shock. He muttered to one longtime friend, according to an eyewitness account, “We used to own this town, and now look at what’s happened.” Another U.S. intelligence source, intimately familiar with the case, simply observed: “Rosen *is* AIPAC.”

Ironically, Nathan Lewin’s role as the legal consultant to AIPAC may have had a certain blowback effect. Lewin is remembered by many FBI and Justice Department old hands as the lawyer who orchestrated the coverup of the espionage probe of Dr. Steven Bryen, in the late 1970s and early 1980s. Lewin was hired as a legal “consultant” to AIPAC as soon as word leaked out in August 2004 of Franklin’s legal troubles. According to one source, however, that was “late in the game,” as the FBI had bugged AIPAC’s offices for over a year at the time. In September and December 2004, the FBI raided AIPAC’s offices and confiscated computer drives, documents, and other material. The second raid on the semi-official Israel lobby’s offices was no friendly affair. FBI agents came in with guns drawn.

Israelis Under Scrutiny

There are at least three Israelis under FBI and Justice Department scrutiny in the Franklin case. They are Naor Gilon, who recently departed from his post as political counsellor at the Israeli Embassy in Washington. According to the grand jury indictment, Gilon had 15 meetings with Pentagon Iran desk officer Franklin in 2003-04. In a number of those meetings, according to the indictment, Franklin passed along classified information. Israeli news accounts say that Gilon and Franklin have actually known each other since 1997, when Franklin, a colonel in the U.S. Air Force Reserve, was briefly assigned to the Air Attaché’s Office at the U.S. Embassy in Tel Aviv. It was Franklin’s second tour of duty in Israel, according to one former Pentagon co-worker. However, the tour was cut short, after Franklin was repeatedly

caught having unauthorized and unreported meetings with Israeli military and intelligence officials.

In addition to Gilon, the FBI is also probing Uzi Arad and Eran Lerman. Arad is a “retired” senior Mossad officer who, at one time, served as the official liaison to U.S. intelligence for the Israeli espionage service. Arad is now the director of the Herzliya Center for Interdisciplinary Studies, a leading Israeli national security think-tank, which hosts a prestigious annual international security conference.

According to the indictment, on Feb. 13, 2004, Gilon telephoned Franklin at the Pentagon, and asked him to meet with Arad. A week later, Franklin and Arad had lunch at the Pentagon cafeteria.

Arad was interviewed a few months ago by the FBI about his ties to Franklin, and Arad later explained to Israeli media that he had met Franklin at the December 2003 Herzliya conference. He claimed he was merely visiting the Pentagon civilian analyst, and was exchanging non-classified academic papers with him.

Eran Lerman, the second “ex” Israeli intelligence official under scrutiny, was a top military intelligence analyst, who also attended the 2003 Herzliya gathering.

But there is much more to the Arad and Lerman angle to Franklin. Both men have been described by one Israeli source as protégés of Rafi Eytan, the legendary Mossad European station chief, who was in charge of the special intelligence unit, Lekem, that ran U.S. citizen Jonathan Pollard as an Israeli spy in the early-to-mid-1980s. Furthermore, according to one U.S. intelligence source, the probe into Arad and Lerman’s activities has opened up a “parallel Mossad” apparatus, that has been at the center of a much broader “soft” espionage program, targetting the United States, and this is an area that U.S. counterintelligence officials are exploring with great interest.

The ‘X Committee’ Revisited

The indictment also made mention of two other Pentagon officials. One unnamed official referred Rosen to Franklin, to discuss Iran. The other unnamed official attended the first face-to-face meeting between Franklin and the AIPAC men, at which classified information was provided by Franklin. While no public accounts have yet named the two other Pentagon officials, two names that have repeatedly been speculated on by experts familiar with the probe are: Doug Feith, Franklin’s boss and the outgoing Undersecretary of Defense for Policy; and Harold Rhode, a so-called “Islamic” expert, who was a close advisor to then-Deputy Defense Secretary Paul Wolfowitz, and served in the Office of Net Assessments, headed by Andrew Marshall.

The indictment also noted that Franklin has solicited help



DoD/R.D. Ward



The trail of the Franklin indictment leads to an extensive network, including (left to right) Doug Feith, Franklin’s Pentagon boss; Dr. Uzi Arad, a former senior Israeli Mossad officer; and Eran Lerman, who was a top Israeli military intelligence analyst.

from Rosen to get a job at the National Security Council. This has led to speculation that Elliott Abrams, who headed the Mideast desk at the NSC during the first Administration of President George W. Bush, was also promoting Franklin.

While Pentagon officials like Feith and Wolfowitz tried to distance themselves from Franklin, claiming he was just a lowly desk officer, eyewitnesses have told this news service that Franklin was a frequent participant in “neo-cons only” brown-bag lunch sessions in Feith’s office. Those sessions were reportedly also attended by Franklin’s immediate boss at the Near East-South Asia policy office, William Luti. Luti, who came to the Pentagon in mid-2001 from Vice President Dick Cheney’s office, frequently boasted that he was really working for “Scooter,” a reference to I. Lewis “Scooter” Libby, Cheney’s chief of staff and chief national security aide. Libby also was, for 16 years, the lawyer for fugitive swindler and Mossad money-man, Marc Rich.

Others who joined in the Feith sessions were identified as: Richard Perle, who formerly headed the Defense Policy Board, but was forced to resign; Abe Shulsky, advisor to Luti, who headed the Office of Special Plans, the hub of the Pentagon disinformation campaign to justify the Iraq invasion of March 2003; and Harold Rhode, the man suspected of being the other Pentagon participant in the original meeting with Rosen and Franklin.

Irangate Links

Rhode’s close ties to Franklin date back at least to December 2001, when the two Pentagon civilians travelled to Rome with Michael Ledeen, for three days of meetings with Iranian arms dealer Manucher Ghorbanifar. A pivotal figure in the 1980s Iran-Contra scandal, Ghorbanifar was denounced by the CIA as a pathological liar, and was declared off limits for CIA Middle East hands. But Ghorbanifar always remained a favorite of the neo-cons, and Ledeen organized the December 2001 session to reopen some of the old Irangate links, as part of his crusade for “regime change in Tehran.”

One former U.S. intelligence official assessed that Franklin was used, among other tasks, to conduit Ghorbanifar disin-

formation to Israel, so it could be credibly “shopped in” to U.S. intelligence in a re-run of the Ahmed Chalabi/Iraqi National Congress “stove pipe” of disinformation to “end users” like Cheney and other top hawkish policymakers.

But above all else, leading Pentagon officials, now under suspicion in the Franklin affair, go back to the original Pollard case as suspected members of the “X Committee,” the group of Reagan-era national security hawks, who were all under investigation as co-conspirators of Pollard, but were never caught or prosecuted. In Spring 1988, *EIR* published a list of suspected members of the “X Committee,” provided by a source working with the General Counsel to the Secretary of Defense (see *Documentation*). Among the names on the list: Wolfowitz, Feith, Perle, and Ledeen. All four men have now been directly linked to the Franklin affair.

There is growing speculation that this time, the “X Committee” is not going to get away with its perfidy. The national security institutions of the United States often work slowly, but on some occasions, they actually work. And that is making for some very sleepless nights for people like Dick Cheney, who have been covering the backs of the “X Committee” for decades.

Documentation

Federal Indictment of Lawrence Franklin

The following are excerpts from the indictment of Lawrence Franklin in the May 2005 term of the United States District Court for the Eastern District of Virginia, released June 13.

General Allegations

At all times material to this indictment:

1. The defendant, LAWRENCE ANTHONY FRANKLIN, was employed by the United States government at the Department of Defense (DoD) in the Office of the Secretary of Defense (OSD), International Security Affairs (ISA), Office of Near East and South Asia, Office of Northern Gulf Affairs, Iran desk, and held a Top Secret security clearance with access to Sensitive Compartmented Information (SCI). The defendant was also a Colonel in the United States Air Force Reserve (USAFR).

2. Throughout his employment with the United States Government, FRANKLIN has repeatedly signed written agreements acknowledging his duty to safeguard classified information:

- On or about July 31, 1979, FRANKLIN signed a DIA (Defense Intelligence Agency) Secrecy Agreement, by which he acknowledged that he would never divulge any classified

information relating to the national security without prior consent of the Director of the Defense Intelligence Agency or his designated representative. FRANKLIN further acknowledged that the burden was his to ascertain whether information is classified and who is authorized to receive it. FRANKLIN acknowledged that he had read and understood the provisions of the Espionage Act, including 18 U.S.C. §793, 794, and 798.

- On or about December 8, 1999, FRANKLIN signed a Classified Information Nondisclosure Agreement, a Standard Form 312 (SF312). In that document FRANKLIN acknowledged that he was aware that the unauthorized disclosure of classified information by him could cause irreparable injury to the United States or could be used to advantage by a foreign nation and that he would never divulge classified information to an unauthorized person. He further acknowledged that he would never divulge classified information unless he had officially verified that the recipient was authorized by the United States to receive it. Additionally, he agreed that if he was uncertain about the classification status of information, he was required to confirm from an authorized official that the information is unclassified before he could disclose it.

- On or about June 5, 2001, FRANKLIN orally attested that he fully understood his responsibility to protect national security information and would adhere to the provisions of the SF-312. . . .

- On or about July 17, 2001, FRANKLIN signed an SCI Nondisclosure Statement in conjunction with his employment at the DoD/OSD. FRANKLIN acknowledged that he was granted access to classified information protected as SCI and that he received a security indoctrination addressing the nature and protection of SCI information. . . .

Ways, Manner, and Means of the Conspiracy

A. It was part of the conspiracy that defendant LAWRENCE ANTHONY FRANKLIN would and did use his position as a desk officer in the Office of the Secretary of Defense to gather information relating to the national defense, for subsequent unlawful communication, delivery, and transmission to CC-1 and CC-2.

B. It was further part of the conspiracy that FRANKLIN would communicate by telephone with CC-1 and CC-2 to arrange meetings, share information, set agendas for meetings, and act upon requests for additional information.

C. It was further part of the conspiracy that FRANKLIN, CC-1, and CC-2 would and did meet at locations in the Eastern District of Virginia and elsewhere, to exchange information, including classified information relating to the national defense.

D. It was further part of the conspiracy that FRANKLIN would and did deliver, communicate and transmit classified national defense information in an effort to advance his own career, advance his own personal foreign policy agenda, and influence persons within and outside the United States government.

E. It was further part of the conspiracy that CC-1 and CC-2 would meet with FRANKLIN and cultivate a relationship that would enable them to obtain from the defendant national defense information. . . .

The U.S. Intelligence Search for 'Mr. X'

by Joseph Brewda

Reprinted from EIR, June 3, 1988. Note how many of these individuals are still in powerful positions today.

U.S. government investigators are hot on the trail of "Mr. X," the senior U.S. government official deemed responsible for having placed convicted Soviet-Israeli spy Jonathan Pollard in a sensitive post at U.S. Naval Intelligence. Without such an official, or officials, Pollard could never have reached his position. *EIR* has received a list of suspects currently being investigated by the U.S. government for having played that treacherous role. *EIR* investigations have independently confirmed that all the individuals on the list are likely KGB (Soviet intelligence) or Mossad (Israeli intelligence) agents or assets. It is *EIR*'s judgment, moreover, that the individuals on the list, far from being a random collection of suspects, constitute a tightly organized conspiracy, which was responsible, *as a whole*, for patronizing and protecting Pollard.

Perhaps the best description of them is "Albert Wohlstetter's children."

As reported in an accompanying article, "former" Trotskyite Albert Wohlstetter is the mastermind of the Soviet-sponsored U.S. strategic policy known as "discriminate deterrence," that is, abandonment of allies in Europe and Asia. Wohlstetter was one of the founders of the Rand corporation, a center of crackpot strategies, together with Andrew Marshall, Henry Rowen, and Herman Kahn. In former days, Wohlstetter, Rowen, and Kahn were known as "the Father, the Son, and the Holy Ghost of Rand." Others in Washington added Rand founder Bernard Brodie to the group, and condemned them as the "Four Pursemen of the Apocalypse."

Altogether, the list includes:

Henry S. Rowen. Currently a senior fellow at the Hoover Institution, Rowen joined Wohlstetter and Kahn at the newly formed Rand corporation in 1951, following graduation from Massachusetts Institute of Technology. His most recent government post was chairman of the National Intelligence Estimates Board at CIA, 1980 to 1983.

In 1951, Rowen and Wohlstetter succeeded in expanding their penetration of U.S. defense circles through a Rand study on the vulnerability of Strategic Air Command bases to Soviet surprise attack. Rowen and Wohlstetter designed the insane doctrine of "flexible response" and "controlled escalation" at Rand, and later sold it to Defense Secretary Robert

McNamara.

In 1959, Rowen, Wohlstetter, and Andy Marshall became key figures in the John F. Kennedy campaign. Following Kennedy's election, Rowen was appointed Deputy Assistant Defense Secretary under McNamara, where he advocated the "Mutually Assured Destruction" deterrence thesis, in opposition to the traditional military doctrine of "war-winning." Rowen successfully imposed his views during the 1961 Berlin Wall crisis, one of the most important and cowardly U.S. capitulations to the Red Army in the postwar period.

Rowen served as President Johnson's assistant director at the Bureau of the Budget, and then returned to Rand. Rowen reemerged as the leader, with Wohlstetter and Kahn, of the team which wrote Jimmy Carter's notorious PD-59, a policy which removed the strategic nuclear umbrella from Western Europe. As CIA intelligence estimates director in the first Reagan Administration, Rowen ensured consistent CIA misestimation of the Soviet strategic threat.

Andrew Marshall. Currently the director of the Defense Department's Office of Net Assessment, a post he has held since 1973, Marshall oversees all Pentagon studies comparing the relative strengths of the U.S. and Soviet military. The office's assessments have been notoriously incompetent. A founder of Rand, Marshall assisted Albert Wohlstetter and his wife, Roberta, in their influential study on the vulnerability of the Strategic Air Command. While at Rand, Marshall also trained future Defense Secretary James Schlesinger.

In 1957, Marshall joined H. Rowan Gaither in directing the Council of Foreign Relations-linked Gaither Committee, which concluded that the United States would not be able to follow the doctrine of "massive retaliation," and had to, they insisted, accept the idea of U.S.-Soviet strategic parity. The committee's ideas were later picked up by Henry Kissinger. In 1973, Secretary of Defense James Schlesinger hired his mentor Marshall to become director of the Office of Strategic Assessment. Under Marshall, it became the key Pentagon office overseeing the subcontracting of strategic assessments to private firms, such as Rand. Marshall has also served as the key liaison with the Israeli Defense Ministry. In 1982, Marshall, Fred Iklé, and Richard Perle co-authored the Reagan Administration's guidelines on defense guidance.

Fred Charles Iklé. Product of an elite family associated with the National Bank of Switzerland, Iklé was trained at the Rand Social Sciences department under Wohlstetter and Marshall. From 1981 through February 1988, Iklé was Undersecretary of Defense for Policy. He is the co-author with Wohlstetter, of the recent Pentagon study, *Discriminate Deterrence*.

In addition to serving in his family's Zurich-American Insurance Company and teaching at MIT, Iklé directed the Arms Control and Disarmament Agency under President Ford. He has served as the main patron of the "X Committee's" Richard N. Perle and Stephen D. Bryen within the Defense Department.

Richard N. Perle. From 1981 through April 1987, Perle

was Assistant Secretary of Defense for International, Economic, Trade and Security Policy, serving under Undersecretary Iklé. Perle is now based at the American Enterprise Institute. Perle formulated the treasonous “zero option,” and sold the policy to Ronald Reagan for the 1986 Reykjavik summit. He is married to Leslie Joan Barr, formerly a top officer at the Commerce Department and currently in the sensitive post of director of the Customs Service’s International Program Management Division.

Perle got his start by dating Wohlstetter’s daughter in high school. He was later a London School of Economics college roommate of another Wohlstetter protégé, nuclear strategist

Far from being a random collection of suspects, these individuals constitute a tightly organized conspiracy, which was responsible, as a whole, for patronizing and protecting Pollard.

Edward Luttwak. Perle was sent into the Congress in 1970, as a top aide to the late Sen. Henry “Scoop” Jackson, with access to high-level classified information. In 1970, U.S. wiretaps of the Israeli embassy showed that Perle was feeding some of this classified information to the Israeli government, probably in association with Kissinger associate Helmut Sonnenfeldt.

In 1976, Perle left government to form the Abingdon Corporation, an arms trading company, with future Navy Secretary John Lehman. Perle maintained Abingdon’s lucrative account with Soltam corporation, Israel’s largest mortar manufacturer, which was later implicated in the Iran-Contra arms sales. Perle was later caught receiving over \$100,000 from Soltam, after he joined the Reagan Administration in 1980, allegedly for past services due. Simultaneous with forming Abingdon, Perle founded the Jewish Institute for National Security Affairs (JINSA) with Stephen Bryen; Michael Ledeen, a suspected Mossad or Soviet spy later central to the Iran-Contra affair; and Yossef Bodansky, reportedly the Israeli intelligence handler of Jonathan Pollard.

Stephen D. Bryen. Currently employed at the new post of Deputy Undersecretary of Defense for Trade Security Policy, Bryen had been a deputy of Perle at Defense since 1980. Bryen got his start as an aide to Sen. Clifford Case in 1971, quickly becoming Perle’s closest associate in the Senate. Bryen co-founded JINSA with Perle, and his wife, Shoshana Bryen, has served as JINSA’s executive director since its inception.

In 1978, Bryen was caught red-handed with the Mossad’s

Washington station chief, Zvi Rafiah, discussing giving the Israeli government classified information. Bryen was then staff director of the Senate Foreign Relations Subcommittee on Near Eastern and South Asian Affairs. Like Perle, Bryen escaped prosecution.

While serving as Perle’s assistant at the Defense Department, Bryen formed the Technology Transfer Center, with oversight over the smuggling of strategic technology. Bryen hired Pollard’s reported handler, Yossef Bodansky, to serve at the center, as well as Michael Ledeen’s wife, Barbara Ledeen.

Frank Gaffney, Jr. Now based at Herman Kahn’s Hudson Institute, Gaffney was deputy assistant secretary of defense for nuclear forces under Perle, and was slated to be his replacement until his resignation from government last November. Like Perle, Gaffney got his start working for Sen. Scoop Jackson, and has often been described as a Perle protégé. Since his resignation, Gaffney has loudly criticized the INF treaty, whose worst features Perle masterminded. He has not broken with Perle, however, and co-authored a loyal “critique” of the treaty with Perle in February.

Douglas J. Feith. At his own Washington law firm since 1986, Feith served as Perle’s deputy in varying capacities at Defense since 1982, most recently as deputy assistant secretary for negotiations policy. He had previously served on the Reagan National Security Council.

John F. Lehman, Jr. Secretary of the Navy from 1981 through 1987, Lehman is currently touted as a national security adviser or defense secretary in a Bush Administration. A relative of the late Princess Grace of Monaco, Lehman got his start as the Oxford University roommate of David Walker, a future leader of Britain’s elite Strategic Air Services (SAS), and founder of KMS, Ltd., a firm which Lehman ensured handled much of the Iran-Contra arms trafficking.

Lehman was a senior staff aide and counsel to Henry Kissinger, both at the NSC and the State Department. Beginning in 1975, Lehman served as Iklé’s deputy director at the Arms Control and Disarmament Agency. During the Carter years, Lehman formed the Abingdon Corporation with Richard Perle.

Paul Dundes Wolfowitz. Currently ambassador to Indonesia, Wolfowitz had been Wohlstetter’s student at the University of Chicago, together with Donald Fortier, the recently deceased deputy director of the National Security Council. Wolfowitz’s first government post was as special assistant to Fred Iklé, 1974-77, then directing the Arms Control and Disarmament Agency. After a three-year stint at the Defense Department Regional Programs Office, Wolfowitz became director of the Policy Planning Staff at the State Department, in 1981-82, and then assistant secretary of state for East Asian and Pacific affairs through 1985. At that post, Wolfowitz played a key role in the overthrow of Philippines President Ferdinand Marcos. The coup was intended by Moscow to lead to the shutdown of the U.S. bases at Clark Air Field and Subic Bay, removing the United States as a Pacific power.

Huntington's Synarchist Scenario Escalates on U.S.-Mexican Border

by William F. Wertz, Jr. and Benjamín Castro

With the dismantling of the industrial capacity and skilled labor force in the United States, and the destruction of the Mexican economy by the free-trade policies of the collapsing global Anglo-Dutch monetary system, a pressure cooker has been building up steam on both sides of the U.S.-Mexican border. The number of people trying to cross the border, as economic refugees, is overwhelming the Border Patrol, and the self-appointed Minutemen vigilantes on the U.S. side are increasing in influence and number, having been welcomed by California Governor Arnold Schwarzenegger.

These developments are being specifically incited by those synarchist financier circles who desire to loot the labor power and natural resources of both countries, in the vain hope of keeping their bankrupt global financial-monetary system afloat. These are the descendants of those Anglo-American bankers who put Hitler into power, and they include within their ranks the most rabid, racist advocates of population reduction, eugenics, and genocide. Their foremost ideological spokesman is Harvard's Samuel P. Huntington who wrote in his book *Who are We? The Challenges to America's National Identity*,¹ that there is an inevitable "clash of cultures" between the "Protestant" U.S.A. and "Catholic" Ibero-America. He provocatively claims that Mexican immigration into the U.S.A. amounts to a "reconquest." Just as his earlier book *The Clash of Civilizations* gave ideological justification for the Blair-Cheney-Bush crusade against the Islamic world, the most recent book is providing the ideological basis for an escalating conflict on the U.S.-Mexican border.

Beginning in 1937 with the creation of the National Synarchist Union in Mexico by the Ibero-American Institute in Berlin, a similar scenario was designed by the Nazis—in that case to foment military operations against the United States. When the war turned against the Nazis and their Italian Fascist and imperial Japanese allies, this option was abandoned. However, this time, fascist synarchists based in the United States are using a retooled version of the same scenario, to foment an artificial conflict between the U.S. and Mexico. Their aim is to prevent joint action by forces of both countries for cooperative development, to reverse the economic de-

struction of both nations, and the rest of the world. That is the program that Lyndon LaRouche is mobilizing support for, centered in his call for creation of a New Bretton Woods system.

The synarchists hope to use the border crisis to implement some version of the so-called Security and Prosperity Partnership of North America (SPP), which was discussed at the March 23 Crawford, Texas summit of Presidents George Bush, Mexico's Vicente Fox, and Canadian Prime Minister Paul Martins. Based upon a proposal for a North American Economic and Security Community issued by the New York Council on Foreign Relations on March 14, the SPP would entail the elimination of national sovereignty and the foreign takeover of the Mexican oil industry.

In pursuit of this objective, at a defense summit in Quito, Ecuador on Nov. 17-18, 2004, U.S. Secretary of Defense Donald Rumsfeld proposed the creation of a supranational military capability to intervene in so-called "ungoverned" or "unoccupied" areas of countries in which terrorists and drug dealers "often find shelter . . . beyond the effective reach of government." Rumsfeld stated, "The new threats of the 21st Century recognize no borders."

Those on the U.S. side of the border who are revving up the anti-immigrant hysteria, say that the "Hispanic plague" is the cause of the loss of employment and lower wages in the "white communities." Armed vigilantes, such as the Minutemen, are determined to stop the flow by any means. And on the Mexican side of the border, the drug traffickers and the gangs known as Mara Salvatrucha (literally, predatory ants from the jungles of El Salvador) threaten to retaliate and give a reward for any Minutemen captured and delivered to them. The Maras, which operate on both sides of the border, originally formed in Los Angeles during the time when crack cocaine was being flown into the United States by Vice President George H.W. Bush's Contra resupply operation.²

Inside Mexico, an "ungovernable region" is being created along the six states bordering the United States, with the drug traffickers openly defying the much-diminished capacity of Mexican state law enforcement. On June 8, there

1. New York: Simon and Schuster, 2004. See *EIR*, March 12, 2004 and May 21, 2004.

2. See "Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?" *EIR Special Report*, September 1996.

were 11 gangland-style executions in the border states of Sonora, Chihuahua, and Tamaulipas. In the city of Nuevo Laredo, Tamaulipas (next to Laredo, Texas), Alejandro Domínguez Coello, the only person who had dared to stand up to the drug traffickers by becoming chief of police, was killed by 30 bullets within hours of having been sworn into office. Nuevo Laredo (population 600,000) is the main port of trade with the U.S., and is the center of operations of the Grupo Zeta (Zeta Group).

In May, U.S. Ambassador to Mexico Tony Garza said that Nuevo Laredo could be the place where a “terrorist attack” against the United States could occur. Earlier, he had offered U.S. assistance to Mexico to secure the border.

The Zeta Group

The Zeta group, according to numerous press accounts,³ consists of former Mexican soldiers, police, and Federal agents, originally trained as an elite force of anti-drug commandos, who are now working as mercenaries for Mexican narcotics traffickers over a wide area of southeastern Texas from Laredo to Brownsville, and in cities throughout Mexico. Many Zeta leaders are former members of an elite paratroop and intelligence battalion known as the Special Air Mobile Force Group, formerly assigned to the state of Tamaulipas to fight drug traffickers. In 1991, a number of paratroopers deserted the Group, aligning themselves with drug traffickers instead. Several were trained at the School of the Americas in Fort Benning, Georgia. A core of 31 former battalion members is thought to lead the Zetas.

The *Dallas Morning News* reported that the Zetas are also operating in Texas, Louisiana, the Carolinas, and Tennessee. At least three drug-related slayings in the Dallas area, two last September and one in December, have been tied to the group. Texas law-enforcement authorities think a squad of as many as ten Zeta members might be operating inside that state as assassins for the Gulf drug cartel.

Fourteen men tied to the Zetas, including reputed gang leader Rogelio González Pizana, have been ordered to stand trial in Mexico City on organized crime, money-laundering, and weapons charges. They were arrested after an October shootout in Matamoros, as part of an investigation by the Mexico Attorney General’s office. But the arrests have not stopped the Zeta-connected violence.

The number of executions in Mexico in the first six months of this year has been more than 600, with the state of Sinaloa in first place, with 220 executions. Sixty-four executions have occurred this year in Nuevo Laredo, and 149 in the whole state of Tamaulipas. In the state of Nuevo León, there have been 17 executions. At least 27 U.S. citizens have been

abducted along the border in the past six months, 2 of whom were killed. Numerous Mexican journalists who have written articles on drug trafficking have been assassinated.

On June 10, the General Prosecutor of Mexico, Daniel Cabeza de Vaca, whose brother is the Mayor of Reynosa, Tamaulipas, announced that the ex-General Prosecutor, Rafael Macedo de la Concha, has received death threats.

In Ciudad Juárez, Chihuahua, opposite El Paso, Texas, the long and steady killing of *maquila* working girls and women, most of them between the ages of 14 and 21 and of very humble or indigenous origin, has kept pace, now targetting even younger girls. The last two were 10 or so years old. This racist, ritual kind of killing has taken the lives of 400 girls, thus far.

The Minuteman Project

Samuel Huntington’s spiritual clones are out to close down the U.S.-Mexican and also the U.S.-Canadian border with the deployment of vigilante Minutemen. The first such deployment took place in Arizona in April. California Gov. Arnold Schwarzenegger then invited the Minutemen to his state. In late April, Schwarzenegger said, “When the government, the state, or the country doesn’t do its job, then the private citizens go out, and it’s like a neighborhood patrol.” As a result of Schwarzenegger’s fascist encouragement, the Minuteman Project plans to join up in August with a similar group based in California, the Friends of the Border Patrol, to patrol a section of the border near San Diego.

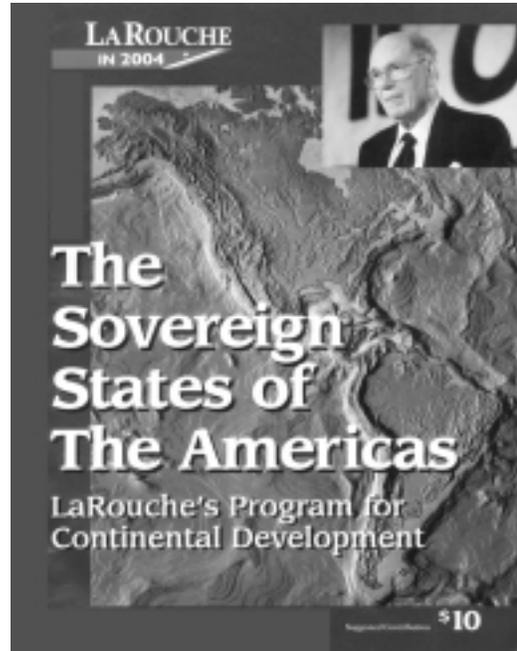
On May 27-29, 2005, Wake Up America Foundation sponsored an event in Las Vegas, Nevada, entitled “Unite To Fight Against Illegal Immigration.” The group’s chairman is Las Vegas radio talk show host Mark Edwards. (This meeting followed an earlier assembly in Washington, D.C., called “Hold Their Feet to the Fire.”) The keynote speaker at the Las Vegas meeting was Rep. Tom Tancredo (R-Colo.), who is the chairman of the Congressional Immigration Reform Caucus, which has 69 Republican House members and 2 Democrats. CIRC explicitly supports the Minuteman Project. Other speakers included Jim Gilchrist, the founder of the Minuteman Project, and Chris Simcox, its co-founder and field operations director; Rick Oltman, Western Regional Field Representative of the Federation of Americans for Immigration Reform; Andy Ramirez of Friends of the Border Patrol; and T.J. Bonner, president of the U.S. Border Patrol Association.

At this meeting, plans were consolidated to expand Minuteman Project border patrols later this year in New Mexico, Texas, Idaho, Michigan, Arizona, and California. In New Mexico there are two groups: New Mexico Minutemen led by Clifford Alford; and the Minuteman Project led by Mike Gaddy. Alford was appointed to his post by James Chase, a Californian member of the Minuteman Project who was recently ousted from the group. The New Mexico Minutemen claimed that their 40 volunteers would begin an ongoing patrol on the weekend of June 11-12. The Minuteman Project

3. See *Dallas Morning News*, Feb. 20, 2005; and Jerry Septer, “Mexico: Former Members of An Elite Force of Anti-Drug Commandos Aiding Drug Traffickers,” *The Washington Times*, Feb. 24, 2005. The latter article relies heavily on a report by Strategic Forecasting Inc.



The real economic and cultural war: between the synarchist bankers' faction which is giving big play to Samuel Huntington's new attack on Hispanic immigrants (left, in the Carnegie Endowment's Foreign Policy magazine); and Lyndon LaRouche's policy of open borders with FDR-style infrastructure and economic development spanning North and South America.



is planning to begin its patrol of the New Mexico border in October.

Shannon McGauley is organizing the Texas Minutemen to begin patrolling the Mexican border in that state also in October. This follows an earlier operation in Texas called "Hold the Line."

FAIR Fascists

The key organization behind the drive to close down the U.S.-Mexican border is the Federation for American Immigration Reform. Since 1986, FAIR has received funding grants from a rogues' gallery of neo-conservative organizations, most of which were involved in funding the operations to impeach President Bill Clinton. These include the Scaife Family Foundation, the Sarah Scaife Foundation, the Smith Richardson Foundation, and the John M. Olin Foundation, among others. In 1996-2002, FAIR received more than \$1 million from Scaife (\$225,000 in 2002 alone).

FAIR also received \$1.2 million in grants from 1985 to 1994 from the racist Pioneer Fund, which has funded research projects to explore purported IQ differences between the races. This racist research was published in the widely discredited book *The Bell Curve: Intelligence and Class Structure in American Life*, by Richard J. Herrnstein and Charles Murray. The Pioneer Fund has been deeply involved in funding Nazi-style eugenics research.

The policy advocated by FAIR is essentially identical to that promoted by onetime U.S. State Department advisor William Paddock, who in 1975 told a journalist: "The Mexican population must be reduced by half. Seal the border and watch them scream." Asked how that would reduce the

population, he replied: "By the usual means—famine, war, and pestilence."

In the Paddock tradition, many of FAIR's board members are leading advocates of genocidal population control: John Tanton, who founded FAIR, is a principal in several anti-immigration groups, including the Center for Immigration Studies (CIS) and Numbers-USA; Sharon Barnes, the co-founder of FAIR, is a long-time population control activist; Donald A. Collins serves on the board of directors of the Population Institute, Family Health International, and International Projects Assistance Services; Sarah G. Epstein sits on the boards of Pathfinder International, Planned Parenthood of Metropolitan Washington, Center for Development and Population Activities, and Population Institute; and before his death, Garrett Hardin was professor of Human Ecology at the University of California Santa Barbara, who argued that giving aid to starving Africans will only "encourage population growth." Hardin authored an article on "Lifeboat Ethics," the subtitle of which was "The Case Against Helping the Poor."

FAIR was created following a factional split in Zero Population Growth, led by John Tanton. Along with Sidney Swensrud and Sharon Barnes, Tanton founded FAIR in 1979. He also set up several other anti-immigrant organizations after FAIR was created, such as U.S. Inc. (1982), U.S. English (1983), Center for Immigration Studies (1985), Social Contract Press (1990), Pro English (1994), and Numbers USA (1996). In his book, Samuel Huntington reports that in 1988, a memo written by Tanton attacking Catholics was disclosed in the midst of a campaign in Arizona for a referendum calling for English to be the official language of that state. The refer-

endum was funded principally by Tanton's group U.S. English. It won by a narrow margin (50.5%) after opponents denounced Tanton's diatribe as "the Nazi memo."

Tanton, who is the editor and publisher of *The Social Contract*, was the national president of Zero Population Growth from 1975 to 1977, serving as chairman of its Immigration Study Committee from 1973 to 1975. He has served as president of the Northern Michigan Planned Parenthood and chairman of the Sierra Club National Population Committee.

Along with a few other FAIR board members, he founded an organization called WITAN—short for the Old English term *witenagemot*, meaning "council of wise men." In 1986, Tanton signed a memo to WITAN members that charged that Ibero-American immigrants brought a culture of political corruption with them to the United States. "Can *homo contraceptivus* compete with *homo progenitiva*?" he asked. "Perhaps this is the first instance in which those with their pants up are going to get caught by those with their pants down." According to Tanton, "In California 2030, the non-Hispanic Whites and Asians will own the property, have the good jobs and education, speak one language and be mostly Protestant and 'other.' The Blacks and Hispanics will have the poor jobs, will lack education, own little property, speak another language and will be mainly Catholic."

Project Arizona Now (PAN)

On Nov. 2, 2004, Proposition 200 passed in Arizona by 56%, on the initiative of PAN. This proposition prevents illegal immigrants from receiving certain government services. The chair of the National Advisory Committee of PAN was Virginia Deane Abernethy, a professor of psychiatry and anthropology at Vanderbilt University School of Medicine. She is the Malthusian author of *Population Politics* (New York: Plenum Press, 1993) and the editor of a bimonthly journal, *Population and Environment*. On Aug. 7, 2004, the *Arizona Republic* reported her comments describing herself as a white "separatist." Fearing that her candid, racist remarks would undermine the referendum, FAIR—which funded PAN and provided it with a study that claimed Arizona taxpayers pay \$1.3 billion to cover health, education, and incarceration costs of illegal immigrants—called for her removal. Abernethy was the past editor of the *Citizens Informer*, the newsletter of

the racist Council of Conservative Citizens. The CCC was formed in 1985 by members of the segregationist White Citizens' Councils. The opportunism of FAIR's denunciation of Abernethy is exposed by the fact that FAIR itself is connected to the CCC.

FAIR worked closely with the American Immigration Control Foundation to pay for signature-gatherers for the referendum. AICF's leader, John Vinson, is an advisor to the CCC. FAIR also works with the Coalition for the Future of the American Worker (CFAW), whose president is FAIR Executive Director Dan Stein. Stein is an editorial advisor to Tanton's *The Social Contract*, which has featured articles by Abernethy. The journal is edited by Wayne Lutton, another advisor to the CCC. FAIR's Western Regional Coordinator, Rick Oltman, is a member of the CCC. Oltman joined FAIR in 1997 after working in 1994 on Proposition 187 in California, to stop the use of taxpayer money to provide services to illegal aliens. In 1996 he was removed as chairman of the Republican Central Committee of Marin County, after publicly agreeing with the beating of illegal immigrants in Southern California. He was later reinstated, after expressing regret that he had made his comments publicly.

Conclusion

Given that under the current blowout of the world financial system, there is no way that Mexicans can survive economically in Mexico; therefore, to close the border, as Arnold Schwarzenegger has proposed and as the Minuteman Project is determined to do, is to commit genocide and to foment war between the U.S. and Mexico. That is the end result of the current policy being carried out by the Minuteman Project, by the constellation of Malthusian racist organizations surrounding John Tanton's FAIR, by the funders of this fascist project, the Pioneer Fund, the Scaife Foundation, the Olin Foundation, and the Smith Richardson Foundation, and at the highest level by Samuel P. Huntington and George Pratt Shultz, the controller of Schwarzenegger.

On the Mexican side of the border, whether the U.S.-trained Zetas are wittingly contributing to this scenario or not, the net effect of their narco-terrorist operations is to give a pretext to those who have designs on Mexico. With the recent appointment of Carlos Abascal, the son of the late Salvador Abascal, the chief of the National Synarchist Union of Mexico in 1941, to head the Interior Ministry of Mexico, we cannot expect decisive action on the part of the government of Mexican President Fox to prevent provocations on the Mexican side.

The only policy which can stop this entire fascist process is that advocated by LaRouche: collaboration between the United States and Mexico for the purpose of cross-border economic reconstruction, focussed on economic infrastructure-building on a grand scale, including the great project to develop the Great American Desert by bringing water from Alaska.

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Portsmouth Closure Would End 300 Years of Shipbuilding

by Marsha Freeman

Without a decisive naval force we can do nothing definitive, and with it, everything honorable and glorious.—President George Washington to the Marquis de Lafayette, Nov. 15, 1781

The Portsmouth Naval Shipyard, now threatened with closure by the Administration's Base Realignment and Closing program, is the oldest, still-operational naval shipyard in the United States, and the reservoir of some of the most skilled engineering and manufacturing manpower in New England. Known as the "Cradle of American Shipbuilding," it is located on an island in the Piscataqua River, which is the natural boundary between Kittery, Maine, and Portsmouth, New Hampshire. Closing the Portsmouth Naval Shipyard not only will have a devastating economic impact on the region, but will diminish the military's engineering and nuclear capabilities, and bring to an end a 300-year history of innovative shipbuilding.

At the end of the American Revolutionary War, the new republic was determined to prepare itself for a possible future war with Great Britain. In 1798, the Navy Department was established as separate from the War Department for that purpose. As President, George Washington visited the future site of the Portsmouth Federal shipyard, and the Portsmouth Navy Yard was one of the first of six Federal yards founded by Congress.

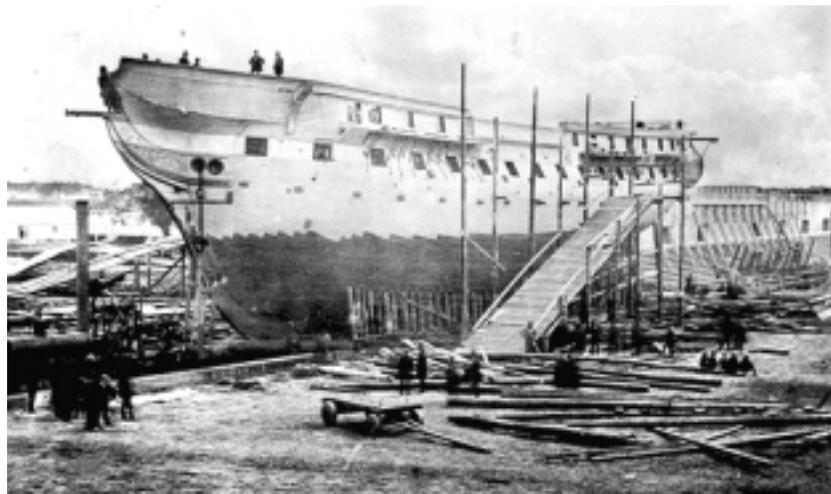
To create the facility, the government purchased an island in the Piscataqua River, which could be heavily fortified and defended from the nearby New Hampshire and Maine coasts. The government bought Fernald's Island from William and Sarah Dennett for \$5,000, and the yard was completed on June 12, 1800. There was already an abundance of skilled craftsmen living in the New Hampshire-Maine area, because shipbuilders had been making warships for the British Royal Navy over the previous century; the *HMS Falkland* was commis-

sioned at the yard in 1690. Because of its location near the sea and the nearby plentiful wooded areas for building ships, Captain John Smith had suggested settling the region, 60 miles north of Boston, during his visit there in 1615.

The British built Fort William and Mary on Great Island (today, New Castle), in order to protect the harbor and shipbuilding facilities on the Piscataqua River. On Dec. 14 and 15, 1774, the colonists seized the forts and took down the British flag. The military supplies at the fort were later used in the battles of Concord, Lexington, and Bunker Hill.

In preparation for the Revolutionary War, in 1775, the Continental Congress authorized the construction of 13 frigates, to be ready in three months. The Portsmouth area played a crucial role. One of the ships, the *Raleigh*, was built in just 60 days, on the Piscataqua River on nearby Badger's Island, the property of John Langdon, who tendered its use to the Continental Congress.

The 32-gun frigate *Raleigh* was delivered in May 1776. Langdon then built the 18-gun sloop of war, the *Ranger*, commissioned in 1777, which was the first man-of-war which bore the American flag. It was captained by John Paul Jones,



Courtesy of U.S. Navy

This May 1858 photograph, of the first visit of the USS Constitution to the Portsmouth Naval Shipyard for extensive refitting, is one of the oldest in the U.S. Navy archives.



Bureau of Ships Collection, U.S. National Archives

The USS Squalus fitting out at the Portsmouth Navy Yard, Oct. 5, 1938. A few months later, the submarine sank off the coast, and was raised and towed to Portsmouth, to be rebuilt and recommissioned as the USS Sailfish.

who was present while the ship was under construction, insisting that it be built to all of his specifications.

In November 1776, under a Congressional Order, the keel of the 74-gun warship *America* was laid at Portsmouth, and John Paul Jones returned to Portsmouth to engineer its launch in 1782. *America* was the largest and heaviest ship built in this country at that time, and was given to France as a present, in appreciation of that nation's assistance during the Revolutionary War. Piscataqua builders built four more warships for the Continental Navy, including the *Congress*, sister ship to the *Constellation*, *Philadelphia*, and *Constitution*, which were built at other shipyards.

After the government purchased Fernald's Island in 1800 to create the Portsmouth Navy Yard, the island was cleared, wooden barracks for the Marines were built, and small shops were erected. In 1806, the first group of Marines arrived on the island, consisting of one first lieutenant, one sergeant, two corporals, fifteen privates, and two musicians!

At the beginning of the War of 1812, all of the government Navy came under military control, and the Portsmouth Navy Yard started to repair small vessels. The first ship built at the Navy Yard, after the Federal government took over, was for the War of 1812, the 74-gun warship *USS Washington*, launched in 1815. After that war, Adm. Isaac Hull, who had commanded the *Constitution* ("Old Ironsides"), was placed in command of the Portsmouth Navy Yard. During the expansion of the yard in 1828, the Franklin Building was constructed, and was the largest shipbuilding structure in the United States.

War Preparations

With the Civil War on the horizon, the Portsmouth Shipyard began preparations. In April 1861, orders were received to fortify nearby islands, and recruitment to the Navy and Marine Corps began in Portsmouth, N.H.

Although the Portsmouth area saw little fighting during the Civil War, the yard was responsible for the critical repair and resupply of arriving ships. In 1861, the keels of the 9-gun steam sloops *Ossipee* and *Kearsarge* were laid. The *Kearsarge*, a half-steamboat, half-sailing ship, best known for defeating the Confederate ship *Alabama* off the coast of Cherbourg, France, was indicative of the transition from sail to steam technology.

During the Civil War, more than 2,000 workmen were employed, facilities were expanded, five steamships were begun, and a total of 26 ships were built. Of these, 18 were steam sloops and two were ironclads.

When the war was over, interest in and funding for naval facilities waned, and in 1876, Congress considered closing the Portsmouth yard. A board appointed to make recommendations

pointed out that "on account of its value to the government as a building and equipping station," and because "there is a large population in and around Portsmouth, N.H., and Kittery, Maine, who have passed their lives in shipbuilding, and the naval mechanics in that vicinity are esteemed among the best in the Country," the board opposed the abandonment of the yard.

Just after the turn of the 20th Century, J.P. Holland, an inventor of the modern submarine, was photographed during a test of such a vessel in the Piscataqua River. When World War I broke out, the U.S. government found itself dependent upon two private companies for any vessels using this new, revolutionary technology.

The decision was made to build a Navy submarine facility, where vessels could be built and tested, experiments could be carried out under Navy supervision, and expertise could be incorporated under the direction of its own engineers. The keel of the L-8 sub was laid in late 1914, and in April 1917, the first submarine built at a naval shipyard was launched at Portsmouth Harbor. It was the only sub to serve in World War I.

The Portsmouth yard not only laid keels for six more subs during the War, but also overhauled and repaired 122 surface ships. The workforce grew to a peak of 5,722, and 1,000 more people could have been employed, had they been available. A Trade School was established in 1918 to quickly train new recruits, and its apprentice school has trained skilled workers since that time.

On May 23, 1939, the shipyard faced a new challenge,

when the Portsmouth-built submarine *Squalus* sank in 240 feet of water, 5 miles off the Isles of Shoals, about 12 miles from the shipyard. Although 26 men perished in the accident, the lives of 33 men were saved by using an experimental diving bell, or rescue chamber. Eventually, the *Squalus* was raised and towed to the yard, where it was rebuilt and recommissioned as *USS Sailfish* a year after it had sunk.

Geared up for production during World War II, Portsmouth set a record in 1943, launching four new submarines in a single day; a second record was set for building 31 subs in 1944. Between 1941 and 1942, construction time for submarines was reduced by more than half, to 222 days, an average of one every 12 days. Civilian employment rose to 20,466 men and women, as more than 70 submarines were built. About half of the submarines that took part in World War II were designed at Portsmouth. After the war, the shipyard was the Navy's center for submarine design and development.

The Portsmouth-designed *Albacore*, an experimental submarine was built in 1953, and became the prototype design for today's modern fleet. It was fully submersible, compared to the earlier subs, which were simply long-range, high-speed surface ships that were capable of submerging. *Albacore* set new underwater speed records, using a revolutionary teardrop-shaped hull and round cross section—a breakthrough in hydrodynamic design.

Entering the Atomic Age

The post-war period saw the arrival of the age of atomic power. Although the leadership at the Portsmouth Naval Shipyard turned down Admiral Rickover's offer to build the first U.S. nuclear-powered submarine there in 1950, Portsmouth became one of the Navy's new nuclear-qualified shipyards, and built two of the ships in Admiral Rickover's Submarine Fleet Reactor program.

In order to join the atomic age, an extensive training program was established there, conducted by a new Nuclear Power Division. Facilities were constructed to enable compliance with the exacting specifications demanded for nuclear-propulsion work.

The first, the *Swordfish*, was commissioned in 1958, and was the first nuclear-powered submarine built in a government shipyard. Portsmouth's nuclear facilities were put to use in 1959, when Rickover's first nuclear sub, *Nautilus*, entered the Shipyard for a complete overhaul, the first of any nuclear-powered ship. In the same year, the Portsmouth-built *Sea Dragon* became the first ship to go under an iceberg, and the first to cross under the North Pole from the Atlantic to the Pacific Oceans, traversing the Northwest Passage.

In 1962, Portsmouth became the first Naval shipyard to acquire the full capability for the construction, overhaul, repair, and refueling of nuclear-powered *Polaris* submarines. Six years later, the *Dolphin* was designed as the prototype for deep-sea-diving submarines.

In 1971, the fast-attack submarine *Sand Lance* was com-



U.S. Navy, courtesy St. Mary's Submarine Museum

The Dolphin, a prototype for deep-sea-diving nuclear submarines, on the launching skids and about to slide into the water on Aug. 6, 1968.

missioned, and became the last of 134 submarines to be built at the Portsmouth Naval Shipyard between 1917 and 1971. Threatened with closure, then as now, the shipyard became a leader in the repair and overhaul of nuclear-powered submarines. In 1992, a new nuclear-reactor-refueling complex was completed. As the Navy base was downsized to half of what had been an 8,000-member workforce, Portsmouth rallied to extend its expertise into various aspects of submarine research, including deep sea exploration, sonics, and hydrodynamics.

Today, the shipyard directly employs more than 4,000 civilians, and is home to about 100 active-duty military personnel. Portsmouth Naval Shipyard employs more than 400 engineers and more than 350 engineering technicians, in disciplines such as chemical, electrical, industrial, and nuclear engineering. The yard is still the leader in submerged rescue platforms, and is one of only four remaining government shipyards in the nation.

The payroll for the civilian and military workforce at the Portsmouth Naval Shipyard is more than \$280 million. There are 179 buildings, including 49 dedicated to ship repair and overhaul. The three birthing drydocks are capable of docking all active classes of submarines in the U.S. Navy, for overhaul

and nuclear-reactor refueling. Ironically, on May 12, just one day before it was revealed that Portsmouth was on the list of recommended closures, the Portsmouth Naval Shipyard received the Meritorious Unit Commendation from Secretary of the Navy Gordon England for its leadership and “invaluable contribution to our national security.”

Although the Department of Defense estimates that the Portsmouth closure would cost about 9,000 jobs, including businesses that service the shipyard, the states of Maine and New Hampshire estimate that 17,000 jobs could be lost in total. The Pentagon would also lose one of the four military facilities that have the required licenses to handle nuclear materials—and 300 years of shipbuilding history and expertise.

Documentation

Maine Passes Resolution Rejecting Base Closings

The following resolution was passed on June 13 by the Maine State Legislature.

Joint Resolution Memorializing the Congress of the United States To Mandate that the Base Realignment and Closure Commission Reject the Department of Defense’s Recommendation To Realign Naval Air Station Brunswick and To Close Portsmouth Naval Shipyard and the Defense Finance and Accounting Service in Limestone

We, your Memorialists, the Members of the One Hundred and Twenty-Second Legislature of the State of Maine now assembled in the First Special Session, most respectfully present and petition the Congress of the United States as follows:

Whereas, the military value of Naval Air Station Brunswick, Portsmouth Naval Shipyard, and the Defense Finance and Accounting Service in Limestone is highly significant; and

Whereas, the security of the North Atlantic seaways and the borders of the United States and of the State of Maine are jeopardized by the Department of Defense’s recommendation to close Naval Air Station Brunswick, which would put the safety and welfare of United States citizens at risk; and

Whereas, the Portsmouth Naval Shipyard in Kittery, Maine, was recently cited by the United States Navy as the most efficient submarine repair

facility, public or private, in the Nation; and

Whereas, the economic and job loss impact of the Base Realignment and Closure Commission’s recommendations is significant in terms of the potential elimination of an estimated 12,000 military and civilian jobs in both Maine and New Hampshire; and

Whereas, the Base Realignment and Closure Commission will tour Portsmouth Naval Shipyard in Kittery on June 1, 2005 and Naval Air Station Brunswick on June 2, 2005, and the commission’s regional hearing on recommendations affecting Maine will occur July 6, 2005, with final recommendations to be made to President Bush by September 8, 2005; now, therefore, be it

Resolved: That We, your Memorialists, on behalf of the people we represent, respectfully urge and request that the Base Realignment and Closure Commission and the United States Congress actively work with the Honorable John E. Baldacci, Governor of Maine, the Maine State Legislature, local task forces and Maine citizens in reviewing the accuracy of the methodology used in developing current recommendations in order to reverse or minimize the recommendations to realign Naval Air Station Brunswick and to close Portsmouth Naval Shipyard in Kittery and the Defense Finance and Accounting Service in Limestone; and be it further:

Resolved: That suitable copies of this resolution, duly authenticated by the Secretary of State, be transmitted to the Honorable George W. Bush, President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives and each Member of the Maine Congressional Delegation.



www.oest.com

Will the Bush Administration dump 300 years of shipbuilding down the drain? Here, an aerial view of the historic Portsmouth Naval Base.

City Councils Say: Save Auto Industry!

On June 14, the City Council of Buffalo, N.Y., became the third City Council, and the fourth local legislative body, to pass a resolution demanding that the U.S. Congress take emergency action to save the nation's automotive industry. These actions by local governmental bodies reflect a growing politicization of the population of the U.S. Midwest, often known as the "rust belt," in the face of the ongoing dramatic collapse of General Motors and Ford, toward outright bankruptcy.

The passage of the resolutions has occurred in the context of an intensive mobilization by the LaRouche Youth Movement nationally, which has included the mass circulation of Lyndon LaRouche's proposals for the U.S. Senate to save the auto industry by putting it into receivership, and ensuring the employment of the highly skilled auto workforce in new infrastructure projects, such as high-speed rail. LaRouche has underlined that the auto sector is a vital repository of machine-tool capability, which must be preserved—not to build more cars, which we don't need, but to be retooled for other, vital projects.

The jurisdictions which have passed the resolutions, in addition to Buffalo, are the Cleveland City Council, the Wayne County Commission (the county in which Detroit is located), and the Detroit City Council. State legislators have also submitted resolutions for consideration in Kentucky, Missouri, and Michigan. A state representative from Wisconsin has issued a personal statement proposing emergency action.

Although the Kentucky and Missouri legislatures are in recess, the fight for the Michigan resolution is active. There are more than 19 cosponsors already on the measure, which was introduced by Rep. LaMar Lemmons III.

The first resolution, which was introduced by Kevin Conwell, was passed in Cleveland, on May 12. The Wayne County Commission resolution, introduced by Commissioner Philip Cavanagh, was passed on June 1, and was followed by the Detroit City Council resolution, which passed June 8. Pursuant to the passage, all of these resolutions have been delivered to the Congressmen and Senators of the relevant states, as well as to the White House.

The Buffalo Resolution

The Buffalo resolution, introduced by Councilman Brian C. Davis, calls for "Federal Intervention to Rescue the Auto-

mobile Industry and Save Jobs." Modelled on the Wayne County and Cleveland resolutions, it reads as follows:

Whereas: The City of Buffalo Common Council is concerned that a growing number of experts are warning that the decline of the U.S.-based automobile manufacture poses the danger of a severe overall economic depression for the nation, with tens of thousands of jobs lost in auto, machine, steel, and other related industries, and

Whereas: Certain stop-gap measures should be adopted and implemented by Congress to forestall the presently threatened, irreparable damage to our nation's physical economy, which is typified by the presently accelerating crisis in the U.S. automobile industry, and

Whereas: The U.S. automobile industry is billions of dollars in debt and recently has had its bond ratings lowered drastically, unbelievably posing the threat of bankruptcies; and

Whereas: It is conceivable that the automobile industry's leading manufacturers could close most, if not all of their factories in the United States; and

Whereas: The closing down of even some of the automobile factories, including the Stamping Plant and the Powertrain Plant in the Buffalo Region, would mean both the end of the United States as a leading physical economic power and cause chain reaction damage to the other economies, especially in the Western New York Region; and

Whereas: Congress has the capability and duty to avert national economic disaster by intervening on behalf of the automobile industry to ensure that the continued employment of the industry's labor force remain functioning in each and every present locality of employment; Congress must intervene on behalf of national and related interests and security, to ensure that the productive potential of the automobile industry, with its featured high technology and machine tool capability, be maintained; and

Whereas: The impact of Congressional intervention may be to create thousands of new jobs repairing infrastructure, maintenance of automobile production jobs, restoration of the tax base and ultimately an increase in the standard of living in the Western New York Region elsewhere; and

Whereas: This resolution constitutes an emergency measure for the immediate preservation of public peace, property, health, welfare, and safety,

Now therefore be it resolved:

That the City of Buffalo Common Council joins the Wayne County Commission, Cleveland City Council, and other government bodies, and urges the Congress and Federal government to take every action necessary to promote and preserve the automobile and machine tool sectors of our national economy, and

Be it finally resolved:

That a copy of this resolution be sent to the Congressional and Senatorial delegation and President George W. Bush.

House Ethics Process Remains Stalled

A dispute over hiring of staff for the House Committee on Standards of Official Conduct, also known as the Ethics Committee, has kept the committee in limbo ever since the House GOP leadership backed down on ethics rules changes earlier this year. Committee chairman Doc Hastings (R-Ga.) fired the nonpartisan chief of staff and replaced him with one of his own staffers, when he took over the committee, an action that Democrats believe is a violation of House rules. The result has been another standoff between Hastings and committee Democrats, led by ranking Democrat Allan Mollohan (W.Va.), that has prevented any action by the committee to take up pending investigations.

On June 9, House Minority Leader Nancy Pelosi (D-Calif.) offered a privileged resolution which would have required the committee to hire nonpartisan professional staff, subject to a majority vote of the committee's members. The House tabled the resolution by a 219 to 199 vote on a motion by Majority Whip Roy Blunt (R-Mo.), which prevented any debate. During a colloquy between Blunt and Democratic Whip Steny Hoyer (Md.), Blunt would only say that he was disappointed that the Ethics Committee was still not functioning and that he thought the Republicans were doing everything they could to get it going again.

Pelosi, speaking to reporters later in the afternoon, charged the GOP with refusing to obey House rules which require the appointing of nonpartisan professional staff for the committee. "So, this is something that the Republicans are either going to obey the rules, or they are not, but we are not going to say we will ignore the rules of the House so that you can appoint a partisan political person to lead the in-

vestigation of members of Congress." She noted that half the first session of the current Congress has already passed by without any action by the committee. "It's abuse of power," she said. "It is saying that they are above the law and it is a scandal."

The first item of business the Committee is slated to take up, once it starts functioning again, is the question of the ethics violations of House Majority Leader Tom DeLay (R-Tex.).

GOP split on Holding Prisoners at Guantanamo

Sen. Chuck Hagel (R-Neb.) triggered an uproar on June 12, when he told CNN's John King that the U.S. government cannot continue to hold prisoners at Guantanamo Bay, Cuba, indefinitely, without some sort of due process. Secondly, he said, "we need to make sure that whatever we do is in some confluence with and association with the other nations of the world," including international treaties and other agreements. "It may well be to close Guantanamo Bay if we have an alternative, would be the best thing for all of us," he said. He also ridiculed the notion that the torture alleged at Guantanamo and at Abu Ghraib in Iraq was the responsibility of a handful of low-ranking reservists. "I was in Vietnam in 1968," Hagel said. "I carried a rifle. I saw a culture develop that was a very bad culture, that ended in disaster for this country." He warned of a dangerous drift that is "going to end in disaster for this country" and "we're going to present to the world a very dangerous world if we don't wake up and smell the coffee, here."

The Bush Administration and its supporters in the Senate reacted with rage to any notion of closing Guantanamo. Vice President Dick Cheney told Fox News's Sean Hannity, on

June 14, that "there's no plan to close Gitmo" and that the prisoners there are "bad people." Senate Majority Leader Bill Frist (R-Tenn.) said the exact same thing, and while acknowledging that the U.S. has an "image problem," said, "Let's not cut and run because of image problems."

Sen. John McCain (R-Ariz.), standing next to Frist, had a slightly different approach, however. He did not suggest closing the prison, but said he thought the problem had "to do with the disposition of the people who are detained there. We need to bring charges against them if there are reasons to do so."

Sensenbrenner Throws A Fit vs. Bush Critics

House Judiciary Committee Chairman James Sensenbrenner (R-Wisc.) angrily shut down a hearing of the committee on June 10, after lecturing the witnesses about their testimony, in which they attacked Bush Administration policies at Guantanamo Bay, Cuba, unlawful detentions of so-called "enemy combatants," and so forth. Sensenbrenner said that their only strategy was to oppose the USA Patriot Act by talking about everything except what is in it. "This hearing confirmed the fact that the Patriot Act is being used as the buzzword for people who have very broad-brush objections" to Bush Administration policies, he said.

Sensenbrenner gaveled the meeting to a close and walked out, even as Rep. Jerrold Nadler (D-N.Y.) was making a point of order against Sensenbrenner. As Nadler began to speak, the microphones were shut off, but Nadler went on anyway, noting that Democrats have had no opportunity to speak on these Bush Administration policies because the Republican chairman has refused to hold any

oversight hearings. He said those who question the Administration's acts "are not besmirching the honor of the United States, but seeking to uphold it."

After Nadler spoke, Dr. James Zogby, president of the Arab-American Institute, and one of the witnesses, addressed the Democrats and audience remaining in the hearing room: "As we are lecturing foreign governments, I am really troubled by what kind of lesson this is going to teach to other countries in the world."

House Panel Passes Defense Spending Bill

The Fiscal Year defense appropriations bill sailed out of the Appropriations Committee on June 7 with minimal controversy. The \$409 billion bill includes an advance \$45.3 billion in bridge funding towards an expected Fiscal 2006 war supplemental to cover the costs of the wars in Iraq and Afghanistan. The bridge funding includes \$2.8 billion to replace equipment and ammunition, \$1.2 billion for body armor and other protective gear, \$230 million to cover enhanced insurance and death gratuity benefits.

Rep. David Obey (D-Wisc.), the ranking Democrat on the committee, made a point of the fact that the \$45 billion will only cover about half the expected cost of the war, given that Congress has appropriated \$100 billion for war costs for Fiscal 2005, already. He offered an amendment calling on the House Budget Committee to report a new budget resolution if the war costs wind up increasing the projected budget deficit. Otherwise, "the Budget Committee will have performed a six-month con job on us as a committee by pretending that we need \$45 billion less than what in the end we will actually need."

The committee defeated Obey's budget amendment by a voice vote, but accepted another one he offered expressing the sense of Congress that coercive religious proselytizing should not be tolerated at the U.S. Air Force Academy. "All I'm trying to do is put the Congress on record urging that we get to the bottom of what is happening at the Air Force Academy," he said, "because I, for one, don't intend to recommend the appointment of anybody to that academy until this has been cleared up. . . ."

Senators Announce Manufacturing Caucus

On June 14, Senators Lindsay Graham (R-S.C.) and Hillary Clinton (D-N.Y.) announced the formation of a Senate Manufacturing Caucus, to look into the reasons why 3 million manufacturing jobs have disappeared over the last three years, and to try to find solutions. "If we don't act decisively, and in a bipartisan way, we'll continue to lose manufacturing jobs that have been a real staple to the American economy," said Graham. He said the goal of the caucus is to "come up with creative solutions, realizing that globalization, the global economy, are part of the 21st Century." He said that the caucus will be looking at manufacturers that are successful, why jobs are being lost, how to deal with competition from China and India, what can be done at home to create jobs and improve the climate for manufacturing at home.

The way they plan to do this is by holding hearings around the country, not just on Capitol Hill, to hear from people "with all different perspectives to come and tell us what they need, what they want, what they believe will work for them," said Clinton. Other members of the caucus, of which Gra-

ham and Clinton will be co-chairs, include Evan Bayh (D-Ind.), Saxby Chambliss (R-Ga.), Tom Coburn (R-Okla.), Thad Cochran (R-Miss.), Norm Coleman (R-Minn.), Kent Conrad (D-N.D.), Mark Dayton (D-Minn.), Mike DeWine (R-Ohio), Dick Durbin (D-Ill.), Diane Feinstein (D-Calif.), Tom Harkin (D-Ia.), Edward M. Kennedy (D-Mass.), Ben Nelson (D-Neb.), Barack Obama (D-Ill.), Charles Schumer (D-N.Y.), Arlen Specter (R-Penna.), and Debbie Stabenow (D-Mich.).

Dems Demand Support for Troops, Veterans

On June 7, Senate Democrats scored the GOP leadership for focussing on five judges while the Fiscal 2006 defense authorization bill languishes on the Senate calendar. "It's unfortunate," said Minority Leader Harry Reid (D-Nev.), "because I believe it's time that Congress get its priorities straight and puts our troops ahead of politics." The Senate Armed Services Committee originally reported the bill on May 13, and there is still no indication of when it might come to the floor. Carl Levin (D-Mich.), the ranking Democrat on that committee, called the bill "vital" for military morale, adding that it is "unthinkable" that the Senate should delay its consideration.

Two days later, Reid and the Democrats announced legislation to expand the capacity of the Veterans Administration to provide mental health care. "Instead of saying that the fiscal situation is bleak," said Daniel Akaka (D-Hi.), the ranking Democrat on the Senate Veterans Affairs Committee, "we should be re-examining our priorities to ensure that our veterans get the care that they deserve and have earned."

How To Build 6,000 Nuclear Plants by 2050

We asked nuclear engineer James Muckerheide how many nuclear plants would be needed to bring the world's population up to a decent standard of living, and how to do it. Here are his answers.

In 1997-1998, I made an estimate of how many nuclear plants would be needed in the world by 2050. It reflects an economy that is directed to provide the energy necessary to meet basic human needs, especially for the developing regions.

The initiative required is not unlike what the U.S. government did to build the nation: for example, to bring electric power to rural areas; to provide transportation by building roads and highways and canals, and the intercontinental railroads, and airlines; to develop water supplies and irrigation systems; to provide telephone service, medical and hospital services; and many other programs that were essential to develop an advanced society, and to lift regions out of poverty.

However, we need to do more to meet those needs, both within the United States and for the developing world, to bring those people into the economic mainstream, instead of leaving them to be just cheap sources of our labor and raw materials.

The Role of Nuclear Energy

My projections simply envisioned nuclear energy growing from supplying 6% of world energy needs today to one third of the energy demand in 2050, which was taken to grow by about a factor of 3 from 2000. But, of course, that begs the question: Can fossil fuels continue to provide energy at or slightly above present levels, to produce about one third of the energy demand in 2050? And is it likely that hydro, wind energy, and other alternatives can provide the other third, which is also the equivalent of 100% of today's total energy use?

So, nuclear power in 2050 would be roughly 18 times its current use. This requires fewer than the number of plants I projected in 1997, and is equivalent to about 5,100 1,000-megawatt-electric (MWe) plants.

But nuclear energy must produce more than just electricity; it must produce fresh water by desalination of seawater, hydrogen production to displace gasoline and diesel fuel for transportation, process heat for industry, and so on.

Note that, in this case, nuclear energy does not displace coal, oil, and gas. About 200% of current energy use would still have to come from fossil fuels and alternative sources. If oil and gas production cannot be maintained up to about 100 millions barrels per day, this would require an even greater commitment to nuclear energy, especially if nuclear energy is needed to extract oil from tar sands, oil shales, and coal.

There are pollution-control and other cost pressures limiting supply that will make fossil fuels more costly in any event. We need to consider this in the light that nuclear energy can be produced indefinitely at roughly the cost that it can be produced today.

The alternative is to continue "business-as-usual." These conditions are even now producing international conflicts over oil and gas supplies, large environmental pollution costs in trying to increase fossil fuel production, and high costs to try to subsidize uneconomical "alternative" energy sources. This is leading the world into economic collapse, without adequate energy supplies, where the rich feel the need to acquire the significant resources of the economy, with growing disparities in income and wealth, even in the developed



South Korea's Yongwang nuclear complex with six reactors.

Courtesy of Korea Hydro & Nuclear Power Co., Ltd.

world, and frustration in the developing and undeveloped world from the limits on their ability to function economically.

Calculating Energy Demand

By 2050, given current trends, world population will increase from today's 6 billion-plus people to an estimated 9 to 10 billion people, with most of the increase coming from the developing world. The current development in China, India, and elsewhere, indicates the enormous growth now in progress. Today, if anything, such development projections may be understated.

The industrialized world per capita energy use may drop to 65 to 75% of current use, with increased efficiency, however there will be greater energy demands for the new, non-electrical applications, using more energy to extract end-use energy such as oil from coal or shales, and hydrogen.

The developing world will substantially increase per capita energy use, to 40 to 50% of current use in the developed world. Going from a bicycle to a motor scooter, may require only a few gallons of fuel per year, but it's a large increment over the amount being used with the bicycle. And motorbikes lead to cars. Even in the last 5 to 10 years, there has been an enormous increase in vehicles, in China especially, and in other developing regions. These are large populations—more than 2 billion people—and their need for oil is becoming enormous.

Therefore, if we are to achieve a world that is providing the energy required for developed and developing societies,

along with substantial relief of human suffering and deprivation, energy use will be around three times that of today.

Nuclear Energy Is Competitive And Cost-effective

Nuclear power is currently competitive and cost-effective. Numerous pragmatic current and recent construction projects around the world provide a strong basis for cost projections in the United States, Europe, and other locations that do not have current experience. Electricity from available nuclear power plant designs is lower than current costs from recent coal and gas plants, and reasonable projections of electricity costs from future coal and gas plants.

There is a popular view that nuclear power is the high-cost option. However, during the 1968 to 1978 nuclear power construction period, there were economic benefits even when there were almost 200 plants ordered, and being procured and constructed, with massive construction costs. All of those plants established strong competition with oil, gas, and coal, and the competitive pressure brought down the cost of fossil-fuel-generated electricity a great deal. Electric ratepayers in the United States saved billions of dollars in fossil fuel costs over almost three decades.

Without the nuclear option, we have lost that competitive pressure. Prices are not constrained by that competition and have been increased, along with increased demand for scarce oil, gas, and coal resources. So, if we build nuclear power plants, even before a significant number of plants are operational, and especially if we have the ability to build plants in

4 to 5 years, we will have an effect of reducing the excessive demand for, and costs of, coal and gas for providing electricity—to the benefit of the whole economy. We must consider that as part of the economic equation that doesn't presently exist in the way we evaluate nuclear power costs: the externalized benefits to society.

We know about calculating externalized costs, but we do not adequately calculate externalized benefits. It's time to do so.

Of course, people still consider the very high costs of the large nuclear plants ordered in the early 1970s. But these suffered the unanticipated effects of high component and labor costs, design changes in process after the Three Mile Island accident, and long construction times with high financing costs.

Today, we are prepared to manufacture and pre-build modules, reducing construction schedules to limit that long-term financial exposure, even if there were increases in interest rates. Future projects will undertake plant construction with approved designs, with "constructability" incorporated in plans. The current generation of early plants are simply artifacts of the historical first phase of nuclear power plant design and construction, just as the Ford Tri-Motor and the DC-3 are artifacts of the first phases of passenger aircraft.

The Mass Production Road to 2050

Because the time frames for these construction requirements are long, and we need significant contributions to power supplies by 2020, we can't just increase production exponentially to put a lot of the power on line in the decade from 2040-2050. We need a substantial amount of nuclear electricity before 2030, and need to install a construction capacity that would produce a stable plant production rate for the future, to meet both a nominal energy growth and to replace old nuclear, and other energy plants. Consider that China is building roughly one new coal plant per week now, and the United States has about 100 coal plants on the drawing board. These plants and hundreds of others will need to be replaced after 2050.

Obviously, we would install much of that capacity between 2030 and 2050. But to get from here to 2030, we have to re-examine how we plan, and commit, to installing nuclear plants. The current idea in the United States, of building one plant by 2010, and 10 more by 2020, is a long way from the needed 2,000 or so in the world by 2030. Fortunately, other countries are doing more to meet the need.

We have to commit to manufacturing the pressure vessels and other large components in mass quantities, instead of waiting for future *ad hoc* contracts from individual companies. Waiting leads to substantial overheads and delays to develop contracts, which are subject to the *ad hoc* process of integrating such plans into the production capabilities of vendors, with, again, rising costs and/or extended schedules, as negotiations are entered for limited production capacity,

with high risks perceived for commitments to expand manufacturing capacity vs. the assurance that the industry will not collapse again. Individual companies would still have to develop plans and contracts for new plants, but those plants would come from national policies that engage the developed and developing countries to commit to the production and installation of nuclear power plants to produce a large, worldwide plant manufacturing capacity.

We must also commit to working on evolutionary designs that can reduce the cost of current and future plants. For example, current requirements for containment pressure and leakage, radiation control, including ALARA (the as low as reasonably achievable standard), and so on, can be more realistic, with less conservatism in design and analysis, while enhancing nuclear power plant safety. In addition to engaging the manufacturing industries directly, we must engage the major national and international standards organizations, and other international non-governmental organizations, in this project.

A plan for rapid growth to a level long-term production capacity to support long-term energy growth and replacement of old plants and fossil fuels, would result in producing roughly 200 new units per year. We can plan for 6,000 equivalent units, taking our present operating plant capacity as about 300 1,000-MWe equivalent units (from about 440 actual units).

There are about 30 units now in construction in the world, with construction times of five to six years, so we are now building about 6 units per year. This will substantially increase in the next two to three years, so we can take something more than 10 units per year as a current baseline, and can plan for a rapid increase in current capacity to a level of about 200 units per year around 2040. Current and near-term nuclear power plant construction experience is a sound basis to adopt initial plant designs and major suppliers.

We would focus primarily on the required fuel cycle capacity and major component manufacturing, and primary materials and infrastructure, including the required people, to produce nuclear units more like the way we build 747s, with parts in modules being delivered for assembly from around the world, while moving to a more regional manufacturing strategy.

Note that "manufacturing" applies to on-site and near-site support of construction by producing major modules outside of the construction area of the plant itself. The modules built on-site in Japan to construct the two 1,356-MWe ABWRs (advanced boiling water reactors) in about four years each, which came on line in 1996 and 1997, weighed up to 650 tons and were lifted into the plant.

The World War II and TVA Precedents

We have the experience of the expansion of production capacity in a few years before and during World War II. President Roosevelt anticipated the need, by engaging industry leaders before the U.S. entry into the war, including earlier



Uwe Parpart

To bring the developing sector fully into the 21st Century will require tripling today's energy supply, with one third of the total coming from nuclear.

production to support U.S. merchant marine shipbuilding, and to supply Britain and Russia using the “lend-lease” program. Henry Kaiser built Liberty ships, which took six months before the war, delivering more than one per day.

The early Tennessee Valley Authority (TVA) experience built large projects that integrated production and construction, with labor requirements and capabilities. Unfortunately, as with many large organizations, the later management failed to fully understand and maintain the capabilities that were largely taken for granted as the historical legacy of the organization, with inadequate commitments to maintain that capability. However, there are examples of maintaining those capabilities, in organizations like DuPont and the U.S. Nuclear Navy. These principles must be applied.

In addition, our original nuclear power construction experience demonstrates that these capabilities are readily achievable. Today there are 103 operating nuclear units in the United States, ordered from 1967 to 1973. There were about 200 units in production and construction by the late 1970s. So, even with little management coordination—poor management by many owners and constructors, with plant owners, vendors, and constructors jockeying for position and running up costs in the marketplace—we were building about 20 units per year.

But we got ahead of ourselves. Costs were driven up by competitive bidding for limited production capacity and capital constraints, but more important, there was much lower electricity growth following the 1973 oil embargo, which had not returned to near pre-embargo rates as had been expected by many in the industry. The then-existing excess baseload plant capacity was sufficient to satisfy the slower growth in

demand for two decades, relying primarily on coal, which we have in abundance, and in the 1990s, by building low-cost natural gas-burning plants, when the cost of gas was very low. This provided high short-term profits to the electricity generators, at high long-term energy costs and security risk to the nation. That was an obvious failure to do competent planning, which has clearly exacerbated our current inadequate ability to provide for long-term energy needs of the U.S. and the world, with rising costs that are threatening the world economy.

The Industrial Gear-up Required for Mass Production

What kind of industries would have to gear up—steel, concrete, new materials, nuts and bolts, and reactor vessel producers?

The cornerstone of manufacturing for an accelerated program is in fuel supplies and reactor pressure vessels, along with steam generators and turbines, and large pumps. Much of the piping and plumbing, power systems, cables, instrumentation and other systems, plus the concrete and steel for the containment and other buildings, are high volumes of materials, but these should be more readily met within the general industrial production of concrete and steel, and other industrial components and equipment.

This also contributes to redevelopment of essential production capacities that need to expand and to be retooled, along with reactivating substantial steel capacity.

The fuel supply is critical. Initially, uranium mining can readily be substantially expanded. However, high-grade uranium supplies will be exhausted, along with surplus nuclear

weapons materials, requiring the use of lower-grade ores. But, ultimately, uranium can also be extracted from ocean water, at only about 10 times the extraction costs of lower grade ore, where it is replenished from natural discharges into the oceans. Because, unlike other fuels, the cost of uranium is a relatively small fraction of the cost of producing nuclear energy, such an increase does not substantially affect the costs and advantages of nuclear power. Extraction of uranium might be effectively done in conjunction with desalination and hydrogen-production plants. Uranium from seawater, combined with breeder reactors, provide redundant ways for assured supply. This makes it clear that these resources are good for thousands of years.

The need for conversion and enrichment capabilities would be substantial, along with fuel assembly manufacturing, including the need to establish large-scale ceramic fuel manufacturing for the high-temperature gas reactors, and develop reprocessing facilities to extend uranium fuel supplies. Initially, this would be done by making plutonium-uranium mixed oxide (MOX) fuels, and then later developing breeder reactor fuels. India, for example, is developing a thorium-based breeder reactor to take advantage of its thorium resources, and limited uranium.

Production to Follow the Eurasian Land-Bridge

As to where the facilities would be located: The idea of Land-Bridge development applies here. Today, pressure vessels are built in a few locations and transported around the world. But in planning for necessary nuclear power plant construction, it would be rational to locate pressure vessel, steam generator, large pump and valve manufacturing, and other major component facilities relative to the major plant construction and transportation locations, along with steel sources. These decisions would be made with the industries and countries that would produce the components.

Initially, two or more major pressure vessel facilities might need to be developed to be able to produce about 20 vessels per year. These would be massive facilities. With an initial target to ultimately produce 200 plants per year in the 2040s, we would decide later whether to develop 10 to 20 such facilities around the world, or to make larger and fewer facilities. This will reflect the capabilities of the various companies that must do the work. We can get that capability into simultaneous production. We can construct the large PWRs in four to five years, even three-and-one-half years or so, and down to two years for the gas reactors, using factory production, and on-site manufacturing production of modules. On-site plant construction is therefore more of an assembly process, as well as the construction process that we normally think of in building large concrete and steel structures and facilities.

Manufacturing facilities would be located with consideration of the known and anticipated locations of future power plants, steel suppliers, transportation capabilities, and so on.

A constructive competitive environment can be established to keep the system dynamically improving and reducing costs, with necessary elements of competition and rewards to the companies and people producing the components.

Strategic development and implementation of nuclear plants, like the Eurasian Land-Bridge concept, lies in building networks, not just building out linearly as the United States did in moving to join the East and West in building the trans-continental railroad. It is more like the following period in railroad history, when simultaneous railroad lines were tying together the country; for example, the north and south in bringing Texas cattle to the Chicago stockyards, supported by the telegraph with its ability to implement network communications. The process is explicitly oriented to develop along a strategic path, rather than *ad hoc* plans to develop energy sources and communications around cities that grow as a result of a non-planned, non-networked, model. To be more precise, in the 1800s the city-region was the network, even in large cities where water and power had to be brought from hundreds of miles away. Today, intercity infrastructure needs to be integrated with intracity-regional systems.

Such strategic plans anticipate growth of large nodes that require substantial infrastructure, which rely on and include power requirements—as in industrial complexes and large cities of more than a few hundred-thousand people. We can consider somewhat separately the mega-cities of 20-plus million people that are being created. They require an obvious, localized, large energy component, with a primary role for electricity, but with a heavy demand on the transportation capacity to supply the population and industries, and export the products of the cities. The growing cities of an integrated industrial economy are networked by transportation and communications. Electrification of the railways, and non-electric energy for heat, for example, to provide desalinated water, must be anticipated.

Electric grids also require that power loads be balanced, which further requires planning in a network strategy, instead of linear development as occurred in the early United States, where, even after the beginning of installing electricity, “the grid” was essentially localized to cities.

In building out a network, we can take a manufacturing mode with the construction of nuclear plants to supply the network that is growing an industrial economy, instead of a focus on the major cities, as occurred with the original U.S. electric power system development. This fragmented result of *ad hoc* private decisions, responding to individual profit opportunities, had to later be fixed by government, including, for power, government agencies like the great Tennessee Valley Authority, and Bonneville Power Administration, and the creation of the Rural Electrification Administration, and so on, to bring the nation together. As still is true today, this could not have happened effectively by leaving *ad hoc* decisions with the private financial interests that focus on assured quick-return profit opportunities in individual projects. It could be delivered by corporate America when given the op-



Nuclear energy will be used for many applications, such as desalination of seawater. This 1960s sketch is of a nuplex, an agro-industrial complex centered on a nuclear power plant. It is located on the seacoast, making possible the large-scale irrigation of farmland.

portunity, just as with the great dam projects, providing power and water for cities and irrigation, and even recreation, with the associated economic development of the American West.

So, nuclear power plant construction should be transformed from the mode of plant-by-plant construction of *ad hoc* projects, into a manufacturing-based strategy. France is a prototype. In 1973-1974 a national decision was made to build nuclear plants in convoy series, to make decisions on designs and to install those designs multiple times, with evolutionary enhancements in size, costs, and safety for future plants. Many plants are put on line in a manufacturing planning mode, not constrained by an *ad hoc* plant-by-plant decision-making and plant construction mode.

This allows the advantage of mass production, with programmatic commitments to make the vessels and major components to support a plant assembly approach. Individual plants would be installed to meet the electric power market needs. This is especially true of the modular gas reactors.

There are areas that have high power demands now—southern China for example. In addition, there are developing areas extending inland to produce energy for local development along a Silk Road model. Initial energy demands in such areas are not enormous, so that instead of large light water reactor plants, dozens of modular units could be incrementally built over decades, combined with evaluating power to eventually be fed to, and supplied from, the growth of the larger regional and national grid.

Installation sequences would dynamically respond, to both lead and follow growth. We could build two or four plants in one location, and move down the road 200 miles and build two or four more; then build two or four more at the

original location as the demand grows. This would be very responsive to local conditions and growing demand over time, while the central facilities would build units in a long-term planned strategy for a number of pressure vessels per year. Although the 285-MWe GT-MHR (General Atomics' gas-turbine modular helium reactor) modular plants are small, compared to light water reactors, the pressure vessels are as large as 1,200-MWe pressurized water reactors (PWRs). When, 10 or 20 years later, we need to expand the capacity to build pressure vessels, we will work with the manufacturers either to expand existing facilities or to select and develop other locations.

Political Framework: The Railroads As a Model

So, we have the intercontinental railroad model: Start at key nodes, and expand toward other nodes. The railroad development in the United States is a paradigm. It shows that we need a central strategy, to empower the private sector to build in the national interest. The people doing the work were competing for contracts and building from, and developing, private industrial growth. Meanwhile, President Lincoln and the Congress made national decisions to establish routes, resolve public domain issues, provide incentives, and so on, that were required to support that strategic development. So, governmental direction and vision are needed, with private development, initiative and competition. This has to establish the framework in which the private industries can compete and succeed, to implement that vision in the national economic interest.

COMSAT/INTELSAT is another model. Congress char-



Courtesy of Tokyo Electric Power Company

This General Electric ABWR design was built in Japan by Hitachi and Toshiba, for Tokyo Electric Power Co., putting two units of 1,356 megawatts each on line at the Kashiwazaki-Kariwa site in Japan in record time in 1997 and 1998.

tered a for-profit corporation to build a global system based on geosynchronous satellites instead of having to later fix a system that AT&T was ready to build based on low earth-orbit satellites with tracking-antenna to address the most profitable city links first, but would have left much of the world without satellite communications. COMSAT also developed contracts with many nations for their own communications development.

We need a similar government vision now on behalf of the nation, and the world, as a whole, with an orientation to critical infrastructure, that recognizes the human and economic needs, that rely primarily on low-cost energy. This does not need to be done by government directly, as was done, for example, with the TVA. But it must reflect a vision that engages the private sector and the public, to inspire people to see that their future security and opportunities are going to be provided by adequate development and growth in national and world economies, that are geared to meet human needs.

Otherwise, we are all going to be in a real crisis. That will become increasingly visible to the general public as our lack of adequate economic infrastructure, especially for energy supplies, with associated environmental and financial costs, are seen as overwhelming the nation, and the world.

So, how do we proceed with this ambitious building and development program? We need both top-level direction and authorization, and private-sector initiatives.

Certainly, the fundamental decisions can only be made at the top. An organization must be created that has the resources

and authority to make plans and commitments. But just how centralized that would be beyond the essential commitments and responsibilities for infrastructure planning and financing, how it works as a government/private sector implementation program, is flexible. It does not have to be large.

Alternatively, private initiatives can be authorized, directed, and supported by government, more like the transcontinental railroad development. It was justified by national needs for mail delivery and military purposes, which also supported stage coaches and early airlines development, providing guarantees and funds for services. Or it can be a more centralized government role, like the TVA development, but thinking of this like Admiral Rickover thought of it, in using the private sector and competition to build the U.S. Nuclear Navy: Get the private sector to develop and deliver the technology, while government makes major strategic and programmatic decisions, contracting to undertake production capacity to meet demanding specifications and performance requirements.

We need a dynamic, competitive, management-driven enterprise, to prevent becoming trapped or captured by either private interests or self-serving government bureaucracies that don't, or don't continue to, perform well, either on the technology side or on the economic side. Such failures leave the national interest hostage to self-serving organizations and financial interests, whether private or governmental.

Consider the building of the transcontinental railroads in the United States, where the Union Pacific and Central Pacific

were chartered to do the job, with subsidies, but they had to raise their own money, with government direction and guarantees. This was compromised in many ways, however, including buying Congressional support with Credit Mobilier stock for changes favorable to the owners, and so on. That was not a clean process.

Thomas Durant, who headed the Union Pacific effort, saw that most of the wealth would be generated from developing the track-side land and resources. The companies weren't making much progress on actually building the railroad, so Lincoln worked to shift incentives to have to build so many miles of track, and the company with the most miles of track at the end was going to make more money. Without that, the Union Pacific would have built out only slowly, focussing more on developing the more valuable track-side land resources. So, for many years it was a substantial competition that had them going "hammer and tong." When they were building out, the Central Pacific was trying to get past Salt Lake City, Utah, to the coal deposits in the Wasatch mountains. They failed to do that when they could only get to Promontory Point, where the railroads joined up. But construction was being driven by rewards in obtaining such resources.

But historically, the transcontinental railroads, originally championed by Stephen Douglas, even with the major scandals, were a great and economically important success, as a national economic and political achievement. They captured the imagination of the country.

Achieving a great project transcends such details, and provides for the generation of great wealth for the economy as a whole, for the nation and the world. This wealth is greatly out of proportion to the costs from any such malfeasance.

So, there are lessons from considering where the interests and values are in developing an economy, beyond just thinking of it as a point A to point B transportation construction project, unlike ocean shipping. Or the need to have airlines serve smaller cities as well as the large cities.

What a Nuclear Energy Initiative Can Bring to the World

First, even though such a nuclear power enterprise is an enormous project to salvage the world energy lifeline and to limit conflicts, while being a primary economic development engine, it is just the core of the larger decisions to provide adequate energy from coal and other technologies, plus other critical infrastructure required to provide for the human needs of the developing and undeveloped world, and expanding productive wealth in the developed world.

In addition, such a nuclear power and/or energy technology development initiative is also a foundation of common science and technology, and common purpose, for the world. It can be a model. It is a national and international enterprise, founded on government and private industry participation. It has the power to limit those non-productive machinations of both government and private financial interests that are in

conflict, which constrain responsible government and private interests from working for greater general wealth and constructive progress for both the developed and developing world, while being enormously successful financially.

Nuclear power also has the advantage that it currently has a high international profile, and substantial, if relatively non-productive, ongoing national and international government organizations. For example, the United Nations, especially with the International Atomic Energy Agency, the International Energy Agency, and the Non-Proliferation Treaty, which is essential to our need to safeguard uranium enrichment and plutonium production, plus many other institutional components. The major industry organizations are also more coordinated, with compatible technologies and capabilities that are more complementary than other equivalent industries.

In addition, such actual public/private mechanisms can transcend some of the destructive national conflicts and destructive financial conditions, to meet actual worldwide energy needs, and to actually implement essential nuclear power energy supplies to prevent world conflicts over energy—in the real world. This can provide an initiative with a productive purpose that can push current non-productive governmental and non-governmental organizations to replace non-productive dialogue and make actual progress in meeting the human needs of the world.

With any success, these mechanisms can also contribute to models that can address other substantial national and international purposes, to engage the developed and developing nations to enable solutions, beyond current "policy discussions." These mechanisms can enable productive cooperation, along with healthy competition, that can enhance relevant technologies, and lower costs, instead of seeing little actual progress in major projects. This can include basic infrastructure, health care, and drug delivery, education and communications, and so on. These initiatives can constrain costs, and preclude destructive financing costs on developing and undeveloped nations.

The nuclear power enterprise can reduce the coming world energy conflicts, create wealth, and be a model to address the inability to deliver technology and services to the developing and undeveloped world and bring these societies into the economic mainstream. This can be a primary economic engine, a wealth-generating machine, for the 21st Century.

James Muckerheide, the State Nuclear Engineer for the Commonwealth of Massachusetts, is a founder and President of Radiation, Science, & Health. He is also director of the Center for Nuclear Technology and Society at Worcester Polytechnic Institute, which is working to establish a level playing field for decisions on the costs and benefits of nuclear technologies that are essential to human prosperity in the 21st Century.

A full version of this article will appear in the Summer 2005 issue of 21st Century Science & Technology magazine.

EIR Physical Principles

DISCUSSION ON SCIENCE WITH HELGA

Man's Original Creations

by Lyndon H. LaRouche, Jr.

June 6, 2005

Foreword

Recently, my wife, Helga Zepp-LaRouche, reminded me, that Cardinal Nicholas of Cusa had emphasized that man's discovery of universal physical principles changed the universe in the sense of generating newly created agencies. It should be noted that Helga's continuing studies of the work of Cusa, which have been continued, with varying intensity, during approximately three decades, were begun during the mid-1970s, and were begun, with my emphatic encouragement, in frequent consultation with Professor Haubst of the Cusanus Gesellschaft, then the world's leading expert on Cusa.¹

1. Cusa had founded a home for retired clergy in his native town whose name he bears, Bernkastel-Kues, athwart the Mosel where his father had fished for crabs. For related reasons, I have often visited Cusa's still-operating foundation in Helga's company, including a well-attended 1987 celebration, on the occasion of my 65th birthday, where my now recently deceased friend, the leader of the famous Amadeus Quartet, Norbert Brainin, performed in my honor. Cusa's chapel and library are maintained up to last report, and the foundation is supported, at least in part, by the proceeds of the annual sales of its wine. Cusa is outstanding for several special accomplishments which have been proven by later developments to have been essential to the founding of modern civilization: his design for the founding of the modern sovereign nation-state (*Concordantia Catholica*), ending the Venetian-Norman tyranny of the *ultramontane* system; his founding of the modern experimental physical science of Luca Pacioli, Leonardo da Vinci, and of such among Kepler's followers as Fermat and Leibniz, and Leibniz's followers such as Carnot, Arago, Ampère, Gauss, Wilhelm Weber, Dirichlet, and Riemann (*De Docta Ignorantia*); his crucial contribution to the success of the great ecumenical Council of Florence; and, his founding of the project which inspired Christopher Columbus's voyage of trans-Atlantic discovery. Professor Haubst's own work on the legacy of Cusa has left a living record of inspired and energetic devotion and scholarly excellence.

In our inner-family dialogue on this matter, we were both right. She was correct, on her representation of Cusa's argument, and I on mine. The explanation of that seemingly paradoxical point will be currently of interest among relevant members of the international LaRouche Youth Movement (LYM) and also others; therefore, I supply the relevant explanation of the point as follows.

As I emphasize in the following pages, there are two aspects to any validatable discovery of a universal principle of the physical universe. This includes, as efficiently physical principles, those true principles of Classical artistic composition on which our association has worked over past decades, including the role of $C=256$ cycles in Well-Tempered, Florentine *bel canto* modes of musical composition and its performance. The first aspect of all validatable discovery of universal principles, is the way in which the mind of the relevant human individual discovers a pre-existing universal principle *in its expression as a potential*; but, then, second, we require an experimentally valid proof of that same potential, which, when discovered and also practiced by man, then serves mankind in a way which changes the universe, a new discovery of some principle which, at least implicitly, increases mankind's power in, and over the universe. Cusa's work embraced both aspects of this process of discovery, but, as Helga correctly emphasized, Cusa emphasizes the second, man in his role as a creator in the sacred likeness of the Creator. Cusa did this in a way which defines him in retrospect today, as the most significant of those Renaissance thinkers who defined the broad conceptions on which the specific achievements of modern European civilization, relative to earlier times, were premised.

Thus, the originality of mankind's original discovery of a principle, lies in the act of discovery of a universal implication of the existing universe, a *potentiality* which had been pre-



Lyndon LaRouche and Helga Zepp-LaRouche. "In our inner-family dialogue on this matter, we were both right," writes Mr. LaRouche, respecting their discussion of the importance of the contributions of Cardinal Nicholas of Cusa.

Markus Norman

viously hidden from the view of mankind's knowledge. Man's acting on the basis of that discovered *potentiality*, changes the universe, bringing it into a new dynamic state. This, once again, confirms Heracleitus' and Plato's view, that in the universe, there is no exception to the continuation of qualitative change as the underlying ontological reality of processes.² The universe is not a domain within which changes in principle are sometimes permitted; the universe is always being changed in this way, changing itself in this way, as Heracleitus and Plato, for example, insisted, and as V.I. Vernadsky insisted, in his development of the concepts of Biosphere and Noösphere.

Thus, Helga and I were both right.

This should bring the attention of all among us present on this occasion, to the subject of the term "realization": to the subject of the way in which we should employ that term in scientific practice. That includes, of course, the subject in which I have accumulated original and otherwise notable qualities of expertise, the subject of an applied science of physical economy, as first defined by Gottfried Leibniz during his relevant work of the interval 1671-1716.

Since the circulation of my recent "Vernadsky and Dirichlet's Principle" featured in the June 3 edition of the *Executive Intelligence Review* news weekly,³ there has been accel-

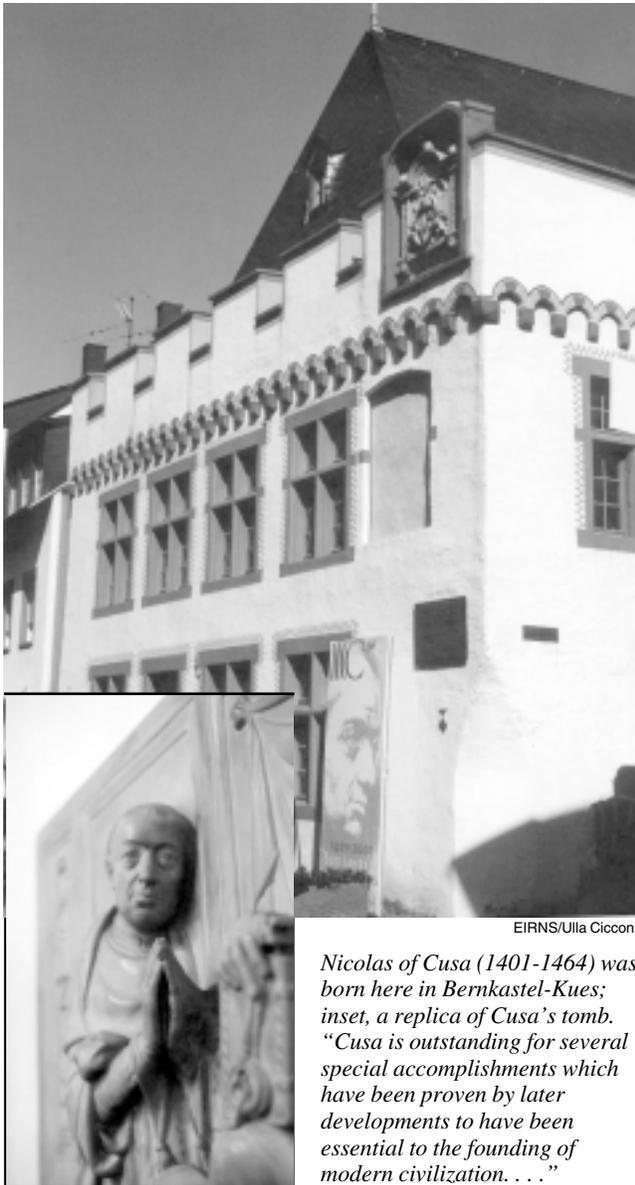
erated attention to the subject of "dynamics" among my associates, especially the LaRouche Youth Movement. Notably, my associates Bruce Director, Dr. Jonathan Tennenbaum, and relevant members of the LYM, among others, have accelerated their educational work on the subject of physical science, as modern teaching in economics and other relevant specialties must be redefined for current and future practice of humanity generally, defined from the standpoint of Riemann's Theory of Abelian Functions.

It is to be emphasized here, that throughout this report as a whole, the term "power" as employed in the following pages, is the English translation of the German term *Kraft*, as used by Leibniz in both his founding of the science of physical economy, and in his redefining the basis for all physical science after the work of Cusa's follower Kepler. It should be remembered, in reading the following report, that Leibniz's use of this notion of power is expressed in those notions of *dynamics* expressed by Leibniz's discovery and development, in association with Jean Bernouilli, of the only competent basis for a calculus, the catenary-based principle of universal physical least action. Otherwise, all of my successes, as contrasted with the failures, heretofore, of most of my professional rivals in the field of economic forecasting, have depended upon rejecting the mechanistic method relied upon in the visible arguments which had been previously presented by my putative rivals.

Lately, as the presently onrushing economic collapse of the world's present monetary-financial system reaches its climax, my richly vindicated, long-standing views on the subject of economy have been favorably reassessed by many who, in earlier times, had wished to consider my warnings as some-

2. The modern form of this view of the argument of the permanence of qualitative change in principle, as by Heracleitus and Plato, is expressed in modern physical science by Bernhard Riemann's 1857 presentation of the theory of Abelian Functions.

3. *Executive Intelligence Review*, June 3, 2005.



EIRNS/Ulla Cicconi

Nicolas of Cusa (1401-1464) was born here in Bernkastel-Kues; inset, a replica of Cusa's tomb. "Cusa is outstanding for several special accomplishments which have been proven by later developments to have been essential to the founding of modern civilization. . . ."

what exaggerating the dangers, if not simply wrong. Thus, at a time when many in the U.S.A. and elsewhere are inclined to accept my assessments and proposals as important, they tend, nonetheless, to worry all the more; they fear, that in their accepting what they now tend to admire in my work, they might tend to overlook my possible errors on related other accounts. I am therefore obliged to attempt, once again, to make the entirety of my methods and world-outlook transparent to those increased numbers of influentials and others who consider it important to know the fuller implications of my outlook, beyond what is expressed as explicitly on the subject of economy.

My referenced recent, brief discussion with Helga on the subject of Cusa's work, is therefore an appropriate starting-point for addressing such a wider range of matters.

Although I can trace the source of my discoveries in the

field of physical economy to what I have often reported, earlier, as an incident at the beginning of my attendance in a secondary-school geometry semester,⁴ I have not yet decided, nearly seventy years later, how much this incident prompted my adoption of Leibniz's influence, and how much my already ravenous appetite for English renderings of French, English, and German philosophers of the Seventeenth and Eighteenth centuries had contributed to that statement which I had made during the course of the first hour of that semester's geometry class. What is certain is that, from about that time, I was, and have remained a persuaded follower of Leibniz.

What has been technically wrong with the work, and opinions of my notable rivals in the field of economic analysis and forecasting, is just that. They had taken the wrong turn at the crossroads in their choice of method. As a result of their induced preference for the methods of Paolo Sarpi's empiricism, in opposition to those of Leibniz and his predecessors back as far as the Pythagoreans and Plato, these economists' previous failures have been rooted in their preference for mechanistic methods. The result was their earlier refusal to take into account those aspects of the actual nature of mankind on which competent long-term assessments in economy depend.

These economists, so far, had previously overlooked the relevance of the view of human nature shared by Leibniz, for defining all subject-matters of scientific and artistic significance in determining the effects called "economic." Vernadsky's combined conception of Biosphere and Noösphere, when considered as an outgrowth of the heritage of Leibniz, is the most appropriate choice of context for defining the application of an economics as I have redefined the notion of a science of physical economy for the immediate future of mankind today. Therefore, on this occasion, I turn attention here to the broader cultural implications of Vernadsky's dynamic conception of the universe and society.

1. Economy As Art and Physical Science

The most obvious indication of the existence of a higher class of fossils, those which are produced by means other than ordinary kinds of living processes, is the working archeologist's discovery of residues which could not have come into being by any means other than the agency of a specifically human intelligence. Such residues, belonging to V.I. Vernadsky's *Noösphere*, are to be defined as products of the application of a universal physical principle which existed *implicitly*, in the form of a *potential*, prior to mankind's employment of it, but which did not exist, as the residue of a practiced natural phenomenon, prior to mankind's discovery

4. See Lyndon H. LaRouche, Jr., "Science: The Power To Prosper," *EIR*, April 29, 2005, p. 6: "Some Relevant Personal Background."

and application of the principles expressed by those archeological or comparable residues. The power efficiently expressed by intention, as evident in the successful employment of such principles, is a potentiality which may be expressed in the form of a residue of social action, but is to be regarded, more emphatically, as a residue of a principle which has come into existence as a practicable idea only within the sovereign bounds of the individual human mind which has discovered it.

All competent practice of archeology as a branch of the work of the historian, hangs implicitly on that rigorous set of distinctions.

Hence, all competent accounts of history, as *the science of the history of the human species*, are based on the broader application of that same, more rigorous definition of the essential principle of archeology, as I have already restated this point within my recent *Vernadsky and Dirichlet's Principle*. Actual knowledge of history, including archeology as a branch of a science of history, is, essentially, *the history of ideas*: the history of those ideas which express the specific quality of mental activity leading to the discovery, or re-discovery of either a universal physical principle, or its Classical-artistic form of equivalent. These ideas are communicable only through the act of replication of a relevant original act of discovery by the sovereign cognitive processes of an individual human mind. These ideas generated by sovereign individual minds, are expressed in a communicable form, only through a special kind of tangible practice, practice of the type associated with the human, cognitive replication of an individual mind's experimentally validatable act of discovery of a universal physical principle.

In globally extended European cultures today, there is a more or less grudging acknowledgment by modern society, of the need to apply the term "universal principle" to relevant matters in the domain of what is termed "physical science"; but, the suggestion that the same notion might be applied to the domain of art, often provokes an unpleasant facial expression, still today. Therefore, let us begin with the role of a universal physical principle in Classical artistic composition.

The Case for Music

For an illustration of this point about artistic composition, choose, first, a certain, short composition of W.A. Mozart which is suitable for treatment by a relatively small chorus, *Ave Verum Corpus*. It is experimentally demonstrable, that this composition could not be competently performed according to Mozart's intention simply by a formally literate, school-book reading of the score by the director and members of the performing ensemble. The performance requires a form of instruction which lies in something above what some might consider the formal aspects of the score, something which lies in the interaction, across, or, if you prefer, "behind" the singing voices, in the progression of the performance as a whole. "This something" is, in this case of Mozart's piece, expressed through the role of the same Lydian mode treated

famously by Beethoven's Opus 132 string quartet.⁵

The distinction in quality of performance to which I am referring here, is not an effect which the relevant composer did not intend. It was precisely his intention, as a series of examples from choral and instrumental music of leading Classical composers, most notably from Bach through Brahms, demonstrates that to be the case in principle. The musical score reflects the existence of a composer's intended potential for that composition, which the performers must bring to actuality.

Although the tools of this Classical principle are traceable by us as far back as the Pythagoreans, and to the basis for this intention expressed by the surviving fragments of Leonardo da Vinci's *De Musica*, it is J.S. Bach who created the system of well-tempered counterpoint on which all of the leading Classical composers have depended.

The systemic quality of error which the performers of such music must combat in themselves, is that created by even professional musicians and others who, demonstrably, like the notorious cases of Rameau, Fux, and their admirers, lack comprehension of the species-nature of any relevant Classical composer's intention.⁶

The same species of challenge represented in the Mozart *Ave Verum Corpus*, is presented, for a second example, by an earlier choral work, the motet *Jesu, meine Freude* of J.S. Bach, which presents the choral director and chorus with the same principled kind of challenge represented by Mozart's *Ave Verum Corpus*.⁷

For example, that challenge, in both of these instances, has been addressed and demonstrated by John Sigerson's direction of the LaRouche Youth Movement's rehearsals and performances of that Bach work.⁸ The selection of that Bach work for this purpose, was suggested by me, but endorsed by music director John Sigerson as a keystone for the East Coast development of the kind of LaRouche Youth Movement

5. See Mindy Z. Pechenuk, "Mozart's Ave Verum Corpus," *Fidelio*, Winter 1996. Mrs. Pechenuk directed a pedagogical performance at a Schiller Institute Conference, where the argument of her report was demonstrated in a live performance which is preserved in an audio-visual record retained to the present today.

6. Rameau and Fux are a product of the modern reductionist corruption associated with the legacies of Paolo Sarpi and Descartes. They are, in that respect, authentic forerunners of the Romantic opponents of Bach's method, including the Carl Czerny whom Beethoven described as "that criminal" who would ruin Czerny's talented young pupil Franz Liszt. This is also a fault of Modernists and Post-Modernists, the latter including the school of Theodor Adorno's Brecht-like perversions.

7. The attempt to separate Bach from Haydn, Mozart, and Beethoven, on the alleged distinction between Baroque and Classical, or the like, is worse than merely useless gossip whose influence is too often expressed in performances by musicians affected by such chatter.

8. This is the same John Sigerson who organized and directed the project of our quite credible, mid-1980s performances of Mozart's *Requiem*, and who has played a leading, and progressive professional role in the vocal and other musical work of our association since then. The increasing refinement of his direction of the work with the youth and other choruses during the passage of time, is a reflection of the cumulative benefits of that continuing history.



EIRNS/Philip Ulanowsky

The Schiller Institute chorus, directed by John Sigerson, performs Mozart's "Ave Verum Corpus" on Aug. 31, 1996. Inset: Mindy Pechenuk leads a pedagogical discussion of Mozart's discoveries. To bring out Mozart's intention, the singers must pay attention to what lies "between the notes" of the score.

which had been developed earlier on the West Coast. This use of that Bach motet has been since continued on the West Coast, in Europe, and elsewhere. The progress of the choruses engaged in this project has been a rich lode of their expanding insights into the deeper implications of Bach's intention in this case, and a consequently growing insight into the intention of his life's work taken as a whole. Patient review of the relevant evidence available, shows that all the principal work of all leading Classical-musical composers, from J.S. Bach through Johannes Brahms, and great conductors, such as the late Wilhelm Furtwängler, are premised on the same attention to what "lies behind (or, "between") the notes" of the score.⁹

In providing students of music practical insight into the dynamic methods of Classical musical composition and performance, the way in which principle is expressed as a method of performance, is most readily referenced by pointing to how those examples may be managed by the skilled string quartet. Norbert Brainin described this to me, and also to relevant members of my circles of associates, as the method of rehearsal used by the members of the celebrated Amadeus Quartet, with results which can be heard from recordings by that institution. In the case of the Classical quartet, skilled

performers can hear the relevant cross-voice intervals and adjust their performance in rehearsals according to the relevant dynamics of the composition. In the work of a chorus, or a larger instrumental ensemble, a director of the type which recorded examples of Wilhelm Furtwängler's directions illustrate, is implicitly required for this same purpose.¹⁰

Having each singer, or other performer come to a rehearsal with an "independent" reading of the notes in a part in the score, were often a recipe for standard qualities of artistic failures (unless the work being performed is itself already a modernist, post-modernist, or comparable abomination, whose message is a warning to the sensible member of the audience to leave the room). The relations among the individuals participating in musical performance of a Classical work in the Classical tradition of Bach through Brahms, for example, are not mechanical relations in the sense of the methods of the empiricists and other reductionists; they are *dynamic* in Leibniz's sense of that latter term of his reproach against the incompetence of the reductionist René Descartes. They are *dynamic* in the sense of V.I. Vernadsky's argument

9. The concept is congruent with Leibniz's definition of *Analysis Situs*, as this was carried forward in the work of Bernhard Riemann. It signifies the relevance of the ancient Pythagorean, *dynamic* notion of Leibniz's physical science and Bach's musical principles, as opposed to the formally *mechanistic* standpoint of Rameau, Fux, the Romantics, modernists, et al., and also the empiricists D'Alembert, Euler, Lagrange, et al.

10. As I have often, on occasion, referred to this experience, the first time I experienced Furtwängler's conducting was in 1946, in hearing a recording of his directing of a Tchaikovsky performance. It was like a "Damascus Road" experience, in which I recognized that the effect I experienced, of the "transparency" of the performance, lay in a gripping cross-voice movement throughout the performance, to the effect of the relentlessness of a compelling sense of a seamless intellectual development underlying the heard music which is heard not with the ear, but with the mind.

respecting “organism,” and my own argument, respecting principle, as I have presented and argued this point of both Vernadsky’s and my own method in my already referenced *Vernadsky and Dirichlet’s Principle*.

The emergence of modalities, such as the referenced cases of the Lydian mode, as an ordering principle in the across-voice process of development of a composition’s performance (as distinct from successions of vertical chords), is an example of Leibniz’s notion of that *dynamic* principle as Vernadsky and I have defined it: as distinct from, and opposed to a mechanical connection. This time we situate it within the domain of Classical artistic composition, rather than only physical science. In art, this has the same quality of significance as a universal principle, as the rule of the ontologically existent infinitesimal in Leibniz’s catenary-cued universal principle of physical least-action, the principle which Leibniz expressed by his original discovery of that concept of natural logarithmic functions, later imitated, in somewhat castrated form, by the actively Leibniz-hating Leonhard Euler.¹¹

In musical performance, this principle is expressed in the relations among a polyphonic passage in the unfolding of the performance in local intervals, expressed by what the unwitting member of the audience might view as seemingly very slight deviations, which that member mistakenly regards as like a chef’s Romantic personal touch of seasoning added to a standard recipe. To the witting, they are associated with a special kind of *tension* which lends a sense of movement associated with what is actually the deeper meaning of the term “development.” As I shall explain below, this quality of *tension* in Classical polyphony in music is associated with those Classical expressions of *irony* which define the ironical principle of movement in poetry and Classical tragedy.

The controlling influence over this subtlety, as expressed in an acceptable performance of a Classical work, is unity of



The celebrated Amadeus Quartet in performance. Their genius lay in playing together “between the notes,” bringing out the unity of the Classical composer’s idea.

effect in the performance taken as an individual unit, a unity spreading, seamlessly, from a breath prior to the first tone, to a breath after the last. (There may appear to be “seams” in the literal structure of the score, *but not in the idea which must underlie the performance of that score.*) One knows that this intention has been chosen correctly as that of the composer, when the effect of the performance is that of a seamless and energetic unfolding of a valid choice of a single, unifying, underlying idea, “driving” the performance from beginning to close, producing this, a single idea, rather than a collection of musical effects. Beethoven’s *opera* 131, 132, and 133, are recommendable test-cases for showing this principle of composition and performance. Did the composition’s performance “hang together?” “Did the composition as a whole move you, as by but a single, driving, truthful conception—in the sense of Riemann’s representation of his relatively more advanced version of Dirichlet’s Principle?”

It is of crucial importance that I emphasize here, that this conception is identical in all essentials with Riemann’s notion of the application of what he references as Dirichlet’s Principle, as I do in the case of my already referenced *Vernadsky and Dirichlet’s Principle*.¹² One must hear the entire performance as a single, indivisible idea. This is accomplished by focussing on the relevant composer’s intention to achieve a unity of effect in the process of development of the performance, such that the sensible performers and their audiences

11. The principal targets of Carl F. Gauss’s attack on the incompetence of the empiricists D’Alembert, Euler, Lagrange, et al., in Gauss’s own 1799 doctoral dissertation on the subject of *The Fundamental Theorem of Algebra*, were each and all representations of a cult of Leibniz-haters which had been organized as a network of salons by a Paris-based Venetian, Descartes-admirer Abbé Antonio Conti (1677-1749). Since Conti believed that a French Descartes would not sell well in London of that time, Conti used a circle he organized in London to create a cult, directed by figures such as theologian Samuel Clarke, as controllers of the figure chosen to substitute for Descartes, the black-magic hobbyist Isaac Newton. Conti’s network of salons, a network organized around Leibniz-hater Voltaire, became the vehicle of a Europe-wide cult of Isaac Newton, in which D’Alembert, Maupertuis, Euler, and Lagrange were leading figures.

12. The LaRouche Youth Movement has accepted the challenge of developing pedagogy which represents the Principle as Dirichlet presented it in the relevant lectures which his student Riemann attended in Berlin, and also as Riemann’s corrected, higher conception of this in his own work on Abelian Functions later.

will hear the entire composition as a seamless garment, rather than a composite of separable parts of a mere mosaic, composed to produce the effect of a mere pattern, rather than an actual idea of principle.¹³

The genius specific of Beethoven's composition of such "late quartets" as his Opus 131, 132, and his *Grosse Fugue*, present a demonstration of that argument most clearly and emphatically; these are works of supreme genius precisely because they demonstrate the higher, dynamic principle of all Classical composition with such exquisitely intense purity of unity of effect. It is the same dynamic principle otherwise to be recognized as expressed by Leibniz's notion of his principle of universal physical least action, as an expression of what Riemann presented as his improved notion of what he termed "Dirichlet's Principle."

Clear ideas can not be distinguished as such without a rigorous regard for principle. On this account, the Classical chorus trained in Florentine *bel canto* tradition with register-shifts referenced to C=256, is necessary.¹⁴ It is the slight adjustments in the quality of intonation needed to bring the focus upon the modalities expressed in forward motion, which are the singer's means for achieving the dynamic quality of unity of effect needed for a work such as the Mozart *Ave Verum Corpus*.

Consider the benefit such Classical musical compositions and their appropriate performance represent for the working physical scientist. To bridge the apparent difference this implies, shift attention slightly to the principle expressed by those modes of both plastic and non-plastic artistic composition which are to be recognized as strictly Classical in both composition and in terms of the modes of performance applicable to such compositions. The same principle expressed by the referenced Beethoven quartets is to be found underlying the principle of composition and adequate performance of Classical poetry and tragedy.

Irony: The Classical Principle in Art

Today, the word "idea" is popularly employed in a manner which is, intrinsically, functionally illiterate. The strictly Classical use of that term, "idea," limits its use to conceptions of universal physical principle, or to Classical artistic conceptions produced in accord with that same standard of precise distinction. The prevalence of what is fairly termed "the factor of slop" in the prevailing standards of instruction and related practice, in both what is called physical science, especially in mathematics as such, and, worse, in defining principles of artistic composition, has had the effect of maintaining a state

of affairs which has been usefully termed, as by Britain's late C.P. Snow, a "two cultures" crisis in modern European civilization, a separation of science from art. The fault lies on both sides of the professions; the results are grave in their impact on education; often, the moral effects of this condition has been catastrophic. Here, I employ the term "idea" in its proper, strictest sense of meaning as applying to both domains.

That idea of "slop" is typified by the method of D'Alembert's, Euler's, and Lagrange's attacks on Leibniz, as they were correctly attacked for such "slop" by Gauss's 1799 paper on the subject of the Fundamental Theorem of Algebra. They asserted simply algebraic methods in a "hand-waving" sort of brushing-aside of the fact of an essential ontological difference between a mere algebra and a subject in physical geometry, such as the ontological, geometrical difference among a point, line, surface, solid, etc. These empiricists, and others of kindred spirit, use a reductionist's notion of mechanics, as Euler and Lagrange did, as a substitute for actual scientific principle. In other words, they perpetrated a simple sort of intentional fraud, the same kind of fraud practiced by the followers of Rameau and Fux, relative to the work of Bach and his followers. Today, the same type of methodological fraud is pervasive, if, happily, not entirely so, in the domain of composition and performance of poetry and Classical drama.

Thus, the specific problem on which I ask you to focus your attention at this phase of the report, is the concept of Classical *irony*, as this is encountered as the essential principle of Classical poetry and drama. This kind of idea also appears as the concept of an efficient universal physical principle, and as this is expressed in the musical examples I have just referenced above.

Select four Shakespeare dramas chosen, on this occasion, for the purpose of illustrating that point: *Julius Caesar*, and three dramatizations locating action within a legendary society: *Lear*, *Macbeth*, and *Hamlet*. The first of those societies is the truthful echo of the actual, morally depraved culture of Rome of that time in world history. The cultures of the latter three societies represented by Shakespeare, are also depraved and also frankly quite mad as well. It is *that quality of historical specificity* of the relevant culture, in each actual historical (Julius Caesar's Rome), or legendary case.

With those words, we have now entered a domain densely permeated by Classical forms of *irony*.

The language on stage is from Shakespeare's England, but that speech is used to convey an ancient culture which is not congruent with the use of the English prescribed by Shakespeare; for *Julius Caesar*, it must be the actual, depraved Roman soul, using the English language for revealing the character of its true self at the time and place of the referenced events.¹⁵ *Irony!* The principle is the same emphasis on

13. Wilhelm Furtwängler's recorded conducting of Franz Schubert's great C-Major Symphony, when compared with the work of his putative rivals of that time, provides an appropriate illustration of the point.

14. See *A Manual on the Rudiments of Tuning and Registration, Book I: Introduction and the Human Singing Voice*, John Sigerson, Kathy Wolfe, eds. (Washington, D.C.: Schiller Institute, 1992).

15. For reasons I develop a few paragraphs below, there is no fault in that use of English by either Shakespeare or the modern director.



EIRNS/Gene Schenk



EIRNS/Sylvia Spanio

Members of the LaRouche Youth Movement in Los Angeles (left) performing Shakespeare's *Julius Caesar*, under the direction of Robert Beltran, and (right) working on Gauss's conformal mapping. "All serious Classical art, and its production, are, like true physical science, the process of building the better future in which our descendants will live. True science, like true art, has no more compelling commitment than this."

accurate historical specificity which Shakespeare sought to convey in his account of the reign and fall of the Venetian-Norman tyranny's reign over the medieval history of England, this time applied to the historical case presented, and no other. *Irony!*

Incompetents such as the Romantic or Modernist, will stage these dramas as a costuming of action on stage which is not of the historic setting identified, but a poorly disguised reflection of contemporary English-speaking culture. Whereas, to underline the relevant, implied quality of contrast at issue here, it was pointed out to me that Schiller's poem *The Cranes of Ibykus* was crafted by Schiller through a rather exhaustive pre-crafting involving Goethe, Wilhelm von Humboldt, and others, with the intent to convey the richly ironical feeling of the language and mood of actual Corinth of the living Ibykus's actual time and place, but in Schiller's own German. A richness of *irony!*

It is of crucial importance for the benefit of the audience, that faithful attention, such as Schiller gave to his composition of *The Cranes of Ibykus*, be given to the intended historical-specificity. This, evokes a sense of eeriness, *irony*, which the competent staging of any of those dramas will evoke.

As Schiller emphasizes, the man from the street should leave the theater as virtually a different person than had entered a few hours before. *Irony!* This effect is not, like the experience of some fundamentalist parson's rant, some maudlin sort of edifying moral effect upon the audience. It is the effect on the citizen of looking over the shoulder of a history different than that of his own experience of life in his own time and place. *Irony!* "Why could they not see the rottenness of their culture? Could I do something about a tragic error in the culture of my own society today? What kind of a fool I would be, if I could not look at my own culture as I could now

see so clearly the insanity of that other culture presented to me by that play?" *Irony!* He is not such a fool that he would attempt to deduce a principle for his culture from the other culture on stage.

The citizen's passion should not be mustered with the intent to change the history of that culture which pranced on stage, or to adduce a moral recipe from it; he must develop relevant insight into the qualitatively different historical specificities of his own culture. Only a weird sort of fool of a man would portray himself, on stage, or in life, as experiencing the condition of pregnancy. *Irony!*

We each dwell in a part of the larger fabric of history as a whole, in these cases, European history; the Earth is not flat, nor is any significant interval of culture in history. The culture of any place and interval has specific, dynamic characteristics, within, and with respect to differences with any larger portion of history. It is those differences—*ironies!*—which are the appropriate subject of the playwright's and director's attentions. The competent playwright, as Friedrich Schiller prescribes, is primarily an historian of a special distinction. Any Classical drama must be a voyage of the mind of the audience to some specific time and place in history, as it were a visit to a country where one's own language is, *ironically*, not actually spoken, and where habits of social interaction are *ironically* different. It is a sense of history from the vantage-point of this *ironical* quality of conscious experience of changes of quality of composition among cultures, among societies, among successive generations of even the same society, such as the typical qualitative cultural conflict between "Baby Boomers" and young, university-age adults today, which is the included subject of the broad mission of the Classical drama in general.

This brings us to the next quality to be considered. Thus, whereas the Romantic or Existentialist sitting in the audience

during the performance, imagines, in his or her simple-minded way, that he, or she, as a member of the audience is observing the behavior on stage, and is reacting to that which he, or she is witnessing: *On the contrary, the playwright, director, and actors are, ironically, observing the members of the audience, and drawing conclusions about the expected and actual performance by that audience, and also about themselves!* All is irony! I explain:

The orbit of the planets is not circular, but elliptical. *Irony!* Fermat demonstrated that the pathway of least action is not the shortest distance, but the pathway of the quickest time. *Irony!* Huyghens thought this pathway was defined by the cycloid; but Leibniz and Bernouilli demonstrated that it is the catenary-defined principle of the Leibniz calculus, the principle of universal least action. *Irony!*

All great playwrights, directors, and actors dealing with Classical artistry in drama and poetry have proceeded from nothing less than *a controlling intimation* of the essential immortality of the experienced, living human individual and his species.¹⁶ *Irony!* The substance corresponding to even such a mere intimation has an ontological actuality corresponding to such examples as Bernhard Riemann's representation of the correct metaphysical apprehension of the notion of Dirichlet's Principle, as Riemann carries this beyond Dirichlet's own argument, in Riemann's work on Abelian functions: Abelian functions are the expression of, *literally, unbounded irony*, which is itself an ironical conception. On the correct use of the term "metaphysical," as I employ that term here, I refer the reader of these lines to the comparison provided in the essential argument which I supply as the kernel of my *Vernadsky and Dirichlet's Principle*.

To repeat the core of that argument, I say the following here. In the scientifically correct use of the term *metaphysical*, science emphasizes the conditional validity of sense-experience, that it represents, at best, shadows of efficient reality, shadows which have been generated, as effects of the action of unsensed, but provably efficient principles upon the individual human being's sense-perceptual apparatus. Universal principles are never seen directly by the senses, but, at best, only the existence of their effects, as something undeniably efficient, but which, like the concepts of the mathematical physicists' complex domain, does not itself appear as an object of sense-perception.

What is real is not that which a naive reading of sense-impressions suggests, but, rather, that, at best, that which is not directly known to sense-impressions has produced as a shadow cast upon the sensorium. *That is the essence of irony!* *It is such irony which unites physical science and the practice of valid Classical artistic composition, as congruent features of human knowledge of man in the universe in which we exist.*

It is that principle of irony which is the true principle of all composition and performance of Classical art. It is that

16. On the record, even the English poet Wordsworth acknowledged the relevance of this topic, but without actually describing it efficiently.

which unites all of the work of Leonardo da Vinci as a single enterprise.

To communicate that which is true, one must rely on the irony of the developmental process of constant change which merges the domains of the mortal and immortality into a single experience. That is the highest expression of Classical art. That is the indispensable function performed by Classical artistic composition and its performance.

Life As Art: The Principle of Tragedy

So, in the work of Vernadsky, life exists, provably, as a universal principle, but, as I emphasized in the indicated location, life can not be located functionally within the relatively universal domain of abiotic processes. It acts on, and acts within the bounds of the abiotic domain, but life as such is not part of that domain, and is above it. Similarly, the Noösphere is defined by a principle of cognition which can not be located within the confines of the domain of biology as such, and is above it. References to such physically efficient principles as those, are the only sane use of the term "metaphysical," just as the Gauss-Riemann conception of the complex domain identifies the ontologically metaphysical actuality of all experienced physical processes in the universe.

This notion of physically efficient metaphysical existence, was already understood by such ancients as the Pythagoreans and Plato. It appears in Platonic and Christian theology, for example, as the notion of the immortality of an individual human personality, as a quality of the personality whose function within the Noösphere is bounded by the existence of the living person, but whose distinctive existence, as a distinct human personality, is located within the realm of a principle which does not experience biological death. Thus, in the work of Vernadsky and his relevant predecessors, *only life as such can produce life, and only the principle of individual cognition as such can produce cognition.*

Therefore, all truly sane persons, and societies, too, locate their primary sense of self-interest in the notion of immortality associated with the existence of human life within the Noösphere, if only as *an intimation of immortality*. The only rational use of the term "Classical" in European civilization today dates, to our best present knowledge, from such exponents of this persuasion as the Pythagoreans and Plato, and, implicitly, to their tracing of such conceptions to earlier developments within Egyptian civilization. All European Classical science and art are subjects of that view of the nature of the individual member of mankind in the universe.

Take Shakespeare's work, for example.

For the England of Christopher Marlowe and Shakespeare, since the relevant pack of Venetian scallywags—such as Zorzi ("Giorgi"), Cardinal Pole, Thomas Cromwell, et al.—had effected the judicial murder of Sir Thomas More, their modern England had taken on attributes of a horrid Venetian nightmare. The earlier liberation of England, led by Richmond (Henry VII), had launched an England which had been freed so from the long tyranny of the *ultramontane* forces of

the Venetian-Norman partnership, and had been a blessing: the experience of the modern sovereign commonwealth. This commonwealth of Sir Thomas More's time was now gravely endangered, as, again, later, during Shakespeare's time, menaced by the emergence of a New Party of Venice in a late-Sixteenth-Century England becoming dominated, more and more, by the figure of Paolo Sarpi and such emerging prominent Sarpi agents of the early Seventeenth Century as the depraved Sir Francis Bacon and Thomas Hobbes.

For such as Shakespeare's circle of followers of Sir Thomas More, et al., there would have been no Richmond but for France's Louis XI, and no reign of Louis but for Jeanne d'Arc. That history reached back to deep layers of humanity, long before the evil which had been imperial Rome. Under the influence of such followers of Paolo Sarpi as Bacon, Hobbes, and John Locke, Shakespeare's plays were either banned, or mangled and virtually destroyed by their producers, until their legacy was rescued from a British intellectual sewer by the circles of such German founders of the late Eighteenth-Century Classical insurgency of such admirers of Shakespeare's original work as Abraham Kästner, Kästner's student Gotthold Lessing, Moses Mendelssohn, Goethe, and Schiller.¹⁷

On the Classical stage, human history is immortal in that way, dwelling forever within a "simultaneity of eternity" as Raphael Sanzio portrays this in the Vatican Museum's *School of Athens*. It is on that stage in mankind's eternity, that the Classical drama situates both the play and its audience, just as the Aeschylus of *Prometheus Bound* situates Prometheus and mankind in the immortal struggle against the evil, implicitly satanic tyranny of the Olympian Zeus. Compare Shakespeare's treatment of Hamlet with a certain characteristic of Aeschylus' *Prometheus Bound*, and with the attempt by P.B. Shelley to reconstruct it.

The prevalent fault in ancient Greek tragedy, prior to Aeschylus' *Prometheus* trilogy and Plato's related protest against the tragedians generally, is the lack of even a prescience of an *ironically posed shadow of a remedy for the future society*, in the drama: Schiller's "Sublime." *Prometheus Bound* is an exception to this deficiency in Classical tragedy before Plato. In the accounts of the trilogy which have

been supplied, Prometheus is freed from captivity and torment in the concluding, third part of that drama. Therein lies the awesome power arrayed against Zeus, a power which was already ironically implicit in the preceding *Prometheus Bound*.

In that instance, the remedy is found, not within the drama misread as the interpretation of a script. The solution lies in the mind of the audience, in that they are human, and are watching mankind's benefactor being tortured for reason of his defense of the right of human beings (of which the audience is, ironically, largely composed) to express their natural aptitude for discovering and employing beneficial universal principles. Those who remember Solon of Athens' letter to his decadent fellow-citizens of that earlier occasion, have the implied capacity to recognize that the persecuted Prometheus is their benefactor being persecuted on their own account. The drama, the *Prometheus Bound* portion of the trilogy, has Constitutional implications of a quality reflected in the founding of our U.S. republic. The section from Goethe's fragmentary *Grosskopta* in which the character Prometheus curses Zeus, is a relevant reference on this point.¹⁸ Such irony is the secret of all the Classical poetry and drama, as composed and performed, still worthy of our attention today!

The Olympian myth expresses a condition of society in which a reigning oligarchy has reduced the conditions of life of the majority of humanity to those of wild, or tamed human cattle. Such cattle are forbidden to employ, or even to imagine the discovery of universal physical principles, such as what is portrayed in the play as the use of fire. Their knowledge of means by which the human condition of the generality of the people must be improved, is forbidden. This is called, euphemistically, the "traditional culture" prescribed for human cattle; therefore, the killing of the human slave who has acquired literacy, that done by the hand of the beast which writes the laws.

To follow Shakespeare's work properly, we must take this principle of that Aeschylus play into account: in Hamlet, for example. As Shakespeare puts the point in the character Horatio's aside to the audience, in the closing scene of the play, we must learn the lesson of the preceding events which have occurred, not in England, but on stage, lest we repeat their equal in the future. This is not said to the Scandinavian population of the drama, but, rather, to the English audience present at the performance of the play. The playing of the play itself is, on that occasion, the triumph of the author, players, and audience, over the evil which is Hamlet's rotten state of Denmark. There is no "happy ending" within that drama itself, but, access to a happy outcome for some present, or future audience which is adequately inspired by the irony of the drama they have experienced.

17. Abraham Kästner (1719-1800) was a leading mathematician of Eighteenth-Century Germany, a principal teacher and later collaborator of Gotthold Lessing, one of the two principal teachers of Carl F. Gauss, with E.A.W. Zimmerman, a one-time host of Benjamin Franklin, and a key part of the circle which brought the anti-Locke influence of Leibniz's *New Essays on Human Understanding* into the leading position it occupies in the crafting of the 1776 U.S. Declaration of Independence. Kästner played a key role in the revival of the actual work of Shakespeare in and from Germany. However, after Carl F. Gauss's 1799 doctoral dissertation, attacking the hoaxes of D'Alembert, Euler, and Lagrange, the empiricist school of Gauss and Riemann's Nineteenth-Century and later adversaries, has sought to defame Kästner, and send his memory into obscurity. It was the launching of the Eighteenth-Century German Classic by these circles, which brought the Classical legacy of Shakespeare back into that English-speaking part of the world associated with Benjamin Franklin and Percy B. Shelley. *Irony!*

18. This was set as a song by Hugo Wolf. The Hugo Wolf Society's recorded performance by the famous bass and cantor Friedrich Schorr, is a notable reference—in spite of my objections to much of Wolf's work and critical opinions otherwise.

Thus, in both Aeschylus' *Prometheus*, or the dramas of the matured Shakespeare, Lessing, and Schiller, and the best work of Goethe, the sheer awfulness of a terrible culture is used as a springboard for foreseeing what Schiller defines as the principle of *the Sublime*. The individual person must be greater than his, or her personal destiny. Aeschylus' *Prometheus* typifies that issue, as did both the real-life Jeanne d'Arc and Schiller's truthful presentation of her on stage. All Classical European drama is subject to that standard for defining its purpose and its essence.

There is no mortal "happy ending" within the real-life drama of Jeanne d'Arc as an individual; there is her actual immortality, in the self-liberation from Norman tyranny of a France inspired by her mission. She has died, as all men and women will die by one means or another; but, she has achieved immortality, *ironically*, through the manner in which she dealt with the peril which overtook her mortal existence.

The case of Shakespeare's *Richard III* brings the issue of the real-life Jeanne d'Arc into sharp focus, as Schiller does with his play.

Despite the Classical conception of man expressed within the best moments of ancient Greek culture, such as the letter of Solon of Athens, or the doctrines of immortality and *agapē* presented by Plato, the condition of the people generally was their subjugation to a state of relative bestiality, as virtually human cattle herded by oligarchies like that of the mythical Gods of Olympus. The moral degeneration of Athens, by forms of reductionist philosophy verging from the Eleatics and others into Sophistry, the rise of the evil which was the Roman Empire, the Byzantine empire, and the *ultramontane* tyranny managed by the alliance of Venice's financier oligarchy and the Norman chivalry, present us a long history of anguish, an extended tragedy. Finally, in the Fifteenth-Century Renaissance, a new form of society was established on the basis of the principle of *agapē*: the commonwealths of Louis XI's France and Henry VII's England, a new condition of mankind in modern Europe, a better condition spawned by the great Renaissance of that century.

True art addresses nothing less than subjects of kindred grandeur of spiritual capacity for good, or, failing that, for evil. Shakespeare's *Richard III* must be seen, with Richmond's virtual slaying of the old dragon of Norman chivalry, as the liberation of mankind from an ancient great evil, as the justification of the suffering of the Christian martyrs under Roman imperial oppression, from Nero to Diocletian, and as the horror which the partnership of Venetian financier oligarchy and Norman chivalry had produced as the virtually genocidal New Dark Age of Europe's Fourteenth Century.

From great Classical tragedy the member of the audience obtains nothing so much as an intimation of immortality, the immortality of the actual Jeanne d'Arc whom Schiller brings to life, by aid of Classical dramatic devices, on the stage. Or, the real-life meaning of the mission of the Rev. Martin Luther King. The object to be grasped is the immortal meaning of

one's own brief, mortal existence. The question to be posed is, "What shall I do with this mortal life which will fulfill the mission of this brief mortal existence?" That is the ironical difference between human life and the awful littleness of soul expressed in Lord Chesterfield's famous collection of letters, or the misreading of Classical drama which becomes a collection of relatively petty moralizing in the Romantic's or existentialist's smothering of the presentation of a Classical drama or poetry.

The meaning of the mortal individual human life is located in the future of society. "What, dear fellow, might be the immortal purpose for which you are living as a mortal being today?" The sense of Classical tragedy impels us to hear the anguish of the past, its unrealized achievements, and to discover, if we are able to do so, the means for nourishing an outcome which the past has consigned to realization in either our present, or our future. Serious citizens think several generations, or even more, ahead. They do so not by indulging in wild fantasies, but in selecting some cornerstones to be laid today, which are a necessary step toward something of importance to humanity to be realized in the future. So, as an economist of my years, I make no policy which does not look forward to a world of today's young adults, a world of their experience a half-century—two generations—yet to come.

All great art is great precisely to the degree it expresses that kind of intention underlying the relevant action of the artist. Such is the nature, purpose, and required quality of performance of Classical tragedy and poetry. All serious Classical art, and its production, are, like true physical science, the process of building the better future in which our descendants will live. True science, like true art, has no more compelling commitment than this. So, Classical drama and poetry must be understood, and produced.

In the immortality of human souls, all find justice, the good and the evil alike, and the cowardly and merely useless, too. Such is the nature of competent science.

2. Economy As Humanism

A foolish economist measures the performance of an economy in the financial, or monetary, or, much less foolishly, the physical wealth enjoyed by either some, or all of the members of that society. The competent economist measures the wealth of the economy in the degree of self-improvement of the quality of the members of society as human. Making the same point more bluntly, it were said that the economic mission of society is to make the nation's people better than they are today. This is to be done through means employing the process of developing the people to higher levels of power in and over nature per capita. Or, we might better say, "The greatest wealth which the generation of the deceased has bequeathed to its heirs, is a society of a better quality of living people."

The opposing, popular, but wicked point of view of most

contemporary courses of instruction in economics, measures wealth as Adam Smith did in an ugly, relevant passage within his notorious 1759 *Theory of the Moral Sentiments*, which I have quoted on several occasions:

“The administration of the great system of the universe . . . the care of the universal happiness of all rational and sensible beings, is the business of God and not of man. To man is allotted a much humbler department, but one more suitable to the weakness of his powers, and to the narrowness of his comprehension; the care of his family, his friends, his country. . . . But, though we are . . . endowed with a very strong desire of those ends, it has been intrusted to the slow and uncertain determinations of our reason to find out the proper means of bringing them about. *Nature has directed us to the greater part of these by original and immediate instincts. Hunger, thirst, the passion which unites the two sexes, the love of pleasure, and the dread of pain, prompt us to apply these means for their own sake, and without any consideration of their tendency to those beneficent ends which the great Director of nature intended to produce by them.*”¹⁹

It was this book by Smith which should be recognized by relevant scholars and economists as a significant part of the background for Lord Shelburne’s 1763 assignment of the same Adam Smith, to undertake tasks of subversive operations against both France and the English colonies in North America. In carrying out that assigned mission, Smith followed faithfully the doctrine of promotion of private vices of the pro-Satanic Bernard Mandeville of *The Fable of the Bees* notoriety. Smith generously plagiarized the Physiocrats Dr. François Quesnay and Turgot in producing his 1776 attack, known by the short title of *The Wealth of Nations*, on the founding of the United States of America.

By virtue of breeding, the East India Company’s Shelburne preferred the methods of the Venetian stiletto, to the costlier enterprise of frontal bayonet charges. Thus, this was the same Lord Shelburne who used as a stiletto his notorious Martinist freemasonic order associated with the circles of Voltaire, of such as Jacques Necker, the Duke of Orléans, Count Cagliostro, Casanova, et al. which conducted the series of operations used to destabilize and overthrow the French government, through stunts such as the affair of the Queen’s Necklace. It was this same Martinist stiletto which used Shelburne’s British Foreign Office of his dirty-operations specialist Jeremy Bentham to launch the terrorist activities of the London-trained British agents Danton and Marat, and later Robespierre.

That was the same Martinist order, under the leadership of that Count Joseph de Maistre who crafted the personality designed for, and adopted by Napoleon Bonaparte for the latter’s transformation from a Robespierre asset into the great monster whose wars, by 1815, had created a situation of sub-



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Lord Shelburne (1737-1805) of the British Foreign Office “preferred the methods of the Venetian stiletto to the costlier enterprise of frontal bayonet charges.” Thus he used Adam Smith and the Martinists to launch subversive operations against both France and the English colonies in North America.

sequently ricocheting effects, from which continental Europe has never fully recovered, to the present day. Indeed, Joseph de Maistre’s design for what became known later as the Napoleonic imperial model used under the rubric of *Synarchism*, was the basis for the launching and continuing deployment of the European financier-created model of Mussolini and Hitler, including the de Maistre-prompted persecution and mass-murder of Jews by the Nazi dictatorships during the 1922-1945 post-Versailles Treaty interval.

The net result of that brutish ideology represented by Shelburne’s Adam Smith, has been the British-monarchy-sponsored myths of *both* capitalism and Marx’s socialism.

The U.S. Constitutional system was never either a capitalist or socialist “economic model.” It was only to the degree that European nations, such as Bismarck’s Germany and Alexander II’s Russia, adopted the counsel of American System economist Henry C. Carey, that continental Europe has rivalled the United States in the field of physical economy. It was always the American System of political-economy which guided President Franklin Roosevelt’s transformation of an economy wrecked under Andrew Mellon-controlled Presidents Coolidge and Hoover, into the most powerful economy the world had ever seen, the same economy successfully ruined during the past three decades under policies more radically destructive than anything experienced under Mellon and Hoover.

In contrast to contemporary European constitutions and systems, *the actual form of society which the U.S. Declaration of Independence and Federal Constitution, with its crucial Preamble, define the U.S. economy to be, is neither capitalism nor socialism, but what U.S. Treasury Secretary Alexander Hamilton, among others, defined as The American System of political-economy.* What the British system, and the Karl Marx it trained, defined as “capitalism,” was the British imperial form of Anglo-Dutch, Venetian-style *ultramontane* rule by a financier oligarchy. This was the system established by

19. Cf. Lyndon H. LaRouche, Jr., with David P. Goldman, et al., *The Ugly Truth About Milton Friedman* (New York: New Benjamin Franklin House, 1980), p. 107. Emphasis added here by LaRouche.

the victory of the Anglo-Dutch financier oligarchy, centered in the power obtained by the British East India Company through the February 1763 Treaty of Paris, which concluded the preceding, mutually ruinous “Seven Years War” among the powers of continental Europe.²⁰ From 1848 on, the power of the old feudal systems of Europe, such as those of the decadent Habsburgs, were largely absorbed in what became, increasingly, the appendages of the Anglo-Dutch Liberal monarchical system.²¹ The power in this imperial system was located in that financier oligarchy which became known as the *Synarchist International* of the Twentieth Century, the same Synarchist International whose cabal of private bankers gave us Mussolini, Hitler, and World War II.

The European system, which credulous of the world have accepted as what they describe as “the capitalist system,” is, in fact, usually the system of tyrannical rule which the private financier-oligarchical syndicates of Europe and elsewhere have exerted as a power placed legally above the authority of governments, through arrangements often described today as “independent central-banking systems.” The present European Central Bank is a version of this. It was that arrangement, consolidated during the Versailles Treaty proceedings following World War I, which gave the world the Bank of England’s one-time choice Adolf Hitler and all the evil which he came to represent.²² It is that same cabal, in its present form, which has brought the world now into a collapse far more menacing than that of 1929-1931, to the verge of an intrinsically bankrupt system of “globalization” which would lead the planet as a whole into a prolonged new dark age.

There have been serious attempts at establishing Presidential systems in Europe consistent with the U.S. model, as the attempts of de Gaulle under the Fifth Republic attest. However, as soon as the superior authority of some “independent central banking” system as a superior national, or international authority, is usually affirmed, the sovereignty of the nation becomes merely conditional upon the continued pleasure of the true ruling power, the reigning financier oligarchy.

The relevant point of formal confusion in opinions concerning the comparison of the American System to its usual European rivals, has been the fact that the American System does use the notion of price, and profit on sales of priced

goods, as the medium within which private entrepreneurship functions. The difference in principle becomes clear once we simply put aside the notion of capitalism as the British system defines it, and replace that with the American System of political-economy. This difference is blurred only to the degree that American practice is corrupted to significant degree by the influence of the Europe-designed international financial-oligarchical power.

The essential difference, especially so when the discussion of economy is situated within the framework of culture as treated in the preceding section of this report, is that the British system is essentially, as Germany’s Chancellor has recently observed, an intrinsically *amoral* system, based in fact upon the supremacy of financial usury;²³ whereas the American System of political-economy is premised upon pervasive, controlling universal types of moral considerations, upheld by those Germans and other Europeans who share belief in the higher authority of our own Constitutional principle of promotion of the general welfare, which Plato and the Christian Apostle Paul defined as *agapē*. These are the considerations implied in the opening paragraph of this present chapter.

Modern Society

The clear dividing-line between medieval and modern European civilization is the impact of the process associated with the Fifteenth Century’s great ecumenical Council of Florence. The U.S. Federal Constitution of 1789 is the heir of the revolution in principles of government established by that Council. The most typical of the writings defining the functional meaning of that distinction, are two works of (Cardinal) Nicholas of Cusa: his *Concordantia Catholica*, superseding Dante Alighieri’s *De Monarchia* as a definition of the founding of the modern sovereign form of nation-state republic; and his launching of modern experimental science with a series of works beginning with his *De Docta Ignorantia*, and including his proposal for what became Christopher Columbus’s voyages of discovery to North and Central America.

Admittedly, this Council did not establish a prescribed form of the modern state, but, rather, specified the ecumenical principles already implicit in Christianity under which the organization of peoples among sovereign states might be arranged. However, the results of the findings by the Council were soon realized as the first modern European sovereign nation-states committed to the principle of *agapē*.

The included outcome of these proposed reforms was the founding of the form of modern nation-state known as the *commonwealth*, which was first established in Louis XI’s

20. The precedent for the British imperial monarchy’s orchestration, under Prince of Wales and later King Edward VII, of the mutual ruin of continental Europe through World War I.

21. Thus the former feudalistic aristocracy of Europe and beyond was chiefly absorbed into the role of subordinates, even mere lackeys, of the “bourgeois” monarchies of Britain and the Netherlands.

22. The chief instrument coordinating Hitler’s rise to power was the Bank of England’s Montagu Norman, whose most notable agent in this matter was banker Hjalmar Schacht. It was the German-Soviet negotiations leading toward an initial Nazi attack westward, rather than eastward, which spun some among the relevant financier circles which had brought Mussolini and Hitler into power, into a temporary commitment to destroy Hitler, before returning to deploy on behalf of fascist-like perspectives as soon as President Franklin Roosevelt was dead.

23. The principle of usury has been defended against the Preamble of the U.S. Federal Constitution among some U.S. circles such as Associate Justice Antonin Scalia, defended as the same Lockean doctrine of “shareholder value” which was banned by the Declaration of Independence and Preamble of the Federal Constitution, but which was the argument made by the advocates of chattel slavery prior to 1861-1865.



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“The clear dividing line between medieval and modern European civilization is the impact of the process associated with the Fifteenth Century’s great ecumenical Council of Florence. . . .” Here, a detail from Benozzo Gozzoli’s “Journey of the Magi,” depicting the arrival at the Council of a delegation of religious leaders, poets, philosophers, and statesmen.

France, and then Henry VII’s England. This notion of the principle of the commonwealth was affirmed in the first provision of the agreement to end religious warfare with which the 1648 Treaty of Westphalia opens, as presented in a more perfect way in the 1776 U.S. Declaration of Independence and 1789 Federal Constitution. The concept of “promote the general welfare,” as an integral feature of the supreme principle of Constitutional law in the Preamble of the Constitution, is an expression of the qualitative distinction, on principle, between the European cultures’ forms of feudal and modern society.

To assess the history of modern European civilization since those modern developments, we must fairly say that Cardinal Nicholas of Cusa’s prophetic perspective for reaching out from Europe through voyages across the Atlantic and to Asian destinations, became a long-ranging policy, as by Christopher Columbus and Sir Thomas More’s England, to

establish allies for these policies of the great Council in more distant regions of the planet. The combined effect of the efforts in this direction, resulted in the establishment of a system of sovereign nation-states in the Americas, including the emergence of the U.S.A. as the first modern nation-state with a refined design expressing the best knowledge of all known parts of European civilization up to that time.

The U.S.A. was built by Europeans. As the case of the founding and early, pre-1688 development of the Massachusetts Bay Colony attests, the U.S.A. was not the outcome of a blind flight of refugees from Europe, although many did come as refugees. We were built, as the case of the Seventeenth-Century Massachusetts Bay Colony attests, to establish on our shores a kind of republic which could not be created within Europe under the conditions of the efforts of the European financiers and other oligarchs to crush the achievements of the Fifteenth-Century Renaissance with the



“The U.S.A. was built by Europeans.” The principles of the commonwealth and promoting the general welfare, affirmed by the Council of Florence (1431-1445), were the inspirations for the U.S. Declaration of Independence and the 1789 Federal Constitution, Here, George Washington presiding over the 1789 Constitutional Convention, as depicted by Howard Chandler Christy.

weapon of religious warfare.

With the British Foreign Office’s orchestration of what became known as the Martinist order’s French Revolutions of 1789-1815, we knew, as the policies of Secretary of State John Quincy Adams attest to this, that we could not survive as a nation, in face of threats of our destruction from locations such as London’s and Metternich’s Europe, unless we built our republic to a level of sufficient strength to defend itself against these bloody adversaries. To that end, Adams virtually created a functioning form of our Department of State, with its presently continuing tradition of a system of well-informed, thinking historians, and coupled this effort with clearly defined territorial objectives. We defined the U.S.A. thus as a continental power, a sovereign republic between its intended permanent northern and southern borders and from the Atlantic to the Pacific oceans. With President Lincoln’s victory against the London-orchestrated pro-slavery revolt of 1861-1865, we became a powerful nation by assimilating floods of then chiefly European immigrants to settle and develop the territory of our republic.

To the degree we afforded these immigrants the opportunities to freely develop their cultural and productive potentials, these immigrants contributed to the U.S.A. what they would not have been permitted to accomplish in Europe. Thus, through policies typified by those of Presidents Lincoln and Franklin Roosevelt, the U.S.A. became the first true modern European republic, a republic premised upon a Constitution rooted in a distillation of the greatest achievements produced by European civilization up to that time.

Once we had achieved that much, President Franklin Roosevelt pointed us toward a still broader objective, of extending

the benefits of what we had accomplished thus far, to not only the American republics beyond our borders, but to establish a concordant relationship with the existing or emerging nations of Eurasia, Africa, Australia, AND New Zealand. That intention was largely aborted under that President’s successor, but it remains the proper long-range strategic outlook for the U.S.A. today.

Now, that much said of modern political history as background, proceed to the principal subject of this chapter of the report. Now, go directly to the point of the paragraph with which I opened this chapter.

I wrote: “. . .The competent economist measures the wealth of the economy in the degree of self-improvement of the quality of the members of society as human. . . . [W]e might say, ‘The greatest wealth which the generation of the deceased has bequeathed to its heirs, is a society of a better quality of living people.’ ” With that, we turn to a matter in which the principle of irony is carried to a higher, but already implied form.

Since mankind is a higher quality of existence than life itself otherwise, what, we might ask, is the natural self-interest of humanity, beyond the reach of mere biology as such? What, consequently, is the natural self-interest of the human individual? Must that natural self-interest not be an expression of that which sets the existence of the human individual apart from, as above the mere biological existence of the individual and his, or her species?

Focus upon a finer point subsumed within that argument. *Since this distinction of the human species is located, in action, only in those creative-mental powers which exist only as the sovereign activity of the individual human mind, what is*

the universal purpose for the existence of that individual?

Since the individual expresses this unique quality, associated with Vernadsky's physical-scientific definition of the existence of the Noösphere, the only immortal purpose of human existence is the expression of that specific kind of individual sovereignty.

However, this sovereign function of the individual is not circumscribed by his or her individual creations; it includes the maintaining of the immortality of that same quality expressed by others. This means, the responsibility of the living individual to absorb, and thus preserve the discoveries of principle by others, discoveries of principle to be embodied in the knowledgeable practice of future generations.

This also means the responsibility for nurturing the physical preconditions for practice of such knowledge by present and future society as a whole.

The notion of man as a sovereign immortal being beyond his mere biological form, is defined thus. *That is the historically defined location of all human existence.*

Do they teach actual history, so, in your children's schools? If not, can you honestly say that your child is really being educated as a human being, rather than a human caricature of someone's pet puppy? Are you really qualified to provide your child the kind of home-schooling in history, and the history of science, required of a true human being, education for immortality? Is the child's public education much better than that? *Is that child undergoing the experience of actually discovering those ideas which have the distinctly human quality of irony to which I have referred in the preceding chapter here?*

Look at the set of questions implied by arguments of that type from the vantage-point of our society's past and present physical economy.

Modern Economy

We may regard the evidence of the history of mankind's physical economies in two alternate ways. One, we may think of modern living mankind in terms of his or her viewing an accumulation of artefacts left as fossils of a quality specific to the Noösphere. Or, we may change to different point of view, to a three-part picture: 1.) Physical fossils of the Noösphere as such; 2.) Intellectual fossils passed down as an accumulation of surviving knowledge; and 3.) New discoveries of principles of Classical art and science as I have attacked this problem in the preceding chapter of this report. Looking at modern economy in the first way, is consistent with the currently more popular outlook on economy; looking at modern economy in the corrected, second way, in which we consider the society's acquired knowledge of physical principles, to date, as a higher kind of fossil, is the only properly acceptable way of thinking, the kind of thinking typified by modern thinkers such as Kepler, Leibniz, and Riemann, which should be considered acceptable to the principled humanist.

The policies associated with today's practice of so-called "globalization," have an established record as the intentional

destruction of civilization, the intentional lowering of the standard of living of the human being, from the present level of more than six billions population, to return to a level of substantially less than one billion, which was typical of periods prior to the rise of modern European civilization. Part of this genocidal implication of "globalization" is the loss of physical improvements of the type of basic economic infrastructure. Part is the loss of the social-intellectual infrastructure which was built up under modern European civilization as a legacy of such earlier sources as the Classical Greek heritage of the Pythagoreans, Solon of Athens, and Plato. The third, and most crucial loss, is the loss of morality typified by the neo-Malthusian ideologies associated with the impact of the U.S.-based Congress for Cultural Freedom.²⁴ The very idea of progress, on which all of the achievements of European civilization to date have depended, the will to be actually human, has been subverted with already disastrous effects, even globally.

Consider the effect of a shift in point of view of humanity today, from the two-point standard of merely physical fossils as such, and man, to the three-point standard of reference, of physical fossils, and intellectual fossils in the form of both discoveries of universal physical principle and of Classical artistry, both in relationship to the living, creatively thinking individual. Think of man existing within a simultaneity of eternity, in which the past is continuing to act on the present, to thus produce the future. *The most significant expression of the impact of the past upon the present and future, is the impact of the present generations' experiencing past discoveries in universal physical principle and in Classical artistic composition, as the way in which the future generations are produced.*

The latter action, within a simultaneity of eternity so defined, is the true determinant of value, *as a process of becoming, rather than a completed effect of the present moment to date.*

This is the point of entry into a domain of the greatest irony of them all, that we are being acted upon, and acting efficiently on the future in this way. This is the irony of acting now to become better than we are now, but, while, at the same time, acting through the improvement of infrastructure, of technology of production, and through Classical artistic composition, to act efficiently upon the future of the universe, even long after we are mortally dead. This is the true standard by which the measurements of the economists are to be measured, the standard of producing more powerful human beings in a universe better suited to the habitation of such persons.

So, finally, Classical science and Classical art represent the process of production of improved human beings, beings of increasing moral, as much as physical power, in and over the parts of the universe which our species inhabits. To become truly human, we must learn to think, thus, ironically.

24. Better named, since existentialist 1968, as "The Congress for Cultural Fornication."

Editorial

'Mr. Bubble' Greenspan

While there is little question that the hedge-fund blow-out, already under way, is the process driving most forcefully toward a global financial collapse, there is nothing which can quite rival the insanity of the housing bubble which has taken over not only the U.S. real estate market, but also that of Britain, France, Australia, Spain, Ireland, and Sweden. Closely inter-linked with the hedge funds, through the mortgage securities market, the housing bubble, once popped, threatens to not only collapse on top of the big-time speculators, but also to take away the homes of millions of Americans, who just won't be able to pay the huge mortgages with which they've been saddled.

Federal Reserve Chairman Alan Greenspan found it politic to mention the bubble during his recent testimony before Congress, referring to it as "froth" in the market in various regions of the country. So incredible was this evaluation that the *New York Times*, in its June 12 editorial, echoed Lyndon LaRouche, and labelled Greenspan "Mr. Bubble." Greenspan is hard to take seriously, the *Times* concluded, when he protests that the rise in housing prices by double digits in many urban centers, is not a bubble.

Indeed, Greenspan's reference came nowhere near conveying the wild nature of the situation, some of which was elaborated in newspaper articles over ensuing days.

One of the most dramatic markers of this craziness is the phenomenon of "interest only" mortgages, which, in the short term, represent pure profit for the mortgage lenders, and smaller payments who those taking out the mortgages. Yet, these short-term "benefits" are dwarfed by the fact that, after a few years, the "owners" have to begin catching up their payments of principal and the rest of the interest, with dramatically increased monthly payments. What's to say that these people, who couldn't afford a downpayment, will have the cash flow to pay? Who's to say they will even have a job?

And don't think this is a small problem. According to figures being released, the percentage of new mortgages which are "interest only," has risen nationally

from 2% in 2001, to 19% during the first part of 2005! In Washington, D.C., 54% of new mortgages in the first quarter of 2005 were interest-only. That may be a blip, but there are eight states of the Union which had more than 20% of new mortgages being "interest only" in the first quarter of 2005. They were, in order of the highest percentage to the lowest: Arizona, Colorado, California, Washington, Virginia, Nevada, Maryland, and Georgia.

It doesn't take a rocket scientist to figure out that when many of these borrowers lose their jobs—such as airline pilots, autoworkers, and salesmen—these mortgages are *not* going to be paid.

Asked about this looming disaster during his June 16 webcast, Lyndon LaRouche declared that this catastrophe *is* going to happen; it's only a question of when. Then the question on the table is what to do about it.

At that point, the principle has to be clear. We quote LaRouche:

"We can't have social chaos. We can not have social disorder. These people are going to stay in those same houses, in general, for the time being," while we sort the situation out.

"What we need is the ability to freeze the situation to continue the normal functioning of life in the meantime, and sort it all out later. But, in the process of sorting it all out, we have to make sure that essential institutions, including the functioning of essential financial institutions which are also our savings institutions, and so forth, survive."

"The principle of the general welfare is preeminent. We must protect the people. We must protect them in a just way. Shareholder value is not a primary consideration. If somebody invested, even in issuing a mortgage, as a gamble—they gambled. If they gambled on somebody's ability to pay a certain amount for that place to live—they gambled. The person who took a place to live was not gambling. They needed a place to live."

So, therefore, we provide protection to the person, to the householder. "The general welfare comes first."