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This Week You Need To Know

The Battle for the U.S. Senate: It's Cheney vs. LaRouche

by Debra Hanania-Freeman

With just days to go before the Congress adjourns for its traditional July 4 recess, the U.S. Senate has been rendered almost dysfunctional because of unrelenting White House pressure on Senate Majority Leader Bill Frist and the GOP leadership, in the face of intractable opposition to the Bush Administration's agenda.

Lyndon LaRouche, in his June 16 webcast, placed tremendous responsibility on the Senate, as the key institution of government under the U.S. Constitution, with the authority to act and provide systemic leadership during this time of great crisis, when the United States is faced with the greatest financial and economic collapse in modern history, and at a time that the inescapable truth is, that the President is mentally and intellectually incompetent to serve.

LaRouche stated: "[George Bush] has shown that mental incompetence: A man who says, as President of the United States, in a time that the national credit of the United States is in jeopardy, that U.S. government bonds are worthless, nothing more than worthless IOUs, that man is obviously mentally ill. And I think that mental illness is sufficient cause to remove him from office. The only problem in removing George from office is that, you've got to get rid of Cheney, too! Because Cheney is a sociopath, a killer! And you cannot have *that* guy in the White House."

At the time that LaRouche delivered his address, a bipartisan coalition of U.S. Senators, representing the majority of that body, had just successfully put down what was explicitly recognized as an attempted coup d'état by Vice President Dick Cheney and company, by defeating Cheney's so-called "nuclear option." LaRouche identified that group as the nucleus of a bipartisan concert of action that could be mobilized under his leadership to launch an economic recovery.

However, as George Bush's already very tenuous grasp on reality grows weaker in the face of mounting opposition from even his own party, Cheney is being increasingly driven to try to hold the situation together, and block the emerging bipartisan cooperation by any means necessary....

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Latest From LaRouche

'THE KEY TO THE UNITED STATES IS THE UNDERSTANDING — OF THE PRINCIPLE OF IMMORTALITY'

Here is Lyndon LaRouche's address to the European LaRouche Youth Movement Summer Academy on June 23, 2005. The

nearly hour-and-a-half presentation before some 70 young people, was followed by some three hours of open discussion, which is not included here.

Okay, all right, now we can give you some good news, and some bad news—alternating. The good news is that at present, my position in the United States is, in respect to the U.S. Senate and some other institutions, is such that, in a sense, I am advising and to a large degree steering what is happening to combat the Bush problem and to deal with the onrushing collapse of the world financial system. So I'm in a leadership position of an unusual type in respect to the political institutions of the United States. Therefore, you should be optimistic.

Now, you should be pessimistic, because there's no one in Europe in government, or in a leading position of government, who is capable of saving their own ass, let alone their own country, hmm.

And the bad news, is that we're on the verge of the worst financial collapse in modern history, much worse than that of the 1920s and 1930s. *And it is already happening.* It is not something that *might* happen: It is already happening.

The bad news, also, is the fact that, as I indicated, that Europe, presently, would not be capable of saving itself without the United States. The leadership comes from the United States, or there is no Europe, period.

The good news is, there are people in Europe, who could respond to U.S. leadership, and thus save Europe and contribute to saving the world. The bad news, is that some people in Asia have the illusion, that they have a solution, an alternative, to the U.S. and even possibly Europe, but especially the U.S. That is an illusion, a very dangerous illusion.

Now, the point is this: The American System, and what it means for the world today, given these facts, of reasons for optimism and reasons for pessimism: Now, almost no one in Europe understands the United States, largely because they don't wish to. And the excuse is, that George Bush is a very bad President. He's not a bad President: He's a stupid one. He's a psychotic. The bad news, is the Vice President is a sociopath: He knows what he's saying; he knows the words he's using. But he's an evil person—a sociopath. He's a man who would delight in beating his wife and children, several times a day, until they were cringing in terror. That's his personality.

But why is the United States unique, despite things like George Bush, despite things like the Nixon Administration, despite many other things that occurred? Why is the United States, today, capable of saving the world, or providing the leadership to save the world, where no other part of the world could do it? That's what I'm going to deal with, here: Not only the role of the United States, but what the problem is in the world at large, which only the United States can lead in fixing.

The United States can not solve the problem all by itself. It needs partners. It needs collaborators. But, only in the capacity of being collaborators of the United States can those relevant nations of Europe and Asia save themselves. They could *not* save themselves, by themselves. They're not capable of it, emotionally, or intellectually. And there are reasons for it. There are institutional reasons.

Now, the institutional reasons, in the case of Europe, have to do with the reasons why the United States came into existence in the first place. And the key thing I'm going to throw at you now, is the question of spirituality, the question of the idea of immortality, as I address in a number of things I've written: To understand the United States, you have to understand the principle of immortality. Because, if you look at the individual citizen of the United States, a typical case, you would say, "This country has nothing that unusual in it. Nothing better than a European in it." And going, case by case, individual by individual, you would tend to think that.

Now, we have a much better government in the United States, in the form of government, than exists anywhere in Europe.

Or in Asia, for example. And I'll deal with that.

But, the key to the United States, is the understanding of the principle of immortality in a real sense, as I've often described it. Remember, you had, the world was living in Hell, for most of the period up to the 15th Century—the world as a whole. There may have been parts of the world that were up at times, and down at other times, and so forth. But the world was pretty much in Hell—until the 15th Century Renaissance.

The modern European nation-state came into existence in the Renaissance, the 15th Century Renaissance centered in Italy. The first nation-state, as a nation-state, came into existence in France, under Louis Onze, Louis XI. The second nation-state in the world, came into existence in England, under Henry VII, largely as a result of the influence of the success of Louis XI's France on Richmond, who lived for a while at the court of Louis XI, who went to England and became Henry VII by eliminating Richard III. These two nation-states were called, then, in French and in English, "commonwealths." The distinction was, an old principle which is largely a European principle as we know it: It's the principle of the common good, or the general welfare. Which is the principle which is featured by Plato in his *Republic*, in the mouth of Socrates as against two other characters in that particular document: Glaucon and Thrasymachus. Thrasymachus as the image of evil, the image of Nixon, of the Bush Administration, Adolf Hitler, Mussolini and so forth. Hmm?

So, in this, the idea of the common good occurs first in a known form out of the mouth of Socrates, through Plato's writings. The general idea, the same idea, had existed earlier in the form of the letter by an aging Solon of Athens, to the citizens of Athens, who had made a mess of his country.

The idea of the commonwealth was then picked up, presented formally by the Apostle Paul, as in I Corinthians 13, the typical case of this: The principle was the Greek-language principle of *agape*, the principle of the nature of the human soul, the nature of the human identity, which requires that all human beings be acknowledged as having this kind of identity, which I'll get into.

This was then a known idea, which existed in European experience largely through Christianity, through the Augustinian tradition in Europe. And spread all over the place, into other countries, including Islamic countries, the founding of Islam. But there was no state of that form. Society was a society in which most of the people were treated as human cattle, and only a few people enjoyed the privileges of the culture of the country. Most of them were subjects, and treated like cattle.

Now, the example of this from the Classical Greek, is the case of the Prometheus Trilogy of Aeschylus, in which the image of evil is made clear, particularly in the second part—the surviving, known second part, more or less complete part of the Prometheus Trilogy, *Prometheus Bound*. In which, Prometheus, who is considered immortal, can not be killed by these evil gods, is nonetheless condemned to permanent torture, because he gave knowledge of the scientific knowledge to the people. That was his crime.

The characteristic of the oligarchical cultures, which is the source of the doctrine of environmentalism today, is a pure Satanic evil: You can not, you must not, provide the people with knowledge of science. And you must suppress the practice of the knowledge of science.

This is the principle of evil. It's a principle of evil, which was established in modern European society—including the United States—beginning, actually, in the post-war period, with the fear of nuclear weapons. We must eliminate all dangerous weapons. We must eliminate science, which is the creator of evil. This is strict stuff from the most ancient and most evil societies. "We must prevent people from developing and applying scientific knowledge of the principles of the universe." And that's the character.

You have, in the case, of all societies, the institution of slavery, or of peasantry, of serfdom, always was this. It's the principle of the Physiocrats in France, for example: Quesnay and Turgot. The suppression of science, from the people. The lords, the nobility may enjoy science, at their pleasure—but they must not share it with the people! The people are what? According to Quesnay: The people are *human cattle*.

Why did the Spanish start slavery, in the way they did? The Spanish, with the aid of the Portuguese, went throughout Africa, Sub-Saharan Africa, and they hunted down people, the way you hunt down wild animals. They killed the old bulls who could fight back. They killed the older men, generally. And they took the surviving young women, and the surviving children, and they put them into slavery. They then transported them across the Atlantic, to all parts of the Americas, as slaves, and said they were *property*, and their children were therefore property; and they would be property forever. The Spanish started it. The Portuguese participated.

The Spanish continued to do it, with the exception of Charles III during the 18th Century. They continued to do it *until the 1880s*. Spain was evil. It became evil, officially in 1492, about that time, with the Expulsion of the Jews from Spain, which was beginning of the Hapsburg launching of religious war in Europe, which continued through 1648, until the Treaty of Westphalia.

Again, this is the theory of treating human beings as *cattle*: putting some in slavery, others in serfdom. And most of the people in the world today are serfs. Look at the people of Germany, under Hartz IV. What is this? And what's the objection to it in Germany, today? It's the principle of the commonwealth, the common good—the general welfare, which is in the German Constitution, as a feature of the Constitution. Many European constitutions have a specific law, which is a general welfare law: The state is obliged to serve and protect the general welfare. But, in Germany it's just been repudiated, officially, by Hartz IV. By a Social Democratic government, which is going to collapse, at least this government's going to collapse—and maybe all Germany will collapse—as a result of these kinds of policies: the policies of the Social Democracy. The Greenies are the worst, on this policy; and the policies of the conservative parties. The other parties in Germany, are rotten. Either they are against scientific and technological progress, particularly against the application of it to the needs of the people. Or, they are simply like Mont Pelerin Society ultra-conservatives, they're against anything that interferes with what they call "free trade." So therefore, if you're going to sacrifice anything, you'll sacrifice the people, before you sacrifice free trade.

So, what we're dealing with as evil, is very ancient. And although human beings have always been potentially creative—every individual human being is creative—societies have come into existence, under which the beast-like people have been able to subjugate and control most of the population.

And it's only in modern European civilization, and the struggles within it to establish modern European civilization, the roots of this in ancient Greece—in one faction of ancient Greece—against Roman society, which was thoroughly evil from the beginning. The Roman Empire was simply the worst; that was already embedded in Roman civilization—it was already there—it became manifest in the form of the Roman Empire.

The Middle Ages were evil, from about 1000 AD until the Renaissance, Europe was dominated by a Venetian oligarchy. The Venetian oligarchy was of a form of a financial oligarchy. The same kind of financier oligarchy that controls all of Western Europe today. At that time, the Venetians ruled by taking something which had been created by the Byzantine Empire: They took the hoodlums of Northern Europe, called Vikings—they were robbers and rapers and things of that sort. They were the ones who were enraged against Charlemagne, from Saxony, who decided to remain heathen, and they went to the northern part of Jutland and they became Vikings—which just means "robbers." Robbing and raping, hmm?

They became quite good at using ships to raid on coasts. So, they raided on the entirety of the civilization of that area, and made colonies, just went in and made colonies and raped. Which is the origin of Sweden. [laughter] The Swedes stopped

doing it when they got tired! Hence the Swedish population has declined since!

But anyway. This is typical: You take a bunch of people. You degrade them to virtual gangsters; then you elevate them into a political force. And as political force, with gangster instincts, they go out and they create political power.

So, you had the first use of these Vikings, of any significance, was first against England. Now, England had been Christianized (you wouldn't know that today, but was). It had once been Christianized. But, that got fixed. But, in the meantime, they were being harassed by all these invasions from the Vikings, which were the populations of Sweden, Denmark, and Norway—coming across in ships, landing on a local area, looting and raping in the local area. And these were a pestilence. But, the most important part of the pestilence, was a group of these settled in northern France, and became known as Normans, in France. They were given a concession out of Charlemagne's kingdom, called Normandy. And with this, they built up their strength, and were deployed, by a coordinated attack by the Vikings, including the Normans, on England. That you had a Harald, who was the King of the Saxons—the Saxons had been Christianized by the way; and the Normans took care of that. They removed that, and Christianity has not been restored in England, since.

But, you had the attack from Norway, one group of people attacked England from one side. And while Harald was leading his troops from that one battle he won, to the coast, the Normans from Normandy attacked from the other side, and that was the Norman—that was one of the first crusades, was the Norman Conquest. The first crusade, formally, was actually the Albigensian Crusade, against the people of southern France.

So, what happened then, as the Byzantine Empire collapsed, the Venetians rose in power, as a state power. The state was largely that of a maritime power, and it was largely based on looting, through financial looting of various kinds—slavery, other things. So, the Venetians operated and controlled Europe, through the Normans, who spread as a power, the Norman chivalry.

And all of the Crusade period, is characteristic of this. The characteristic of the Crusades, from the end of about 1000 AD, until nearly the end of the 15th Century in Europe, was dominated by this Crusader mentality, in which the Normans were the Crusaders, essentially. The Papacy was controlled, most of the time, by the Venetians and Normans, usually the Venetians. So you had this Venetians controlling the Normans.

The way the Venetian system worked, which explains what's wrong with Europe today, because Europe is being operated by an Anglo-Dutch version of the Venetian system: The problem of Europe, which is crucial to the present crisis, *there is no independent government anywhere in Europe*. Doesn't exist. All governments are subject to so-called "independent central banking systems," such as the ECB.

So therefore, there is no government of Europe, which is a real government. And this is an extension of another process, which is called "globalization." Globalization, and the idea of a European Constitution, to eliminate the existence of the nation-state, *are a plan for degradation of all humanity throughout this planet, and to a vast reduction of the human population, based on lowering the standard of technology practiced*. As by the Greenies. This is your typical problem.

Now, the question is, since about the time of the beginning of the Vietnam War, the United States' involvement in Vietnam—which is the most recent part of a phase of something—we have been in an anti-technology, anti-science drive in economy worldwide.

Now, this has taken two forms: Some people say, technology has shifted to Asia. That's an illusion. An illusion among some Asians. Because, as I've said earlier, and I'll say again here, globalization is a fraud. It's a criminal fraud. What's happened is this: Is that, we had countries in Europe and North America, in particular, which had achieved up through the

time of Roosevelt—had achieved a certain level of technological progress, which continued despite certain problems in the post-war period, up until about the middle of the 1960s.

But then, what we did, is we began to ship production of goods that we used to produce, into countries which had cheaper labor. And cheap labor became the rule of the game. Less and less skilled forms of cheap labor, by changing the characteristics of production so you could use cheap manpower, poorly educated and unskilled, by structuring the process of production in ways which required less intellectual development.

And less intellectual development means less intellectual development of children. Because, it's in the education and conditions of child-rearing, that you produce an adult who has creative potential. You may have people with creative potential in populations which are poorly educated, but they are always small exceptions, minor exceptions in total population. The total population is *brutalized*, reduced to intellectual brutishness. They may have instincts and have all the qualities of a human being otherwise, they can be reached, but they don't have this creative impulse that a well-educated, well-developed child does.

So, what we did, is we said, "We're going to get cheap labor." Now, what did we do? We shipped production of goods, out of Europe, out of the United States, into countries which were either poorly developed, such as Asian countries or South American countries.

Or, in the case of South American countries, in many cases, they had not been so poorly developed—they'd been sort of Second World-level development—but *we had broken them*. We broke them in the 1970s, with the new monetary system. We took away their protection of their development of their industries. We *smashed* their governments, if their governments tried to develop. And we forced them to impoverish their own people—and loot them through London, London financial sources. Then we moved in. And we put our investment of production into these areas of cheap labor.

That was not really cheap labor: What most idiots don't understand, is that manufacturing of high-technology products is not something you can do in isolation. You have to have a modern infrastructure to do it. Modern infrastructure constitutes about *half* of the total investment of any economy—modern infrastructure. That means 50%, or one-half of the total income of a nation must be spent on infrastructure: These are water systems, education systems, mass-transportation systems, power systems, so forth. These are the preconditions of production: The investment in high technology, transportation high technology, infrastructure, is the basis of production. It doesn't produce any marketable goods, or very little in the form of marketable goods, except in the form of general services. These are things which affect all of the people. Water systems do not affect "someone." You don't get a water system for your house. You get a water system for the entire area, the entire state, the entire nation. You don't get electrical power for one house—the Greenie idea of having some, some Trittin, and you put him up on a tower and he spins. [laughter] You don't have decent housing in one house—you have to have a community. You don't have decent education in one house. You have to have education of a population as a whole.

So therefore, you have to have the development of the *infrastructure* of the entire society, *whether it is involved in actually producing anything directly, or not*. Now, who can do that? Who can invest in the entire economy, which can not take a profit out of, in the sense of profit of some local manufacturing? Only the entire society. So, 50% of any modern society, depends upon the development of basic economic infrastructure. The productivity of that society will be determined by the level of the development of infrastructure: That is, the productivity in private industries, or individual industries, will be determined by the infrastructure which is associated with that entire society.

Therefore, if I take product, and I'm trying to produce it, say in India, which has some high-technology people, well-educated people, I've got the problem that 70% of the Indian population lives in terrible conditions *which are now worsening*. In China, about 70% of the population lives in desperately poor conditions, in the hope that what will happen,

is that China will develop in the next two generations, and they'll be able to overcome the great poverty of 70% of the population.

In India, there's an ideological *resistance*, based on the caste system, to actually developing the mass of the Indian population. And so, therefore, you have about 30% of the Indian population which has a relatively improved condition of life, through technological development. But, this is at the expense of 70% of the population of India. You have, in China, you have some billionaires. What they tried to do was a good idea, but the way it worked out, it didn't work out well, because they promoted so-called "free trade." So, they produced a surfeit of billionaires, who are not useful—their existence is of no usefulness to China, or anyone else! You just spread the influence of more potential fascists. You turn Chinese communists into fascists—that's not a very good idea!

So, whereas the mass of the Chinese have not been improved, and the emphasis on development of China's territory, while it's still going on—better than India in that respect; the emphasis on infrastructure is greater—but they don't have an integrated society which is capable of sustaining themselves. And because they're very proud folk, they don't tend to think in those terms. They're an Asian culture.

Now, what we've done to Africa: We have a policy of deliberate genocide against Sub-Saharan Africa. What's going on is *deliberate genocide*, which was established as a policy of genocide under the Nixon Administration, or right after Nixon, under Henry Kissinger and others back in the 1970s. They said, "Africa has raw materials. *Those are ours!* Those are ours—not theirs! Ours. Therefore, the African people are using up the raw materials—*which are ours!!* We can't let that happen.

"These guys want to increase their level of technology. They'll use up more raw materials—which are ours! We've got to reduce the African population, and we've got to prevent them from having technology. In order that we can *steal* the raw materials. *For us!* And we'll let the British in on it."

That's genocide. A policy of deliberate genocide on a global scale, practiced under certain influences in the United States and the United Kingdom. And others go along with it. Europeans, you know, when they want to be criminal, they say, "There's nothing we can do about it. Our Anglo-American masters have spoken. We have to either tolerate or participate in this genocide." And being Germans, we can say, "Well, it's them. It's them. There's nothing we can do about it. We fought two world wars with these guys. We can not do anything about it. We have to put up with it. But we can make noises about it. We can quietly snicker, at how corrupt these people are." While Hartz IV is going on in Germany. We don't do it to the Africans, we do it to Germans.

Well, what is it? What is it? It's reality!

So, these conditions, the problems of this type were inherent in Europe, even after the Renaissance, after the Fall of Constantinople. And don't blame the Turks for the Fall of Constantinople: Blame the Venetians. They were coming back, and they used that to prevent the success, realization, of the great accomplishment of the great ecumenical Council of Florence of the middle of that century. It was stopped. It was the tendency to unify all Europe around a common purpose, by dealing with the division of religious bodies, to eliminate them through this great ecumenical Council of Florence.

And what happened is, that by occupying Constantinople, which had entered into a treaty agreement of unification, they stopped the unification process. And then created a condition of religious warfare centered on the Balkans, which became the motive for the Venetians to take control of society. They didn't entirely succeed, despite the Hapsburgs, who were evil from the beginning, who were a product, a creation of the Venetians.

But, Europe was plunged into religious war, for a period from 1492, with the Expulsion of the Jews from Spain, until 1648 with the Treaty of Westphalia. And, it was not until the Treaty of Westphalia, that Europe actually got its conscience back, in denying, saying "religious war will have to stop." And the principles of Westphalia are the foundation, actually, of anything that's decent in European civilization since that time.

And you'll hear attacks on the Treaty of Westphalia by every guy who is pig in Europe, today. They'll say, "The Treaty of Westphalia has failed. The Treaty of Westphalia caused wars. The Treaty of Westphalia was this, and so forth, by the nation-state."

All right, now: In this circumstance, you have the history of mankind, is, now—essentially, the history of progress of mankind, is such that mankind, as we think of it today, and his potentiality, is largely thought up in terms of the Renaissance, the 15th Century Renaissance. In turn, anyone who understands this Renaissance, looks back, as the Renaissance leaders themselves did, to ancient Greece. And not to anything in ancient Greece, but to a very specific thing in ancient Greece: Plato.

And Plato, as some of you know, because you've gone through this material, Plato's conceptions were based on the work of the Pythagoreans before him. And on the influence of Solon and other things of that sort. Which were based in turn on Egypt: The scientific conceptions on which European civilization was based, were those which were taken from Egypt. And were adopted by the Pythagoreans, as the method of scientific and other investigation, through what was called *Sphaerics*, which was simply looking at the universe astronomically in an obvious way. As navigation, ocean navigation, would push into it. Look at it as, "up there": You have stars and planets. You have things which have a fixed period, which seem to repeat. And you have those things that are different—they may repeat, but it's more complicated.

So therefore, the idea of seeing the universe as a boundless sphere, and you inside it; and you're looking up from Earth, at this boundless sphere, and you're trying to figure out how the rotation of the Earth is going to deal with your observations. And you try to develop a consistent understanding of the universe, starting with the idea of, "the universe is *what's up there*, in this vast sphere, within which all these things are moving." *Sphaerics*. And you find, as those of you who have entered into elliptical functions, the initial confrontation with elliptical functions, and then into Abelian functions—which some of you have done, I think, and we've done it in the United States; quite good work is being done now, in that direction, by the Youth Movement—you begin to understand what a Riemannian universe is.

So, the germ of these ideas, the first time we have these ideas in a consistent way that we can trace them, we can back-trace them now to ancient Egypt. We can make implicit assumptions about the culture out of which ancient Egypt developed, by looking at evidence, now, from the standpoint of knowing how the Pythagoreans thought about *Sphaerics*.

And Plato, particularly—remember, Plato comes after the Peloponnesian War. Whereas the Pythagoreans long precede the Peloponnesian War. It was the decline of the Pythagoreans, which *leads into* the horror-shows which become the Peloponnesian War: the rise of reductionists. In general, like the Eleatics. Which *destroys the ability to think* about the universe. Which leads back into this kind of thing, this Zeus worship kind of nonsense.

I mean, *Zeus was evil!* All the Olympian gods *were evil!* Except Athena—and she was not a Greek Olympian god: She was Egyptian. They changed her name. She was an Egyptian immigrant into Greece. She came to try to clean up the mess.

I mean, you get it, even in the Homeric thing on the case of Ulysses, where Athena is constantly intervening to help Ulysses, against the other gods! And he comes back to a peaceful, happy life at his home, at the end, after all these unpleasantnesses to which he was experienced.

But, *the Greek gods were evil!* And when you understand that the Greek gods were all evil, then you begin to understand what the problem is. And you look at it through the eyes of Aeschylus, in the Prometheus Trilogy, on the issue of Prometheus, and you see exactly what the problem is: What is Prometheus?

Prometheus is a figure of Greek myth—but not mythical, he's an actual person. But, he's a figure who acquires mythical significance, in the course of history, the pre-history of Greece. So now, but, who is Prometheus? *Prometheus is Pythagoras*, in the Greek history. I mean, he's not the literal—that's not. But he is the relevant Pythagoras, that is being attacked, in Greece, by these reductionists.

So, from that, Plato, as a follower of the Pythagoreans, with a great project intended to deal with the problems of Carthage and Tyre, to eliminate these dangers, and to establish an order of civilization, with the aid of certain Egyptians, including the Cyrenaicans, throughout the Mediterranean: This is the project which was carried out by Alexander the Great, who was an enemy of his father, Philip of Macedon; and it was a project to deal with the war (which Philip of Macedon and the Persians had already started, planned) under advice from the Platonic Academy of Athens. The Platonic Academy of Athens, whose activities in this respect are referred to by Plato, in the Seventh and Eighth Letters—this was the basis of the project, a project to develop a civilization by uniting forces around a conception, in the tradition of the Pythagoreans.

Now, this is where everything that we have in Europe comes from—and the United States. *Everything comes from this.* And we had a freakout, in the *Frankfurter Allgemeine Zeitung*, which is the voice of the Mont Pelerin Society, otherwise known as the voice of Satan, hmm? [laughter] I mean, Satan has to have a voice everywhere, you know, he has a representative in Frankfurt. In Frankfurt, it's the FAZ. Or, sometimes called the *Werz* [ph].

So, this is where it comes from.

Now, what happens? Europe is now brought back together, after a long period of disasters, the Roman Empire, the medieval period, all these things—and into the Renaissance. What happened? Well, the Classical Greek knowledge came back into Europe, as Classical Greek knowledge in the Renaissance. That was a key feature of it. And these ideas, these projects, which—as in the Seventh and Eighth Letters of Plato, and the whole of Plato's works—all come together as one thing.

And we're dealing with people who were highly educated people, leaders. Cusa laid out much of this: You look at Cusa's work, and in Cusa's work, there are elements which refer, actually, to this kind of project. The project, for example, of going around the world, to deal with the problem of the Constantinople crisis: How to go around the world, to circumvent this problem—it's strictly from Plato! Same project.

Well, what happened, as a result of this conception, is that we had the colonization of the Americas. And there was the colonization by the Portuguese and Spanish which was predominantly evil. Because the Portuguese and Spanish, at that time, were operating under *evil* influences, typified by their engagement, chiefly, in the African capture and trade in slaves. You had the English and French colonies. The French colonies, especially those in Quebec, which were one thing; those into the South and in the Islands, which just like the rest of the pigs. You had colonization in what became the United States.

Now, in this process, which, under the conditions of the emergence of the Thirty Years' War in Europe, a group in the Netherlands and England, which were later overthrown in the Netherlands, started colonies in North America. The most notable ones, initially, were those at Plymouth, the Plymouth Brethren, which came directly out of the Netherlands, out of actually a republican group in the Netherlands at that time; and then, England.

The primary model for what became the American Revolution, was established in 1630, as a colony, called the Massachusetts Bay Colony. It was under the leadership of a brilliant Englishman, of scientific accomplishment at the time, [John] Winthrop, and it developed Harvard University in its better incarnation. And over the period from 1630, until 1688, when the Anglo-Dutch Liberals moved in—and then actually took over England later—but moved in on the colonies then, you had the beginning of a struggle. Then the Anglo-Dutch Liberals, once the question of the Dutch being absorbed by the British was settled, and the Dutch agreed to go into the rear end of the British and become Englishmen. So, what you had, was the transfer of what had been the Venetian system of financial oligarchy, which they originally had run through the Norman, now became, adapted itself, to the Anglo-Dutch. As a matter of fact, many Venetians changed their names to Dutch names or English names, but it was the same Venetian families

What dominates Europe today, is that tradition of those families: a system of financier-oligarchy. What is called "capitalism" is not—has nothing to do with the system of the United States. The United States is not a socialist system, nor is it a capitalist system. Capitalism is essentially the slavery of Europe, and anyplace that Europe can reach, *enslaved to the European financier-oligarchy*.

That's capitalism.

Because, in any sane society, 50% of the total expenditure of the society is for basic economic infrastructure. Which includes the education of the mass of the population, at a level sufficient for that culture, and for the future. Therefore, the state is primary: Because, yes, you have a section of private investment in industry and similar kinds of things in society, but that does not run the society! The society has to be run by the state, which takes responsibility for ensuring that the conditions of life of manufacturing, sales, agriculture exist; but has to ensure *the infrastructure exists* on which to base that.

So, what's happening now? Globalization: What we're having is the *destruction of the state*, the destruction of the state under what? As by the proposed European Constitution: Is to eliminate all power of the state to promote production, and to promote the general welfare. Because the power of the state *lies in the interest of the bankers!* The financial oligarchy!

Now, how does this work in terms of the Third World? In the Third World, it becomes even more vicious. Because you have people in India and China who think the world would be better off without the United States. They're crazy. They think the European model is a failure. They're crazy. Their own model is worse. Seventy percent of the population is condemned, essentially, to live in poverty, under a continuation of the systems of Asia. Seventy percent lives in Hell, and will continue to live in Hell.

But, it's even worse than that: Because, what we've done, is, we've destroyed the infrastructure in Europe and the United States, as a part of this export of production to these countries. What do we do? We say: We're not going to produce in Europe; we're not going to produce in the Americas, because the labor costs too much. Why does the labor cost too much? "Well, you have to pay them too much." Why do you have to pay so much? "Well, they want health care, they want this; they want pensions, they want.... You know, they're absolutely insane! Now, look at what they demand; it's unreasonable!" [laughter]

So therefore, we say: "Well, we're going to ship the production into poor countries, where the labor is cheap, and there's no wasteful expenditure on infrastructure to support the whole population."

So! What happens? Well, they don't have infrastructure. Therefore, what happens? The productivity—even though the industry at the point of production may appear to be as productive as it is, or cheaper than in the United States or Europe, it is not! And the difference shows, in that you can not sustain the population with that production. You simply disregard 70% of the population! But worse! The productivity of labor decreases, because productivity in production *depends upon*

infrastructure. The effective cost of production, of any goods, depends not upon the technology which is applied within the plant. The ability to apply that technology, and to apply it effectively, *depends upon the basic economic infrastructure*, which should constitute 50% of the total expenditure of society. In other words, take the total expenditure of society, for all the things that profit industry: Now, *double that amount*. Now, you've got the proper national income of that society!

What do you have in Asia today? You don't have that. By cutting out over half, of the total income required, going *below* that, by letting 70% of the population go to a standard *below* the level of technology of production, *you have condemned these societies to self-destruction*.

If the Asians were to take over the world, as an Asian model, with Asian cultural values, contrary to the European model, the world as a whole *would go to Hell*. But that's the *intention* of these guys, who are spreading globalization! It's not because they made a mistake, and didn't understand what they were doing. *This has been their intention!*

And this has been their intention, since the start of the process, since ancient Greece. This has been the struggle, which Schiller referred to as the struggle between Sparta and Athens, from ancient Greece: the two conceptions of humanity. And economy, the way economies are run, reflects the way you think about humanity, when you think about the value and nature of a human being.

Now then, we get to the spiritual side of the thing. *You may have observed*, that everyone eventually dies. [laughter] Now, what is the meaning, of life, of an individual member of a species, in which every member of the species eventually dies? What's the meaning of life. You're born—what's your purpose in being? Dying. Why can't I cut out the middleman? Just die right away? Get it over with—rather than this torment, of trying to keep myself alive, and struggling to stay alive? Why not join a Buddhist monastery, and just wait for the inevitable to happen? Spin those prayer wheels, huh? Industrial activity.

The question then comes: What is the character of a nation? Well, the character of a nation lies essentially in ideas, or lack of ideas. Because, when you're dead, what about you lives? When you die, what lives? What lives, are the ideas which you have transmitted—either generated or otherwise transmitted in your own life—to coming generations. That's your meaning of your life.

Therefore, the character of a nation does not lie in the average opinion of any contemporary bunch of people. I'll tell you, you take the United States, you take the average opinion of the American—forget it! Take the average opinion of the European? Forget it! As you know! The whole Baby-Boomer generation could be wiped out, with no great loss to humanity. Why do we have to have this middleman? I mean, it's a very popular idea, these days, among young people, isn't it? Hmm? And they do have pretty sick ideas, I must admit. Lifestyles, and things and so forth.

But, what you have, the meaning of a society, lies in the role of the individual as a conveyor, and generator, of what amount to ideas. For example: When you're studying science, or you're studying great actual Classical artistry, you get the same the same effect. You're struggling with the same thing, today, with a young lady, Jessica [Tremblay], here—or, she was struggling with you, whatever—whichever way you want to put it! And, the issue is, what are we dealing with? We're dealing with the transmission of Classical artistic ideas, and people were having trouble—and I was observing this—because they don't have, really bel canto training. There were too many people, who don't have a fixed knowledge, but rather a movable *do*.

And a movable *do*, is the greatest obstacle to understanding music. Because, if you don't have a movable *do*, you're raw material; you can start to be educated. But, if you have the idea of a movable *do*, that will prevent you from ever understanding music! Because, it's the wrong system. And it's not physically sound, as you saw, it's impossible to sing properly if you're trying to sing with the idea of a movable *do*.

Now, take this problem, just as an example of this: Because, the problem is, is people don't understand sufficiently the relationship between what's called Classical art and physical science. They think there's a dichotomy. There isn't. There's a dichotomy only in the minds of some people. It's a disease.

Because, look at the scientific implications of what Jessica was dealing with today. Particularly this question, which we studied a number of times, on this question of the Lydian interval. And if you want to compare this, you take the Amadeus Quartet. Now, it's an old recording of theirs, and they were not able to get the opportunity to do a complete new pressing of the Beethoven Quartet series. But even the old one reflects it. It's not what Norbert [Brainin], if he were alive today, is the latest version of his view of the 132. But, the Opus 132 string quartet, is a perfect example of what I saw Jessica struggling with today, with some of the people in the singing: The Lydian interval.

Now, you have the case of the *Ave Verum Corpus* study, actually an effective study in the Lydian interval. And its importance, is that it can be done by a singing group of rather limited number, and adequately demonstrated. And therefore, it's something for an occasion, and it's an occasional piece which can be demonstrated on occasion. And thereby, you can get an insight into the Lydian interval, what it means.

Now, the Lydian mode is not a key: It's a mode. You're working in a key in a composition, which you interpret in terms of a standard European movable *do* major/minor system of keys. And you think you know something about music.

You don't know anything about music.

Because, music is not a cross-section, chord by chord, of the intervals of measures. Classical music is a process which starts from a breath, before the first sound is heard; and ends after a breath at the end of the last sound. The idea of a musical composition, which is really an achievement by the composer, is one which must be performed in a way, such that there is never an end of the intellectual continuity of that composition's performance from beginning to end. From the first breath—for example: The first thing you do, in starting a composition, is you take a breath. You do nothing. You clear the way, of all the debris. You create a special space, intellectual space, in which this music is going to be performed. And before starting the applause, wait a breath after it's finished. Because, the composition must be *one idea* through development from beginning to end.

Now, to achieve that, therefore, you have the cross-voice, which I saw Jessica handling with this education today, which is why I refer to it. The cross-voice relationship, and the intervallic values, particularly the significance of the Lydian mode, arises *not* in how you take a chordal structure and interpret that chord as a slice out of the piece. You have to go from one voice to the other, and see, what is the organizing principle *across the voices* in the passage of time. How do you shape it?

Now therefore, you hear something else. You hear what idiots don't understand. Many people talk about modes. They don't understand what modes are: Modes do not exist as the alternative to keys. A mode is not a key. A mode is a modality, of crossing two things: first of all, if you have a bel canto singer, it has to do with crossing the register shift intervals. If you're dealing with a chorus, it involves both the register-shift intervals, within the individual voice; it also takes the *individual voices*, which are participating *in the line*.

Now, you have counterpoint. Therefore, you have the counterpoint of the different kinds of lines, which is how you get a double Lydian interval.

So, the whole composition, now, because of the Lydian interval, as you were working through it today—the whole composition becomes *a unity: a single idea*. So, the objective of the composer, in the case of Mozart is to produce *a single*

idea—not a series of notes. Right? And therefore, you have to have a modal presentation of this. You have to have something *which will not let you go, from the first breath, until after the last breath. Nobody must be released to take a separate thought, or a separate start anywhere in between.* The flow must be continuous. The flow is *not* in the sound. It's negative. The sound must not interfere with the flow. Because, what you want from this, is an idea, *not* a physical experience.

But, the physical experience must not interfere with the idea. The way you achieve that, is in a modal form. And the modes mean nothing else than that.

Now, let's think about life. Hmm? Life is like that. Think of life, in a people, as a great musical composition. In which some notes come in, and others die out. Some intervals come in, and others die out. So, what's the characteristic of the composition? The individual interval? Or, is it the composition as a whole? Is it the *intention* expressed by the composition as a whole?

This is the nature of society. You don't judge a society by saying, "Well, current opinion has it..." You say, "Well, current opinion is always wrong, so let's try something else." The characteristic of the United States today—and I say, "my United States" because, right now, I'm in the center of things that may determine whether civilizations rises or dies—and that's in the immediate future. The focal point of that function is in the U.S. Senate, which has in the recent period, over a succession of developments, has realized that, to some degree, I'm the guy from whom they have to learn what they have to do next. As a result of that, you have seen, from the United States, we have defeated a coup d'etat attempted against the United States government. Something that no European government could prevent. Because, there's no capability. In Europe, you always have coup d'etats. You never have an orderly change in a crisis period.

You have some near-misses, for example, de Gaulle, in the case of the great crisis in France, where he appeared on the French television saying, "Aidez-moi! Aidez-moi!" And he succeeded—in the Algerian crisis, the attempted coup d'etat, and he defeated it. But, it was the sense, he made a coup d'etat against the coup d'etat.

In Europe, you have coups d'etat all the time! Because the parliamentary system, which is one which is run largely by the Venetian financier-oligarchy, does not allow you in a legal form, to deal with the crisis! Therefore, in every case in Europe, in any crisis, you have the immediate dictatorship, as today in Germany, of a coup d'etat, of a police-state! It's an immediate threat. Because the Constitution, without an exceptional individual (and Adenauer was, in his time, an exceptional individual, who fooled the occupying powers, in a good way); without an exceptional leader, who can somehow, as de Gaulle did, bridge a crisis, Europe has no chance—except to have another coup d'etat. Because the constitutional system doesn't permit it.

Now, how does this show, in terms of the modalities of Europe, using music as an example of modality? Europe: They accept the idea of capitalism; and with the collapse of the Soviet Union, that disease became worse. The loss of the Soviet Union was a great tragedy for Europe. The existence of the Soviet Union was a great tragedy for the Soviet Union. But, the loss of it, was a great tragedy for Europe. [laughter] Because it convinced everybody that the capitalist system was acceptable.

Because of the general welfare question. The highest point of law in Europe, is *not* the general welfare. Europe is not civilized! It does not have a civilized form of government! Because, *the general welfare principle is not the supreme law*—as it is in the United States. The supreme law in Europe, is the power of the independent central banking system to determine what are the allowable policies of government, including those which bear on the general welfare. If the independent central banking system does not permit a measure which is necessary for the general welfare to occur, then it does not occur! Unless with a coup! Because, the system doesn't allow it.

Now, the point was: We, in forming the United States, formed the United States, and went to the decision of revolution, after 1763, when an empire was established. The empire was the Anglo-Dutch Liberal system, of the British East India Company. Which established a victory over Europe, through the stupidity of Europe, the Seven Years' War. Every damned idiot, including, you know, Frederick the Great—who created a great disaster, among other things—ran a war. And Frederick was considered the darling of the British at that time, who supported him up until the time he might have been successful, at which time, they withdrew support! In a war, with the Austrians, with the French, with the Russians, and so forth.

Everybody in Europe was killing each other, over seven years, in the Seven Years' War, for what? For the great glory of the British Empire!

We're talking about immortality, again.

Thus, at that point, by the British being able to use the opportunity to grab Quebec from the French, and to grab India, the British East India Company became an empire! And what is called "capitalism" is the system established by the *British East India Company, as an empire!* Europe is living under an empire! The empire of British Liberalism, or Anglo-Dutch Liberalism.

And the irony of the British and Dutch ganging up on Europe in the recent period is just another example of that.

You had a second Seven Years' War. After the United States emerged as a world power, under Lincoln, in which the idea of the American model was spread into Germany by Bismarck; through the influence of List, in part, but especially the influence of Henry C. Carey directly, who was the leading economist in the world at that time.

The same thing was done by Carey in Japan. Modern Japan was created by the United States, through Henry C. Carey, and the American model.

And many other cases throughout Europe. A Russian, Mendeleyev, went to Philadelphia for the 1876 convention, the Centennial. And out of that, Russia became committed, under Alexander II, to the industrial development of Russia, and to the building of what became known as the Trans-Siberian Railroad. The great power in Russia is the scientific power in Russia—to this day. Intellectual scientific power; Vernadsky's part of that tradition. In the Soviet Union, the military capability was excellent, because it was scientific. The civilian economy stunk, because it was anti-scientific: It believed in Marxism, rather than science. And that was bad. You saw in the D.D.R. the same thing.

So, this was the tragedy.

But then, because the United States was a threat now, you had Russia, Germany, Northern Italy—Italy was achieving independence as a result of this process, the American process—Japan, across Eurasia, a great power was building up of *nation-states*, with great industrial power. No longer was the Anglo-Dutch empire sacred. No longer could the British dare to take on the United States in a military offensive directly.

Therefore, what did they do? They organized what became known as World War I! Which was *a repeat of the Seven Years' War!* In which the continent of Europe killed itself. And they organized World War II! For the same purpose. And Europe has gone through this experience of the Seven Years' War and two world wars, and through this whole process, *and has learned nothing from it*, in terms of the organic constitutional composition of its institutions.

And so, in the United States, the characteristic of the United States is the *modality*, which is represented now by me, in

terms of certain forces in the United States around the Senate, which now respond to me. *Why?* Because I'm able to tap into what is embedded *in them*: a sense of the history of the United States, its Constitutional history.

What did they resist a coup on? On the question of the Constitution—the most essential part of the Constitution. When the American Constitution was founded, we created the most powerful form of Presidency the world had ever known. We knew it was going to be that. Therefore, we created checks and balances in the Constitution, based on the study of history, including recent European history, to set up what in the Senate was "powers of advice and consent." The House of Representatives is like a parliamentary institution. The Senate is *not* a parliamentary institution of the European type.

Nor is it an impotent facility like the so-called Bundesrat. The Bundesrat is, you know, it's like a meeting of gangsters: The proprietors of each local part of the country, meet and cut a deal, on "this here deal."

The Senate is a body, which is elected for six years' term of office, which never goes out of existence. The Chamber of Deputies goes out of existence, like a parliament goes out of existence in Europe. The parliament ceases to exist at the end of an election. A new parliament is constituted. There is no continuity of government. The President of the country is a joke! He performs certain institutional functions. This is typical of Europe. The French Presidency has become a joke.

The United States Presidency is a very serious institution. It's not just a person, it's an institution, which is continuous. Presidents change, but the institution continues.

The Senate has an election every two years—but of only one-third of the number of Senators. So, the same Senate, with changes of, at maximum, of one-third of its membership, is in continuous session, from beginning to end of the history of the United States.

So, this Senate is given the powers, over the Presidency, of advice and consent. Such that a minority of the Senate, one-third of Senators, can block certain measures on certain issues, which are advice and consent. The people who are behind the Bush Administration—don't think Bush is responsible for anything; he's not even responsible for himself. If he can manage his tricycle, that's an intellectual achievement. So, the powers, the banking powers behind this, were determined to break the power of the United States, to establish a de facto dictatorship of a Presidency of a defunct President—that is, intellectually defunct President. We moved to stop that. I moved to stop it! And we found enough people, in the Senate and elsewhere, who agreed with me: *And we stopped it!* We stopped it, because we had the *ability* to stop it. And we had the legacy of a history, to stop it.

And you don't have it in Europe.

What's the lesson to be drawn from this? The lesson to be drawn is, the history of the human race, to the extent it has progressed, has depended in net effect, on the role of European culture. European culture as a whole created the United States. It was created, initially, as a way of saving European civilization, by creating a flanking operation *outside* Europe, as Cusa had proposed: to deal with the problem inside Europe, to create a model of European civilization, *outside* in the United States, to correct the problems in Europe, to tip the balance of power. That happened a number of times. It happened from the United States under Lincoln, in particular.

The French Revolution prevented it from becoming a success. The French Revolution was actually the British Revolution: The French Revolution was not run by the French, it was run by the British. Yeah! Philippe Egalité, Jacques Necker, who were the principals behind July 14, 1789, were British agents: Agents of Lord Shelburne. Marat and Danton were agents of Lord Shelburne, through Jeremy Bentham, who was head of the Foreign Office, who trained them in England and gave them orders in France. The Robespierre monstrosity was a creation of the British. Specifically, of the Martinist cult, a

Freemasonic cult, *run* out of the British Freemasons—and by Lord Shelburne and Company.

Napoleon Bonaparte: He was *invented* by the Martinist cult, by Joseph de Maistre personally. He changed his personality from a Jacobin to an Emperor. And Napoleon did nothing that Joseph de Maistre had not prescribed for him.

So, this process destroyed what was then, the pending consequence of the American Revolution: to establish a French Constitutional monarchy, modelled upon the American design. With similar intention throughout Europe. The support for the American Revolution from Europeans, was largely from people who had this intention!

The concern of the British was to prevent that from happening at the time. The British went back to the same thing, again, after the success of the American power as a threat to British power. And they organized World War I, as a repeat of the Seven Years' War, to destroy Europe. They organized World War II. It didn't work out the way they intended, but it worked out—for the same purpose.

And Europe has had constitutional features embedded in it, from its earlier history, and from that history, which prevent Europeans, under present constitutions, from taking the initiative to do what the United States must do today.

I can do it from within the United States. It's what I'm doing. *Only because*, life does not end with death. Because, human beings, unlike animals, are creatures of ideas. Ideas of principle are immortal. And to the extent that these ideas, or reflections of them, are embedded in the legacy of a people, its cultural legacy, that cultural legacy can be called upon, to induce a people make great accomplishments, or simply to save itself in time of crisis.

The problem in Europe, is that legacy is tarnished. The legacy in part is there. But the legacy of a system of government, which is competent to respond to a crisis like that which faces the world today, is utterly lacking. Without the success of what I'm doing in the United States, I can tell you the good news: The planet won't make it. Not at least for a long time to come.

With what we're doing, the planet can make it. But the United States can't do it alone. It can only do it, as the leader of an international effort, based on the ideas *which are common!* to the best aspects of European heritage.

But Europe can not evoke its own heritage, in that way. The United States must provide the spark, under which Europe is induced to survive, to save itself. And if Europe doesn't do it, then the whole damned world is going to Hell! Asia can't do a thing about it. It does not have the capability, of overcoming those inherited cultural features of Asia which stand in the way of its independently finding a road to survival.

It's up to us. It's our responsibility. And it's up to people like you, of your generation, to learn the lesson which I've just outlined today. And to realize, then you know what your parents' generation has done, that they're waiting for Death to come in and hope it takes them by surprise [laughter]. Because they don't have any sense of a future! They have no active commitment to building a future! They were destroyed, how? They were destroyed by the post-war period. They were destroyed by the Congress for Cultural Freedom—otherwise known as the Congress for Free Fornication. And they became tired. Their ability to fornicate became diminished, and they've lost their sense of purpose in life! [laughter] They intended to produce, not ideas, not even children—but only pleasure for themselves! And now they're living what substitutes for pleasure, which is called, "I have my own lifestyle." [laughter]

Okay, that's it. [applause]

InDepth Coverage

Links to articles from

***Executive Intelligence Review*, Vol. 32, No. 26**

***Requires Adobe Reader®.**

Feature:

The Battle for the U.S. Senate: It's Cheney vs. LaRouche

by Debra Hanania-Freeman

With just days to go before the Congress adjourns for its traditional July 4 recess, the U.S. Senate has been rendered almost dysfunctional because of unrelenting White House pressure on Senate Majority Leader Bill Frist and the GOP leadership, in the face of intractable opposition to the Bush Administration's agenda. Lyndon LaRouche, in his June 16 webcast, placed tremendous responsibility on the Senate, as the key institution of government under the U.S. Constitution, with the authority to act and provide systemic leadership during this time of great crisis, when the United States is faced with the greatest financial and economic collapse in modern history, and at a time that the inescapable truth is, that the President is mentally and intellectually incompetent to serve.

- **LaRouche in Dialogue With the U.S. Senate**

Here is Lyndon LaRouche's discussion with Senate sources who sent questions following his webcast address on June 16. A few additional questions and answers have been included, where they pertain to issues of immediate concern to the Senate. Other questions came in from labor leaders, state representatives, youth, and others, and can be viewed in the archive at www.larouchepac.com. The dialogue was moderated by Debra Hanania-Freeman, LaRouche's spokeswoman.

National:

Senators Battle White House on Issues of War, Torture, Vets

by Nancy Spannaus

'Mr. Bush now has to decide how to respond in a way that shows he's not a lame duck,' wrote the pro-Administration Wall Street Journal in its June 22 editorial, reviewing the implications of the failure of the Administration to ram through the nomination of John Bolton as U.S. Ambassador to the United Nations. In fact, it's already too late. Faced with intractable opposition to his agenda on multiple fronts—Bolton, the Iraq war, Social Security, the torture scandal, and the military base closings, to mention just the most prominent—President Bush is losing his already tenuous grasp on reality, and the Administration is being held together increasingly by the sheer thuggery of Vice President Dick Cheney.

Hysteria in the Shultz Camp: The Incredible Shrinking Governor

by Harley Schlanger

In the time it takes to read this article, the popularity of California Governor Arnold Schwarzenegger may have dropped another point or two! With his announcement on June 13 that there will be a special election on Nov. 8 to vote on his 'reform' agenda, it became clear that Arnie's string-pullers, headed by archfascist George Pratt Shultz, are prepared to go all the way to transform the state into a low-wage, deregulated, postindustrial looting ground, to benefit the financial and corporate interests which funded his election in the 2003 recall campaign.

Interview: John R. Pierce, M.D.

Save Walter Reed Medical Center From the Scrapheap

Dr. Pierce, Colonel Medical Corps, U.S.Army(ret.), has been the Medical Inspector for the Veterans Health Administration since November 2004. He was on active duty in the U.S. Army Medical Corps for 30 years, stationed in Hawaii, Germany, Colorado, and Washington, D.C. His assignments included Chief, Department of Pediatrics, Residency Program Director, Deputy Commander for Clinical Services, and Director of Medical Education—all at Walter Reed Army Medical Center. He also served as Consultant in Pediatrics to the Surgeon General for seven years.

Investigation:

Ohio Funding Scandal Leads to Bush-Cheney Election Theft

by Richard Freeman and Edward Spannaus

Investigators in Ohio are probing whether missing and lost funds from the Ohio Bureau of Workers' Compensation, were used to help the Bush-Cheney ticket steal the November Presidential elections in that state. Without Ohio's electoral votes, Bush would not be President. Last Nov. 9, in his first post-election webcast, Lyndon LaRouche declared that the vote-suppression operations run by the Bush-Cheney campaign in Ohio and elsewhere should be treated as a criminal matter. 'The kinds of fraud which were perpetrated by the Republicans alone in this election, were sufficient to send these guys to jail, if not to un-elect them,' LaRouche said. With recent developments in Ohio, we may be nearing that objective.

International:

It's Time for Maastricht's Control Over Europe To End

by Rainer Apel

After the collapse of the June 16-17 European Union summit, it is evident that the EU is in a profound crisis. For several days after the June 1 'No' vote in the Dutch referendum on the EU constitution, European leaders were still trying to play down the fact that with this vote, and the 'No' vote in France, May 29, the project is dead. Even when Britain, Sweden, Denmark, Ireland, and Portugal cancelled their constitution ratifications during the first two weeks of June, leaders were still trying to create the impression that 'it is bad, but not a disaster,' that some solution would be worked out, and the ratification process would continue.

Interview: Prof. Karl Albrecht Schachtschneider

Europe Should Establish Itself As a Republic Of the Republics—Not As a Super-State

On behalf of Member of Parliament Dr. Peter Gauweiler, Prof. Karl Albrecht Schachtschneider has filed suit against the Constitutional Treaty. He is Professor of Public Law at Erlangen-Nürnberg University, and is a well-known specialist in European law and the European Union's (EU's) proposed Constitutional Treaty. In 1992, it was he who petitioned the Federal Constitutional Court of Germany,³ in an attempt to prevent Germany from ratifying the Maastricht Treaty. In 1998, alongside Professors Wilhelm Hankel, Wilhelm Nölling, and Joachim Starbatty, he again entered a petition in the Federal Constitutional Court to prevent Germany from adopting the euro.

LaRouche Replies to Ibero-American Queries Provoked by His Webcast

In addition to the high number of questions to Lyndon LaRouche during and after his June 16 webcast from especially the U.S. Senate (see Feature, page 7), numerous questions also came from Ibero-America. LaRouche's answers to some of these are reproduced below.

Iran Elections Defeat of Rafsanjani Poses New Dangers

by Muriel Mirak-Weissbach

Every Iranian I have spoken with over the past two months about the June 17 Presidential election, whether political figures, journalists, or ordinary citizens, including those living abroad, was unhesitatingly categorical: Akbar Hashemi Rafsanjani, who had served in that position for two terms between 1989-97 would win hands down. Yet, when election day came rolling around, a shock was delivered...

Russian Editor: Revive 'National System Of Political Economy'

by Rachel Douglas

A 300-page volume of seminal 19th-Century writings on 'national economy' has just been published in Russian by the Yevropa Publishing House in Moscow. Prepared for press by Ekspert magazine editor-in-chief V.A. Fadeyev, who wrote the introduction, the volume includes Friedrich List's 'The National System of Political Economy'; Count Sergei Witte's pamphlet, 'On Nationalism: National Economy and Friedrich List'; and D.I.

Mendeleyev's celebrated 'Aliterate Tariff, or an Investigation of the Development of Russian Industry in Connection with the General Tariff of 1891.' Fadeyev's introduction is posted on Ekspert's website.

Interview: Antonio Parlato

Italy Is Endangered by Unbridled Globalization

Hon. Antonio Parlato is a leading member of Italy's National Alliance party (Alleanza Nazionale, AN). He was elected to the Chamber of Deputies five times from 1979 to 1996, on the AN slate in Naples. During the first Berlusconi government, he was appointed Undersecretary of the Budget Ministry, with special responsibilities for the Mezzogiorno region, Italy's south. As a Parliamentarian, he was one of the most outspoken critics of the tendency toward financial speculation, and initiated several institutional actions on this issue. He was one of the first supporters of Lyndon LaRouche's New Bretton Woods proposal, and was recently among the first signers of Helga Zepp-LaRouche's Appeal for an Ad Hoc Committee for a New Bretton Woods.

Economics:

FREE TRADE MEANS SLAVE LABOR

What's Behind the 'Hispanic Immigration Crisis'?

by Dennis Small

In his opening presentation at the June 16 international webcast (EIR, June 24), Lyndon LaRouche explained how globalization had 'lowered the productive power of the world, per capita,' taking as an example the way that '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.'

Interest Rates

Sometimes, Nature Conspires

by Lyndon H. LaRouche, Jr.

June 20, 2005

Today, EIR's Kathy Wolfe sent a dispatch featuring the following included element: 'Since before Alan Greenspan's June 6 Beijing speech 'Unprecedented Inversion of the Yield Curve,' the Federal Reserve, Bank for International Settlements, et al. have been hyping a great 'mystery.' This may have something nasty to do with the nomination of Fed Governor Benjamin Bernanke, to the White House Council of Economic Advisors. Bernanke is one of the main architects of the Asian central bank bailout of the U.S. dollar. It is probable he will try to expand this operation, with disastrous consequences. It certainly sends a very strong, foul signal to the Japanese and Chinese.'

Will Congress Help Bush Kill Passenger Rail?

by Mary Jane Freeman

At the very moment that the United States desperately needs to rebuild its collapsing economic infrastructure, a policy war is raging over whether to shut down our national passenger rail service, Amtrak. On June 15, a Congressional subcommittee vote slashed Amtrak funding for Fiscal 2006 to \$550 million—a 55% cut from its current, completely inadequate level of \$1.2 billion. As these maps graphically demonstrate, this slashed funding is, de facto, the zero budget for Amtrak which President Bush demanded.

U.S. Economic/Financial News

Housing Follies: Less-Than-Interest-Only Mortgages; Sales of Unbuilt Homes

The "trillion-dollar bet" in the title of a *USA Today* article June 21 refers to the fact that \$1 trillion in adjustable-rate mortgages (ARMs), interest-only mortgages, and a still queerer sort of mortgage which doesn't even require the borrower to pay the interest at first—\$1 trillion worth of all these funny mortgages will require full monthly payments for the first time in 2007. Will the lenders be able to afford these much greater payments? This \$1 trillion constitutes 12% of all U.S. mortgages.

Over the next two years, the increase in monthly payments due to these "balloon" mortgages will cost U.S. homeowners an estimated \$40 billion, equivalent to a 40-cent-per-gallon gas-price increase.

It turns out that financiers are using computer models to design new kinds of funny mortgages, just as they use them to design new derivatives. The latest freak mortgage (but is it really the latest?), is called an "optioned ARM." It resembles the interest-only mortgage: The lender is able to pay only interest, no principal, during the initial period of usually 5-15 years. But in this case, he needn't even pay the full interest! If his actual rate is, say 5.9%, he can make interest-only payments at a much-lower rate, for example, 1.9%, during the initial period. So, with this kind of mortgage, the debt can actually grow from month to month, even while the lender continues to pay. And imagine how his payments will jump, once the "initial period" ends, and he has to amortize the now-increased debt, while also paying triple the rate of interest every month!

These mortgages were unknown before 2003, but now constitute 40% of all mortgages given to creditworthy borrowers buying homes costing over \$360,000.

USA Today reports that the number of homes for sale before construction is completed rose to 88,000 this April, the highest number ever on record, from 60,000 one year ago, and 40,000 five years ago. Many unbuilt homes for sale are used for "flipping," where a speculator puts down a deposit and then resells the home at completion, or even before. Many major builders try to prohibit "flipping," but some look the other way, as can be seen from Internet sites such as "getpreconstructionprofits.com." One analyst who sees that all this amounts to a huge housing bubble is James Grant, editor of *Grant's Interest Rate Observer*, who says, "It shows that we are where we've never been before."

FDIC Exposes Greenspan's Lies on Housing Bubble

The FDIC has issued a study of the housing bubble, refuting the Greenspan argument that it is "localized," as reported in the *Wall Street Journal* June 20. At the request of the *Journal*, the Federal Deposit Insurance Corp (FDIC) prepared a report on housing prices in the U.S., which concluded that the super-heated housing markets in 22 major metropolitan centers "now make up such a large share of the total U.S. market that a sharp fall in their values could stall or slow national economic growth. Greenspan argued that there is no "national housing bubble," only "froth" in a few local markets.

The 22 major markets now make up 35% of the value of national residential real estate—they were only 24% a decade earlier—so that "the distinction between them and the national market could become meaningless." Even worse, the five largest markets (New York, Los Angeles, Boston, Washington, D.C., and San Diego) make up 24% of the total market value. The *Journal* notes that this is "reminiscent of how a few technology and blue-chip companies drove the bull and bear markets in stocks starting in the late 1990s."

Housing Market 'At Risk,' 'Heated Beyond Sustainability'

The U.S. housing market is "at risk," and "heated beyond sustainability," warned the University of California at Los Angeles Anderson Forecast, according to media reports June 22. The authors say the market is at risk due to the breakneck pace of housing price increases. "There is no reason a house should be worth 40% more today than it was two years ago," says co-author Christopher Thornberg, noting a finding in his paper in the study titled, "Beware the Froth," a reference to a recent remark by Fed chairman Alan Greenspan, dismissing the possibility that there could be a housing bubble. "And this housing market is heated far beyond the point of sustainability," the report adds. It describes a housing market so top-heavy with appreciation and investment that its likely collapse will drag the overall economy down with it—something *EIR* readers have been forewarned of by Lyndon LaRouche.

FASB To Revise Accounting Rules for Pensions

The Financial Accounting Standards Board (FASB), the body that writes the accounting rules that American businesses are supposed to follow, said in a *New York Times* article June 23, that they are preparing an overhaul of how companies calculate the financial impact of their pension plans. The article notes that corporations are likely to oppose these revisions, because a new standard could lead to significant changes in how corporate earnings are reported, and how pension funds are invested.

Under current rules, companies are allowed to report that investments in their pension funds have earned money even when they have not; the companies are also allowed to "smooth" pension values, by spreading year-to-year changes over several years. These accounting practices have come under criticism, because they can mask the health of both the company and the pension fund.

Contacted by *EIR*, an FASB media representative said that the rules have not yet been released, but when asked about the pension smoothing, this person immediately said that yes, this would be changed, in light of the United Airlines pension fiasco.

World Economic News

Hedge Funds Fear Calls for Regulation on Eve of G-8 Meeting

German Chancellor Gerhard Schroeder said he intends to push for significant regulatory oversight of hedge funds at the Group of Eight (G-8) meeting in early July.

Meanwhile, U.S. Treasury Secretary John Snow said over-regulation should be avoided. Joining Snow in opposition, hedge-fund managers, attending the Reuters Hedge Fund Summit in London June 22, said that if Germany or another country were to introduce new rules, funds would move to financial centers where watchdogs treat them with kid gloves.

"In Europe, I just think it would be counter-productive to have heavy regulation. I don't think anyone is going to go there," said Iain Jenkins, managing director of Hedge Fund Intelligence. "Germany is huffing and puffing," Jenkins said, adding that too heavy regulation there would drive hedge funds to London where the regulatory agency, the Financial Services Authority, is keen not to stifle the market, according to Reuters.

Another Hedge Fund Liquidated: Singapore's Aman Capital

As London's *Financial Times* reported June 20, "Aman Capital Management, one of Singapore's biggest hedge funds, is closing its operation after significant derivatives trading losses in April, leaving investors with negative returns of up to 22%." In a statement to the *FT*, the directors of Aman Capital acknowledged that "the fund is no longer trading," and that the management will distribute what ever is left of the capital to investors. According to the *FT*, the fund was launched in November 2003 to become a flagship of Singapore's hedge-fund business.

Formally, the fund is based in the Cayman Islands. It was managed by former top derivatives traders at Salomon Brothers and UBS in New York. By the end of March, the fund's capital had already fallen to \$242 million. UBS is believed to have lost several hundred million dollars which the bank had invested in Aman Capital. Temasek, Singapore's government investment agency, reportedly also lost some money at Aman Capital.

More Hedge-Fund Corpses Surface

British financial media on June 21 reported prominently on the ongoing hedge-fund meltdown, with headlines like "Hedge fund to liquidate itself after bets go sour" (London *Times*), "UK hedge fund Bailey Coates folds due to poor returns" (*Financial Times*), "Timely warning over hedge fund risks" (*FT*), while Bloomberg was running an extended feature "Convertible bond hedge funds get off to their worst start ever."

These reports acknowledge the first corpses that now have surfaced in the hedge-fund business, including Bailey Coates Cromwell, based in London, "formerly a prize-winning hedge fund" with at one time \$1.3 billion under management; Marin Capital, based in California, specialized in convertible bond trading, once \$1.7 billion capital; and Aman Capital in Singapore.

Furthermore, the problems at GLG Partners in London, the largest hedge-fund operation in Europe, if not worldwide, are intensifying. Not only did GLG's credit fund lose 14.5% last month, but its neutral fund is in a precarious situation. As the *Financial Times* noted: "GLG last week won a prize as the most respected hedge fund in London. Yet GLG's market neutral fund, one of two convertible bond arbitrage vehicles, fell 9% in May and has dropped 15% in the year to date." The *FT* adds: "Two of four main funds at Vega, another leading European hedge fund, are also down, as is at least one of the funds of Cheyne Capital."

EuroHedge, a hedge-fund tracking institution, noted that usually 8% to 12% of all existing hedge funds worldwide, currently about 8,000, are quietly being dissolved every year. However, in the past, almost every such liquidation hit just a relatively small hedge fund. "It is very rare to see a fund that was once worth more than \$1 billion wind itself up."

'Once High-Riding' Hedge Funds 'Nursing Big Losses'

The *Wall Street Journal* June 21 gave more details on the crash and burn of the "once high riding" Bailey Coates Cromwell Fund. The fund, initiated in 2003 by two whiz-kids from Perry Capital in London, quickly showed great potential, with an annualized profit of 20% with the first months' figures. Money poured in, and within a year, they had \$1.3 billion in their pool. But that was last year. This year, they began to show some losses early, and "investors yanked money out as quickly as they had invested it." When that happens, the "reverse leverage" of quick selling for liquidity, only exacerbates losses. They ended up selling more than \$2 billion in just March and April, and now have a scanty \$500 million lying around. Their losses for the year are almost 25%. At the end of the month, the original investors will divvy up whatever is left, if anything.

In addition to Bailey Coates and Aman Capital's closing, the *Journal* mentions that GLG and Vega Asset Management are currently "nursing big losses" on their funds.

United States News Digest

Pentagon Violated Medical Ethics

A forthcoming article in the *New England Journal of Medicine* concludes that the Defense Department violated medical ethics and international law by integrating physicians and mental-health professionals into the interrogation of detainees at Guantanamo, the *Wall Street Journal* reported June 23. The prison's health-care providers were told that detainees didn't enjoy medical confidentiality, that they were to provide information on detainees' physical and mental health to interrogators. Documents indicate mental-health professionals used medical records to build psychological profiles to help

interrogators.

Shays Threatens Subpoena of Iraq Reconstruction Documents

In perhaps another sign of the lame-duck status of the Bush Administration, Rep. Chris Shays (R-Conn), the chairman of the National Security subcommittee of the House Government Reform Committee, threatened, that if the Pentagon did not turn over unredacted documents on Halliburton's 2003 Iraq oil contract by June 27, he would seek a subpoena. Shays, during a hearing on the Development Fund for Iraq, the U.S.-managed successor of the UN Oil for Food program, expressed his frustration over the Pentagon's management of the Fund.

The Pentagon has, so far, only provided redacted copies of its audits of Halliburton's billings, supposedly to protect Halliburton's proprietary information, the *Washington Post* reported June 22. Shays said that the redactions "regretfully, very regretfully, make it appear DOD has something to hide. This undermines our international standing and, even more importantly, harms our efforts in Iraq."

Later in the hearing, Stuart W. Bowen, Jr., the special inspector general for Iraq reconstruction, told the subcommittee that he had referred evidence of three potential fraud cases to Federal prosecutors for investigation, although he would not comment specifically on the cases. "If we uncover information with respect to a contractor who has misappropriated or fraudulently expropriated ... dollars, then we will pursue that as a U.S. crime," he said. He downplayed any possibility of widespread malfeasance, however. "We have investigations going on with respect to fraud," he said, "but our audits point primarily to inefficiencies."

Report on Religious Intolerance at Air Force Academy

On June 22, the Air Force released a report by a headquarters review group, headed by Lt. Gen. Roger Brady, the deputy chief of staff for personnel, concerning the religious environment at the Air Force Academy. The investigation was spurred by news reports indicating that off-campus Protestant evangelical groups may have been involved in aggressive proselytizing on campus, and that some professors and other staff at the Academy may have been involved. Brady reported that the investigation found that there were actions by members of the staff, up to and including the commandant of the Academy, the second-ranking officer, to promote religious messages in an inappropriate manner, including through official e-mails and from behind the lectern while lecturing cadets.

He also reported that there was a perception among some groups that their religious needs were not being met, and there was a lack of awareness as to what constitutes appropriate expressions of faith. There were also incidents involving the mass advertising of the highly controversial Mel Gibson film, "The Passion of the Christ," which some cadets objected to. Throughout the press briefing, however, Brady, Acting Air Force Secretary Michael Dominguez, and Air Force Chief of Staff Gen. John Jumper emphasized that the superintendent of the academy, Lt. Gen. John Rosa, discovered the problem on his own in 2003, and acted to address it before there were any news reports on it.

A component of the problem, however, is outside religious groups coming onto campus for "religious education" classes. Brady acknowledged that there are 19 such groups at the Air Force Academy, and 15 of them are Protestant evangelical groups. According to the report, these include the Campus Crusade for Christ and Christian Leadership Ministries, both of which have a relationship with Chuck Colson's Prison Fellowship ministries. Brady claimed that the only problem with these groups is that some of them may not be aware of Air Force standards regarding religious expression.

GOP Puts Out Last-Gasp Social Security Bill

The last-gasp tactic of the Congressional Republican leadership, now that President Bush's Social Security privatization drive has failed, is to throw in a confetti of privatization and "solvency" bills, hoping that some Democrats will be willing to negotiate on one of them. These desperation bills are being introduced before the Congressional recess. All the Republicans, of course, are at pains to try to explain about how very different these "new" bills are from Bush's privatization scheme.

The Democratic leadership in the Senate moved preemptively on June 21, with a press statement, and in coordination with House Democrats on the Ways and Means Committee, to put the "new" bills in their place—"same scheme, new packages," Senate Minority Leader Harry Reid (D-Nev) pronounced.

The bill by Republican Senators Jim DeMint (S.C.), Rick Santorum (Pa), and Lindsey Graham (S.C.) would take the current annual Social Security surpluses (\$150 billion a year or so), and divide them up into private accounts for 150 million members of the workforce, i.e., \$1,000 a year each, until the surplus runs out. Or, somewhat fewer workers could receive slightly larger accounts for a decade or so—another tax cut, in other words. This pathetic "lock-box" scheme is advertised primarily for its supposed ability to stop Bush and the GOP Congress from throwing the surplus away on tax breaks for the wealthy and imperial wars. However, the bill's effects would be *identical* in all respects to those of Bush's own privatization scheme, and Senator Reid and the Senate leadership immediately challenged it appropriately: "How deep are the benefit cuts?... How much new debt will be created?... To what extent will Social Security's solvency be made worse?... What impact will raiding the Trust Fund have on the long-term health of the Social Security system?... Will there be a privatization tax that will further cut traditional benefits?"

Bloomberg News quoted Senators John Kyl (R-Ariz) and DeMint saying that the bills are intended to provoke the Democrats into negotiating or looking "obstructionist." In fact, they are a desperate attempt to save Bush from the necessity of publicly admitting defeat. *Congressional Quarterly* on June 21 reported other privatizers—GOP Senators Mike Pence (R-Ind), Nancy Johnson (Conn), and Sam Johnson (Texas)—are lining up behind them. And even House Ways and Means Committee chairman Bill Thomas (R-Calif) is reported to be near to adopting this as the privatization part of his "retirement bill," soon to be unveiled.

Waxman Bill To Investigate Detainee Abuses

California Democrats Rep. Henry Waxman and Rep. Nancy Pelosi held a press conference June 21, to announce the introduction of a bill, which already has 170 co-sponsors, to establish a ten-member, bipartisan commission, modelled on the "successful" 9/11 Commission. Waxman noted that it has been over a year since the first pictures surfaced from Abu Ghraib, and that new reports, like the abuse of the Koran at Guantanamo, are continuing to surface. "The reports of detainee abuse are undermining one of our nation's most valuable assets: our reputation for respect for human rights," Waxman said. The investigation in the House lasted a mere five hours, and although the Senate's was more thorough, it still "stopped far short of assessing individual accountability up the chain of command." He added, "Our troops deserve better, our nation deserves better."

Waxman admitted that, "Some of the allegations that have been replayed repeatedly around the world may not be true. President Bush calls them 'absurd.' But," he added, "we won't know what's true and what's not true unless we investigate. And when we refuse to conduct thorough, independent investigations, the rest of the world thinks we have something to hide."

The Commission would examine: the extent of the abuses, why they occurred, and who was responsible; specifically, to what extent the executive branch was involved; what policies or programs failed to prevent the abuses and if new legislation is needed; and to what extent policies at Guantanamo influenced those at the Abu Ghraib or other Iraqi prisons.

The Senate action follows an initiative by a bipartisan group of prominent conservatives and liberals, calling for a similar commission. Back in September 2004, a group of eight retired flag officers also issued such a call.

U.S.-British Bombing of Iraq Before War Was Illegal

The recently leaked "Downing Street Memo" confirmed that the May 2002 dramatic increase in bombing of Iraq was intended "to put pressure on the regime," "degrade" Iraqi forces, and provoke a response which would, in turn, "legitimize war," the Timesonline reported June 19. Now, newly leaked Foreign Office legal advice from March 2002, two months before the bombing, said that patrolling the no-fly zones in the north and south of Iraq was legal only to deter attacks by Iraqi forces on Kurds or Shi'a populations.

Ibero-American News Digest

Panama Takes Step Back from Social Security Reform

In a nationally televised address June 21, Panamanian President Martin Torrijos agreed to a "temporary" suspension of the hated "reform"—i.e. privatization—of the country's Social Security Fund, decreeing a 90-day "discussion period" with the trade-union and business leaders who have been leading protests against that reform for weeks.

As *EIR* reported last week (see June 21 InDepth, "Panama: Social Security Reorganization in Panama Is a 'Death Plan' ") teachers, construction workers, and government employees have been striking ever since the reform was passed in late May, while schools and universities have been closed as students have joined the protests en masse.

Torrijos spoke to the nation after a four-hour meeting with the Archbishop of Panama City, Msgr. Jose Dimas, who urged the President to suspend the reform for at least three months, and to undertake a dialogue with the trade unions and others who have been demanding to have their voices heard. The Archbishop also appealed to Torrijos to include in the discussions the National Front for the Defense of Social Security, the coalition leading the protests, among whose leadership is Schiller Institute Trade Union Committee founder Eduardo Rios (whose interview with *EIR* also appears in the June 21 InDepth).

Vulture Fund Scam in Ecuador Curtailed

On June 15, Ecuador's Congress approved a government-proposed Law of Fiscal Responsibility which redirects the use of the government's surplus oil profits fund, known as the FEIREP, away from debt buy-back, and toward health, education, infrastructure building, and research and development. Under the previous government of Lucio Gutierrez, ousted on April 20 by mass protests, a whopping 70% of the FEIREP was allocated to buying back public debt from foreign creditors—principally vulture funds—and only 10% was spent on health and education. Under the new law, 35% of its funds will now go to "development of the productive apparatus," payment of social security obligations, and buy-backs of foreign debt. Fifteen percent will go to education; 15% to the health sector; 5% to repairs of environmental damage caused by the oil industry; 5% to improve highways; and 5% for R&D. Another 20% will go for "economic stabilization."

One of the Congressmen who voted for the new law warned that the reform, which was strongly opposed by the Ecuadoran Central Bank, could trigger "reactions by international financial speculators," whose vast profits on the debt buy-backs are going to shrink as a result.

Barclays Capital Bank is already screaming. On June 15, the bank's director of emerging markets, Jose Maria Barrionuevo,

told local media that "there is deep concern among the international financial community over the financial policies being proposed in Ecuador, since in our opinion, they threaten to compromise the country's economic stability."

Not surprising: According to recent revelations made by the president of Quito's Chamber of Commerce, Blasco Penaherrera Solah, Gutierrez's government had deposited a whopping \$30 million a month from the FEIREP fund into Barclay's coffers, for the purpose of debt buy-back. Barclays is reported to be financing the ousted Gutierrez's current stay in the United States, whence he is campaigning for his reinstatement as President.

Brazil Considers Multi-Year Austerity Pact

No sooner had the ongoing corruption scandal in Brazil forced cabinet chief Jose Dirceu out on June 16, than President Lula da Silva and his economic team began discussing the proposal championed by Sen. Delfim "Chicago Boy" Netto, for how to lock in drastic cuts in Brazilian government expenditures for years to come, as demanded by international financiers. These are precisely the policies which Argentine President Nestor Kirchner has been fighting to get Brazil to finally reject—as Argentina has.

Today, under IMF instruction, the Lula government runs a "primary budget surplus" of over 4.25% of GNP; i.e., a budget surplus *excluding* interest payments. But, because Brazil's public debt is at around \$430 billion, with some 58% of it carrying floating interest rates, despite gouging 4.25% and more out of the economy to pay debt, the total government budget deficit was still 2.66% of GNP in 2004, when interest payments are included in the calculations. And that so-called "nominal" budget deficit rises dramatically with every increase in the interest rate. The Brazilian federal government's debt, in fact, rose by 9.6% in the first five months of 2005 (that's an 18.7% annual rate), despite the fact that the government actually ran a primary budget surplus of 7%.

Delfim Netto's proposal is that the government freeze all current spending, and eliminate the constitutional requirements for specified levels of expenditures on public salaries, pensions, health and education, step by step over the next five to six years. Today, between those expenditures and interest payments, 80% of the budget is earmarked in advance, making it difficult for the government to dedicate everything to debt payments. Under Delfim's proposal, the government would reduce the total required payments—except debt payments, of course—by 5% a year, until only 20-40% of the budget would be fixed.

The brutality of the fiscal austerity which this would represent boggles the imagination. A June 20 Bloomberg wire reported that the Lula government has already cut the budget deficit by three-quarters in its two years in office, by cutting government pension expenses and "social security fraud," and simply shutting down state investments.

This, in a country where over half its 180 million people live under the poverty line.

New Brazilian Chief of Cabinet Is Anti-Nuclear

President Lula da Silva promoted his anti-nuclear Energy Minister Dilma Roussef to Chief of Cabinet on June 20, replacing Jose Dirceu, who returns to the Chamber of Deputies to fight charges that he approved an alleged Workers Party (PT) Congressional bribery scheme. Dilma Roussef is being hyped as an "iron lady," a Ph.D. economist and technocrat who gets things done. In the recent period, she and Dirceu had been at loggerheads over whether Brazil should finish its partially built, third nuclear plant, Angra III. Roussef was adamant the plant should not be finished, using a bogus "cost-benefit" analysis that completing the plant would take precious resources from other programs.

Peru Drug-Producing Region Threatens Separation

"If some believed that the anarchy into which Bolivia has sunk is somehow distant from us, they should think again," former Peruvian Interior Minister Fernando Rospigliosi aptly warned, after the regional government of Cuzco passed a decree on June 19 legalizing coca production in the region—and threatened to declare themselves "autonomous and independent," should the central government object.

Regional president Carlos Cuaresma, calling coca a natural resource and the region's "cultural patrimony," decreed its cultivation legal for "medicinal, ceremonial, religious, cultural, and 'chewing' " purposes. Painting the increase in narco-cultivation as a defense of "indigenous" traditions, Cuaresma threatened that he "would not be responsible" if a government prohibition of the decree were to lead to an autonomy struggle in Cuzco province. The issue is no longer the defense of a legal measure, he added. "what is at stake now is autonomy for the regions." If the government continues to oppose us, "it could awaken the Cuzco puma, and we could declare Cuzco to be an autonomous and independent region."

The Toledo government, riddled with its own fraudulent "indigenist" activists and drug-legalizers, backed down from its initial position that Cuzco had no legal right to issue such a decree, and struck a deal with the rogue province which allows "only one valley," and not the entire province, to legally cultivate coca fields.

Argentina Demands IMF Meet Its Conditions

The IMF's just-concluded "Article IV" review of the Argentine economy "passed" Argentina's program, but only after issuing an insulting, teeth-gnashing report—prepared by Western Hemisphere Division Chief Anoop Singh—complaining about everything that "populist" President Nestor Kirchner has done: his "hardline stance" in debt restructuring talks, alleged "animosity" to foreign investment, etc. The IMF demanded the government agree to a "considerably higher" primary budget surplus to insure debt payment (in the range of 4.5% of GDP), that it reform (privatize) its public banking sector, and acquiesce to the privatized utility companies' demands for higher rates.

Speaking in the city of Rosario on June 20, Kirchner countered that the IMF "attacks me directly only because I staunchly defend the nation's interests, and don't act like a courtesan of those interests that have permanently sunk us."

On the same day, Argentina's representative to the IMF presented the Board of Directors with a 13-page response to the IMF report, signed by Finance Minister Roberto Lavagna and Central Bank President Martin Redrado, which charged that the IMF staff "acts as if the only objective of current and future Argentine governments should be to pay the Fund in proper time and form, to please creditors, postponing policies to meet the needs of the majority of the population." In demanding a primary budget surplus of 4.5% of GDP (as opposed to the 3.6% indicated in the 2006 budget), "it would appear that the Fund wishes to prove" that by maintaining the higher surplus in the medium term, "and appropriating Central Bank reserves to pay the IMF, Argentina could pay more to private creditors."

Argentina is willing to sign an agreement with the IMF "today," as long as certain conditions are met, Lavagna told Radio Mitre June 23. "Any agreement would have to respect Argentina's growth. We cannot accept any recessive measures, and must ensure that there will be growth of employment and poverty reduction." As long as these criteria are met, "we'll sit down and discuss anything they want."

Western European News Digest

Return to the Delors Plan for European Infrastructure

In a June 19 interview with the Italian daily *Il Sole 24 Ore*, Italian Deputy Prime Minister Giulio Tremonti relaunched a

call for the "Delors Plan" for European infrastructure, which explicitly rejected the British "offshore" model. Tremonti gave the interview in the aftermath of the failure of the EU budget summit, on June 19. As usual, his statements are a mixed bag of good and bad elements, but on balance, Tremonti focussed on the necessity of finally adopting the original version of the Delors plan, or his own plan, for regulation of international trade.

"Brussels [headquarters of the European Commission] today looks like a large funeral parlor," he said. "They look like many farmers whose crops have been cursed, unable to understand what happened, or why it happened." On the necessity of the Delors plan, Tremonti stated: "I had proposed it already during the Italian EU chairmanship semester, but it was too early. It was then decided to opt for a second best, which is the Action Plan for Growth. I believe that today the historical moment is ripe to materialize a revival of the Delors Plan. Not only that: It is time to make a rational and non-dogmatic industrial policy: protecting our productive industries while they are being restructured; creating favorable conditions, with zero taxes, to attract capital according to the Irish model; introducing a moratorium on European regulations.

"The Delors plan is a plan for financing innovations, based on issuing European debt titles, denominated Union Bonds. Such a plan is dramatically necessary, considering the times that are coming, not only to innovate, but also to regenerate a European industry. I do not know if we are about [to see] a new 1929.... I do know that it is necessary to intervene on European industry to regenerate it in the shortest time possible, with the strongest possible power."

On the objections that all this costs money and countries like Italy, with their huge debts, would have a credibility problem in proposing such policies, Tremonti answers: "I do not speak as an Italian, but as a European politician. There is enormous room in Europe, to issue European debt titles. It is time to cash the Maastricht dividends, ... to support the financing of a Colbertist plan for development, as you call it."

On the objection that Britain's economy performs better than those of France, Germany, and Italy, as British Prime Minister Tony Blair insists, Tremonti answers: "Britain does not have the euro, [and] has been always unique due to its historical and geopolitical position. And within Britain, London is an offshore center, even in respect to its own country."

On trade, Tremonti says, "It was ideological insanity to abruptly liberalize world trade.... [T]he process could not be stopped but could have been governed with longer deadlines. However, we have one last chance. As a minimum, Europe must imitate America, with its protectionist policies and, as a maximum, Europe and America together must seriously reflect upon what is happening and reopen the WTO [World Trade Organization] round. A new political reflection is fundamental. Within the WTO, the West has all the margin to regovern the process and stop its fatal slide towards a suicidal marketism. If the WTO match succeeds, and gives us the necessary strategic margin of time, a parallel reconversion plan is credible and possible. The political kernel is the following: Protecting oneself is not enough; reconverting without protection is impossible. Protection and reconversion of European industry are two sides of the same thing, which is fundamental for European survival."

Schroeder Defends General Welfare Against Free Trade

In a statement published by *Bildzeitung* on June 23, German Chancellor Gerhard Schroeder made a direct response to British Prime Minister Tony Blair's "free market" propaganda offensive. The German Chancellor wrote that, "Europe is more than the market. It is a successful model of society and social state, based on common values, rights and obligations. It has preserved peace and brought prosperity. This model is presently being called into question."

Schroeder did not name Blair, but his statement is clearly in direct response to a statement by Blair in favor of the free market and more deregulation and flexibility, the day before at the European Parliament (see next item).

"Those who want to destroy this model on the basis of national egotism or for populist motives, commits a crime against future generations," Schroeder wrote.

"Which kind of Europe do we want.... Do we want a Europe that is united, capable of action, a real political union? Or, do we rather want no more than a big free trade zone, going back from the European Union to the European Economic Community of the past? This is not what I want."

"There must not be a leveling down of the notion of Europe, into the mere notion of market," Schroeder said. The social dimension is important, and there is the role of the state, which necessarily must be a strong one, Schroeder added, calling for common European "action against wage dumping, and erosion of labor rights."

Blair to Europe: Change Your Social Model or Die

British Prime Minister Tony Blair gave his maiden speech before the European Parliament June 23. He will be chairman of the European Council for the next six months. His speech was an attack on the "social market" of fair wages and health care, and a promotion of the "free market."

After opening with references to celebrating 50 years of successful growth and peace in Europe, Blair said: "Now, almost 50 years on, we have to renew." If Europe hopes "we can avoid globalization," he said, "then we risk failure." We must "modernize our social model," he said, in favor of one whose purpose should be "to enhance our ability to compete, to help our people cope with globalization." Therefore, we should put an end to "regulation and job protection."

Also, Blair renewed his assault against the European Common Agricultural Policy (CAP). "A modern budget for Europe is not one that ten years from now is still spending 40% of its money on the CAP." Instead of supporting agriculture, money should be spent for "R&D," whatever that means to Blair, and defense: "Look at the numbers in European armies today and our expenditure. Do they really answer the strategic needs of today?" Blair then pushed for a new global trade agreement "which will increase trade for all, especially the poorest nations."

Italy's Northern League Launches Anti-Immigrant Campaign

Those same Italian Lega Nord (Northern League) representatives who recently called for a return to the national currency, the lira, against the euro, have launched a "law and order" campaign against immigrants. Following a suspicious series of rapes in northern Italy, allegedly perpetrated by illegal immigrants, Reform Minister Roberto Calderoli has called for their "chemical castration." In Varese, where last week the young son of a League member was stabbed by an Albanian, Welfare Minister Roberto Maroni, among others, led a mass demonstration against "illegal immigrants."

Parallel to the Northern League, whose program calls for the separation of northern Italy from the rest of country, the neo-fascist Forza Nuova (the party of Alessandra Mussolini, granddaughter of "Il Duce") organized a demonstration of hooligans from Northern Italy to march on the streets of Varese. An attack on foreigners was avoided only through the presence of the police. On June 13, in Pontida (northern Italy), League founder and "maximum leader" Umberto Bossi appeared for the first time in public, after the illness that struck him last year. Physically impaired, Bossi nonetheless railed against "Europe." The majority of the Leghisti gathered at the meeting supported a national referendum for reintroducing the lira, in a dual-circulation system. Calderoli said the League will soon start to collect the necessary signatures to start a referendum.

Meanwhile, Prime Minister Silvio Berlusconi said, after a meeting with EU chairman Jose Manuel Barroso, that, "It is impossible to abandon the euro."

It is clear that the League, and the government coalition in a softer form, are using the euro and the immigrant issue as part of a right-wing campaign, aimed at finding scapegoats, but not real solutions.

Italy Split On Blair Campaign

The reactions in Italy to British Prime Minister Tony Blair's putting himself forward as the "free market" leader for Europe are radically divided.

"We must help Blair," said Italian EU Commissioner Franco Frattini, reported *Corriere della Sera* on June 23. A former foreign minister and a member of Prime Minister Silvio Berlusconi's party Forza Italia, Frattini said that Italy "cannot avoid helping Blair and his vision of true reformism: reform of labor market, liberalization, modernization of the economy. There is room for that reformism in Italy. Moreover, Italy can put together reformist forces in Europe.... I am thinking of Nicolas Sarkozy [of France] and Angela Merkel [of Germany]." Both Sarkozy and Merkel represent the right-wing austerity policies of the European bankers.

In contrast, Italian Deputy Minister for Agriculture Gianpaolo Dozzo said clearly, "We cannot stay on Blair's side. Dozzo, a member of Lega Nord, shows that the Italian government is split on the Blair recipe.

Dozzo calls for a return to the original mechanism of CAP (Common Agricultural Policy), which entitled farmers to government monies according to production levels. In 2003, a new concept was introduced, which finances farmers according to income, independent of whether they produce or not. "In five or six years, the producer-farmer in Europe could be an endangered species, and food would be almost completely imported. The CAP must be reviewed, going back to at least a mixed system of funding."

Farmers not only feed our people, Dozzo said, but "they defend the land. We know very well that uncultivated land is exposed to meteorological risks. Therefore the problem is broad and we cannot stay on the side of Blair. Great Britain, in its agricultural and trade policies, is more and more oriented to globalized consumptions and extreme internationalization of the market. Not accidentally, the UK is the European state which relies most on importing its food products from outside the EU."

Russia and the CIS News Digest

Russia Wants Eurasian Energy Dialogue

Russia wants to start an energy dialogue with India, China, and other Asian energy consumers, Foreign Minister Sergei Lavrov said June 21. "The Foreign Ministry of Russia is actively participating in the development of an energy dialogue with the United States and hopes to start this dialogue with China, India, Japan, and Korea in the future," Lavrov said at an investors conference in Moscow. Russia sees broad possibilities for attracting foreign investment in sectors like construction and the modernization of energy facilities, he said.

New Delhi sources report that during the Vladivostok talks among the foreign ministers of Russia, China, and India on June 2, Lavrov told his Indian counterpart K. Natwar Singh that Russia would permit its oil to reach India via Iran, in return for major Indian investments in Siberian oilfields. India has already invested \$2.5 billion in the Russian oil industry and has taken a stake in the Sakhalin-2 project, and is keen to enter auctions for Sakhalin-3. But Russia wants India to invest \$12-14 billion for exploring for new deposits in Siberia.

At Vladivostok, there was discussion of Russia, China, and India forming an international oil cartel to ostensibly resist U.S. and Western oil monopolies and stabilize prices. It is said that Moscow would contribute to the cartel by way of increasing domestic output and exploring new fields in Siberia.

Russia Reasserts Leadership in Space

After ten years of the near-destruction of its capabilities in spacecraft design and production, the new leadership of the Russian space agency and space industry plans an ambitious flow of new space projects, including Mars exploration, launch vehicles, and manned spacecraft.

At the Paris Air Show last week, Russian space agency (Rosaviakosmos) head Anatoly Perminov introduced a mock-up of Russia's new multi-use vehicle, the Clipper. The new manned craft, to replace the Soyuz capsule the Russians have used since the 1961 launch of Yuri Gagarin, will be reusable. It will accommodate up to six space travellers, bring crews to the International Space Station, and be parked there as an emergency return vehicle. It can also be modified to take crews to the Moon and Mars.

Perminov stated on June 15 that Europe and Japan have expressed interest in joining the development program. This would give them manned access to space without depending upon the U.S., for the first time. Perminov also stated the new craft would be ready in the 2010 time frame, and could be launched from Russia's Baikonur spaceport, or the European site in French Guiana.

At the Air Show, Perminov also said that Russia and the European Space Agency will team up to build a new heavy-lift rocket, to put large spacecraft into orbit. Deputy Defense Minister Alexei Moskovsky, who headed the Russian delegation to Paris, promoted more international cooperation at a press conference there, pointing to the Su-30 MKI military plane, which was built in Russia for India, in association with French aircraft designers.

Russian space analyst Jim Oberg pointed out, in a June 10 MSNBC report, that Russia is developing a new unmanned cargo vehicle to replace the Progress, "while NASA is mired in endless paper studies." The "Parom" (ferry) will be a reusable automated cargo-transfer vehicle parked in orbit, to transfer cargo containers launched into orbit, to the space station. It can return cargo to Earth, and be used again.

On June 17, RIA Novosti reported that an "epic movie" about the world's first astronaut is being made. During a function at the State Duma, Eduard Sagalayev, President of the National Association of TV Broadcasters, said it would be a series about Yuri Gagarin, who is a more glorious personality than Howard Hughes—the subject of the Hollywood production "The Aviator." There has also been talk of resurrecting Russia's reusable space shuttle, the Buran, which was mothballed a decade ago, after two successful unmanned test flights. With NASA planning to phase out the Space Shuttle in 2010, the field is open to develop a replacement.

Brazilian Astronaut Will Fly to Russian Space Station

The head of Russia's space agency, Anatoly Perminov, reported on June 21 in Moscow that, at the Paris Air Show last week, an agreement was reached with the Brazilian space agency to fly its astronaut, Air Force Major Marcos Pontes, to the International Space Station, within the next two years. Pontes has been training as a Mission Specialist at the Johnson Space Center since 1998. His NASA flight was to be in exchange for hardware Brazil would contribute to the station, but Brazil's economic crisis has all but halted that work. The stand-down of the Shuttle since the early-2003 Columbia accident has also stretched out the time all of the astronauts have to wait to fly.

According to the Russian space agency, Pontes will have to complete 18 months of cosmonaut training in Star City to become familiar with the Russian Soyuz booster that will put him into orbit. So far, he has been trained only for travel aboard the Shuttle. The initial Russian offer to fly Pontes to the station was made last year when President Putin visited Brazil.

Moscow Worried Over Possible U.S. Weapons Sales to India

Moscow is increasingly concerned about U.S. efforts to make inroads into Indian arms purchases. India is presently holding a tender for the order of 126 multi-purpose light-weight fighters for the Indian Air Force, Pravda.ru reported June 19. There are four bidders for the project: Russian MiG for the MiG 29M/M2; Lockheed Martin for the F-16; SAAB for the fighter Gripen; and Dassault for the Mirage-2000.

What worries the Russians is that, for the first time in history, the United States is making an offer of joint production of fighters to a country that is neither a NATO member-state, nor has American planes deployed on its territory. Russians worry that the U.S. strategy is to gradually force Russian, Ukrainian, and Chinese arms suppliers out of the region by making lucrative offers of modern weapons systems to buyers.

The Russian defense industry believes that India may stop buying Russian military aircraft and air-defense systems altogether. The United States has already hinted at a potential sale of the Patriot-2 air defense system to India.

Southwest Asia News Digest

Pentagon Corruption Could Surpass 'Oil For Food' Fraud by Wide Margin

A U.S. Congressional report by Rep. Henry Waxman (D-Calif.), the ranking Democrat on the powerful House Government Reform Committee, charges that the U.S.-run occupation of Iraq engaged in "substantial waste, fraud, and abuse," to the tune of billions of dollars.

This matter had *not* been investigated until June 21, when a hearing was held by the committee, which is chaired by Christopher Shays (R-Conn.). Instead, the Republican-run Congress and Senate had fixated on doing the White House bidding, in holding *a dozen* hearings to investigate alleged fraud and money laundering by the UN-run "Oil for Food" program funded by Iraqi government monies. In the U.S. investigations of the UN fund, unsubstantiated accusations were made against British Labour MP George Galloway, and against UN Secretary General Kofi Annan.

The Waxman report, entitled "Rebuilding Iraq: U.S. Mismanagement of Iraqi Funds," hits Vice President Dick Cheney, the former CEO of Halliburton, by exposing the fact that the oil-services giant has defrauded the U.S. government, and Iraq's new government, by overcharging *hundreds of millions of dollars* in various billion-dollar contracts. The report lambastes the Bush Administration for "substantial waste, fraud, and abuse" in the use of Iraqi government funds—including the \$8 billion the U.S. took over from the UN Oil for Food program. Waxman cautioned that the full extent of the fraud cannot be known without extensive investigations, and the U.S. Occupation's misappropriation of Iraqi government money may in fact be far bigger than the Oil for Food scandal.

That the hearing took place at all, is one more sign the White House is losing control over the Republican Party. Waxman commended Shays for holding the hearing, the first to look into the Development Fund for Iraq (DFI), successor to the UN Oil for Food program.

In preparing the report, Waxman's staff reviewed documents and interviews from the Federal Reserve, the Pentagon, U.S. audit agencies, international investigators, and Iraqi officials.

Waxman noted that "literally billions of dollars of Iraqi assets taken from the DFI cannot be accounted for." Highlights from the report, which is available at www.democrats.reform.house.gov, include:

* "Federal Reserve documents show, cash withdrawals on a previously unimaginable scale were ordered by U.S. officials in Iraq," including "nearly \$12 billion in cash, comprised of 281 million individual currency notes on 484 pallets weighing a total of 363 tons. This included more than 107 million \$100 bills." A huge portion of the withdrawals occurred in the last week of existence of the U.S.-run Coalition Provisional Authority, which "ordered the urgent delivery of more than \$4 billion, including the largest one-day transfer in the history of the Federal Reserve—a single shipment of \$2.4 billion in cash."

* "U.S. officials cannot account for billions of dollars in cash.... One contractor received a \$2 million payment in a duffel bag stuffed with shrink-wrapped bundles of currency.... Cash payments were made from the back of a pickup truck, and cash was stored in unguarded sacks in Iraqi ministry offices. One official was given \$6.75 million in cash and ordered to spend it in one week, before the interim Iraqi government took control of Iraqi funds."

* There is no reliable accounting of these funds, but there is "evidence that the expenditure and disbursement of these funds was characterized by significant waste, fraud, and abuse."

Number 1 in cases of "wasteful and potentially corrupt spending" is Cheney's Halliburton. The report says, "The largest single recipient of Iraqi funds is Halliburton, which received \$1.6 billion in Iraqi oil proceeds [about 8% of the total \$19 billion in DFI funds] to import fuel and repair oil fields. According to [Defense Department] auditors, Halliburton's overcharges under this contract are more than \$218 million."

The Senate Democratic Policy Committee has scheduled a June 27 hearing in Washington, D.C., which will be co-chaired by Waxman. The SDPC, which is a body of the Democratic caucus, is holding the hearing because the White House (i.e., Cheney) has forbidden the Republican majority in the Senate to investigate administration activities.

Rumsfeld Considering a Strike on Hezbollah

Beginning on June 22, Arab-language publications, and their English websites, were summarizing an yet-unpublished article in *Jane's Intelligence Digest*, which reports that U.S. Secretary of Defense Donald Rumsfeld is considering provoking a military confrontation with Syria by striking Hezbollah bases near the Syrian border in Lebanon. The multi-faceted U.S. attacks would be conducted within the framework of the global "war on terror," and would most likely focus on Hezbollah bases in Lebanon's Bekaa Valley. The article notes that deployment of U.S. special forces there would be highly inflammatory, and "almost certainly involve a confrontation with Syrian troops."

The article outlines the U.S. objectives in such a confrontation:

- * Pressuring Syria to end its support for Palestinian resistance groups.
- * Persuading Syria to abandon its alleged WMD program, and withdraw remaining agents from Lebanon.
- * Stimulating a situation where Syrian President Bashar al-Assad would be ousted from power.

* Crushing Hezbollah and ending its alleged connections with groups such as al-Qaeda.

These objectives, based on exaggerated or fabricated intelligence, have been a prime goal of Vice President Dick Cheney's "pre-emptive war" campaign against Arab nations.

The article notes the risk to the destabilization of Lebanon and the fueling of Muslim and Arab hostility towards the United States. Taking on the Hezbollah in the Bekaa valley "is likely to prove a highly risky undertaking."

The article alleges that Iran and the United States are drawing toward some form of tactical understanding as a consequence of covert diplomacy, and that at the same time Iran is moving to distance itself from Syria. However, EIR's sources note that the opposite is true—that the ties between Iran and Syria have gotten closer since the U.S. invasion of Iraq, and that both countries are seeking cooperation with their neighbor, Iraq.

While outlining the risks of such a military move for the U.S., the *Jane's* article also notes that "given the Bush Administration's doctrine of pre-emptive strikes, it remains entirely possible that Washington will soon launch military strikes against Lebanon, regardless of the consequences for wider regional stability."

Sources in the region take this report seriously, fearing the insanity factor in the U.S. administration. At a forum of the Brookings Institute on June 22, a former National Security Council staffer in the Clinton Administration, Flint Levearett, said that the administration's frequent verbal attacks on Syria are intended to "build a case" for an Iraq-style attack, which he thought would be a disaster. The administration is committed to regime change in Syria, he said.

British Expert: Bush Admin. Desperate To Change Subject from Iraq

A senior British Arabist, commenting on a report in *Jane's Defense Weekly*, told *EIR* on June 24, that the Bush Administration is likely planning an attack on Hezbollah in Lebanon and/or Syria. "I have no evidence to that effect, but this administration could at any time decide to throw some bombs at Syria. It would be a very stupid thing to do, but then again, this administration has been doing very stupid things all along." Speaking of Iraq, he said, "I am surprised how rapidly the situation is deteriorating. They probably want to distract attention from that situation."

The source also pointed to the hearings on the "Downing Street Memo" held by Congressman John Conyers (D-Mich.) as having a useful effect. He said the memo, which revealed that President Bush was already planning an attack on Iraq in the summer of 2002, was probably leaked by someone in the cabinet office, where hatred for Prime Minister Tony Blair is running high.

He also said that the fact that former MI6 head John Dearlove, who is quoted extensively in the memo, has not denied the contents, indicates that the memo is authentic. Several Labour Party members of Parliament are trying to make use of them against Blair as well.

Israel's Labor 'Mafia' Tries To Block 'New Dealer'

The move, announced by Israeli Labor Party chief Shimon Peres on June 23, to postpone Party elections, is widely seen as an attempt to prevent Amir Peretz, the head of the Histadrut labor federation, from winning the elections. The latest polls shows that Peretz would receive the second-highest vote total after Peres, which could mean that if there is a run-off, Peretz could win.

Old Guard leader Shimon Peres is not the only candidate who has called for a postponement because of allegations that the recent Labor Party voter registration drive involved irregularities. The others include former Prime Minister Ehud Barak and Benjamin Ben Eliezer. This is despite a recent statement by Danny Yatom, who is in charge of the registration, that widespread irregularities have not been found.

In a commentary in the June 23 *Ha'aretz*, Prof. Danny Gutwein, who is an economic adviser to Peretz, wrote that Peretz "is offering Israeli society a 'new deal' as a basis for reconciliation among its sectors, which are in conflict with one another.... [A]s one of the heads of the peace camp, he made people aware of the link between social welfare and political compromise, and as chair of the Histadrut labor federation, he turned it into an island of Jewish-Arab cooperation, brought about industrial calm and rapprochement between the employees and employers, and did not shy away from an uncompromising battle against the Thatcherite policy of the Finance Ministry.

"Support for Peretz is therefore a litmus test: The Labor Party has the choice of continuation on the path of atrophy, or revival as a social democratic party."

Asia News Digest

Asia Times Reports on Zepp-LaRouche, 'Economic Hit Men'

New York-based economist Henry Liu, writing in the *Asia Times* May 7, quoted two full pages from Helga Zepp-LaRouche's article in the Dec. 10, 2004 *EIR*, titled, "Unmasking the Secret War by the Economic Hit Men." The extended quote is a review of the assassinations of prominent German businessmen Alfred Herrhausen and Detlev Rohwedder, in the context of the synarchists' use of assassinations historically, with the specific target being the prevention of a policy for developing the nations of the east after the fall of the U.S.S.R., as promoted by both Lyndon LaRouche and former Deutsche Bank chairman Herrhausen.

Bush '41' Adviser Reveals N. Korea Peace Offer to Bush

In a *Washington Post* op-ed June 22, President George H.W. Bush adviser and former U.S. Ambassador to South Korea, Donald Gregg, and Korea hand Don Oberdorfer, argued that the current administration must negotiate with North Korea. They reveal for the first time that they had tried to broker a personal deal between North Korean leader Kim Jong-il and the former President three years ago, but the Bush-Cheney Administration spurned the overture. In "A Moment To Seize with North Korea," they begin positively, saying: "North Korean leader Kim Jong-il's remarkable statements to a South Korean envoy last Friday [June 17] present a rare opportunity to move promptly toward ending the dangerous nuclear proliferation crisis in Northeast Asia. The Bush administration should seize the moment."

But making headlines in Korea and around the world is Gregg's revelation that, while in Pyongyang in October 2002 to find out why the U.S. had just ripped up the Clinton peace accords days before, Gregg and Oberdorfer "were given a written personal message from Kim to President Bush." Kim stated if the United States recognized the North's sovereignty and provided non-aggression assurances, "it is our view that we should be able to find a way to resolve the nuclear issue in compliance with the demands of a new century." Kim further promised that, "if the United States makes a bold decision, we will respond accordingly." Gregg and Oberdorfer say they took the message to senior White House and State Department officials and urged them to follow up on Kim's initiative.

The administration, however, planning for the Iraq invasion, "spurned engagement with North Korea," said Gregg. Kim then expelled UN inspectors and withdrew from the Nuclear Non-Proliferation Treaty (NPT) and reopened plutonium production facilities frozen since 1994. When George W. Bush took office in 2001, the U.S. estimated that Pyongyang had

fuel for one or two nuclear weapons. Now, that estimate is up to at least half a dozen, Gregg says, and "many believe their claim."

Hence, Kim's statement June 17 to the South Korean Unification Minister presents a "rare opportunity to move promptly toward ending the dangerous nuclear proliferation crisis in Northeast Asia," Gregg and Oberdorfer write. Kim said he would rejoin the six-nation talks if Washington "recognizes and respects" his country. He also raised the prospect of North Korea rejoining the NPT and readmitting UN nuclear monitors.

Gregg and Oberdorfer insist now that President Bush should "seize the moment" to communicate directly with Kim and consider sending Assistant Secretary of State Christopher Hill to Pyongyang to prepare for a visit by Secretary of State Condoleezza Rice. "The purpose would be to explore the policies behind Kim's words to determine whether practical arrangements can be made, subject to approval by our partners in the six-nation talks, to end the dangerous North Korean nuclear program," they said.

N. Korea Message to Bush: 'We Hope New Chapter Will Open'

Former U.S. Ambassador to South Korea Donald Gregg released to the South Korean press, the text of the letter he carried in November 2002, from North Korean leader Kim Jong-il to President George W. Bush. The Yonhap wire of June 22 stated: "The following is the full text of a letter from North Korean leader Kim Jong-il to President George Bush in November 2002: 'At a time when positive changes are taking place in the region of Northeast Asia, we hope a new chapter will also open. We believe that the current nuclear issue was generated essentially from the U.S. hostile policy of disregarding our sovereignty and of imposing a blatant military threat.' "

Historic Visit of Vietnamese Prime Minister to U.S.A.

Thirty years after the Vietnam War ended, Prime Minister Phan Van Khai is the first Prime Minister of Vietnam to set foot in the United States. His visit to Washington last week also celebrates the tenth anniversary of the restoration of diplomatic ties between the two countries during President Bill Clinton's Administration.

Economics is a leading element in the current talks. President Bush and Prime Minister Khai are to discuss U.S. backing for Vietnam to join the World Trade Organization. The United States is currently the largest trading partner of Vietnam, thanks to the bilateral trade agreement signed four years ago. In 2004, two-way trade was worth \$6.4 billion.

In the course of his trip this week, Khai and U.S. Commerce Secretary Carlos Gutierrez witnessed the signing of a series of business deals, including a Vietnam Airlines agreement to purchase four Boeing jets for the national airline, valued at \$500 million.

In a surprise announcement, Deputy Prime Minister Vu Khoan told the *Washington Times* that the two sides had signed an agreement for International Military Education and Training (IMET) training aimed at promoting military-to-military relations.

In his meeting with Bush, the Vietnamese Prime Minister said he and the President agreed that "there remain differences between our two countries due to the different conditions that we have, the different histories and cultures. But we also agreed that we should work together through constructive dialogue based upon mutual respect to reduce those differences in order to improve our bilateral relations."

Following the state visit to Washington, Khai invited Bush to Vietnam for a state visit in the context of the 2006 APEC

summit, meeting in Vietnam, which Bush accepted.

Rep. Chris Smith, one of the right-wing Congressmen who are still fighting the Vietnam War, held hearings during Khai's visit to voice human rights complaints against the Vietnamese government.

Philippines Congress Convenes 'Gloria-Gate' Hearing

The Philippine House of Representatives is holding nationally televised hearings into tapes that have surfaced, apparently showing President Gloria Macapagal-Arroyo conspiring to fix last year's Presidential election. The tapes were originally released by President Arroyo's spokesman Ignacio Bunye, to preempt their release by the opposition. Bunye acknowledged that the voice on the tape was President Arroyo, talking to the head of the election commission, Virgilio Garcilliano, about fixing the election, during the counting process in May 2004. Bunye said at that time the tapes had been doctored.

Bunye was the first witness in the hearings, starting June 21, and he is backtracking like mad, claiming he can't say for sure if the voice is that of the President (she is saying nothing at all, and will not appear at the hearings).

Election Commission head Garcilliano is in hiding, reported by former Senator Kit Tatad to have fled to New Jersey on orders of the administration. Samuel Ong, former deputy chief of the National Bureau of Intelligence (NBI), who claims to be the source of the tapes (via military intelligence sources), sent his lawyer to say he is in hiding and fears for his life.

The National Police are on full alert status nationwide, as several mass demonstrations have been held.

Millennium Goals Elusive for Many Asian Nations

The President of Asian Development Bank warned that many Asian countries may fail to meet the Millennium Development Goals of halving poverty within a decade, President Haruhiko Kuroda told a meeting at the Center for Strategic and International Studies in Washington, D.C. June 23.

He warned, "By 2015, the region is still expected to account for about one-half of the world's poor." He said Asia now has two-thirds of the world's poorest people—700 million—living on less than a dollar a day.

Kuroda, who was a former special adviser to the Japanese cabinet, said it was critical to step up efforts to include all Asians and all Asian countries in the region's growth—"to ensure nobody is left behind."

The Millennium Development Goals call for reducing the proportion of people living on less than one dollar a day to half the 1990 level by 2015—from 27.9% of all people in low- and middle-income economies, to 14.0%.

The Goals also call for halving the proportion of people who suffer from hunger, between 1990 and 2015.

He said 71% of all the world's people without access to improved sanitation, and nearly six out of every ten people who lacked safe water, lived in Asia.

In addition, more than half of the world's undernourished, and of those living in slums, lived in Asia, while 43 out of every 100 children who died before reaching age five were born in Asia.

Citing South Asia, he said it "has more undernourished people, more people without access to proper sanitation, and more

people living in slum conditions than Sub-Saharan Africa." East Asia and the Pacific have more people without access to safe water and sanitation, and more people living in slums than Sub-Saharan Africa, he added.

This Week in History

June 26 - July 4, 1936

FDR Nominated for Second Term as President

More than 100,000 people jammed into Franklin Field at the University of Pennsylvania when President Franklin Roosevelt arrived, on June 27, 1936, to accept the Democratic Party's nomination for a second term as President. It was one of the most hard-hitting speeches of Roosevelt's career, an answer to the disturbing events which had challenged the nation over the previous nine months.

The American economy had been improving since Roosevelt's New Deal programs had begun to take effect. Payrolls had doubled, the cash income of farmers had almost doubled, and both stock market and real estate values had risen. But, the more that conditions improved, the louder and more strident became the personal attacks on President Roosevelt. These attacks came from the major investment banking houses, major corporations, and their propaganda outlets, the American Liberty League, and many of the major newspapers.

On Feb. 25 of 1936, a conclave of FDR-haters gathered at the Mayflower Hotel in Washington to cheer former Democratic Presidential candidate Al Smith as he stated that "There can be only one capital—Washington or Moscow." Smith had sounded one of the main themes of the anti-New Dealers, and that was that Roosevelt was taking American down the path to a socialist or Communist dictatorship. The Chicago "Tribune" ran a headline that said "Moscow Orders Reds in U.S. to Back Roosevelt," reporting on a speech made by Earl Browder which was reprinted in Russia. The other anti-Roosevelt theme was that he was leading the country to bankruptcy.

Governor Philip LaFollette of Wisconsin said that the vengeful reaction against Roosevelt's program was like the drunk you picked up from the gutter, who now resented you forever because you had seen him in such an embarrassing position. Roosevelt liked to tell a different story on the same theme. A man in a silk hat fell off a pier and was drowning in the ocean. A bystander jumped off the pier and saved him, but the drowning man's silk hat floated away. The bystander was thanked profusely by the man for saving his life. But three years later, the same man attacked the bystander for not saving the silk hat.

One of the ways that the now-rescued man tried to regain his silk hat was demonstrated by the DuPont family, many of whose members had attended Al Smith's diatribe and were reported to have great influence with him. Treasury Secretary Henry Morgenthau noted in his diary that he had been informed by a banker in strictest confidence that the executives of General Motors, in which the DuPonts had heavy interests, had been selling the dollar short and buying British sterling.

Another side of the attempts to destroy the New Deal was provided by the actions of the Supreme Court in 1936 to return to deregulation of the economy. On January 6, the Court had declared that the Agricultural Adjustment Act was unconstitutional because it was a scheme to impose federal regulations in a matter reserved to the states. The AAA had paid farmers to produce less, using funds collected from taxes on those companies that processed the food. The majority opinion was written by Justice Owen Roberts, a former corporate lawyer who had had as his client the Philadelphia affiliate of J.P. Morgan.

The Roosevelt administration rightfully saw the decision as aimed specifically at federal regulation, for a state legislature would find it very difficult to regulate farm production unless other states followed the same policy. Agricultural policy had to be national. Although the Supreme Court's next move was to uphold the Tennessee Valley Authority, it soon moved on May 18 to strike down the Guffey-Snyder Act, which had tried to improve conditions in the coal fields through collective bargaining, wages and hours provisions, and price controls.

Although the government lawyers had proved that strikes in the coal industry affected the railroads, and therefore interstate commerce, the Court's majority ruled that such "incidental effects" on interstate commerce were not enough to justify federal regulation. Ironically and tellingly, the Court had previously held the coal industry to be enough involved in interstate commerce to require a federal judge to sentence striking miners to jail.

The straw that broke the camel's back, and even shocked many Republicans, was a High Court decision in June that invalidated the New York State minimum wage law for women. One-third of the 48 states had adopted laws like that of New York. Three of the four conservative judges who voted to overturn the New York law had been corporation lawyers. Their decision more than implied that the states, just like the federal government, were not allowed to regulate industry. Hours after the decision was handed down, Roosevelt commented that "The 'no-man's-land' where no government can function is being more clearly defined."

The other area where danger to America lurked, and one which was linked to the attempts to destroy Roosevelt's reassertion of the American System, was the international situation. In October of 1935, Mussolini's troops had entered Ethiopia. In March of 1936, Hitler reoccupied the Rhineland, and France did nothing. The rise of Francisco Franco in Spain brought the possibility that fascism would overcome the legitimate government, and in July the Spanish Civil War began. Congress had extended the Neutrality Act for another year, but Roosevelt knew that a weakened economy would not prepare America for a future war that might have to be fought.

After Hitler took over the Rhineland, Roosevelt wrote to U.S. Ambassador to Germany William Dodd: "Everything seems to have broken loose again in your part of the world. All the experts here, there, and the other places say 'there will be no war.' They said the same thing all through July 1914, when I was in the Navy Department. In those days I believed the experts. Today I have my tongue in my cheek. This does not mean that I am become cynical: but as President I have to be ready just like a Fire Department."

So when President Roosevelt stood under the klieg lamps at Franklin Field to accept the second nomination of his party in 1936, he opened by saying:

"My friends: We meet at a time of great moment to the future of the nation. It is an occasion to be dedicated to the simple and sincere expression of an attitude toward problems, the determination of which will profoundly affect America....

"But I cannot, with candor, tell you that all is well with the world. Clouds of suspicion, tides of ill will and intolerance gather darkly in many places. In our own land, we enjoy indeed a fullness of life greater than that of most nations.

"But the rush of modern civilization itself has raised for us new difficulties, new problems which must be solved if we are to preserve to the United States the political and economic freedom for which Washington and Jefferson planned and fought.

"Philadelphia is a good city in which to write American history. This is fitting ground on which to reaffirm the faith of our fathers; to pledge ourselves to restore to the people a wider freedom—to give to 1936, as the founders gave to 1776—an American way of life.

"That very word freedom, in itself and of necessity, suggests freedom from some restraining power. In 1776, we sought freedom from the tyranny of a political autocracy—from the 18th-Century royalists who held special privileges from the crown. It was to perpetuate their privilege that they governed without the consent of the governed; that they denied the right of free assembly and free speech; that they restricted the worship of God; that they put the average man's property and the average man's life in pawn to the mercenaries of dynastic power—that they regimented the people.

"And so it was to win freedom from the tyranny of political autocracy that the American Revolution was fought. That victory gave the business of governing into the hands of the average man, who won the right with his neighbors to make and order his own destiny through his own government. Since that struggle, however, man's inventive genius released new forces in our land which reordered the lives of our people.

"For out of this modern civilization, the economic royalists carved new dynasties. New kingdoms were built upon concentration of control over material things. Through new uses of corporations, banks, and securities, new machinery of industry and agriculture, of labor and capital—all undreamed of by the Fathers—the whole structure of modern life was impressed into this royal service....

"The royalists of the economic order have conceded that political freedom was the business of the government, but they have maintained that economic slavery was nobody's business. Today we stand committed to the proposition that freedom is no half-and-half affair. If the average citizen is guaranteed equal opportunity in the polling place, he must have equal opportunity in the market place. The economic royalists complain that we seek to overthrow the institutions of America. What they really complain of is that we seek to take away their power. Our allegiance to American institutions requires the overthrow of this kind of power. In vain, they seek to hide behind the flag and the Constitution....

"The defeats and victories of these years have given us, as a people, a new understanding of our government and of ourselves. Never, since the early days of the New England town meeting, have the affairs of government been so widely discussed and so clearly appreciated. It has been brought home to us that the only effective guide for the safety of this most worldly of worlds is moral principle....

"We seek not merely to make government a mechanical implement, but to give it the vibrant personal character that is the embodiment of human charity....

"There is a mysterious cycle in human events. To some generations, much is given. Of others, much is expected. This generation of Americans has a rendezvous with destiny...."

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