

# EIR

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## From the Editor

Mid-August has traditionally been the occasion for financial crises, as well as wars. One need only think back to 1971, when the crisis of the dollar led the synarchists controlling the Nixon Administration to destroy the Bretton Woods system by launching the floating-exchange-rate system, or to 1998, when the Russian GKO crisis set in process a financial blowout that nearly led to the freezing-up of the financial system.

We are in such a situation once again, and this time, as opposed to the other two, leading political and financial circles, particularly in the United States, had better listen to the one economist who knows what he's talking about, Lyndon LaRouche.

In our feature for this issue, LaRouche once again takes up the principles which must be adopted to save our economy, this time from the standpoint of the question of pricing. That this issue is not one simply for the "experts" should be obvious, as we are confronted with the astronomical increases in energy and housing prices. LaRouche points out that these skyrocketing figures are a marker that the wrong principles are being used, principles hostile to the very continuation of the human species.

LaRouche summarizes his point this way: ". . . the actual function of price in a sane design for society, does not represent any intrinsic value in the price itself, but, rather, should reflect *the cunning use of regulation of prices*, as a device for ordering the individual pairwise exchanges within the physical-economic process in ways which ultimately converge, *if only in effect*, upon the increase of the true, non-monetary, physical value of investment, production, and consumption in the society taken as a whole."

You won't be surprised to learn that it is uniquely the American System of Economics, as associated with Alexander Hamilton, which reflects the principles behind such a successful pricing policy.

*EIR* will be taking its summer "skip" this coming week, so this issue will have to last you for two weeks. As you'll see, you have plenty to chew on until the week of August 26.



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EIRNS/Claudio Celani

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WHAT GLORY PRICE?

## Greenspan, Seneca, And Their Baths

by Lyndon H. LaRouche, Jr.

July 25, 2005

*A currency which is not permitted to cause a national economy to grow and increase its productivity and social stability through creating public credit, is a dying, or already dead currency of a nation on the way to national economic suicide, perhaps as a Germany under the austerity policies dictated to ministerial Chancellors Brüning and von Papen, was waiting for Hermann Göring to set fire to the Reichstag.*

\* \* \*

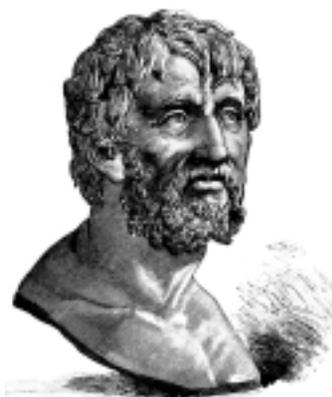
Federal Reserve Chairman Alan Greenspan once reported that he spends much of each day in the bathtub, a practice which does not appear to have improved that inflated aroma which hovers over our nation's political and financial capital. There are precedents for that: Nero's teacher, Seneca, drained his life away in his tub, without actually coming clean. Notwithstanding all that, it might help the aroma and economy of Italy and other parts of the world's present situation, were the Siena Group's Robert Mundell to be scrubbed.

Even today, apparently few scholarly investigators have yet to uncover the exact source of that certain stench which all the members of that trio of Hellish celebrities, and their like, have radiated—*Pfui!*—in the course of their coming and going through the corridors of power.

Take the issue of prices, for example. How do we clean up this stinking, present situation with prices? Mortgages and rents are so high they are about to burst; health-care is dwindling at an accelerating rate, with wages and pensions of honest folk much, much too low, while the purchasing power

they represent is collapsing fast. What is the right price of anything? The more thoughtful of our ordinary folk are asking, "Why has shipping jobs out to places where labor is cheaper, rather consistently happened to lower our standard of living here in the U.S.A.?" Ask as you might. Being thoroughly dead, Seneca does not respond to questions any more. Greenspan and Mundell sometimes do, but, for the sake of the smell which is already too much to bear, we would prefer they wouldn't.

The world monetary-financial system is now sliding over



arttoday.com



*Seneca (left), the Stoic "philosopher" and writer of the Roman Empire's equivalent of snuff films, committed suicide in 65 A.D., on orders of the Emperor Nero. The Siena Group's Robert Mundell (right): a Nobel laureate economist in need of a scrub.*



U.S. Treasury Department

*Federal Reserve Chairman Alan Greenspan (right) at a G-7 meeting in Boca Raton, Florida in 2004. With him, from left, are Iraqi Central Bank Governor Sinan al-Shabibi, Iraqi Finance Minister Kamel al-Gailani, and U.S. Treasury Secretary John Snow. Few scholars have yet understood the source of the stench emanating from Greenspan's insufficiently scrubbed person.*

the edge, into a general economic collapse of nearly everything, almost everywhere. As I have already reported, there is only one actually workable alternative at this present moment. The solution involves the fixing of the prices of the world's principal currencies as was done under President Franklin Roosevelt's Bretton Woods System; but, how should we set the prices of those goods which will be traded within the new system? How—and why—shall the prices of those goods be set?

Sound answers to those questions can be found, as the precedents of the former U.S. practice of "fair trade" policy should remind us today; but, given what Greenspan and Mundell are, they, like their kind, would hate the answer to that question, and the stoical Seneca probably would have gone to death in his tub, all over again, rather than endorse such a proposal.

The answer to that question about prices, is already implicit in such earlier sources as my "Vernadsky and Dirichlet's Principle," and in my relevant remarks, subsequently published, from the June 28-29 seminar held with our invited group of international celebrities in Berlin. However, a more elaborated treatment of the subject of *protected prices* than I have supplied in those locations, is now required for the information of the relevant committees of the Congress, and others. In the following pages, I present the rudiments of the way in which this challenge must be addressed.

Let us begin this discussion by, so to speak, sinking our anchor into the sand along the relevant shoreline. Accept the clinical case of Robinson Crusoe as the actual historical figure

whose documented experience inspired Daniel Defoe's novel; but, then contrast the real-to-life figure of Defoe's tale, with the perverted interpretation of that tale which was adopted by that John von Neumann and Oskar Morgenstern who were the original authors of the kind of failed formulas used to generate the 1998 LTCM disaster, and the worse catastrophe of the presently continuing Spring-Summer hedge-fund crisis.<sup>1</sup> That pair, von Neumann and Morgenstern, used the abused name of Defoe's character as the axiomatic basis for the development of their piece of radical-positivist lunacy named *The Theory of Games and Economic Behavior*.<sup>2</sup> The appropriate place to begin a discussion of the theory of prices, is to say that, whereas the historical figure employed by novelist Defoe was a modern Europe's castaway, struggling to survive upon a chiefly uninhabited

island, von Neumann and Morgenstern use the name of Robinson Crusoe to distract the suggestible readers' attention away from the fact that the "Robinson Crusoe" of their book, like H.G. Wells' *The Island of Dr. Moreau*, is not based on any case of either an actual or fictitious model of a real-life human being, anywhere.

There is more than a bad smell for you to consider in

1. The relevant dogmas of von Neumann and Morgenstern are traced from the utilitarianism of Jeremy Bentham, the French school of Leon Walras, and, most emphatically, the Austrian marginalist school of Carl Menger, Eugen Böhm-Bawerk, et al.

2. (Princeton University Press, 1944; 3rd edition, 1953). The treatment of the relevant elementary features of those authors' argument is found under Chapter 1, Section 2 of the 1953 edition, pp. 8-15. The scientific absurdity of the entire enterprise of those authors and their numerous devotees is summed up in the, essentially fascist, statement of principle by those authors: "A particularly striking expression of the popular misunderstanding about this pseudo-maximum problem is the famous statement according to which the purpose of the social effort is the 'greatest possible good for the greatest possible number.' A guiding principle cannot be formulated by the requirement of maximizing two (or more) functions at once."

In the domain of mathematical physics, that statement by the authors is an example of the form of stupidity in matters of physical science all too typical of the accomplished idiot-savant in logical-positivist perversions of mathematics; when such jabber as von Neumann's is applied to social practice, it is implicitly criminal behavior. Real processes are not represented by the mechanistic formalism of the empiricists and positivists, such as von Neumann, but the dynamic method of such as Leibniz, Gauss, and Riemann. Von Neumann and Morgenstern refer to the Nineteenth-Century Austrian ideologue, Eugen Böhm-Bawerk as the precedent for their use of a "Robinson Crusoe Model."

examining that work of von Neumann and Morgenstern. Their model for economy is now still being widely applied to actually human beings, six decades later than the date of publication of that book's first edition, this with increasingly brutish consequences for most of our citizens, over most of the subsequent decades. It would be impossible to identify fully the sources of the presently onrushing general collapse of the world's present monetary-financial system, without taking the presently global influence of the virtual lunacy, or perhaps worse, of British aristocrat Bertrand Russell's acolyte John von Neumann prominently into account.

The emphasis on the pernicious influence of John von Neumann in the field of contemporary practice of what is called "mathematical economics," is necessary in light of the importance of those new degrees of lunacy added to the practice of economics since the influence of the particular form of mass-insanity associated with the work in the field of economics, of the two most relevant former acolytes of Bertrand Russell, Norbert Wiener, and John von Neumann. Although there was significant resistance to so-called "Operations Research" methods, as "ivory tower" fantasy, during the earlier years of the post-World War II interval, by the middle to late 1960s, the indoctrination of the student populations of the 1950s spread the ideology of "post-industrial society," and with it the lunatic fads of monetarism in which the legacy of von Neumann and Norbert Wiener plays a very significant, destructive role today.

It is most notably relevant to the distressed state of the world's economy today, that both Wiener and von Neumann had the distinction of being kicked out of Göttingen University by the famous David Hilbert, on grounds of the same incompetence which produced the swindles known as "information theory" and the economics of von Neumann and Morgenstern.<sup>3</sup> Wiener, for example, is famous for a doctrine of "information theory" whose intended function is to outlaw scientific and related productivity,<sup>4</sup> while denying the existence of those qualities which distinguish human beings from mere beasts.<sup>5</sup> For example, von Neumann is particularly notable today, among other charges properly directed against his influence, because of his part in inspiring what were developed later as those utterly incompetent mathematical schemes which, as models, spawned the 1998 LTCM and most recent international "hedge fund" crises. More notable, however, is the fact that in the work of Wiener and von Neumann on economics and the functions of the human brain generally, no place for actually human beings is allowed.

Contrary to the post-modernist, logical-positivist presumptions of the neo-Venetian, so-called "Austrian

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3. The charges against von Neumann included the accusation of plagiarism of the work of Courant, in addition to incompetence.

4. *Cybernetics* (New York: John Wiley, 1948).

5. *The Human Use of Human Beings: Cybernetics and Society* (Boston: Houghton Mifflin, 1954).

School's" von Neumann and Morgenstern, both Defoe's Robinson Crusoe and the real-life model for the novel's character were modern Europeans. As Europeans, they were imbued with modern—*not post-modern*—European technological culture, as figures whose survival was accomplished by transmitting the application of contemporary European culture to the real-life setting into which they had been cast.

Since earlier than the birth of language, the existing human individual has always been a creation of human society as such. He or she behaves only as a member of the relevant society, even when a castaway, or, even as a castaway of the "Austrian School." He, or she acts in response to the culture embedded within the individual from the society of the past, and, if he or she is, unlike grinning banker's boy Johnny von Neumann, fully sane, acts to better the conditions of social life which will exist in some future time. The result of such progress, is a product of the interaction of the individual impulses with the countervailing constraints, constraints not merely of the most immediate setting of events, but of the culture which has been previously developed within that individual, developed chiefly over many preceding generations of social, rather than the feral solitary life of the von Neumann-Morgenstern accounts.

This social process actually described by Defoe, was admittedly a work of fiction, but its composition was shaped by awareness of the type of historically determined constraints on the behavior of all real human beings. These are constraints which are ultimately independent of any arbitrary individual will. The culture which is shaped in this way, is neither a product of arbitrary sorts of individual, nor pair-wise minimizing/maximizing calculations. It reflects an adaptation to the imperatives lodged within the evolutionary changes of the natural relationships of interaction of the human species with its total environment.

That is to say: within the functional scope of its given context, the integrity of its abiotic, Biospherical, and Noöspherical context. As I emphasized in my "Vernadsky and Dirichlet's Principle," this is always a *functionally dynamic* context, as that context is altered by human willful action upon the currently developed state of the domains of the abiotic, Biosphere, and Noösphere; but, it is never a *mechanistic* context of the sort associated with the likes of Cartesianism, or, more narrowly, the foolish fantasies of von Neumann and Morgenstern.

Thus, the "economic individual" which von Neumann and Morgenstern propose to locate as the mathematical prototype of human economic behavior, does not exist in any society: does not exist in the evidence taken from any known age of human existence, did not actually exist even within the living bodies of von Neumann and Morgenstern.

If we measure the present moment in terms of even no more than a few generations at most, any society, so considered, which might accept the viewpoint of that pair of authors, would vanish about as suddenly as you could say "Enron," or

“LTCM.” As a matter of fact, the unfortunate influence of that radical positivist pair’s way of thinking has been an important contributing factor, in its consequences, as developed during the recent half-century since von Neumann’s death, as seen in the presently looming threat to our planet today.<sup>6</sup> There’s a stench which you should take as a warning, to avoid associating yourself with habits of the kinds of fellows which I mentioned in the opening of this report.

The topic of this treatment of the evil effects of von Neumann’s influence, is the presently crucial subject of the determination of price, a topic of crucial importance for defining a workable revision of the otherwise presently doomed international economic order of today.

The subject to be addressed here, is the implications of the fact, that the actual function of price in a sane design for society, does not represent any intrinsic value in the price itself, but, rather, should reflect *the cunning use of regulation of prices*, as a device for ordering the individual pair-wise exchanges within the physical-economic process in ways which ultimately converge, *if only in effect*, upon the increase of the true, non-monetary, physical value of investment, production, and consumption in the society taken as a whole.

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## 1. The Challenge of Defining Prices

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Today, many among the best minds of Europe recognize, that the nations of Europe would now be doomed if those people were willing to remain much longer within the prison of a currency, the “euro,” which represents the present version of the Maastricht agreements, prompted by Britain’s Margaret Thatcher and France’s President Mitterrand, whose original, and continuing purpose had been to ruin post-1989 Germany. If that recent habit of European nations does not change, then Europe as we have known it is soon doomed. Given, national economies which are currently contracting because their level of activity is significantly below national breakeven, consider the following implications.

Without sovereign currencies which are designed as instruments for creation of volumes of long-term credit adequate to bring the economies above a *physical* breakeven level, those national economies, and perhaps those nations, too, including Britain and France, are virtually soon doomed. Without volumes of credit, properly applied, to bring the level of physical output of that national economy above physical breakeven levels, the great majority of the citizens of western and central Europe would be rapidly degraded into a degree of pauperism beyond their present powers of imagination, a level even far worse than that which has already struck the region of the former Warsaw Pact nations.

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6. Von Neumann’s last, and most radically anti-humanistic work, are his Yale lectures on the subject of “The Computer and the Brain,” which appeared in print after his death.

However, unfortunately, on the deeper level, while many well-informed persons, inside and outside of government, recognize that these conditions exist, virtually none of my rivals among economists of today has shown the combination of political courage and concern for humanity to recognize, openly, the need for appropriate types of immediate action, to end the current policies which have not only, already brought a ruinous condition about, but also the need to end those policies for the sake of the continued existence of their nations over even the relatively near term.

Still fewer, even among putative experts, have recognized, until now, the immediate, urgent relevance, of considering the deeper, ontological implications of the global difference between the system of pricing under, on the one side, President Franklin Roosevelt’s original Bretton Woods System, and, on the opposing side, the systems of pricing which were globally hegemonic either under the British Gold Standard System prior to 1931, or, under that present system, since that Azores Conference of 1972, which created the presently disintegrating floating-exchange-rate system of today’s International Monetary Fund.

That is not to say that competent economists do not exist among relevant professionals. The point I am emphasizing here, is that even among those who could be trusted to act with professional competence in dealing with an assigned mission, most lack that certain, crucial added element of strategic competence which I represent in the world today. The problem is not only that most leading circles refuse to recognize the problem; among those who do see the problem more or less clearly, far too few, even among leading professionals, see clearly what are, in fact, the readily accessible means for bringing the threat under control.

The leading task featured in this present report as a whole, is to make that solution for this problem clear.

This is not an expression of any personal vanity on my part, but a product of hard work which others, simply, have not yet done. I simply emphasize that there has been a process of attrition in the quality of leadership at the level of strategic policy-shaping, which has left otherwise competent economists, even of superior rank, lacking in certain crucial elements of knowledge, elements of knowledge which happen to be, rather uniquely, my personal professional expertise. This is an expertise, which, in turn, is a fruit of more decades of a survivor’s hard work than most of today’s working economists have lived.

The evidence in support of my relatively unique expertise, is debatable, as almost all important ideas, even the ones on which survival may depend, are debatable, if only within limits; but, after passing the outer limits of all reasonable continuation of that debate, the evidence which would survive the criticisms, remains, nonetheless, as it had been from the start, clear, precise, and conclusive. Under present world conditions, there is no competent, durable objection to the characterization which I have just uttered here. Having said that

much by way of setting the stage for the needed discussion of that matter, I now come directly to that point.

The question, whether or not the presently onrushing breakdown-crisis of the present world monetary-financial system will precede a return to U.S. President Franklin Roosevelt's system, or a very early plunge into a prolonged, planetary new dark age, will depend upon the success, or failure of the attempt to establish a clear comprehension of the actually *ontological* distinctions among the two, principal, available choices of the pricing systems, which are possible choices under the conditions of the presently onrushing crisis.

In short, the issue is the matter of choice between the system of what became popularly known as "fair pricing," inhering in that American System of political-economy, which was temporarily hegemonic internationally under the original Bretton Woods system, and the opposing, neo-Venetian,<sup>7</sup> Anglo-Dutch Liberal system, which had been hegemonic, more or less globally, from 1763 through 1931, and was restored to virtual global hegemony by the monetary-system revolutions of 1971-1975.

The essential problem, therefore, is, as I already stated here, the fact that even most leading economists in the world today, lack a competent understanding on the presently most crucial issue of survival of civilization on this planet, the issue of the fundamental, *ontological, rather than mere formal* difference between the two systems, the American System of political-economy and the Anglo-Dutch Liberal monetary-financial system.

The crucial point of this difference is expressed as fundamental distinction between the way prices are determined under the American System, as opposed to that presently world-hegemonic Anglo-Dutch Liberal system, which, if allowed to continue now, will plunge the entire planet into a prolonged new dark age.

Just to clear the deck for the needed discussion of this set of connections, let us get out of an obvious quagmire of futile arguments. Let us now get the presently irrelevant, but often stubbornly lingering issue, of Karl Marx as an economist, out of the way.

### How Lord Palmerston Used His Karl Marx

The chief source of the problem caused by Marxism, on that account, is that most European economists, like the famous Karl Marx, were utterly duped into childish blind faith in the "scientific verity" of the Anglo-Dutch Liberal dogma, as set forth at the British East India Company's Haileybury School. While Marx did, in fact, wander pretty much all over

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7. "Neo-Venetian" signifies the empiricist policies of that "New Party" of Venice, which was founded and led by Paolo Sarpi. It was Sarpi's influence which spawned the emergence of the Anglo-Dutch Liberal system in such forms as the British East India Company, and also the empiricist methods associated with the name of the anti-Classical, Eighteenth-Century "Enlightenment" of such as René Descartes and John Locke.



*Karl Marx (right) and Frederick Engels. "With aid of Engels' ideological sheep-herding of Marx, . . . Marx's own product was never anything but an alternate brand-name variety of the British system."*

the lot on the subject of economics, prior to the time he was taken in hand at the British Library by the British intelligence service's Urquhart, and Marx's reading list arranged accordingly, his views as set forth in Volume I of his *Capital* do represent an attempt to set forth a systematic representation of the core of the combined essentials of sundry Venetian, Physiocratic, British, and other reductionists' (e.g., empiricists') contributions to the hot pot of British doctrines on the subject of political-economy.

The later two-plus volumes of that work, produced by editor Frederick Engels, are a subject in themselves, which need not burden our detailed attention here. The essential thing about such later matters is, that under the controlling influence of Britain's Frederick Engels, Marx was repeatedly steered away from the American System of political-economy, first in an attack, foisted by Engels, against Friedrich List, and, later, again by Engels, against the world's leading economist of that time, Henry C. Carey, and, broadly, against the work of U.S. Treasury Secretary Alexander Hamilton. With aid of Engels' ideological sheep-herding of Marx in that way, Marx's own product was never anything but an alternate brand-name variety of the British system. Karl Marx never had any comprehension of real modern physical science or economics, outside the bounds of what the Marxists had been duped into insisting—often, even mindlessly chanting—were the only scientific economics prior to the work of Marx himself, the philosophical pig-sty often identified as the empiricist "Enlightenment." Usually, self-styled "Marxists" simply denied the existence of anything in the world outside the bounds of their rather cultish selection of canonically certifiable readings. Marx's own pitiable ignorance of physical science, and also of the pre-history and history of the Ameri-

can System in particular, are typical of this enormous ration of scientific illiteracy which dominates the tradition of Marx and of most of his self-styled followers to the present day.<sup>8</sup>

Much can be said about Marx's background. A few of the most relevant highlights are sufficient for our purposes here.<sup>9</sup>

The most essential thing, at the beginning, was that Marx was born into a circle, in this case, one centered on the ancient Roman capital known today as Trier, in which the leaders of the community had been, in the relevant time, sympathizers of the American Revolution, as typified by the leading intellectual figure of that time, who happened to be Marx's most important teacher, and an authority on the celebrated order of the Brothers of the Common Life, Hugo Wytttenbach, at the Gymnasium from which Marx matriculated.

However, young Karl Marx fell, with many of his demoralized generation, into the effects of a moral decadence of his times, as typified by the such effects as the combined aftermath of the French Terror, the Napoleonic Wars, the 1815 Congress of Vienna, Metternich's fascist-like decrees, and the vile G.W.F. Hegel's influence as a correspondent and protégé of Prince Metternich. In fact, in all his published works, and I have been obliged to deal with most of them in past times, Karl Marx, while sometimes brilliant within the bounds of that fallacy of composition which is identified by his literary output and known personal associations, never took into account any scientifically competent source, but working as a credulous ideologue, confined his attention to preferred sources which amounted to steeping himself in the methodological ideology of the Anglo-Dutch Liberal Enlightenment of the followers of Venice's Paolo Sarpi.

When his father, Heinrich, pulled young Karl Marx out of university at Bonn, for reason of Marx's corrupt personal life there, Marx was sent to Berlin, to study law under the infamous, right-wing ideologue Savigny, the Savigny who was the accomplice, in the maladministration of that university, of the wretched designer of the future fascist state, Hegel. There, Marx was drawn into a left-Hegelian British intelligence operation known as "Young Germany," a branch of the Lord Palmerston-controlled Mazzini's Young Europe association of that time. Despite friendly personal warnings to him

by Heinrich Heine about the reality of the inside of the Young Europe organization, Marx ended up in London, where he remained, in fact, an asset of Lord Palmerston until Palmerston's death, and directly a sub-agent, for Palmerston, of the Giuseppe Mazzini who personally, publicly appointed Marx to head up what became known as the First International.<sup>10</sup>

A lot of different things may be said about Marxism, things which differ according to the hands into which that legacy happened to fall at sundry places and times; but, on the theoretical side, Marxian economics and its political implications are essentially, in all axiomatic features, a subsumed offshoot, and rationalization of the definitions, axioms, and postulates of the mechanistic, Anglo-Dutch Liberal system. Thus, the popular rant which seeks to locate modern history between the bookends of Adam Smith and Marx, is, under today's world conditions, pretty much one giant hoax of no presently redeeming virtues for current practice, especially under present world-crisis conditions.

On the subject of the theory of prices, Marx's mechanistic notion of economic *value* is either as bad, or sometimes worse, than the putative alternatives. The significance of Marx's work and influence, is historic: that unless one understands both Marxian economics' influence, and that of the other version of the same British system which Marx expressed, in depth, as I ploughed in those fields during nearly a quarter-century, and, one also knows the American System of political-economy, which is contrary to them both, one has very poor comprehension of the processes which prepared the way for what is actually happening to the world at large today.

Marx became notable for the life of the late Nineteenth and Twentieth Centuries, because of his association, chiefly from a distance, with the so-called Second (socialist) International. His work on economics continued to be known chiefly through the role of the Engels who was close to the British Empire's left-wing intelligence circles, which deployed the notorious gun-runner and organizer of other people's revolutions, Parvus, the Engels who had functioned as the editor of the posthumously published works of Marx on economics.

However, it would be a grave mistake to think of the

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8. F. Engels' brutish ignorance of Gotthold Lessing and Lessing's circles, as expressed in his praise of Franz Mehring, is merely typical of this.

9. In my own teaching of courses on the subject of Marx's economics, at sundry locations, I situated Marx's work accurately, but always within the context of my own discoveries. That is to say, as a subject examined from within the framework of my own discoveries and method. The essential difference was, and remains, that there is no tolerance for the actual, functional existence of scientific creativity in any part of Marx's work. On account of that error, the influence of Marx's method, was the crucial clinical fact which I addressed in defining the design for what President Reagan named as "A Strategic Defense Initiative," and for foreseeing, in February 1982, that if President Reagan were to proffer such a proposal, and the Soviet government were to reject it out of hand, the Soviet system would collapse within "about five years." About six were actually required.

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10. The howler is that it was Marx who wrote and published an attack on Lord Palmerston, naming Palmerston as a Russian agent! The question lingers, awaiting a definite answer: Did Urquhart, or someone else put a duped Karl Marx up to doing that project? Did "Parvus," the notorious Alexander Help-hand, perhaps, later learn the answer to that question? Urquhart was operating at relevant times from within the British Library, where he functioned as in charge of coordinating the correspondence with Palmerston's vast network of Mazzinian agents operating both in Europe and in organizing the foundations of the later Confederacy in the U.S.A. It was in that capacity that Urquhart, an agent of special Middle East competencies, exerted a certain influence over the miseducation of Karl Marx. "Parvus's" roles, at a later time, included his operations in association with British intelligence's Young Turk operation, together with critters such as Vladimir Jabotinsky and the Volpi who, later known as British asset and banker Volpi di Misurata, created Benito Mussolini out of, it might be suspected, something less palatable than mud. Such is real-life history.

mass-based forms of the socialist movement as a product of “Marxism” as such. As we can see from the case of the U.S.A. during the 1930s, and again during the period of what came to be called “McCarthyism,” the socialist movement repeatedly gained justified importance during periods of so-called “right-wing reaction.” Typical is the way in which President Franklin Roosevelt kept both his connections to, and distance from, the socialist parties of the U.S. 1930s through such arrangements as those provided by CIO leader John L. Lewis, and in the indispensable role of the socialists, who had the courage to resist, during the resistance against the wave of so-called “McCarthyism” during the late 1940s and early 1950s.

In general, the principal, more durable importance of socialist movements in modern European history, has been that, together with other movements, they have shared a tendency to promote that principle of the general welfare which was established as a policy of modern governments with Louis XI’s France and Henry VII’s England, as also by the 1648 Treaty of Westphalia. This is an aspect of the socialist movements contrary to the Hobbesian, “class conflict” doctrine of history, which Marx shares with Henry A. Kissinger,<sup>11</sup> that in opposition to the principle of the general welfare as affirmed in the 1648 Treaty of Westphalia. Inevitably, the defense of the principle of the general welfare was usually centered on the rights of the laborer and his or her family. When forces behind governments tended toward repressive practices against that relevant section of the population, the conditions for the role of labor and related social-political movements existed as a needed part of the instruments for defense of the universal natural-law principle of the general welfare on which all civilized forms of modern life depend.

To a certain degree, the resistance against the 1964-1972 U.S. Indo-China war drew more upon the sons and daughters of former socialists than on any nominally Marxist political party organization. This was lawful. Unfortunately, by the early 1960s, the Congress for Cultural Freedom had done its evil work on the minds of the Baby-Boomer generation, in the U.S.A. as in western Europe and beyond. Despite the degeneracy of the former left-wing groups during that time, the resistance against a foolish war illustrated a principle. History will tend to seize processes available to it, to deal with a threat to a decent order of things, and it has often selected movements more because they are available, than because they are actually qualified for service to the mission into which they are drawn.

It was because of the sometimes important part which those movements played in late Nineteenth- and Twentieth-Century history in various parts of the world, that it was necessary for governments and others to recognize the sometimes important part these movements contributed, without oneself being drawn into the regrettable accumulation of anti-scientific ideological baggage which the sundry parts of those movements carried with them. In the end, the useful, sometimes heroic mission those movements had performed, passed, and only the decaying ideological baggage remained. Their tired bodies sagged along the line of march, but the eyes of the hoarsely chanting marchers were empty; the spark was gone.

So, Marxism may be dead, on that account today, because there is probably no foreseeable constructive role for it to play in the present world crisis, unless China, perhaps, were inclined to bring it back to serve what China might perceive to be its interests. The crucial failure of Marx’s economics, and his method otherwise, is that he was a thorough reductionist in method, for whom, as for Frederick Engels, as for the Thomas Huxley with whom Engels shared much in common, actual human individual creativity did not exist. Today, the dwindling number of unrepentant Marxists taken into account, Marx as an economist has become chiefly a subject of special interest for certain appropriate specialists in a period of history which is now dead and most unlikely to be reborn. Some have argued wrongly, since the 1970s, that I killed it; actually, I simply reported, accurately, on its killing of itself.

**The Roots of the Present World Conflict**

With those qualifications stipulated, it can be said, that only the conflict between the American System of political-economy and the neo-Venetian, Anglo-Dutch Liberal system, has any major, continuing historical significance, world wide, at this time of world crisis.

### **The Roots of the Present World Conflict**

One must have knowledge of the other systems than these two adversaries; but, without systematic comprehension of the American System of political-economy, as derived chiefly from the influence of the work of Gottfried Leibniz on the shaping of the thought of leading intellectual circles among the founders of the U.S. Republic, including Benjamin Franklin, Alexander Hamilton, and President Franklin Roosevelt’s ancestor Isaac Roosevelt, one lacks the grounding needed to present an efficient account of the systemic ontological distinctions of the American from the British systems of pricing. As long as one clings to acceptance of the ontological implications of the neo-Venetian, Anglo-Dutch Liberal system of monetarism, whether from either an anti-Marxian, or a pro-Marxian standpoint, or who knows what else, one’s useful contributions to the crucial issues at hand has much less than zero value for humanity in any part of this planet today.

To understand the functional characteristics of the history and present internal crisis of modern European civilization, with aid of a relatively minimal and yet accurate description of the foundations of the crisis which we must face and master today, it is more or less indispensable to summarize the relevant history and its likely present outcome by overlaying two contrasting ways of viewing that interval of time as a whole. On the one side, it is necessary to describe the broad outlines of the leading developments since the rise of ancient Classical

11. Henry A. Kissinger, May 1982, London Chatham House address.

Greece through to the February 1763 Treaty of Paris and its aftermath. On the other side, we must define clearly the functional characteristics of the intertwined but opposing currents of culture whose interaction underlies, and has determined the chronicled history which appears on the surface of the history textbooks and kindred descriptive references.

This twofold approach should be recognized as an echo of modern mathematical physics' developed understanding of the deeper meaning of the so-called "complex domain" of mathematical physics. There are the effects which appear on the surface, as sense-perceptions; but, there are also the deeper underlying, experimentally knowable forces, such as universal physical principles, which are not directly seen on the surface of perceived events, but which underlie, and determine what is actually occurring, to produce what we might witness on the surface of the chronicled unfolding of events.

So, first, to the relevant chronicle.

I now sum up, briefly, the presently most essential aspects of historical matters which I have addressed at significant length in earlier publications. I proceed on that account as follows.

Within an interval concentrated approximately 1000-1400 A.D., from the death of the German Emperor Otto II through to a time as late as the 1485 defeat and death of England's Richard III, Europe was dominated by the flow and ebb of a feudal form of imperial rule known as the *ultramontane* system, a Europe dominated by an alliance of Venice's financier-oligarchy with the Norman chivalry. That system fell into a great breakdown crisis known as the mid-Fourteenth-Century "New Dark Age," or "Little Dark Age," but with some relics of the medieval system lingering into the last quarter of the Fifteenth Century, as in Norman England under Richard III, and the monsters of the Spanish Inquisition under Torquemada.

This period, known as the post-Charlemagne, medieval period of Mediterranean and European history, was otherwise known as the period of the Crusades, from the Albigensian Crusade through the Inquisition's 1492 expulsion of the Jews from Spain. Thus, the beginning and ending of this interval are not neatly defined in simplistic, merely chronological terms, but are nonetheless clearly defined in functional terms. It will be helpful, in attempting to see the origins of modern European civilization, to view European history since the Pythagoreans, Thales, and Solon of Athens, with reference to the self-inflicted decline of Greece with the Peloponnesian War, but the persistence, nonetheless, of the Greek language and culture under the so-called Hellenistic system during a time preceding the Punic wars and rise of what became the Roman empire.

The rise of what became the two Roman Empires, of Rome and Constantinople, successively, turns into a decline with the emergence of the power of the ultramontane alliance of the Venetian financier-oligarchy and Norman chivalry as the foe of the legacy of Charlemagne and the German Emper-



*Paolo Sarpi (1552-1623), the influence of whose "Venetian Party" still dominates the world today, expressed as Anglo-Dutch Liberalism.*

ors through the accession of Otto III. Centuries later, the medieval Venetian system itself is set back by its self-inflicted plunge of Europe into the Fourteenth-Century New Dark Age, but with the resurgence of the Classical Greek legacy of Plato, during the Fifteenth-Century Florence-centered Golden Renaissance. It was that Renaissance which gave birth to the modern sovereign nation-state, and thus gave us the original birth of systems of political-economy which have been, more and more, the pivotal center of world culture and world politics since that time.

The importance of viewing the pre-Sixteenth-Century history of Europe in those terms, is that *this view is necessary in order to establish a clear idea of the functional characteristics of the internal conflict of modern European civilization since the Fall of Constantinople, and since the subsequent resurgence of power of Venice's financier oligarchy, and the new costuming of that Venetian oligarchical power in the form of what became known, through the impact of the influence of Paolo Sarpi, as the Eighteenth-Century "Venetian Party,"* a Venetian Party which dominates the world today in its expression as the financier-centered power of Anglo-Dutch Liberalism. This view is the indispensable premise for understanding the characteristic features of the internal history of chronicled modern European civilization since the Fifteenth-Century Renaissance, up through the present threat of a nominally Cheney/Blair-led plunge of global civilization into a new dark age akin to that of Europe's mid-Fourteenth Century.

Underneath, and behind the curtains of such chronicles, there is a dynamic unfolding of conflicting forces in development. What we encounter as operating from behind the curtains of the chronicled stage, is the determining role of the

interplay of those forces, which, on the one side—my side, and, hopefully, yours, too—fight for mankind’s progress, and, oppose the retrogressions currently demanded by Anglo-Dutch Liberalism’s financier-centered power.

The problem this presents, is the following. If we recognize that problem, we are enabled thus to understand why we must approach the challenge of modern world history in the way I do here.

We have no evidence which would permit us to claim that the existence of the human species, as functionally distinct in essential characteristics from such lower forms of life as the higher apes, did not exist on this planet as long ago as two millions years, or, perhaps, more. I have indicated some part of this problem of investigations in my treatment of the implications of the way in which the work of V.I. Vernadsky compels us to define the Noösphere. Yet, our systematic knowledge of many of the crucial internal features of a functional form of a continuity within human history, does not extend efficiently further back than about six or seven thousand years.

For times more distant than about 19,000 years ago, we are confronted by the conditions under periods of hundreds of thousands of years of massive glaciation in the Northern Hemisphere. Thus, generalizations about the nature of the human species, and the societies it forms, must be confined to experimental evidence which, by its nature, can be treated as showing us the universal characteristics of the human species as far back as human existence might extend.

For reasons toward which I have pointed in earlier publications, the best evidence we have is that pinpointed as the connection between the development of the kind of science associated with the Pythagoreans and Plato, and the origins of that scientific method traced, by conclusive experimental evidence, to the internal development of the culture of Egypt from a time long before the construction of the famous Great Pyramids.

We have important other corroboration of that view of a universal principle distinguishing the human species from animal life otherwise, such as that toward which India’s Bal Gangadhar Tilak pointed in locations including his *Orion and Arctic Home In The Vedas*. However, the case as variously set forth and otherwise implied by such sources as Tilak’s and related work, can be adequately adduced with the precision required for defining a universal principle from the interface between the indicated facets of ancient Egyptian and Classical Greek culture.<sup>12</sup> What we require for understanding modern

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12. The essentially, scientifically worthless claim is often repeated, that since Plato’s work does not provide a systematic view of the needed kind which is argued by some as being associated with the texts of Aristotle, that we must rely upon Aristotle for an understanding of Plato’s method. In fact, the reductionist method which pervades and underlies the principal features of the writings attributed to Aristotle are so wildly inconsistent with the experimentally provable method of Plato, that we must rely upon the evidence from what are the internally coherent, characteristic features of Plato’s known

history, and the nature of mankind as the unique species Vernadsky shows him to be, is a reassessment of the history of modern European civilization from the standpoint of the underlying, absolutely distinguishing ontological characteristics of the human species and its individual member.

When we attempt to define what may be justly called universal laws of human culture, we are obliged to limit ourselves to the same kind of approach taken in defining the internal history of physical science. We proceed as we are able to trace the provable knowledge of the discovery of universal principles from modern European times to the Egypt-based development of the physical science of Thales, the Pythagoreans, and Plato, and as the progress of modern physical science can be traced back to that interface between the Egyptian science of *Sphaerics* and the work of Thales, the Pythagoreans, and Plato.

Rather than tracing imputed ideas deductively, we must be able, as in the experimental physical science of Nicholas of Cusa’s *De Docta Ignorantia*, to provoke the experimentally provable re-experiencing of the relevant sequence of experimentally based discoveries of universal physical principles, just as Johannes Kepler, an avowed follower of Cusa, and of Plato earlier, made that original discovery of a modern science of astronomy upon which the entirety of the successful aspects of the development of modern European physical science continue to depend to the present day. It is the experimental demonstration of that process of discovery by the verifiably reconstructible action of a relevant series of necessary steps of discovery of universal principle, as by Fermat, Leibniz, Gauss, Dirichlet, and Riemann, after Kepler, that the existence of a coherently functioning body of modern science is demonstrably known to those succeeding generations which relive the experience of that process of discovery.<sup>13</sup>

It is to the degree that we can trace such a process of knowledge backwards, through actual societies, to a bench-

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work with a delicious disregard for those systemically anti-scientific features of Aristotelean works which may be identified, typically, by study of the implications of the outright, anti-scientific hoax perpetrated by the Roman neo-sophist Claudius Ptolemy.

13. The typical hoax created in the interest of the Cartesian ideology, as by Carl Gauss’s targets D’Alembert, Euler, and Lagrange, is typified, in its relatively simplest guise, as the fraudulent, as well as merely incompetent argument that, since we can define an ellipse in Cartesian terms, there is no physical principle, such as Kepler’s gravitation, to account for the elliptical orbit of Mars. It is the motion of the planet along the elliptical orbit which shows that the Cartesian conception of the elliptical orbit is either a simply stupid belief of a science-illiterate, or a fraudulent one. It is the existence of the ontologically infinitesimal principle of action which defines the principle of gravitation, contrary to the Eighteenth- and Nineteenth-Century reductionist hoaxsters such as Cauchy, Clausius, Kelvin, Helmholtz, et al., and hoaxsters such as university professors who teach the same hoax used by Euler, Lagrange, et al., still today. The same hoax was perpetrated by the Roman neo-sophist Claudius Ptolemy, as what has been exposed as a willfully fraudulent concoction in defense of Aristotle’s precedent for the doctrine of modern followers such as the Cartesians. It was the original reductionist’s hoax by Aristotle, which Kepler emphasized in his work on the elliptical orbit.

mark in earlier history, that that history can be described as known to us in the way we may speak of knowledge of universal principles which underlie experience in a universal way.

To define the factors which must be taken into account in dealing with the conflict which presently grips humanity's fate during the generations immediately ahead, let us turn, now, to address, summarily, that ontological issue as such.

## The Ontological Issue

Let us begin this part of the discussion with the following cautionary note, born of experience, on the subject of the sheer fakery which we must be prepared to cut through, to bring the discussion of these important matters into focus. Much that is said by those passing themselves off as experts in economics today, is sheer babble, concocted for the purpose of either changing the subject, or throwing up a smokescreen of fluff which is chiefly intended to conceal the ignorance, or, sometimes, the culpability of the speaker about the matter being discussed.

Typical of such babble as that, are the usual programs of oral classroom and textbook indoctrination in political-economy in today's universities and other relevant institutions, for programmed-learning instruction in currently modish forms of Laputan patter. In such precincts, the portrait of economics and its component transactions, is the childish mechanistic view aptly termed "Cartesian." The mathematical economics, and "information theory" of "ivory tower" magicians, as typified by Bertrand Russell's Norbert Wiener and John von Neumann, are the models for the smokescreen of sheer babbling about what is represented as "economics" among today's younger generations of followers of such currently surviving veterans of the Delphic profession as Professor Milton Friedman, Ayn Rand cultist Alan Greenspan, and the Siena Group's Robert Mundell.

As long as serious economists continue to waste their time and energy debating the weird incantations of such priestly Babylonian mystics as those senior babblers and their younger generations of heavily duped followers, the discussion of facts in the nominal form of data and what-not, resolves less than nothing, and is probably designed to produce exactly such an effect.

The folly which serious economists themselves often exhibit in reacting to fakers such as Friedman, Greenspan, and Mundell on the already fantastic presumption that these latter were competent professionals, is that, for the fakers, the real issue of the debate for those creatures, does not lie within the individual facts of the statistics variously reported or simply concocted for the occasion of the debate. The issue, for them, is what they attempt to present as the magical, other-worldly powers who, they insist, connect the facts they list. Thus, those Delphic fakers argue, that since we must accept the assertion that those phenomena presented as "facts," came into existence only as the fruit of the magical powers which these oracles insist must rule the universe, these hoaxsters

insist that the mere existence of the apparent consistency of the facts as such, whether real or merely alleged facts, proves the existence of those powers. In short, they acknowledge only what they have experienced, or what they only imagine that they might have experienced, "hypothetically." What they have thus experienced, or not, they interpret as they choose, a choice of "that's my opinion," for which actual proof of principle is neither provided, nor desired. Statistics, as a substitute for principle, will be sufficient for their hollow satisfaction.

As Jonathan Swift would have rightly pointed out, the Sophist's phenomenology of Friedman, Mundell, et al., was exactly the point of his ridicule in presenting his audiences then with the fable about the credulity of the Laputan dry-cracker-swallowers. The object of science must be to get the debate out of the clutches of today's popular, superstitious beliefs in the controlling, magical powers allegedly being wielded by those actually non-existing, therefore conveniently invisible creatures, such as Alan Greenspan's super-secret collection of Ayn Rand's, or perhaps Bernard Mandeville's agents: doubtlessly, creatures with luminous red eyes, green horns, and all of them, like Mandeville's private vices, or like pickpocket Adam Smith's "invisible hand," represent a nest of tangled worms, lurking, sniffing, snarling, and, above all else, stinking, under the floorboards of reality.

The issue is phenomenology. The issue is the matter of the actual, or merely apparent equivalence of a human sense-perception to some unsensed cause. The distinction is between footprints and feet, between the impression of a passing cause of the footprint, and the footprint itself. Are footprints real? Of course they are real experiences, but they are not the actual feet of the person who has long since passed the place where the footprint lies. The naive materialist insists that sense-perceptions are the only reality. Physical science shows that that belief is absurd. The true materialist, fickle fool that he is, likes the girl for her footprint, not herself, likes the passing sensation of the sexual encounter, not the person of his mate. Yet, mere belief put to one side, phenomena, at their best, are shadows of the impact of unseen principles upon our mental-sensory apparatus: no more, and often less.

European civilization, in particular, has known, since ancient Egypt's applied science known to the Classical Greeks as *Sphaerics*, that there exist what modern English usage terms physical *powers* of the type demonstrated, in most elementary ways, by the feasibility of constructing, geometrically, the doubling of the square or cube.<sup>14</sup> These powers were named, categorically, *dynamis* in Classical Greek. This notion appeared in modern European science as Leibniz's use of the conception of *dynamics*, which he introduced as a needed elimination of the fundamental incompetence of an attempted

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14. The more elementary point, is that, just so, lines are distinguished by powers from points, as surfaces from lines, and solids from surfaces. So gravitation is distinguished from a mere orbital pathway.

physical science based on Descartes' (and, Newton's) mere *mechanics*. Similarly, as I have already noted earlier here, Leibniz used the German term *Kraft* (Power) to denote the principle of dynamics in an applied science of physical economy, as distinct from the avoidance of that principle in the common German usage of the term *Leistung*. All competent modern physical science is premised upon this notion of *dynamics*, a notion which takes its origin from the practice of astronomy (actually *astrophysics*) which ancient Greeks such as Thales, the Pythagoreans, and Plato adopted from the ancient Egyptian science of *Sphaerics*.

The notion of universal physical principles as the unseen, but efficient cause of the experienced sense-effect, is derived from ancient astrophysics, rather than the relatively passive practice of mere astronomy. It is from an *astrophysical mental attitude* toward the phenomena of the observed universe, as in the *Sphaerics* which the Greeks adopted from the Egyptians, that we have obtained the notion of an *actively* existing *universality*, rather than running-down of Isaac Newton's dumb clock. It is those principles we adduce, experimentally, from study of the astrophysical universe, which supply us a proper physical (*dynamic*) meaning for use of the term *universal* as a designator of universal physical principles.

The empiricist substitutes a Delphic *explanation* for a *principle*.

For example, the Aristotelean rejected that notion of universal physical principles which was characteristic of the thinking of Thales, Heraclitus, the Pythagoreans, and Plato. That Aristotelean substituted the arbitrary assumption that the observed universe was fixed in such a way that we could only explain what we observe,<sup>15</sup> rather than attempt to adduce a willful principle of change as underlying observed phenomena of a relatively universal character, as Johannes Kepler succeeded in doing. Kepler's extensive attacks on Aristotle's reductionist method, respecting the issues underlying Kepler's own original founding of modern astrophysics and of physical science since Fermat and Leibniz, are typical of my argument here.

Kepler discovered an anomaly embedded universally in the measured normalization of the observed elliptical orbit of Mars. That normalization was itself a crucial part of the method by which the discovery of gravitation was made. Looking backward in history, from the standpoint of Riemann, and a Riemannian reflection in the work of V.I. Vernadsky, to the origins of modern European physical science in what the ancient Greek scientists took from the more ancient Egyptians, we have a very clear view of the general principles for understanding the usefulness, and also the in-

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15. As Philo of Alexandria pointed out, Aristotle had insisted that God made himself virtually dead by creating "a perfect universe"; God could no longer "interfere" in that universe, lest his attempts to do so would show that "the original creation" had not been perfected. Hence, Nietzsche's "God is dead!" Hence, implicitly, God's retort: "Nietzsche is dead!"

herent follies of faith in sense-perception by us today.

Henceforth, the rule for all future practice of a science of economics must be: *We impute no meaning to any concatenation of phenomena, unless we have demonstrated the validity of some universal physical principle of what Leibniz defined as dynamics. This must be chosen as that which can be demonstrated, experimentally, to be the efficient correlative underlying the array of phenomena we profess to correlate.*

A principle appears, normally, in the rigorous mathematical-physical treatment of evidence, in the shadow-form of what is termed a *singularity*, as an *infinitesimal* point, a physically efficient quality of break in a previously assumed continuity. That discontinuity represents, typically, the difference between a point and a line, the difference between a line and a surface, and the difference between a surface and a solid. It corresponds, functionally, to what Riemann presents, following the precedents of Gauss, as the hypergeometric generalization of Abelian functions: to an active domain of Riemann surfaces.

The point which corresponds ontologically to such a discontinuity, represents, therefore, a *power* in the Classical Greek sense of *dynamis*, and in Leibniz's definition of a catenary-cued domain of *a universal principle of physical least action*. All of this set of ideas of physical science, is distinct from ivory-tower, radically reductionist mathematics. This was the crucial point of Carl Gauss's 1799 attack on the folly of D'Alembert, Euler, Lagrange, et al.; it is the crucial point, respecting the ontological nature of the complex domain, on which all competent Nineteenth-Century and later mathematical-physical science was premised.

Now, therefore, focus on the following set of facts, which, taken together, have crucially decisive bearing on the issue posed by phenomenology. These are the person, and the distinction and connections among what V.I. Vernadsky defines as the abiotic phase-space domain, the Biosphere, and the Noösphere. All of these are as I have described the relevant situation in "Vernadsky and Dirichlet's Principle."

Any experimentally validated universal physical principle, corresponds to a set of individual existences which that principle orders. That principle is "not a member of the set" of those phenomena, or those subordinate universal physical principles, which it orders. Universal science as known today, has, therefore, four principal elements, in the following ascending order. At the lowest extreme, we have what is rigorously defined as a physical phase-space, known by such names as *the abiotic domain*. Immediately above that abiotic domain, and efficiently subsuming it, we have what V.I. Vernadsky defined as a clearly dynamic domain, *the Biosphere*. On the immediately higher level, subsuming the Biosphere, we have *the Noösphere*, as I have presented a summation of Vernadsky's definition in earlier locations. Above that, in turn, we have the category of man, which subsumes the Noösphere, by virtue of the human individual's creative powers. These powers express a quality of efficient cognitive sov-

ereignty, *powers* superior to all other living processes, a *power* which reflects *the superior agency of the willful personality of the Creator*.

(“Yes, Mabel, considering what you have been up to lately, you should, definitely, tremble: at the least, a little bit.”)

Each of these four domains, so ordered, is subsumed by what corresponds to a universal physical principle of the type which sets off what experimental method defines as a phase-space. For example, all processes which behave in ways which conform to the notion of a non-living process, constitute a phase-space. This phase-space is defined by a general experimental principle, which is not part of the phase-space, but which subsumes it functionally. The same is true for living processes as an experimental category. So, similarly, for human society; so, for the individual person; so, it is completed, with reaching the Creator.

None of these principles defining (i.e., subsuming) a phase-space, is a member of the “set” of the existences defined by that phase-space. The following examples, which I have stated in sundry other locations, and elsewhere here, are of crucial importance for the subject of this present report.

Take the case of living processes. “Life” is not a member of this collection of living creatures; it is the universal principle which subsumes, and thus distinguishes each member of the collection.

For example, as Vernadsky emphasizes in the 1935 location which I treated, somewhat extensively, in my “Vernadsky and Dirichlet’s Principle,” living processes appear as a flow of selection of materials from the environment, which are ingested, chemically processed within the living organism, and excreted in a form which is definable as experimentally unique, to yield what we recognize as the non-living fossil matter of the Biosphere. Similarly, the human individual’s cognitive processes treat their environment, selectively in a comparable way, yielding the fossil accumulations of the Noösphere. It is the presence of life, or cognition, which generates these types of fossils, and yet neither life, nor cognition exists in experimental physical science apart from the relevant quality of living, or living and cognitive beings. So, our planet Earth, which is not a mere fixed object, but exists only as an ongoing process of development, is developed in forms determined by the life and cognition which inhabit it, producing an effect which becomes the new environment on which the continuation of that process depends. Such is the appropriate, elementary typification of the distinction of a dynamic process from a merely mechanical process.

In that setting, life and cognition are efficient principles of action which are not contained within the dynamic processes they shape, but are nonetheless dependent for their continued efficient action upon that environment of which they are not a physical-chemical part.

This configuration, so described summarily, is made clearer when we focus on the one experimental subject-matter which is accessible to the power of individual creative reason:

creative reason itself. I shall treat that subject within the following chapter of this report, under the sub-topical heading of “Insight or Creativity”; but, this much may be said appropriately at this juncture.

The act of creative reason, is typified by the individual mind’s original discovery of an hypothesis which is susceptible of a relevant, unique form of crucial experiment, as Riemann defines a unique experiment in his 1854 habilitation dissertation. Although this act of the individual mind is a perfectly sovereign act of that individual mind, that action can be validated by the combination represented by the replication of the experience of original discovery within the sovereign confines of other individual minds, and the sharing of experimental validation of the discovered principle.

Therefore, individuals who have developed such creative powers, despite the tendency of present, reductionist forms of culture to prevent this quality of individual mental activity, are able to provoke the sharing of such unique experiences, and to share the experimental proofs of principle toward which their hypotheses impel their experimental efforts. This interaction among persons, and the effects subsumed by that interaction, are the primary expression of human existence as a dynamic process of development of itself, and of all of the processes of the planet and Solar system which it inhabits.

So, at the pinnacle of the hierarchy of the phase-spaces which I have described in this way, the process expressed by the sovereign creative powers of the individual human mind, we approach, without ever overtaking, a point of near perfection, the point at which an individual, sovereign intellect is able to know itself as such, by seeing itself reflected in both the resonant creative powers of other sovereign beings, individual creative persons, and sharing the demonstration of that increased power of mankind in and over the universe, which these discoveries make possible. This knowledge of self looks upward, toward not an abstract Creator as a reductionist’s simple object, but a Creator as a willful personality of purely creative power in and over the universe, a Creator with which the creative, if mortal, human individual has a species affinity with the same quality of nature as that Creator Himself.

This configuration which I have just sketched, in that way, is defined, pragmatically, today, by the principle associated with the name of Heraclitus, that nothing exists but the constancy of change: the expression of the essential superiority of the Platonic Johannes Kepler over the relatively (cognitively) brain-dead Aristotelean, Claudius Ptolemy. The universe is defined as subsumed by an ontological principle of universal change, which leads the process of discovery and efficient action, from relatively lower to successively higher powers in and over the universe, beginning at the lowest, the abiotic, and proceeding upward, through living and then cognitive processes, to man’s supremacy under the ultimately reigning, cognitive, eternal personality of the Creator. *This latter point which I have made here, is not religion, but scientific fact; at least, that is so for those who have come to an understanding*

of what this whole business is really all about. If that conception concurs with your choice of religious belief, let the scientist within you respond: "So be it."

To restate the crucial aspect of the point just made in the preceding paragraph: *change does not occur as man acting upon a pre-existing process, but as man interacting, dynamically, with a constantly ongoing process, which includes the always active role of man's creative powers themselves.* The will to act, is never a matter of whether or not man will act; man's inaction, when it appears, is always a form of action, just as much as what might be ordinarily classed wrongly, by fallacy of composition, as inaction. For example, entropy, non-action, is also action. "Get out of bed, you lazy bum; you are wasting precious time, and that is costing society more loss than it will tolerate from you! Enron swindlers added nothing good to society, but their wastrel ways cost humanity much suffering, and big losses to the economy as a whole." Reality is, after all, dynamic, never merely mechanical.

That said, now refer to my discussion of V.I. Vernadsky's summation of the case for a dynamic, rather than mechanical principle of biochemistry, in his 1935-1936 piece, as I commented on this in my "Vernadsky and Dirichlet's Principle." As I emphasized there, Vernadsky's 1935 argument identifies the method underlying his later, war-time presentation of the case for the Noösphere. This same principle, when elevated to the level of my positioning of man within the universe, in this present location, defines the context within which actual economies function.

The essential form of action is demonstrated best for classroom purposes, by examining the "history" of the Solar System from the successive vantage-points of the abiotic, the Biosphere, the Noösphere, and the role of the human individual creative powers as such.

## The American System Solution

At this point I make a most timely and crucially important general reference to U.S. Treasury Secretary Alexander Hamilton's 1791 Report to the U.S. Congress *On the Subject of Manufactures*. My mission in this connection is to point out the implicit roots of a system of "fair trade" pricing, which was, and is presently contrary in essential principle to "free trade" policies which is implicit in the way in which the motivation and the principal content of the U.S. Declaration of Independence and Federal Constitution were crafted. I shall continue to prepare the way for that now, and summarize the connections in the conclusion of this report.

Now, I shall preface that specific feature of the report, by summarizing the immediate historical context in which the presentation of that policy must be situated.

Unlike the constitutions of many other nations, our Constitution's principally defining features did not come into being as a collection of mere contracts or isolable precepts, but, rather, the details were intended to express, and to assist the realization of the intention of subsuming principles, princi-

ples which set our republic apart from, and superior in certain essential ways, to the constitutions which emerged, then or later, as putative rivals to our own, from other parts of the world.

Thus, the most distinguishing features of the two constitutional agreements, the 1776 Declaration of Independence and Federal Constitution, are clear statements of profound principles, principles clearly rooted in expression in the great struggles for freedom which our forebears traced from the intention of Solon of Athens, and as the finer reading of the implications of that intention were hewn into the shape we received them, through the fiery forge of struggles against the tyrannies of empires and other despots over the intervening millennia.

The emergence of the modern European nation-state from the accumulated horrors of the succession of two Roman empires, and the long feudal tyranny under an alliance of Venetian financier oligarchs and brutish Norman chivalry, had brought forth modern Europe in the middle of Europe's Fifteenth Century. Through work expressed by the great ecumenical Council of Florence, and the establishment of the first true nation-states, the commonwealth form of self-government of a people typified by Louis XI's France and Henry VII's England, it must have been seen, with great relief, that the great horrors of the preceding millennia had, for a moment, dropped away, as if in some divinely inspired great metamorphosis of society.

But, then, the nightmare returned, signalled, chiefly by a monster launched from the bowels of the Middle Ages: the expulsion of the Jews from Spain by the Grand Inquisitor Tomás de Torquemada. From that moment on, from the 1492 order for the persecution of the Jews, until the 1648 Treaty of Westphalia, the new modern Europe of great promise was almost drowned to extinction in its own blood, in religious wars in which man fought man, not as men, but as beasts to man. Amid this continuing nightmare, there was a rising movement within troubled Europe of those times, an impulse to establish, in the Americas, republics which would serve as a launching-point and model for the salvation of bloodied Europe itself.

With the settlements established by the Plymouth Brethren and under the leadership of the Winthrops and Mathers, the seeds of that intention were planted in, and, to a large degree flourished in the New England colony. Yet, during the interval 1688-1763, a new evil from Europe, this time chiefly from the financier oligarchy of the Dutch and British India Companies, assailed the political freedoms and welfare which had been established in the American colonies. Through the triumphant British East India Company's acquiring the trappings of state imperial power through the outcome of a Seven Years War, a war which that financier oligarchy had orchestrated on the continent of Europe, the freedoms and other achievements which had been won by the American colonies were now put in grave and increasing jeopardy, by the increasingly aggressive, rapacious tyranny of the new imperial power

centered in London.

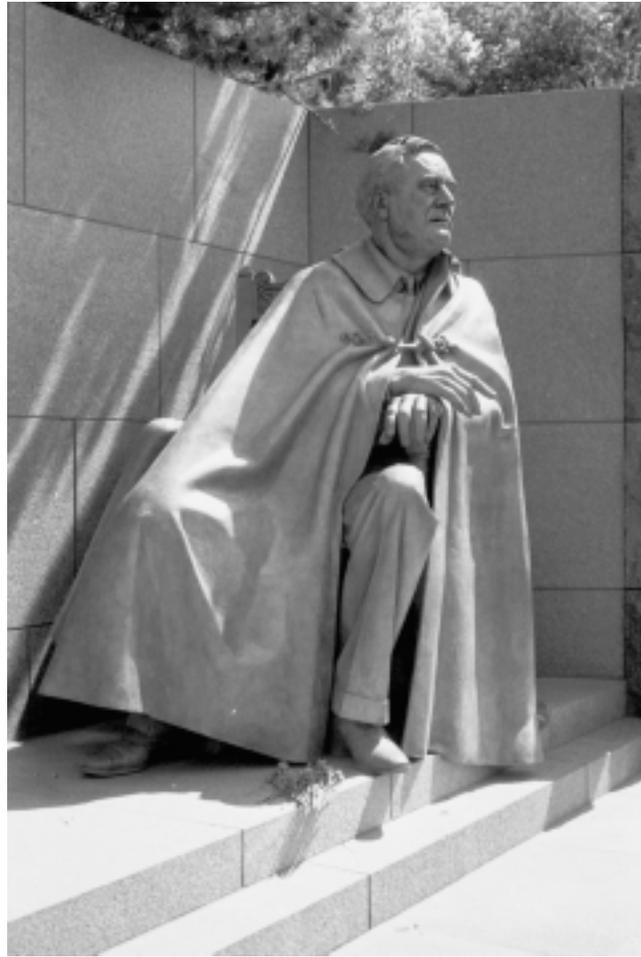
In this circumstance, from 1763 onward, our predecessors were obliged to organized their resistance here, to seek allies for the common cause of a system of commonwealths in Europe and the Americas, and, finally, for that sake, to place all we had in jeopardy by our July 4, 1776 Declaration of Independence. Fools today babble on the subject of our Declaration of Independence and Federal Constitution, as if these wonderful compacts were such cheap articles of greedy commerce, as mere common-law contracts. Such foolish people represent, today, a farcical attempt at government by a band of greedy opportunists who lack the most essential attribute of durable government, majesty. We are presently in great danger of destruction, chiefly self-destruction wrought by our lusty greed, our pettiness, our utter lack of majesty.

When we had thus, at great risk, won our freedom, and adopted our new Federal Constitution, we had also won a great battle for all mankind; but, we were, once again, immediately denied the fruit of that great victory for not only ourselves, but for all mankind, by what became known as that French Revolution, which was organized by our enemies in Lord Shelburne's London, a revolution with its treachery, its Terror, and its Bonaparte. Little more than a quarter-century after the adoption of our Federal Constitution, the combined nations of Europe, including many which had been recently our dear friends and allies, were divided between two monstrous alliances which ruled over them, the British monarchy, and its rival under the unspeakable Prince Metternich, the so-called Holy Alliance.

Not until we defeated both the Civil War and that rape of Mexico, both of which had been organized by London's Lord Palmerston, and in the footsteps of President Abraham Lincoln and that great tradition of our republic's founding which he so ably represented, did we emerge, as the great power we have been ever since. We were one nation, as according to John Quincy Adams' design, from ocean to ocean, and from our northern to southern continental borders. This was the nation which became, under the leadership of President Franklin Roosevelt, in the course of the defeat of Adolf Hitler's tyranny, the greatest economic power the world had ever seen or imagined until that time.

But then, with the death of Franklin Roosevelt, we began to ruin it all again.

We were not an empire; it is not in our nature to sustain the attempt to become one; but, nonetheless, we are not just another republic. We are something very special. We had emerged as the first modern constitutional republic of the world. While Franklin Roosevelt still lived, and even for some troubled years later, the U.S.A. was the beacon of freedom for the immediate liberation of the world from colonial rule and similar oppression, for the building up of a system of sovereign nation-states which would rule the world in a concert of free peoples rising toward the prosperity we had achieved, and that by our assistance and our dedication.



EIRNS/Stuart Lewis

*Under President Franklin D. Roosevelt's leadership, the United States became the greatest economic power the world had ever seen or imagined until that time. "But then, with the death of Franklin Roosevelt, we began to ruin it all again."*

That intention was not just a new idea which came with President Franklin Roosevelt. It was already there with President Abraham Lincoln, and with the circles of Benjamin Franklin, and the Winthrops and Mathers of Massachusetts earlier. Our resolution, as Cotton Mather said it, and Benjamin Franklin, too: Our purpose in our existence as a people, was to do good for mankind. We have done much good in our time, and that often much better than other nations on this account.

These things I have just said are each and all true. No honest man or woman, unless he were ignorant of the essentials of our history, could deny this. Unfortunately, many of us have lost sight of our heritage, and of that dedication to the well-being of all mankind, to the common good, to hope of the future of mankind, and for the justification of those who have lingered long in the oppressions which we have failed to defeat until now.

We were not only a republic designed to do good. We

knew our enemy. The enemy was, and remains today, that far-flung financier oligarchy whose predecessors had ruled and raped Europe, and unleashed the great wave of African slavery from Europe over a period from the rise of the Spanish Habsburgs through to the belated reunification of the slave trade by the monarchy of Spain, late during the Nineteenth Century. These and other evils, spawned during centuries preceding the great ecumenical Council of Florence, and resurgent evils which came to represent a renewed tyranny in such forms as the vast and prolonged religious warfare, 1491-1648. These forces of evil have subjected this planet to a more or less global warfare, which was repeatedly unleashed by the financier oligarchy up to the present moment we stand or sit, in global jeopardy, because of that familiar old tyrant, our financier oligarchical enemy, today.

The time has come now, when the great reckoning all this implies, can be no longer postponed. There can be no peace on this planet, until the increasingly tumultuous uproar among the peoples of this planet, is quelled by the delivery of that long-postponed justice which our republic was created to inspire on behalf of the peoples of the world.

Therefore, when we consider instruments such as our Declaration of Independence and Federal Constitution, or the work of our first Treasury Secretary, Alexander Hamilton, on the subject of the implementation of the economic policies embodied in our coming into existence, we must absorb the

full sense of the millennia of history which came together in the great decision around which the formation of our Federal Republic occurred.

This leaves no room, for cheap, petty, and essentially larcenous opinion, on the subject of economics, which I have justly ridiculed here.

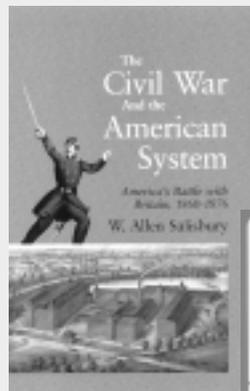
The crucial issue, which has so often separated our republic from the nations of Europe, is the fact of our Federal Constitution, that the highest authority over currency, banking, and credit in the U.S. States of America, is the constitutional authority of our republic. Unlike the common practice of a modern Europe which has become largely habituated to that yoke of slavery known as so-called "independent central banking systems," we are, when we enforce our Constitution, sovereign in all matters in our land. Other nations, in this or that part of their creeds, their constitutions, and otherwise, have affirmed the desire to promote the common good, the general welfare of mankind. Our Constitution, with our Declaration of Independence's affirmation of the anti-Locke principle, which Leibniz had named *the pursuit of happiness*, and our subordination of the body of our Federal Constitution to the same principle, expressed as a principle of submission of all our law and government to *promote the general welfare*, is the only efficient instrument by which the principle of the general welfare is made supreme over all that party and interest which might subvert it.

## KNOW YOUR HISTORY!

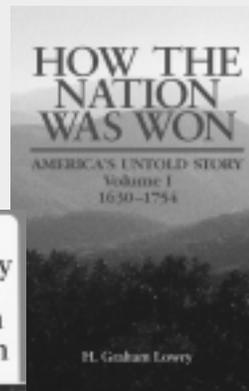
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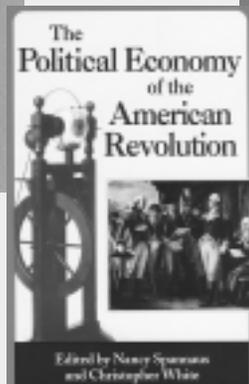
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That point of distinction is crucial for understanding the deep roots of our constitutional, patriotic passions. We make no grasping demands on Europe, on this account; we prefer to insist that they adopt the same rights in this matter which we, when we are thinking as patriots, demand for ourselves.

## The Crux of the Policy

What Treasury Secretary Hamilton wrote, *On the Subject of Manufactures*, was not, and is not, either the promotion, or the toleration of policies of so-called “free trade.” “Free trade” was the policy of our chief external enemy, the British East India Company and its agents among us. “Free trade” and slavery, which were imposed upon us from abroad by, chiefly the drug-trafficking British monarchy and its agents of the Nineteenth-Century slave-trading Spanish monarchy, were the means by which we were nearly destroyed by a great Civil War and related means. It was the defeat of the “free trade” policy, under the leadership of President Lincoln, and the guidance of the world’s greatest economist of that time, Henry C. Carey, that we became ourselves once again, with the defeat of Palmerston’s puppet, the Confederacy, and of Palmerston’s puppet, France’s Napoleon III and his Habsburg creature Maximilian.

As we should recognize today, the death of the Confederacy, and the defeat of Palmerston’s other puppets, Napoleon III and Maximilian, and of Britain’s slave-trading asset, the Spanish monarchy, had two leading consequences over the following generation. First of all, once we were freed of the two greatest evils which, among other things, were destroying our economic potential, free trade and slavery, we became recognized, by the time of our 1876 Centennial celebration, as the world’s leading “model” of modern economy. Under the direct influence of Henry C. Carey, the American System inspired Bismarck’s Germany, Japan, a France freed from the curse of Palmerston’s puppet Napoleon III, Czar Alexander II’s Russia, and many others, including states of the Americas, to adopt the American System of political-economy as a model of reference.

The British monarchy under dotty Queen Victoria was panicked by these developments. The spread of the “American model” on the continent of Asia, into Japan, and among the states of the Americas, was recognized by the British monarchy led by the Prince of Wales, as the great strategic, long-term threat to the London financial center’s rule over the world through its “free trade”-based, imperial system of monetary-financial power. The British Empire led by Edward VII took a leaf from the advantages the Anglo-Dutch Liberal imperialists had gained by their earlier organizing of the Seven Years War and the Napoleonic Wars, to launch what became known as the First World War, and, then, create the conditions under which Adolf Hitler launched a Second. Edward VII did not live to see the First World War, but he organized it, chiefly by putting his two foolish nephews, the German Kaiser and Russian Czar, and also a wretched Habs-

burg, against one another’s throats. Europe has never fully recovered from the combination of those wars of the Twentieth Century and the threat of a third, to the present day.<sup>16</sup>

After the role of President Franklin Roosevelt, the London-centered financier interest recognized the Roosevelt legacy as the enemy to be destroyed. Once the Soviet system collapsed, chiefly of the folly of its Communist Party leadership, Prime Minister Margaret Thatcher’s London and its French President Mitterrand acted, to lead in the process of destroying the long-range economic potential of the combined regions of continental Europe. The combination of the campaign to rip the American tradition out of, chiefly, the U.S.A. and Europe, through the subversive role of the Congress for Cultural Freedom, and the wrecking of the economic potential of continental Europe which had erupted in 1989, has brought the world to the breaking-point, to a present condition which now successfully threatens the continuation of civilization itself throughout this planet.

The onrushing existential form of combined economic, monetary-financial, and cultural crisis which now threatens both the U.S.A. and the world at large, presents us today with what is fairly described as our “last chance” to prevent a slide of the planet as a whole into a generations-long “new dark age,” which would be comparable to, but probably worse in effects than what Venetian “free trade” policies, which were akin to our own today, brought as a plunge into a horrid, pro-genocidal New Dark Age upon mid-Fourteenth-Century medieval Europe.

Today, because the same legacy which rescued us under the leadership of President Franklin Roosevelt exists still, embedded in our constitutional institutions and history otherwise, we are the one nation on this planet which could, if it wished, once again lead the world to a long period of relative economic recovery and safety. The single most obvious of the factors which now thrust that responsibility of leadership upon us, is that we are the power which represents the embedded nature of a republic which, by history and composition and history of our constitution, is the leading agency to free the world from the cancerous grip which so-called “independent central banking systems” exert over the governments of Europe, and through the institutions of international monetary agencies which have become the instruments of the same essential policy which led the world into the two World Wars

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16. France, the partner of the evil Edward VII in the formation of the *Entente Cordiale*, was not an innocent in this matter. The death of President Carnot, the hoax against Dreyfuss, and the fall from power of Hanotaux, unleashed the worst of France’s combined Legitimist, Bonapartist, and Jacobin traditions as Edward VII’s indispensable accomplice, just as the same France-centered Synarchist forces created the fascist movements of 1922-1945 continental Europe, and into the post-war period beyond—up to the present day. But, it was the folly of what the “Three-Kaiser Bund,” the Emperors of post-Bismarck Germany, Russia, and Austro-Hungary had become, which made possible the continental carnage of two World Wars of the just recently concluded century.



EIRNS/Stuart Lewis

Alexander Hamilton's "Report on the Subject of Manufactures" provides an image of the emergence of the U.S.A. as a great continental republic, "arising from the untamed fields and forests of the continent, to build the infrastructure of its rise to a great agricultural and industrial power."

and economic depression of the last century.

It is from that historical vantage-point provided by the experience of those centuries, that patriots of the U.S. today must study and understand Treasury Secretary Alexander Hamilton's report to the U.S. Congress *On the Subject of Manufactures*. We have the chance now to save both our republic and civilization from a Hell worse than anything our citizens are likely to recall, if we recognize now who and what we as a nation are, and what our proper role and policy must be.

Hamilton's referenced report can be most usefully described for today, as an image of the emergence of the U.S.A. as a great continental republic, arising from the untamed fields and forests of the continent, to build the infrastructure of its rise to a great agricultural and industrial power.

The image which Secretary Hamilton presents in that location, in particular, is what must seem to the spectator, at first glance, as a kaleidoscopic, and literally *dynamic* process of transformation of the nation, upwards, in economic power, as by a process of balanced interplay among the development of four great elements of our population's economic activity:

basic economic public infrastructure, private agriculture, private manufactures, and the fourth, which Hamilton identifies in the fashion of the times as "artificial labor." The emphasis is placed, on all four counts, on the development of the creative powers of the individual, especially the individual entrepreneur of a closely held enterprise, not the large financial corporate power of today.

That image, is not an image of a former society now outmoded by recent emergence of financial-corporate power. Directly the opposite. For the alert mind of today, Hamilton's image of the principles of economic development, and law, for that time, are more decently modern, far saner, and far more appropriate instruments of our present vital interests, than anything seen in the prevalent long-ranging trends in structural changes during the recent hundred years.

I have steered my associates into relevant kinds of changes in administrative technologies, to replacing the silly and misleading, popular statistical reporting methods of the recent century, by a system of computerized "animations" which show the way in which crucial singularities of change have emerged, county by county, across our national territory, over the course of the recent century. The point of this is that what we must measure, is the performance of trends of policy-shaping behavior, county by county, over successive generations, for our national territory as a whole. It is through such animations that the identity of the culprits in policy-shaping which have ruined us are prompted, to speak, to stand up and dance for us, so that we are better able to recognize what must be encouraged and what must be replaced in our way of thinking about making policy. "What did we do wrong, to get ourselves into this mess we are in?"

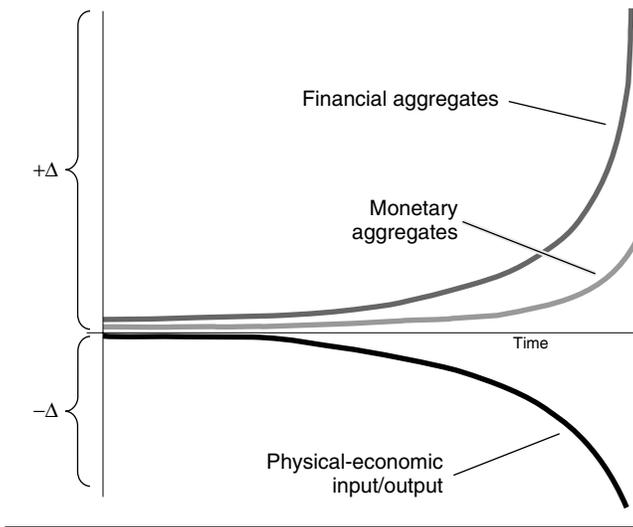
It happens that digital computers are, admittedly, on principle, intrinsically unsuited instruments for the kinds of mathematical-physical analysis which the relevant use of such animations implies. However, by the use of appropriately understood tricks taken from the Gauss-Riemann design of hypergeometric functions, we are able to scale and correlate complexes of historical trends in such a way as to expose the singularities which reflect crucial-functional turning-points, in an upward or downward direction. The sheer mass and speed of the calculations possible with even computers of relative modest capacity and speed, now make such new, vastly improved methods of national product and income analysis feasible, despite the flaws otherwise inherent in digital-computing systems.

Read Hamilton's Report as a description of a dynamic process, akin to Vernadsky's description of the Biosphere or my summaries of what he defines as a Noösphere, rather than the usual, silly, Cartesian sort of financial-monetary statistical report. Look at the work of Hamilton then, in the setting of the challenge which faces the U.S.A. and the world, immediately, today.

Use the methods of animations which are being employed, increasingly, by *Executive Intelligence Review's* services to our citizens generally, and to our national institu-

FIGURE 1

**LaRouche's Typical Collapse Function**



*For really hard-core stock-market fans, prices are looking up!*

tions. Use these new techniques to examine our economy with a degree of refinement not possible in Hamilton’s time. These can be powerful tools of administration, in addition to being exceptionally efficient methods and tools of education; and, they should be used accordingly. The crisis immediately before us all, is the proper occasion to apply these techniques in the area we are addressing here.

The importance of these tools will be made clearer in the conclusion of this report.

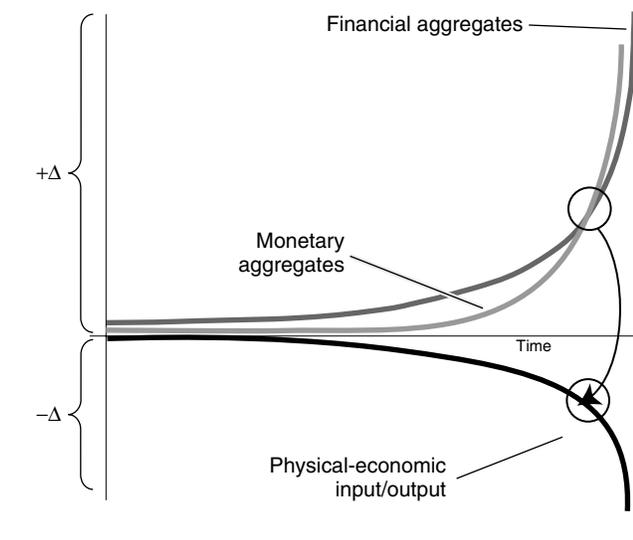
**Beating the Big Bust**

The next Great Depression to follow that of Herbert Hoover’s 1929, actually came during the Second Reagan Administration, as the great New York stock-market “crash” of October 1987. That was more than fifteen years ago, under the Federal Reserve Chairmanship of then-outgoing Chairman Paul Volcker. I know. I had repeatedly forecast that crash, as almost inevitable, for early October, since as early as the preceding Spring of that year. I forecast that widely, and with the customary precision and success which I have frequently enjoyed in such matters during approximately the recent half-century. The continuing effects of that crash are to be seen today in the collapse of industries, farms, infrastructure, and the collapsing family-income brackets of the lower eighty percentile of our household incomes. Yet, until recently, at least, our nation’s legendary popular opinion has insisted, that “the market is looking up.” The same might be said by a drunk, diving gleefully down an elevator shaft; from his perspective, it seems that he, too, is soaring, giddily, upward.

Beginning late 1995, I made, in succession, two graphic forecasts. The one, first issued for a special occasion, in Rome, in late 1995 was widely presented in 1996 under the title of a

FIGURE 2

**The Collapse Reaches a Critical Point Of Instability**



“Triple Curve,” which compared downward physical trends in net output produced with soaring rates of monetary emission, and still more rapid rates of growth of financial aggregates. Late, during 1999-2000, I issued a second version of the “Triple Curve,” this time showing the rate of growth of accumulated monetary liabilities as implicitly soaring beyond the reach of the increase of financial aggregates<sup>17</sup>. This latter condition has prevailed, world-wide, since a changeover which occurred somewhere between approximately Spring 2000 and mid-2001 (Figures 1-2).

Study the charts. Is it not true, that the curves for finance and monetary aggregate, are soaring upward at an accelerating rate? That is what your insane neighbor is referring to when he asserts, with a gloating look in his eye, “See, the market is going up!” *Icarus, where are you?!*

The special feature of this entire period, from the aftermath of October 1987 to the present day, has been the role, under the regime of Volcker’s successor, Federal Reserve Chairman Alan Greenspan, of so-called “financial derivatives”—otherwise known as gamblers’ side-bets, such as “hedge funds”—all this, as a source for a hyperinflationary mushrooming of what are only nominal profits as a leveraged margin of illusory gains in financial markets; *this is the greatest bubble of fools’ delusion in all modern history!*

*Reality is now poised to strike! Soon, and with awesome force!* The postponing of the day of reckoning by such hyperinflationary tricks, over the 1987-2005 interval to date, has

17. I.e., the debt created to generate the financial gain, exceeded the volume of the financial gains so prompted. That has been the persistent overall trend, under Federal Reserve Chairman Alan Greenspan and the George W. Bush Administration since then, to the present time.

fostered both potentially fatal structural changes in the world's economy, and a vast, hyperinflationary debt-bubble of relatively far worse potential than Germany's 1923 hyperinflation. The situation now exists, that unless certain deep-going, sudden reforms are made very soon, we shall be gripped, not by a depression, but a general monetary-financial break-down crisis of the world's present economic system. *This explosion would make Germany's famous 1923 hyperinflation seem, from a global standpoint, like a local fire in a hick town, by comparison!* The presently "super-hydrogen-bomb-like" potential of the hyperinflated British and U.S. mortgage-based securities bubble is only the most conspicuously typical threat immediately before the world as a whole.

This threat can be brought under control, and cured. However, unless the needed cure is introduced, soon, the greatest breakdown-crisis in the history of today's globally extended European civilization is threatened for some time during the very near future. Only a small fraction of the present world's population-level would survive such a crisis, were it not to be prevented by the kinds of actions which I continue to propose, still now. Those measures which I outline would work, but only if actually adopted. The practical question is, who has the brains and guts to do what I propose? That is the crux of the issue confronting all governments, especially the present government of the U.S.A.

If that occurs, do not ask "Where can I put my money?" No such place will exist.

The first step toward controlling and overcoming the onrushing crisis is to take a deep breath, and repeat, slowly, calmly, and thoughtfully, "It is only money, after all." The constitutional government of the U.S.A., is the only system of constitutional government in the world today, which has the history, and the constitutional characteristics by aid of which it could lead the rest of the world out of this presently onrushing trap. It is not the U.S.A. which caused this crisis. It is the U.S.A.'s submission to Churchill's infectious, mass-murderous rage: the factor which, once President Roosevelt was dead, led the U.S.A. into submitting the mind-control exerted by the Anglo-Dutch Liberal forces centered around London, but spread among the neo-Venetian financier-oligarchy of the world, which led the U.S.A., like the world at large, into this presently onrushing catastrophe. Recognize the problem. See the face of the actual enemy; recognize his motive and his method; see how this crisis was created; and, then, the solution becomes evident.

On principle, as I shall now outline this case to you, the solution, under our constitutional system of government, is elementary. President Franklin Roosevelt would have understood.

The pivotal feature of the world's presently onrushing monetary-financial crisis, is the overhang of U.S. dollar-denominated debt. That debt-overhang is the crucial factor on which to focus attention if an escape from the onrushing general world monetary-financial collapse is to be achieved.

That said, now look at the crisis itself, the crash we could and must defeat, if we would commit ourselves, even at this late date, to do so.

## Now Comes the Credit System

Under present conditions and trends, a sudden collapse of the U.S. Dollar on the world market, which is now an increasingly likely event, would cause a very deep collapse of the value of the U.S. dollars held, or claimed by foreigners, including the national economies of foreign governments. At that point, without specific kinds of interventions, a chain-reaction implosion of world markets and credit would occur. Under present conditions, the overhang of financial derivatives especially, the collapse would be incalculable, but vast. At that juncture, only a sudden, credible intervention to establish an assured long-term value of the U.S. dollar would be a sufficient source of credibility for any other measures which might tend to staunch the flow.

The condition of the real-estate mortgage-based securities bubble in the relevant English-language nations, alone, illustrates the magnitude of this portion of the current speculative bubble's potential as a detonator of a global chain-reaction collapse of the world's present monetary-financial and trade systems.

Amid all other required emergency actions at that point, two monetary measures would be of outstanding importance.

First and foremost, the U.S. Federal Government must utter a solemn commitment to defend a current valuation of the U.S. dollar over a forward period of up to two generations (30-50 years).

1. This action must be backed by related long-term credit for domestic U.S. credit for large-scale, long-term investments in construction of long-term physical-capital improvements in U.S. domestic basic economic infrastructure and industry, more than sufficient to produce a long-term and vigorous expansion, funded by credit at very low interest-rates, of the U.S. physical economy in the categories of basic economic infrastructure, agriculture, manufacturing, and closely related high-technology physical output over a term in excess of a full generation (e.g., more than 25 years).

2. This must be complemented by kindred measures aided by long-term trade and credit-agreements among nations on a more or less global scale. Such agreements must be largely represented by the "bundling" of such agreements under the umbrella of long-term credit agreements based on protectionist measures governing investment and trade.

In addition, the following conditions are broadly required:

3. All such programs and agreements must be premised on "fair trade," rather than "free trade" pricing and related agreements.

4. It must be anticipated that the base-line for such agreements will be defined by long-term capital investments in basic economic infrastructure, covering investment cycles in the range of between one and two generations (25-50 years), at base-line interest-rates of between approximately 1-2% simple-interest rates.

5. It must be anticipated that the ratio of investment and employment in basic economic infrastructure throughout an appropriate version of the original Bretton Woods monetary system will be approximately 50%.

6. To ensure the fungibility of the credit so generated, it must be estimated that high rates of growth in physical productivity, per capita and per square kilometer, will be promoted through intensive emphasis on high rates of scientific-technological progress in capital investment, product design and development, and physical-scientific principles employed as standards for production and also general education.

These and other required measures will be feasible only on the condition that the existing central banking systems which are implicitly bankrupt under conditions of a collapse of existing markets, will be converted from central banking systems of nations into what are in effect national banking systems, as the use of that language is typified by the definitions of U.S. Treasury Secretary Alexander Hamilton and other U.S. exponents of "Hamiltonian" national banking. The nation-states can accomplish this indispensable measure by putting existing central banking systems under protection of sovereign governments, taking this action under the constitutional principle of promotion and defense of the general welfare specific to the modern sovereign nation-state, and adopted within the general law of all civilized forms of modern European and related nation-states. These national banking systems, functioning in tandem with the government, will take such needed actions of reforms in bankruptcy as are needed to maintain essential current economic functions, while adjusting other accounts over whatever period of time may be required to resolve and settle accounts.

The general principle which must guide this process, is that expanded present levels of employment and production of essential goods and services must be maintained and expanded to levels above breakeven levels of national economy, including the meeting of pension and related social welfare obligations. The general rule is: a commitment to expansion in scale and quality of production, essential services, and scientific-technological progress.

### **The Issue of Humanism**

In charting these waters for such emergency measures, we must bear in mind the common evils of both the modern multinational corporation and the scientific incompetence endured in certain socialist schemes. While these kinds of insti-

tutions were popularly regarded as direct opposites of one another, they were both represented on the same fundamental error of assumption respecting the nature of the human individual. These two rivals, which often professed themselves to be ideological opposites, were outrageously similar in the evil effects they tended to impose upon the societies they inhabited, or, in the language preferred by some of the critics of each: which they *infested*, much more than they invested.

Contrary to the self-importance claimed by the large-scale bureaucracies of the multinational corporation run by financier interest, and the worst abuses of socialist models with essential kinships to the financier-control multinational, the most efficient forms of private entrepreneurship have been the technologically progressive independent farmer and the relatively closely held "middle-sized" science-technology-drive entrepreneurship.

In significant part, the argument to be made and studied on this point, is aptly illustrated by the work of my associates in tracking the changes in quality within the U.S. economy as a whole, by tracing changes in key social and economic parameters, county by county, across both regions of the nation, and the nation as a whole, over a span of generations, especially the recent forty to fifty years: two generations. Three factors are of outstanding relevance as parameters considered in such studies which animate the relevant changes in the same manner often employed for lapsed-time photographic studies of plant and other growth: a.) Basic Economic Infrastructure; b.) Agriculture; c.) Manufacturing and related.

What should be seen as the rather common, and horrifying patterns to be recognized in the U.S.A. during the recent two generations, especially the 1971-2005 interval, is the virtual disintegration of the once vigorous physical-economic life of even multi-state regions, as also states and counties. Little things, like the virtual disappearance of varieties of crops, such as plain old-fashioned apples, through the trend toward the tyranny of the multinational, are included horrors, included instances of threats, in such cases, to our food security (**Figure 3**).

A related phenomenon is characteristic of the degeneration of high-technology-driven industry, in Europe as in the U.S., most notably, in Europe, since the influence of the Maastricht agreements imposed upon Germany by the hateful actions of Britain's Prime Minister Thatcher and France's

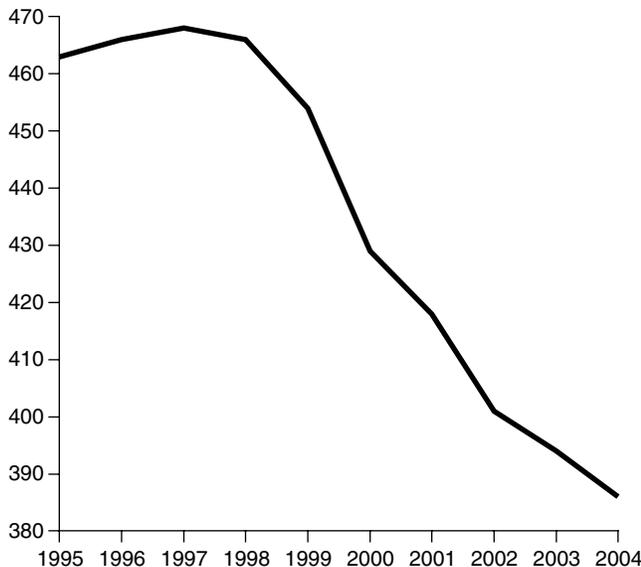
## **ANIMATIONS**

**on these and other topics are displayed**

**on our website:**

**[www.larouchepub.com/animations](http://www.larouchepub.com/animations)**

FIGURE 3  
**Decline in U.S. Apple Orchard Area, 1995-2004**  
(Thousands of Acres)



Source: U.S. Department of Agriculture.

President Mitterrand.

We have been, first of all, losing scientific progress and technology, because we have “weeded out” the small, science-technology entrepreneurships, of agriculture, industry, and technologically sensitive services, turning whole areas, such as the region of Michigan, western Pennsylvania, Ohio, and Indiana, into becoming wastelands where vigorous technological progress and the foundations of agro-industrial prosperity once reigned.

The impression left from studying a fresh batch of such animations, is that Satan is not a person, but a shareholders’ meeting of a multinational corporation, a meeting at which the souls of human beings are devoured, and the husks of the victims left, cast away, on the floor, whence a slime-mold-like Satan left to pursue his rapine in some newly infested market.

The moral and the economic purpose of a healthy form of modern economy are ultimately inseparable. It is the creativity expressed by the individual, and from within a cooperating group of individuals, which is the typical expression of being human. To be human, and to express that humanity in ways which benefit society in the small and large alike, is an essential moral purpose of society. However, to be human, is to express a quality of humanity, is to use the creative powers of a person, rather than the learning ability of an ape. It is upon precisely that expression of individual creativity as the principle of leadership in a local part of society, as the way in which the local part participates, as necessary to the whole society.

Without that mustered productive creativity in the local areas, the level of creativity of the nation as a whole declines, and, with that, the productivity of the nation is ultimately doomed as it is under President George W. Bush, Jr., among others too much like him, today.

This emphasis on the high-technology, closely held local small to medium-sized entrepreneurship, was never in contradiction with the mission of crafting the product of large enterprises. It was the small to medium-sized vendor, especially the technological-progress-driven vendor, who was the backbone of any large corporate venture’s ability to generate a quality product. A “fair price” system is coherent with that role of a progressive economy developed with local depth, as the kind of society in which a happier kind of people live.

We shall return to these matters at the close of this report. In the interim we have some other essential points to settle in the concluding pages to follow now.

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## 2. ‘Information Theory’ As Lunacy

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The evidence lying in the middle of the great conference table of the powerful, almost everywhere today, is, that the shift, which is associated with the rise of the “Baby Boomer” generation to increasing influence in society, from “industrial society” to a “services economy” and “outsourcing,” was, economically and otherwise, a blending of stupidity, cupidity, and sheer lunacy, a change assisted with helpful doses of marijuana, LSD, and sexual and kindred pleasures hitherto known only to other, non-existent universes. The change, that so-called “cultural paradigm-shift,” has been proven to have been an act of cultural suicide, potentially, for today’s global civilization as a whole.

The most typical symptom of this moral, intellectual, and cultural degeneration, which was brought about largely through the mixture of the influence of the Congress for Cultural Freedom, especially the effects on the generation born near the close of World War II: the symptoms born out of the horrors produced by the spectacle of a Churchillian lust for global “preventive” nuclear warfare. For the Churchillians, the industrial society of the obscene Fabian co-architect of World War I, H.G. Wells, was the society of his fictional “Morlocks.” The utopia sought by the circles of Aleister Crowley, H.G. Wells, Bertrand Russell, and other biological and intellectual spawn of the thoroughly evil Thomas Huxley, has been the thematic ideology of the generation which was mass-brainwashed by the mixture of fear of nuclear arsenals, and that left-wing version of Nazism known as the Congress for Cultural Freedom.

As I have just emphasized: for reasons already given up to this point, it would be absurd to act on the presumption that there is any different source of a margin of profit for society as a whole, than the benefits typified by investment of physical

effort in scientific and technological progress.<sup>18</sup> Admittedly, in the relatively shorter span of time, an *apparent* increase in the rate of profit, can be obtained from looting existing resources, or, a *temporary increase in the total profit* obtained by spreading the use of pre-existing levels of scientific and technological progress, into a role as improvements introduced in broader areas of human habitation and production.

However, in the longer term, as society tends to fill up the space available for expansion of successful use of existing levels of scientific and related culture, the continued taking of profit must tend to bring about a collapse of civilization, through marginal depletion of some important parts of the available resources on which society depends at that practiced level of scientific-technological culture. As such relative boundaries are approached, a process of marginal physical depletion of economy sets in, unless some relevant technological revolutions are brought into play.

This marginal depletion is expressed, chiefly, in two ways: simple exhaustion of remaining areas for expansion, and the factor of what is known as “technological attrition.” The first factor represents an obvious challenge to pre-“68er” varieties of ordinary “common sense.” The second will be addressed at a relevant, later point in this report.

In one sense, the influence of the work of radical positivists such as “information theorists” Norbert Wiener and John von Neumann, is merely an extension of a long process of intellectual degeneration within the bounds of a tradition of philosophically reductionist ideology, a degeneration which has carried matters today toward the conjecturable outer limits of mass-insanity. The spread of this intellectual degeneracy has had cumulatively disastrous effects on the global culture of the late Twentieth Century. It represents a qualitatively worse, more dehumanizing form of mass-insanity, than modern European civilization had experienced in a general way during earlier phases of modern European history.

Today, largely as a result of the decadence typified by the spread of that cult of “information society,” as that, in turn, has been typified by the work of Bertrand Russell clones Wiener and von Neumann, the systematic sheer destruction of formerly existing physical-economic potential, and the resulting decline in the net physical productivity, per capita and per square kilometer of, in particular, the economies of Europe

and the Americas, typifies a global trend of approximately forty years of cumulative decadence in the net physical productive powers of labor per capita, and per square kilometer. This has been a period during which the nominal, monetary “value added” output has been increasing at rates even more rapid than the rate of physical collapse of net output in the same nations. The conflict between those two, thus-interlocked trends of recent decades, is the most apparent factor of cause for the imminent general breakdown crisis of the present world monetary-financial system.

As I have pointed to that important development, above, my associates and I have been measuring these patterns of accelerating discrepancy between nominally rising, monetary net output, on the one side, and, on the other, simultaneous net physical collapse. These measurements show consistently, per capita and per square kilometer, county by county, in the U.S.A. itself, a degree of fraud in our generally accepted methods of measurement of national income and product data, a gross error of estimate which goes beyond simply fraud, into the domain of, literally, mass psychosis. This mass psychosis is most widely typified, as I have repeatedly warned, here as earlier, by the spread of the delusion that the U.S. economy is not in a collapse; rather, the undeniable collapse of our physical economy over the recent four decades is brushed aside, by the assertion, that the collapse of the economy can be set aside, since we have now progressed, away from a real economy, into a “services economy.”

Notably, the recent patterns of actual physical decline of net physical product, per capita and per square kilometer, do correlate with what have been, unfortunately, academically popular, “malthusian” predilections for ecological models of animal populations; but, they do not correspond to the record of correlated increase of population and per capita physical productivity of successful periods of human “ecologies.” The fact which stands out, when such contrasts between animal and human “ecologies” are made (**Table 1, Figures 4-6**) is that a net physical *and moral* decline in the cultures of the populations of Europe and the Americas has taken over during the recent term of approximately four decades. Specifically, the dominant trends of those four decades have been toward literally *bestialized* economies. That is to say, that the dominant culture of the Americas and Europe have been “weaned” away from recognizing the former distinctions made between the behavior of people and those of beasts.

Three of the most popular terms for describing this turn away from humanism, into this bestialization of the cultural trends of the Americas and Europe, have been “ecologism,” “globalization,” and “free trade.” The typical policy-shaper produced by the ideological rampage of the Congress for Cultural Freedom, such as those virtual “yahoos,” MIT’s Professors Noam Chomsky and Marvin Minsky, no longer recognizes an efficient, functional distinction in principle between people and beasts.

However, the most efficient choice of term for getting

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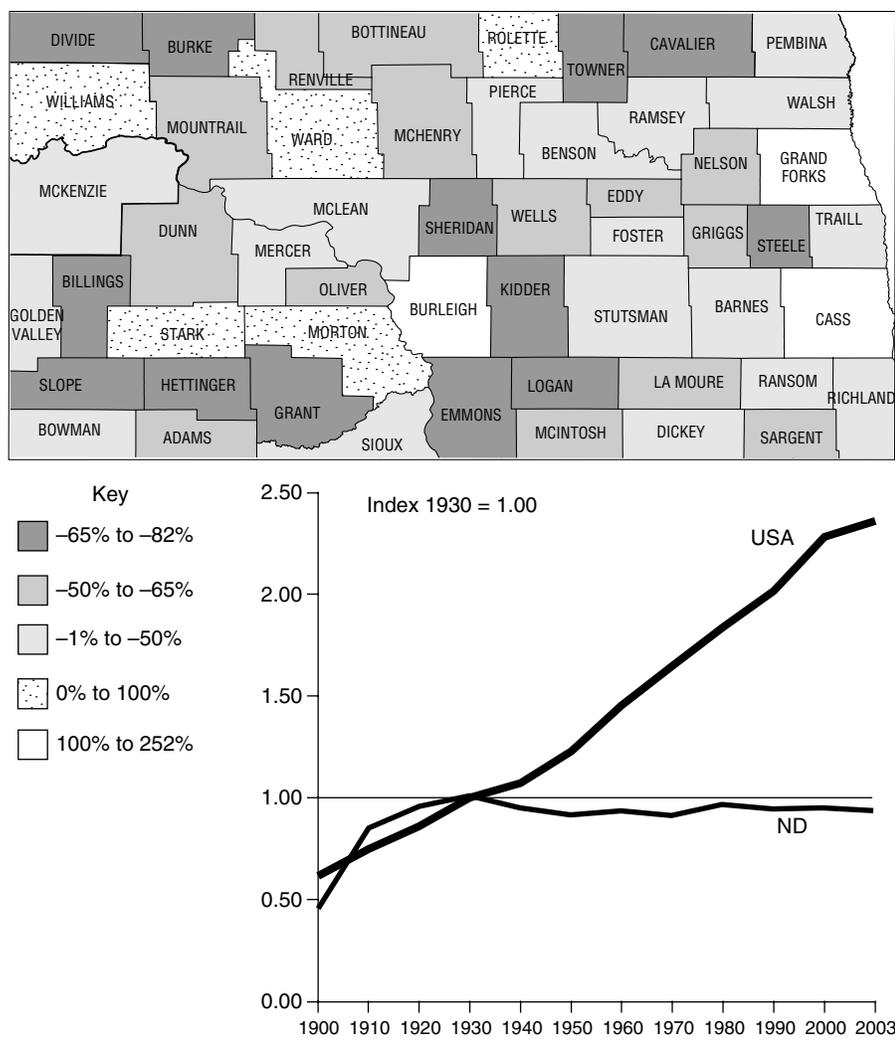
18. As always, this emphasis upon “scientific and technological progress” implies the coherence of the principles of creativity underlying valid expressions of Classical artistic composition with creativity, as exemplified by the experimentally defined validity of a fundamental discovery of a universal physical principle. This distinguishes the way in which the action of living processes, for example, is adumbrated by the “Golden Section,” from the active principle which produces that shadow. That is said in the same sense that the principle of life subsumes, and is adumbrated by living processes and their fossils, and that cognitive powers subsume, but are not contained within the effects which distinguish the Biosphere as categorically inferior to the Noösphere. Cf. Lyndon H. LaRouche, Jr. “Vernadsky and Dirichlet’s Principle,” *EIR*, June 3, 2005.

TABLE 1

## Development of Human Population, from Recent Research Estimates

	Life expectancy at birth (years)	Population density (per km <sup>2</sup> )	Comments	World population (millions)
<b>Primate Comparison</b>				
Gorilla		1/km <sup>2</sup>		.07
Chimpanzee		3–4/km <sup>2</sup>		1+
<b>Man</b>				
<b>Australopithecines</b> B.C. 4,000,000–1,000,000	14–15	1/10 km <sup>2</sup>	68% die by age 14	.07–1
<b>Homo Erectus</b> B.C. 900,000–400,000	14–15			1.7
<b>Paleolithic</b> (hunter-gatherers) B.C. 100,000–15,000	18–20+	1/10 km <sup>2</sup>	55% die by age 14; average age 23	
<b>Mesolithic</b> (proto-agricultural) B.C. 15,000–5,000	20–27			4
<b>Neolithic</b> , B.C. 10,000–3,000	25	1/km <sup>2</sup>	"Agricultural revolution"	10
<b>Bronze Age</b> B.C. 3,000–1,000	28	10/km <sup>2</sup>	50% die by age 14 Village dry-farming, Baluchistan, 5,000 B.C.: 9.61/km <sup>2</sup> Development of cities: Sumer, 2000 B.C.: 19.16/km <sup>2</sup> Early Bronze Age: Aegean, 3,000 B.C.: 7.5–13.8/km <sup>2</sup> Late Bronze Age: Aegean, 1,000 B.C.: 12.4–31.3/km <sup>2</sup> Shang Dynasty China, 1000 B.C.: 5/km <sup>2</sup>	50
<b>Iron Age</b> , B.C. 1,000–	28			50
<b>Mediterranean Classical Period</b> B.C. 500–A.D. 500	25–28	15+/km <sup>2</sup>	Classical Greece, Peloponnese: 35/km <sup>2</sup> Roman Empire: Greece: 11/km <sup>2</sup> Italy: 24/km <sup>2</sup> Asia: 30/km <sup>2</sup> Egypt: 179/km <sup>2</sup> * Han Dynasty China, B.C. 200–A.D. 200: 19.27/km <sup>2</sup> Shanxi: 28/km <sup>2</sup> Shaanxi: 24/km <sup>2</sup> Henan: 97/km <sup>2</sup> * Shandong: 118/km <sup>2</sup> * * Irrigated river-valley intensive agriculture	100–190
<b>European Medieval Period</b> A.D. 800–1300	30+	20+/km <sup>2</sup>	40% die by age 14 Italy, 1200: 24/km <sup>2</sup> Italy, 1340: 34/km <sup>2</sup> Tuscany, 1340: 85/km <sup>2</sup> Brabant, 1374: 35/km <sup>2</sup>	220–360
<b>Europe, 17th Century</b>	32–36		Italy, 1650: 37/km <sup>2</sup> France, 1650: 38/km <sup>2</sup> Belgium, 1650: 50/km <sup>2</sup>	545
<b>Europe, 18th Century</b>	34–38	30+/km <sup>2</sup>	"Industrial Revolution" Italy, 1750: 50/km <sup>2</sup> France, 1750: 44/km <sup>2</sup> Belgium, 1750: 108/km <sup>2</sup>	720
Massachusetts, 1840 United Kingdom, 1861 Guatemala, 1893 European Russia, 1896 Czechoslovakia, 1900 Japan, 1899 United States, 1900 Sweden, 1903 France, 1946 India, 1950 Sweden, 1960	24 32       41	41 43   40 44 48 53 62 73	90+/km <sup>2</sup> Life expectancies: "Industrialized," right; "Pre-industrialized," left	1,200          2,500
<b>1970</b> United States West Germany Japan China India Belgium	59 48	71 70 73	<b>1975</b> 26/km <sup>2</sup> 248/km <sup>2</sup> 297/km <sup>2</sup> <b>180/km<sup>2</sup></b> 183/km <sup>2</sup> <b>333/km<sup>2</sup></b>	3,900

FIGURE 4  
**Shrinking Population of North Dakota, Changes by County, 1930-2000**



Sources: USDA National Agricultural Statistics Service; *EIR*.

*From 1930-2000, of North Dakota's 53 counties, 45 declined in population. The state's population peaked at 681,000 in the 1930 Census, and declined to 642,000 by 2000. In 2003, the Census Department estimated its population at 634,000. Had North Dakota's population growth matched that of the nation since 1930, its population would be over 1.5 million today.*

directly at the root of this moral mass-psychosis of recent decades, is, as I shall show here, the lunatic cult called "information theory."

Typical of the factor of insanity in recent decades of U.S. practice, in particular, is the argument to which I have already referred, above, that the collapse of the U.S. economy, as measured by standards of agro-industrial society, is meaningless, since we no longer claim to be a physically productive society, but, rather, have become a "services economy." The

lunatic argument in favor of that use of the term "services economy," is the popularized delusion that income generated on the account of income from services, replaces lost income from abandonment of physical production of goods. If that were true, "Why is the U.S. bankrupt!?" "Where's the beef!?"

The proper rejoinder of the sane observer to the sophistry, "We are not really bankrupt, since we consume more 'services,'" is the observer's question:

"But, then, why are we actually bankrupt, despite your argument?" Perhaps only because the true believer in a "services economy" chooses to deny the fact that our population can no longer afford the standard of physical income it had forty years ago.

Why has the cost of occupation of a place of residence increased so catastrophically as a ration of the total income, as for a forty-hour week, of a single principal income of a household? The essential argument by the defender of the idea of a "services economy," is that, "Since I know that a service economy is good, I reject your evidence against my argument because I sincerely believe in a services economy." For some people, horses do fly: "Even if I have never seen this happen, because I know that they do."

What will such among our people do, when their assets against their liabilities on their place of residence are suddenly dropped, by one-half, or even two-thirds, when the current, inevitably doomed, real-estate mortgage-bubble collapses, as it must soon? The area around Washington,

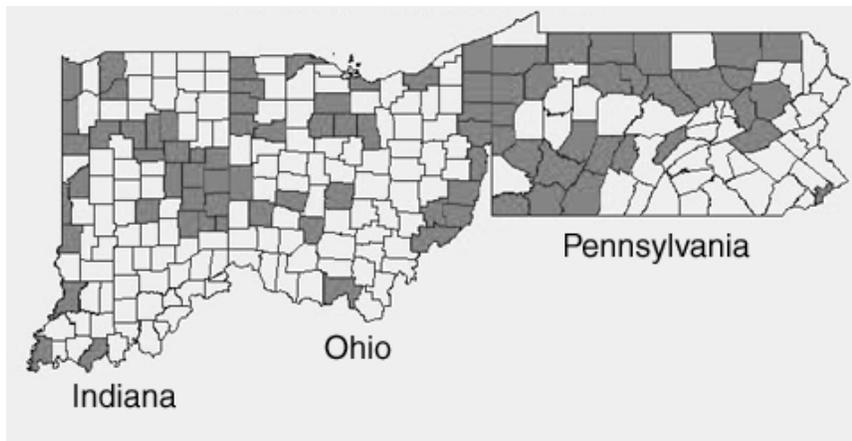
D.C., provides us a capital example of that real-estate bubble's sheer lunacy.<sup>19</sup>

Obviously, the argument in favor of "a services economy," rather than a production-oriented economy, is insane.

19. For good statistical and related reasons, I have identified Loudoun County, Virginia, as "virtual ground zero" of what many will soon sense as a virtually "thermonuclear implosion" of our national real-estate-mortgage bubble.

FIGURE 5

**Counties Which Have Lost Population, 2000-2004**

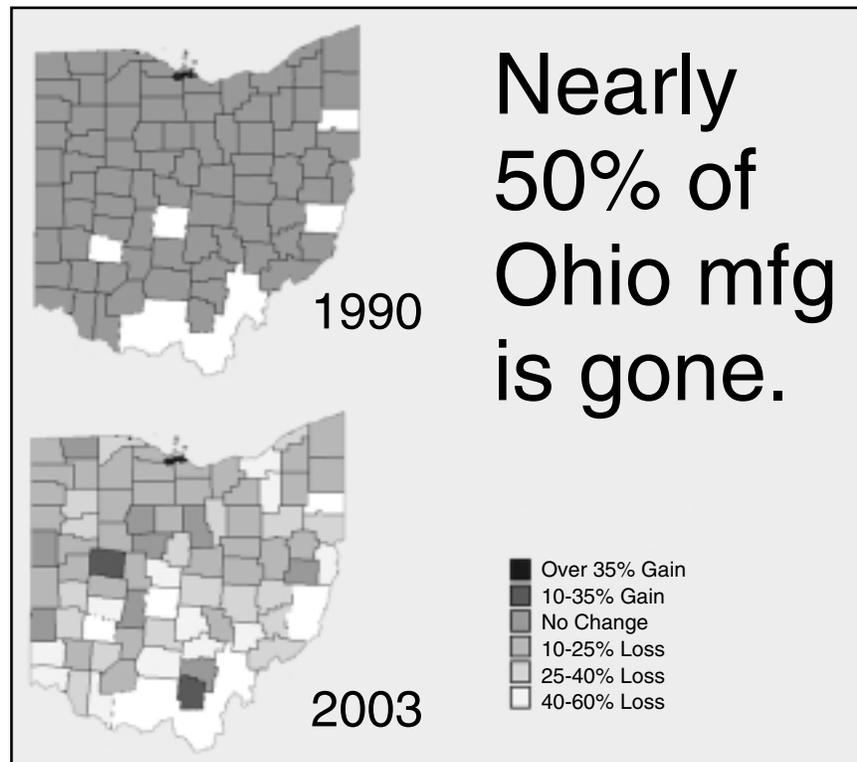


Source: U.S. Bureau of the Census, *EIR*.

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

FIGURE 6

**Ohio Counties: Rate of Gain or Loss of Industrial Jobs, 1990-2003**



Source: *EIRNS*.

The rate of loss of manufacturing jobs has been most acute in Ohio; to see an animation, go to [www.larouchepub.com/animations](http://www.larouchepub.com/animations).

Measure standards of performance, county by county, over the recent forty years, as *EIR* has illustrated this with its use of computerized animations, and the absurdity of the “services economy” argument becomes clear to any sane individual.

To begin to develop that argument now, I shall begin with a qualitatively expanded summary of relevant, crucial points which I have already included in both my “Vernadsky and Dirichlet’s Principle” and my remarks during the Berlin seminars of June 28-29. I begin that background discussion at this point, with a preliminary step, the contrast between higher apes, as studied by Wolfgang Köhler et al., and people.

**‘Insight’ or Creativity?**

The broad aspect of the crucial distinction of human beings from the category of higher apes, is the difference between the evidence of “insight” as defined by Gestalt psychologist Köhler et al., and the actual human creativity which is lacking in the higher apes. The relatively simplest expression of this distinction, is the role of the discovery of universal physical principles in mankind’s willful raising of the level of the human potential relative population-density, per capita and per square kilometer.

This factor may be less obvious in many cases of societies prior to Europe’s Florence-centered, Fifteenth-Century Renaissance. However, the apparent exceptions prove the rule. Even in societies, such as that of ancient Greece, the most brilliant periods and locations of fundamental progress in ideas were often overwhelmed, on balance, by the brutishness to which the majority of the population was subjected as representatives of “under classes.” The worse cases from ancient Greece included Sparta from the top down, and the corruption from the top which Plato describes as the state of Pericles’ Athens. It was only with the Fifteenth-Century Renaissance, that there emerged well-crafted redesigns of societies, called “commonwealths,” such as



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*“All deductive modes of game-play implicitly exclude actual creativity of the type associated with scientific discovery of universal physical principle.”*

Louis XI’s France and Henry VII’s England, which were committed to promotion of the general welfare of all of the people.

Even in the history of the U.S.A. as a nation, which is, by constitutional design, a true commonwealth, the recurring upsurges of “yahoo-ism,” as varieties of populism—such as Karl Rove’s “Elmer Gantry”-style assets of today, or our “post-industrial society” cults since the rampage of the “68ers”—there are periods of worse than intellectual and moral mediocrity, periods which mask the cumulative accomplishments of our national culture even during the periods when commendable, qualitative degrees of progress are manifest within some important parts of our society.

What Köhler defined as the “insight” of the higher ape, references qualities of evidence which are not essentially different than the quality of “anti-entropic” behavior which Louis Pasteur, for example, already showed to be a categorical distinction of even the relatively simplest living processes, from those processes which are meaningfully located within the realm of non-living processes. In the broad sense of the term, the principle which distinguishes living from non-living processes, does appear to mimic what we should recognize as human intelligence, but only superficially, only among those observers who lack comprehension of the nature of specifically human intelligence.<sup>20</sup>

No living species other than mankind has ever shown the potential to *willfully* increase the potential relative population-density of its species. Mankind’s manifest ability,

20. I do not wish to distract the reader from the relatively narrower distinctions which are the subject of this present report, by venturing here into the broader and deeper questions of the coincidence of the combined effects of the omnipresent principles of abiotic, living, and cognitive processes in all places in the universe. Here, I am treating these as respectively, ontologically phase-spaces, and thus limiting the argument here to the domain of the specified issues of economy as defined from the vantage-point of the Noösphere.



clipart.com

*Animals can display “insightful behavior,” as in this orangutan using a reed to forage for termites. When people do this, it is frequently mistaken for “creativity.”*

through the development of culture, to increase our potential from the mere millions of the higher apes, to the billions of persons living today, is a qualitatively unique distinction of the human species. It is a qualitative distinction of the quality of creative mentation, unique to the human species, from the mere “insight” met in higher apes, dogs, and so on. It is, in other words, the systemic distinction of the Noösphere from the Biosphere.<sup>21</sup>

*Human intelligence*, as distinct from “animal intelligence,” is not a distinction which can be made within the bounds of the empiricist method, or empiricism’s extreme form, such as the logical positivism of Bertrand Russell, or of existentialists such as Russell’s pathetic acolytes Wiener and von Neumann. To restate this point, real economic processes are not games, such as what might be played according to some predetermined set of rules of mechanical interaction, such as in that mathematical theory of games first presented by von Neumann in 1928.<sup>22</sup> Real economic processes, which

21. In consequence of this fact of modern experimental science, there could be no competent teaching of economics today which did not submit to the authority of V.I. Vernadsky’s definitions of the Biosphere and Noösphere. Admittedly, Vernadsky’s discoveries belong to the second quarter of the Twentieth Century, but what Vernadsky discovered was always true, long before it was discovered. The concept underlying those discoveries was already implicit in the discoveries of the Pythagoreans and Plato, as in the founding of modern experimental physical science by Nicholas of Cusa, and in the defining of a science of physical economy by Leibniz. The significance of Vernadsky’s work is that it provides us a qualitatively improved overview of what had been already discovered, a more powerful mode of action by man on the universe.

22. As von Neumann specifies in his first footnote to the indicated edition of *The Theory of Games and Economic Behavior*, his published version of that discovery was as “Zur Theorie der Gesellschaftsspiele,” in *Mathematical Annalen*, Vol. 100 (1928), pp. 295-320. His presentation of a derived doctrine of mathematical economics came about a decade later, in the U.S.A. In between came the occurrence of von Neumann’s acute frustration, with the presentation of Kurt Gödel’s celebrated 1931 “On Formally Undecidable Propositions of Principia Mathematica and Related Systems,” *Kurt Gödel*

are, essentially, physical-economic processes, not monetary processes, are defined solely in terms of rates of development, rates which are measured entirely in terms of manifest changes caused by introduction of the use of higher orders of discovered universal physical principles as complemented by “genetically” related modes of Classical artistic composition.

In games, as the point is illustrated by Leonhard Euler’s treatment of the formal determination of the Knight’s move in chess by a mechanistic method, that all deductive modes of game play implicitly exclude actual creativity of the type associated with scientific discovery of universal physical principle. In game play, such as chess, what is usually mistaken for creativity is a higher degree of that same intrinsically bestial quality of insight akin to what Köhler et al. defined as the act of insight by higher apes.

In apes we encounter two types of such “insight.” “Insightful behavior” shown in the wild, as in chimpanzees using reeds to forage for termites, and “insight” shown by apes in response to the challenge of an environment in which human control is setting “rules of the game,” as shown famously in human control over young chimpanzees, or insightful behavior among domesticated dogs. Usually, merely insightful forms of behavior—e.g., merely “cleverness,” akin in quality to the conditioned behavior of domesticated dogs, horses, etc.—among people, is mistaken for “creativity.”<sup>23</sup>

In contrast, actual creativity is typified by the discovery of a universal physical principle, such as the solution for geometric construction of the exact doubling of a cube, Johannes Kepler’s original discovery of universal gravitation, Fermat’s discovery of quickest pathway, and Leibniz’s uniquely original discovery of a universal, qualitatively infinitesimal calculus. In the ancient Greek culture of the Pythagoreans and Plato’s followers of the Academy of Athens, as through Eratosthenes, such discoveries are known by Leibniz et al. as “powers” (e.g., German: *Kraft*, as distinct from the qualitatively inferior quality of *Leistung*). The notion of powers, as employed by Leibniz, was known in Classical Greek, as of

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*Collected Works, Vol. I* (New York: Oxford University Press, 1985), pp. 144-195. As with a single blow, Gödel destroyed the principal scientific thesis of not only Bertrand Russell’s life’s work, but that of Russell acolytes such as von Neumann and Norbert Wiener. Von Neumann’s devotion to “mathematical economics” has the character of an hysterical pretense that Gödel had virtually never existed.

23. That is to say, that human beings, by adopting animals as pets or instruments of work, change the set of rules to which the animal’s fixed nature must adapt. The effect is that of raising the “culture” of the animal to the level of an “axiomatically” higher order of physical geometry. The animal then reacts to this environment with a quality of insight specific to its species, except that the universe to which its nature is adapting is radically changed from that of the wild. So, the pet dog exhibits insight into the peculiarities of its owner, not into the owner as such, but into the owner as representative of the cultural geometry on which the pet’s powers of insight are focussed. Many people, such as voters, react in a similar, bestial way of showing insight into the behavioral characteristics of political and related institutions.

the Pythagoreans and Plato, by the term *dynamis*.<sup>24</sup> Leibniz’s use of the term *dynamics*, as opposed to the Cartesian notion of *mechanics*, was derived by Leibniz directly from the Classical Greek of the Pythagoreans and Plato.

It is notable on this account, that the essential feature of the work of D’Alembert, Euler, Lagrange, and Laplace, Cauchy, Clausius, Grassmann, Kelvin, Maxwell, et al. later, is that their obsessive hatred against Leibniz and his work was premised upon precisely an insightful, if fraudulent defense of the mechanistic method against, most emphatically, Leibniz’s original development of the notion of both the catenary and natural-logarithmic functions of an *ontologically infinitesimal* calculus of a universal principle of physical least action. The denial of the actual existence of the infinitesimal was the axiomatic center of all of Euler’s rabid attacks on Leibniz’s work, and was the crucial issue in the crafting of a fraudulent theory of functions by Lagrange et al. Carl Gauss’s attack on this aspect of the work of D’Alembert, Euler, Lagrange, et al., in Gauss’s 1799 doctoral dissertation, poses the issue of powers, in the Classical sense of *dynamis* and Leibniz’s use of the German term *Kraft*.

Thus, this conception of dynamics, as opposed to mere mechanics, is the crucial issue posed by Leibniz in his exposure of the elementary scientific incompetence of the method of René Descartes. This distinction is elaborated in my recent “Vernadsky and Dirichlet’s Principle,” where I employ Vernadsky’s functional definition of the Biosphere as a crucial example of the same principle of dynamics which Vernadsky also employs in defining the Noösphere. Hence, the opposition of the dynamical method of science to the mechanistic view of the universe. All systems based upon mere insight into the implications of a fixed set of definitions, axioms, and postulates, for example, such as Cartesian (i.e., empiricism, reductionism in general, “Enlightenment” in general) method, are systemically anti-creative systems of mentation, in which insight occurs, but not actual creativity.

In a science of physical economy, as I have developed this notion as the basis for my exemplary successes in long-term forecasting, the only source of profit is the application of a relatively higher degree of universal physical principle. Where, as a matter of contrast, any opposing view of profit traces it, implicitly, always to the *merely insightful* application of a fixed set of assumed universal physical principles to the processes of both design of products and design of the productive process itself.

## The Energy Hoax

One of the great hoaxes perpetrated in the name of reductionist modes in Nineteenth-Century physical science, has been the radically reductionist definition of the term “energy.”

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24. E.g., in Plato’s *Theatetus*, where the term *dynamis* is used to identify the action through which the doubling of the square (a power) is effected through an act of actual creativity.

## Human Discoveries Result in Rising Energy-Flux Density

*Through discoveries of fundamental physical principles, mankind has come to master, at least in some degree, the use of higher energy-flux densities—contrary to the preferences of the Malthusians and the Greens.*



clipart.com

*Fire is the most primitive level of energy-flux density in man's history of discovery.*



clipart.com

*Solar panels: beloved of the Greens, but unsuited to a modern society.*



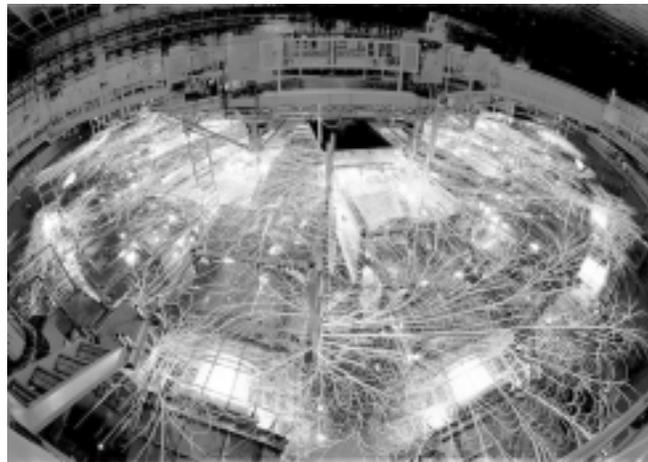
clipart.com

*Windmills now dot the landscape in supposedly industrialized countries.*



icjt.org

*Brown's Ferry nuclear plant in Alabama, built by the Tennessee Valley Authority.*



Randy Montoya

*Electrical discharges illuminate the Z machine, the world's most powerful X-ray source, during an accelerator shot.*

I mean “energy” defined as a scalar quality, as the celebrated hoaxsters Clausius, Grassmann, and Kelvin wrongly defined the term according their arbitrary choice of axiomatic assumptions. The manifest physical fallacies arising in that use of the grand “principles” of thermodynamics by followers of Kelvin and the Machian Boltzmann, such as Norbert Wiener and John von Neumann, have been more adjusted, than corrected mathematically, in a certain sense, by introducing the notion of “energy-flux density,” a term which has been used in such a fashion to denote the differences in quality among solar radiation, chemical combustion, nuclear fission, thermonuclear fusion, and matter-anti-matter reactions, differences in quality which can be measured by the yardstick of electromagnetic frequencies characteristic of different levels of chemical, nuclear, fusion, and matter-anti-matter reactions.<sup>25</sup>

25. The use of “energy-flux density” avoids the obvious conflict with the legacy of Lagrange, Cauchy, Clausius, Grassmann, Kelvin, et al., and permits

Mankind has come to master these higher energy-flux densities, at least in some degree, through discoveries and applications of fundamental physical principles. These discoveries have been made by methods which are traced to the geometrical discoveries of powers by the ancient Pythagoreans, the ancient discoveries associated with the method of hypothesis employed by Plato, on which the launching of modern experimental physical science by Nicholas of Cusa was premised. In fact, this conclusion could be, implicitly, advanced by extension of Carl Gauss's original, 1799 treatment of the Fundamental Theorem of Algebra.

The most characteristic expression of that legacy of Cusa was Johannes Kepler's uniquely original discovery of the principle of universal gravitation, by methods based upon the geometrical principles of discovery employed by the ancient Pythagoreans. All of the most crucial aspects of modern phys-

toleration for even Machian Ludwig Boltzmann's pathological treatment of the ontological implications of thermodynamics matters.



NIST

*A machine-tool shop in the 1990s. Machine-tool design “typifies the practical connection between fundamental scientific progress and increase of the productive powers of labor throughout the economic process considered as a whole.”*

ical science are reflections of the impact of this work by Kepler, Fermat’s discovery of the principle of least action, and the development of the geometrical implications of universal physical least action by Leibniz’s discovery of the calculus, Gauss’s leadership in the study of the general principles of physical curvature, and the development of the principles of Abelian functions by Riemann. The demand for the calculus and mastery of elliptical functions was originally specified for future mathematicians by Kepler. All successful modern experimental physical science, to date, is pivoted upon the methods associated with that set of discoveries.

So, my pioneering in the development of the present form of the science of physical economy, emphasizes measurement of an analog of what may be viewed as a correlative of relative increase of energy-flux density, as expressed in increased potential relative population-density by means of actions measured per capita and per square kilometer of the Earth’s surface-area. It is this increase which defines what is rightly recognized as economic progress. It is changes in that quality of economic power, which define the potential of a society at a certain level of cultural development; it is the spread of that potential from focal points of radiation into society more widely, which, combined, are the essential premises for physical progress in mankind’s potential per capita and per square kilometer.

To put that point in the frame of reference of contemporary world economy, take the case of the role of the machine-tool design function performed as a pivotal feature of the contemporary automobile industry.

The usual proof-of-principle test of a scientist’s discovered hypothesis requires the ability of the machine-tool designer to create an experimental apparatus which appropriately replicates the function to be tested. This function of the experimental designer is the paradigm for what the machine-

tool-design specialist does in the automotive or aerospace industry. Putting to one side the kinds of commercialized insanity which creep into the automotive industry’s attempts to emulate the example of the legendary Seventh Avenue garment industry, the actual improvements in performance and safety within automotive design are a product of the same type of mentality as the experimental design specialist who works with scientists to create a crucial performance test of the scientist’s hypothetical discovery of a new physical principle.

Thus, in the case of automobile manufacture, the design specialist creates the essential preconditions of a qualitative, if marginal improvement in product, on which profitable employment of the entire labor-force depends. So, from the first steps in the self-development of the Massachusetts Bay Colony, this same principle was at work, albeit in modes appropriate to that time, place, and set of conditions.

This case, of the machine-tool-design function, typifies the practical connection between fundamental scientific progress and increase of the productive powers of labor throughout the economic process considered as a whole.

However, this very fact also confronts us with what must seem for many a fatal paradox. Creativity, as the act of an individual mind’s discovery of a universal principle, always occurs as a sovereign act of an individual mind, not as a group-effort action. The transmission of the replication of that act of discovery from individual to individual, is the link between the individual’s sovereign discovery, and the relevant social process as a whole. How is this connection between part and whole arranged? How could it be arranged?

Here lies the paradox which is key to understanding, and resolving the issue of the determination of, and function of price.

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### 3. The Part and the Whole: Dynamics

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To introduce this concluding portion of the report, I summarize that portion of what I have stated so far which bears most directly on the crucial point toward which all this said here has been leading.

Teaching, as from a textbook as a standard reference, usually involves a certain predetermined, virtually inevitable failure on the part of both the teacher and the pupils. If both have passed the course, those students have probably failed the subject-matter which they had assumed they were mastering, as had their usual teacher and textbook-writers before them. They had learned perhaps, to pass the course of instruction, but rarely to actually understand the real-life subject-matter ostensibly presented. There are reasons for this paradox, reasons which bear on the difficulty which tends to prevent most students of economics from understanding even

the most rudimentary of the actually governing processes of an actual economy.

To restate that student's usual problem in the language of the simplest type of illustration: *what is the functional relationship between the price of an individual product and the relative value of the relevant, subsuming economic process of a national economy as a whole?* Hear the student's attempt to answer that question, and you should recognize immediately where all of his, and probably also his professors', education in economics went wrong.

This type of problem among both students and professors of economics, is largely a reflection of the hegemony of that modern Venetian model of world monetary-financial system known as the Anglo-Dutch Liberal system, today's presently self-doomed, floating-exchange-rate monetary system. The professor, whose career usually depends upon the support, or, at worst, toleration, by current financier-oligarchical system's equivalent of a "Gestapo," must steer a prudent pathway between telling the truth or fiction about current financial-market practices, lest he either provoke the morally anguished members of the class into becoming anti-capitalist revolutionaries, or, in the alternative, promote intolerable excesses in the market-place, by winning students to devote their careers to frankly unrestrained, outrightly criminal practices such as those of the Enron and "hedge fund" pirates of recent times.

Thus, as I recall from encounters with the accounting office, or board meeting, it was sometimes difficult, in relevant past times, to distinguish the cigarette and cigar smoke from the thicker fog of intended obfuscation.

"But, he's practically a crook," the bemused apprentice might have whispered.

The ingenue's senior, might have smiled a wryly tolerant smile, and added a murmur, "That's nothing; wait until you meet his lawyer."

As I have summarized this crucially important fact of modern history, the source of this widely habituated flaw of today's educated mind, is the product of an intentional, malicious campaign, launched by Venice's notorious Paolo Sarpi, to develop persons who would have useful qualities, like those of trained cattle, for performing certain assigned, and carefully supervised functions of technological progress in society, while, at the same time, crippling, even virtually destroying the future and present professionals' ability to develop actually creative insights into practical implications of the way in which the subject-matters of their physical-scientific or Classical-artistic professions are commonly practiced.

This feature of continuing modern academic and related life has a certain relevant history.

What we witness in the academic classroom, or kindred precincts on that account, represents, in a manner of speaking, a progressive change from the more general fate of people in societies prior to the Fifteenth-Century Renaissance's emergence of modern European civilization.

We must recall, that the emergence of modern nation-

states, such as the commonwealths of France's Louis XI and England's Henry VII, gave impetus to rates of scientific and technological progress unprecedented in all known history earlier. Whereas, in the typical earlier societies, as in Lycurgan Sparta, the degradation of the majority of society to the condition of cattle-like cultural helots had been often standard practice, as, similarly, in the case of the Roman Empire and, also, in the prevalent state of affairs in Europe under the ultramontane tyranny of Venetian and Norman strategic considerations. The certain change in practice which had been prompted by the Fifteenth-Century Renaissance, as this effect was described by Machiavelli's writings on military policy, required even the most evil but prudent tyrannies to make room for a certain limited amount of technological and cultural progress in the societies under their rule.

So, the traditional tyranny of the Satanic Olympian Zeus was moderated by Paolo Sarpi's introduction of empiricism. The ironical case of Galileo's famous trial is exemplary.

The unrepentant old faction of Venice, as typified by the Venetian marriage-counsellor of England's Henry VIII, Francesco Zorzi (a.k.a. Giorgi), had represented the Venice of its old, medieval ways, when it expressed its devotion to the worship of the Satanic, anti-Prometheus Olympus, by denying the existence of knowledge of universal physical principles. Old Venice did that in a way typified by the Roman hoaxster Claudius Ptolemy's notorious pro-Aristotelean system.

Sarpi, the leader of the "New Party" of Venice, like his faithful house-lackey, Galileo Galilei, was chiefly a plagiarist and faker of some of the work of Johannes Kepler, but he himself was a faker who had no honesty, in science or otherwise. Galileo was, appropriately, the personal associate and teacher of England's bestial Thomas Hobbes. Old Venice's defense of Ptolemy's fraud, at the expense of the new Venice's hoaxster Galileo, was typical of both the old, medieval tradition, and the modern tradition of Venice's "New Party," the Anglo-Dutch Liberal financier oligarchy.

As the state power of Venice waned—used up, in a manner of speaking—over the course of Europe's Seventeenth Century, the "New Party" faction of Sarpi and his followers transplanted the center of concentration of Venice's financier-oligarchical families into the northern maritime regions of the Netherlands, Britain, and the old route of the former Hansa. In the course of the Seventeenth-Century, the paradigm for this transplanted, Anglo-Dutch Liberals' "Venetian Party," was the empiricist dogma of René Descartes.

Hence, although the Anglo-Dutch Liberal faction, the empiricists of what professed itself to be the Eighteenth-Century "Venetian Party," opposed the plainly medieval, neo-Aristotelean obscurantism of the old Venetian Party of the Habsburgs and their feudalist ways. Nonetheless, these new Venetians, the empiricist Liberals, were, in their special way, nonetheless even more efficiently ferocious than the old, in their hatred of the modern European civilization which had

emerged during the Fifteenth-Century Renaissance. Their hatred was focussed against the memories of Plato and of Cardinal Nicholas of Cusa, the founder of modern experimental physical science, above all others of modern history.

So, the empiricist system of Descartes as transplanted into the synthetic, intellectually inert body of Sir Isaac Newton, became a campaign to exterminate the Classical Greek legacy of the Pythagoreans and Plato, and the modern scientific and Classical cultural legacy of the Fifteenth-Century, Italy-centered Golden Renaissance. This campaign of lies was known as “The Enlightenment,” to the present academic day.

The principal targets of the hate expressed by this illuminated attempt at extermination of modern scientific and related culture, were the followers of Cusa, such as Leonardo da Vinci, Johannes Kepler, Fermat, and Leibniz. This campaign was coordinated through France, by the Paris-based Venetian Abbot Antonio Conti, the true follower of Descartes and true illegitimate spiritual father of the mythical Sir Isaac Newton.

A network of salons was built up, largely at the prompting of Conti, built around the figure of the passionately decadent Voltaire. This set of salons, including the Berlin academy of Voltaire’s circle of Maupertuis, Euler, Lambert, Lagrange, et al., conducted the effort to eradicate the influence of Cusa, Leonardo, Kepler, Fermat, Leibniz, et al., throughout Europe. The special target of the hatred of this network of salons, was Leibniz. From this network of salons, and the circles of Voltaire based near the border of Switzerland, came the London-directed Martinist freemasonic order, which orchestrated the French revolution, the creation of the tyrant Napoleon Bonaparte, and the subsequent birth of the Synarchist International which produced the fascism of Mussolini, Hitler, and Franco.

This Enlightenment pack of salons was boldly exposed as a pack of hoaxsters by Carl F. Gauss, in 1799, in Gauss’s doctoral dissertation exposing the systemic frauds of D’Alembert, Euler, Lagrange, et al. This counter-attack against the Enlightenment, by Gauss, was crucial in setting into motion the revolution in fundamental scientific progress by the followers of Leibniz in France’s Ecole Polytechnique, and around the circle of Germany’s Ecole Polytechnique member Alexander von Humboldt, such as Lejeune Dirichlet, Bernhard Riemann, and numerous others during the period of European physical science through the death of Riemann.

The Eighteenth-Century Enlightenment’s typification of a kind of universal fascism now intended to supersede the Mussolini-Hitler-Franco model, is the present product of the same Synarchist financier-oligarchical cartel, the universal fascism of “neo-cons” such as Michael Ledeen and that which spawned the Ledeen and their like. “Their like” is efficiently typified by that Congress for Cultural Freedom associated with the so-called “Frankfurt School” tradition in Germany: the tradition of the “neo-Voltaireans” Adorno, Heidegger, Brecht, Horkheimer, Jaspers, Nazi Heidegger’s Jean-Paul Sartre, and the like. The ideologies of the Federal Reserve’s

Greenspan, his Ayn Rand, and Siena’s Mundell are expressions of the same type of perversion.

So, today, as a result of the ideological brainwashing of virtually a generation of intellectuals of the “Baby Boomer” class, many people seek to deny the fact that the present system is collapsing. They do so, not on the basis of empirical evidence bearing on the performance of physical economies as such; but, only because they believe in the system, as they might be devotees of a religious cult.

As long as the political or kindred notion of the authority of the system persists in their minds, they believe that that system of belief-driven behavior is still functioning, and that, therefore, the system is not collapsing. In fact, contrary to their cultish belief, the present world system of that form is collapsing, and will cease to exist soon, that probably about the same time that the global mortgage-bubble collapse might be detonated at the critical mass’s preferable “ground zero,” in Loudoun County, Virginia.

For example, the argument that although the physical-economic system of the U.S.A. is collapsing at a currently accelerating rate, “true believers” deny this, on the pretext that the change from a productive economy, to a “services economy” was an inevitable and continuing change, to the ideological toothpaste which could never be put back into the tube. The continuing of the bad habits, the habits of the change to a “services economy,” which has caused the physical collapse of the economy, is not considered evidence by the “true believers” in a services economy, simply because they are, after all, true believers in a services economy.

The source of such lunatic faiths of such “true believers” in “post-industrial, information society,” is just that quality of widespread outcome of the Congress for Cultural Freedom and its proliferation of associated social formations, such as The American Family Foundation.

That is the essential paradox confronting such true believers in what is actually a self-doomed “services economy.” So, today’s successor to Pop Watson’s IBM, is the updated plaque hung on the wall of every true believer in the Norbert Wiener and John von Neumann bible of “Baby Boomerism”: “Don’t Think!” Appear to be very, very clever; but, above all, do not actually think. Sarpi stands in the shadows nearby, nodding and smirking, silently.

## **Economy As Dynamics**

The problem to be recognized and overcome, is that on which I have placed heavy emphasis in my recently published work, including the central feature of my recent “Vernadsky and Dirichlet’s Principle,” and in this present report. The most crucial, central point which must be grasped, otherwise the continuation of a recognizably civilized form of life will soon be postponed to some more or less distant future, is the fact that modern empiricism, on which virtually all teaching and practice of national economic policy is currently premised, suppresses that factor, the human individual’s creative pow-



EIRNS/Stuart Lewis



EIRNS/Paul Gallagher

Virginia's Loudoun County, northwest of Washington, D.C., was formerly an agricultural area, but has now been taken over by the real estate bubble. The house on the right sold for \$397,000 in July 2004; in June 2005, it sold again for \$569,000. LaRouche describes Loudoun County as "ground zero" for the coming global mortgage-bubble collapse.

ers. So, I have, once again laid heavy emphasis on that connection here in this present report.

There is no competent definition for the discussion of any important problem of economy today, without situating that discussion under the cardinal topic of "The Noösphere." I have identified the need for this distinction in earlier locations, by referring to the rising challenge of the need for management of so-called natural resources under the pressing conditions of global population-growth, and in defiance of the brutish obscenity of lunatic proposals by deranged hysterics for something at least approaching "zero population-growth" alternatives.

We can no longer tolerate thinking of an area of owned property as the unit of economy. Ownership of part of the universe was never, and is not now, a self-evident universal object. This is, after all, the Creator's universe, in which your personal tenancy is conditional upon considerations of natural law. Ownership, or its likeness, is a trust, with social conditions and goals attached for its retention and use. The development of the potential of the entire planet, and of the entire national territory within the planet as a whole, will be the overriding motivation of any nation, or culture which attains even rudimentary fitness to survive.

The implications of what I have just said, pose the apparent fundamental paradox of the interaction between the exclusively, perfectly sovereign creative powers of the individual mind, and the effect of the contributions by that mind's creative products on the ability of the nation, and even the planet as a whole, to survive.

This is the problem of dynamics which must prompt nations to rid themselves of the ideological pestilence of empiricist thinking about the subject of economics.

It is the creative powers of the individual human mind, as understood, in opposition to any contrary view, the creative powers as recognized by the Pythagoreans, Plato, and the

leaders of the continuing modern European Renaissance. These are the conditions which are the sole basis for the continued development, even the continued existence of the human species. These are not arbitrary conditions, but what can be adduced as conditions required by natural law, from study of man's special role within the universe.

Thus, it is a scientific fact, that it is that creative power of the human mind which is denied by the empiricists, which enables mankind to develop the Noösphere, a Noösphere resting on the foundation of a Biosphere which the Noösphere develops, resting upon an abiotic domain which is a subject of the Biosphere and Noösphere combined. Ignorance of science is no excuse for deviation from the lawful implications of that knowledge.

What must be eradicated, for no less reason than the sake of the future of the human species, is the cult belief in an alleged principle of universal entropy, which presents the Biosphere as a parasite on the abiotic domain, and the Noösphere as a mere parasite on the Biosphere and abiotic domain combined. This wicked aberration, spawned by aid of the doctrinal influence of the Congress for Cultural Freedom, is what has become prevalent, in the name of hatred of the libelled memory of President Franklin Roosevelt. This hatred is what has, among other effects, brought about the recent four decades of accelerating plunge of our planet, when considered as a whole, into the presently yawning existential catastrophe of all mankind. It is this cultural cancer which, in fact, gave us the pathetic encumbrance of a world seemingly doomed to lie under a Prufrockian tombstone for all civilization, labelled "George W. Bush and Cheney Were Here."

### **'Hey! Stupid! Whatcha Doin'??'**

About forty years ago, or a bit more or less, the U.S. economy was still the most advanced and prosperous economy of the world. We were then within a few years of putting

men on the surface of the Moon (and safely returning), but we had become more than a little bit foolish in several outstanding respects. Today, our economy, and those of Europe, are wreckages, in which most of the regions of great productive power and advanced technologies have been ruined. We have lost the physical productive power we once commanded, and have pauperized the once-proud lower eighty percentile of our households which had formerly had a high standard of living, or had been in reach of attaining that. We have destroyed entire multi-state regions of our nation, which were formerly industrious fountains of growth in many ways. Most of the basic economic infrastructure we once had is now dead or rotting, with no renewal presently in sight for most of it.

We are the United States which is now going to teach the rest of the world how to manage its affairs?

We now depend upon subsisting on products supplied by cheap labor, either from other parts of the world, or, which we have imported to displace our own labor-force here. We pay for less and less of what we actually owe on current account for what we import from the other parts of the world, even the relatively poorest. We are presently, as a nation, bankrupt on current account, with no prospect for regaining our ability to repay our debts over decades yet to come. But, we smile, and say, "That's all right; we are now a services economy."

This pyramid of our growing accumulation of unpayable foreign obligations, has been sustained by a cancer of fictitious increase of nominal monetary wealth, a monetary wealth which has been obtained by incurring a growth of currently unpayable debt far greater than the reported monetary gains obtained in exchange for that vastly greater amount of debt. (Refer back to Figure 1: "A Typical Collapse Function," p.21). But, when these facts are mentioned, the response from many is, "But, now we are a services economy, and do not have to concern ourselves with what we actually earn by being productive." Let us rename our magical nation "The Island of New Laputa," and smile because, as we say, that would be better than making Dick Cheney President and calling ourselves "The Island of Dr. Moreau."

We and relevant nations of Europe are in such a fix, in which we do not earn enough, as nations, to keep our presently existing population alive. Yet, we refuse, currently, in both the U.S.A. and Europe, so far, to create the long-term credit which we could use to raise current levels of physically productive employment well above breakeven levels.

Compare our situation with the effects of the catastrophe caused by the Tsunami, which swept among the waters of the Indian Ocean-centered region, to sweep into the waterfront areas and cause mass death. Why were not only the tourists, but also masses of the local population destroyed by the Tsunami in the fashion this occurred?

For decades, since the formation of the Asia-Pacific Association, at the prompting of the leader of Japan's Nippon Steel, some of us, including that gentleman, have been pressing for

development of basic economic infrastructure in the region of Southeast Asia; but, the wise guys from Washington and London, have decreed: "Resorts and hotels only." So, instead of rational economic development, the very cheap labor of Southeast Asia, was herded as hod-carriers and objects of sexual recreation for tourists, onto the beach areas where the facades of so-called "luxury tourist traps" were concentrated. During the same time, we too, have undergone a process of turning our domestic population at home, into a "services sector" conceived by the same kind of wisdom which placed so many poor, crushed people of the Indian Ocean region in the way of that Tsunami. Then, let us review, similarly, Ms. Condoleezza Rice's currently cynical policies toward the continuing Anglo-American promotion of genocide in Saharan and sub-Saharan Africa.

Aside from the obvious urgency of placing the inmates of the Mont Pelerin Society, and kindred types of dangerous lunatics, into either prisons or mental hospitals, what lesson is to be drawn from this ironical coincidence of the victims of the Tsunami and the victims of the current domestic economic policies of our U.S.A.?

Shall our policies be to organize a "cargo cult," an arrangement under which ships from the beneficent President George Bush's newly created CAFTA paradise, haul freight to feed, clothe, and entertain the technologically primitive inhabitants of the "service economy" which the U.S.A. has become? Or, shall we, instead, return to being productive, as we used to be, as a matter of both practice and policy more than forty years ago?

There has to be a better way. There is a better way; we once knew it, and with some important defects included, it worked as long as we stayed with the legacy of the great economic recovery organized under President Franklin Delano Roosevelt.

You still don't think Franklin Roosevelt was on the right track. "Look at yourself now, buddy! Hey, stupid, whatcha think you're doin'?"

### **First, What, Then How and Why**

Were I U.S. President now, I would tell the world that we are going to prevent what is now onrushing as the greatest financial collapse in history. We of the U.S.A. will take the direction which President Franklin Roosevelt took, but on a larger scale, and with a longer view ahead. It will work.

I laugh, for a relevant reason. In 1975, I spent about an hour or so with France's Jacques Rueff. At the time, I was working on a proposal to turn around the disastrous series of global blunders which had just been committed on the preemptive prompting of the U.S. Administration of Richard M. Nixon, the insane wrecking of the Bretton Woods monetary system by Nixon's Administration. Those of us who shared my proposed remedial initiative were organizing for meetings with key nations from what was then called the "Third World," the nations which were most directly and

cruelly threatened by the Nixon Administration's wrecking of the U.S.A. and world economies.

Since I knew of some forces inside France, and also of the successful organizing of the so-called "heavy franc" system under Charles de Gaulle's minister Jacques Rueff, I thought that my taking counsel from M. Rueff was much in order. We both laughed. Neither of us was happy about the conclusion we reached on the prospects for my project, but we had a sense of the historical irony of the situation, the kind of sense of irony which a leader must always bring to any great and necessary, but uncertain enterprise.

He explained, that de Gaulle had asked him, in effect, "Why should I not reject your proposal for a heavy franc, as all of my other advisors tell me I must?" Rueff told me: "I said, I stake the reputation of my life's work on the success of this proposal." De Gaulle then replied; "I am supporting you." Rueff succeeded, and de Gaulle also succeeded; France today owes much to both for many of its best achievements from that initiative. But for the murder of U.S. President John F. Kennedy, and the hustling of Germany's Chancellor Adenauer out of office prematurely, the world would have been a much better place in which to live today, because of the implications for international cooperation of the measures which President de Gaulle adopted at the prompting, in significant part, of Jacques Rueff.

We, of the U.S.A. and other nations, face a comparable, but profoundly more important, and indispensable action today.

Now, we must, as I have said and written, here above and earlier, we of the U.S.A. must take the initiative to put the International Monetary Fund and World Bank into receivership by the relevant concert of leading governments. We must convert the so-called central banks of relevant leading nations into national banking systems, in Alexander Hamilton's sense, through taking central banking systems which are, in fact, hopelessly bankrupt on their own account, into government receivership for their protection. We as a concert of governments, must freeze what must be frozen, debride the international monetary-financial systems of intrinsically valueless gambling side-bets known as "financial derivatives," and launch a long-term reorganization of debt among nations over a term of one to two generations.

The debt held under the reformed international monetary system shall consist of two principal components: one debt, which is reorganized, chiefly on a long-term basis, as part of the assets of the reformed international and national sovereign banking systems; and a second, much larger category of debt under the umbrella of the new monetary system, which shall be dedicated, chiefly, to credit for long-term construction and related loans for basic economic infrastructure and major agricultural and manufacturing, and related public and private investments over a term of one to two generations, as the physical character of the related capital investments imply.

The pivotal immediate effect of this reform must be a

surge in levels of, chiefly, physically productive employment in, chiefly, basic economic infrastructure and systems of private production ventures.

The combined old and new parts of the system associated immediately with the reformed national and international monetary systems will obviously function in a manner which includes precedents under Franklin Roosevelt and the remarkably superior performance in use and recycling of credit by the post-war Kreditanstalt für Wiederaufbau in Germany. The immediate objective is to bring the national physical economies of the participating sovereign nations above breakeven levels more or less immediately.

This project, so described, would work, but its successful performance would require a return from a "free trade" system of international and internal national accounts, to a "fair trade" system consistent with what are most usefully identified as Alexander Hamilton modes of protectionist operations.

Now, consider a broad description of the kind of world such an emergency recovery reform would project. After that is done, I shall lead your attention to the importance of dumping a Cartesian, mechanistic view of physical and financial accounting, in favor of a dynamic view, as I shall explain that summarily in the concluding pages of this present report.

## **A Fixed-Exchange-Rate System**

The way in which President Nixon's Administration wrecked the U.S. and world economies is elementary: he "floated" the U.S. dollar, and thus caused fluctuations in the actual rate of repayments on previously negotiated long-term credit issued, thus creating a situation in Ibero-America, for example, in which that region of the world has long since more than repaid every bit of net debt it had incurred, according to the terms of the fixed-exchange-rate system, and has been looted through predatory international-loan practices which have been orchestrated largely through a corrupted IMF and World Bank ever since.

This looting of the nations of Central and South America, for example, especially since the Summer and Autumn of 1982, has destroyed the economies of those nations, such that Mexico, for example, which was on the verge of a great internal development, and upgrading of its per-capita real-economic output, has been virtually destroyed internally, in net effect, and has been, as a result, both the source and conduit for dumping cheap-labor forces rendered destitute and desperate by the effects of Nixon's policy-change, upon the economy of the U.S.A.

Under Franklin Roosevelt, for example, our U.S. policy was the export of high-technology capital goods, on long-term investment, into the development of the per-capita physical productive powers of labor and standard of living of nations such as those of Central and South America. This policy had been attenuated during the course of the post-war period, despite an initiative by President Kennedy to correct this, but

what was done by and following Nixon's madness, was the ruin of both the economies of South and Central America and also the U.S.A. itself. Our policy must be to reverse that erroneous trend.

There are many aspects to the global implications of this presently outlined change in direction. Take two cases, continental Eurasia, and the Americas.

The great driver of the economic growth and development of the world as a whole will be chiefly the internal long-term development of the continent and adjacent islands of Eurasia. This will be largely the focussing of high-technology and heavy-engineering capabilities of Europe, Japan, and Korea, for cooperation with large-scale transformation, in cooperation with China and India, of the basic economic infrastructure of the internal regions of Asia. This will be, of necessity, a fifty-year investment program, in which the heavier emphasis during the first quarter-century will be, unavoidably, on basic economic infrastructure, and the following generation (e.g., circa twenty-five years) on the development of the populations of this region up to parity with modern levels of productivity. A similar undertaking is required for the hemisphere of the Americas.

The idiocy of projects such as CAFTA has been, that larcenous Enron-minded Baby Boomers from our financial-investment centers believe that since countries below our Rio Grande border must provide us cheap labor, that we must not permit investment in infrastructure which would incur a doubly added price to the cost of labor from the region below the Rio Grande. One added cost, for the infrastructure needed, per capita, to raise the standard of living, and also the average level of productivity of labor in those countries; and, one element of additional cost, for building up the territory of relevant nations to the level needed to sustain the growth of physical productivity per capita and per square kilometer in those nations.

What has happened to our population, and our territory inside the U.S.A. makes the picture clearer for us here.

What we have done, during the recent four decades, is to destroy the infrastructure on which the American standard of living here depended, in various direct, and indirect ways. By allowing essential infrastructure as well as the physical capital of industries to be rusted out, we have cheapened the cost of labor, and the cost of government, while destroying health-care systems, and many delightful things admired by our accounting profession and Mont Pelerin Society predators. We have destroyed our own country so, during the recent decades of this cultural-paradigm-shift to a "services economy," and we are turning targetted nations, such as, now, CAFTA, into virtual slave-labor ghettos by using methods which are similar in conception and intention to what we have done to ourselves.

So, if we wish to survive, and become able to pay the debts which are presently unpayable, we must change our ways, back to the way we ran our economy under President Roosevelt and the portions of his legacy to which we adhered,

still, during about one generation following the close of World War II.

### **Hamilton and Vernadsky**

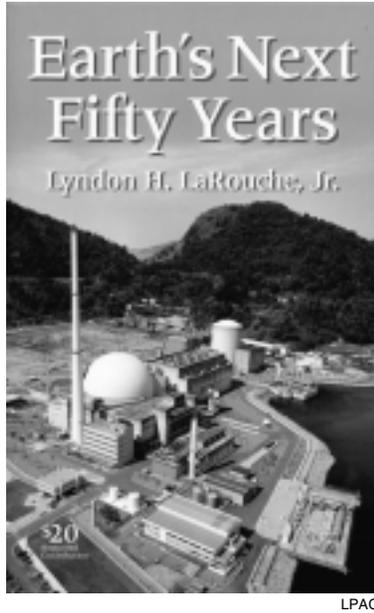
The inherent stupidity of what passes for education in "economics" in our universities and elsewhere, is a reflection of the fact that an accountant, for example, almost by definition, is trained not to see a human being when making his calculations and adjustments. Accountants do not do this because they are inherently bad people by any ordinary standard, but because the rules of the game to which law and convention compels them to perform are intrinsically wicked in their intended effects.

The tell-tale error in all customary accounting and related economic practice is that the accountant makes no distinction between a trained ape and a person. The unit of economic action is an action of a particular type, thus resembling a parody of the role of a trained ape, rather than an actual human being whose economic significance is the role of applied discoveries of discovered universal principles.

Obviously, in dealing with the effects of human action, i.e., discovery of experimentally valid universal physical principles, we are rarely dealing with an isolated individual as such, but with the role of the individual within a social process, a process within which a reflection of some relevant change in behavior within the actions of the cooperating group of persons increases the expressed power of society "over nature," so to speak. It is the rate of realization of such qualities of improvements within the social process of which the individual is a participant, which is the exemplary way in which man's increased power over nature, per capita and per square kilometer, is expressed. It is transformations in potential relative population-density effected in that view of a process of cooperation, which is the increase in power over nature, which may be taken by society as the ontological reality of what might rightly be regarded as profit.

It is not quite that simple, however. It is not the action upon the target of the productive act which determines relative value. The act of production occurs in a context, such as the farmer's action on improved land. The productivity of the farmer will not lie within his action as such, but the margin of advantage given to his action by the improvement of the capital-like circumstances of production. Therefore, to increase productivity, one can not limit the effort to the skill applied to production directly, but must take into account the amplification of the effectiveness of the productive act by the improvement of the circumstances of production, such as infrastructure, and so forth.

Similarly, conversely, if the quality of the direct productive action were to remain constant, an improvement in the materials, the physical capital, and the environment of the productive act will shape the relative productivity of a form of action which has not been altered in and of itself. Thus, the social act of production within the context of the infrastructure



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*Vladimir I. Vernadsky's dynamic view of the economic process, as LaRouche introduces it here, "enables us to free the way nations think about economies from the virtually Cartesian, mechanistic, 'flat Earth' outlook unfortunately typical of accounting practice and most serious economic thought. . . ." LaRouche's 2005 book (right) develops these matters from the standpoint of a program for global development.*

supporting that action, will vary in potential according to the action which is applied to improve the environment.

Hence, the stupidity of the persuasion that shifting production to areas of cheaper labor cost is an advantage for the economy. As we see in the virtual bankrupting of the U.S. through the exporting of production to cheaper labor markets, we must take into account the interaction of all factors in the production and consumption of products. Also, we must never assess production in terms of a fixed "standard," but must premise the assessment of an adducible standard of reference on an ongoing rate of qualitative development of the process of change, rather than treating change as a sequence of individually fixed steps.

Among the manifold considerations which must be taken into consideration, is the matter of recovery of investment in physical capital improvements. Consider, for example, the notion of the cost of leaving developed basic economic infrastructure, or productive facilities fallow.

Once we take these interactions into consideration, we appreciate better the significance, the essential role of a system of pricing premised upon a "fair trade" standard, rather than a "free trade" standard. All of the necessary factors of production and productivity of the society as a whole must be taken into account in determining the array of necessary expenditures required to support an increasing potential relative population-density of a society. These necessary expenditures must be distributed as, in effect, charges against production, including the writing off and replacement of capital investments of all kinds against the costs and income of soci-

ety as a whole. These charges must be incorporated in the costs, expenses, and prices of produced goods, and in the crafting and maintenance of systems of tariffs and trade-regulations. Not only those charges; we must also allot charges to reflect the forward physical investments required to sustain those functions which have been chosen as having relatively higher priority for growth.

The picture of the physical relations of cost and growth which I have broadly portrayed here, poses the question of how we should think about the apparent anomaly of the use of an assigned or negotiated money-price of payment for particular items in national and international economic processes which are essentially integrated dynamic systems as wholes.

Hamilton and the work of Vernadsky converge in providing us an appropriately exemplary way of thinking, dynamically, rather than mechanically, about the way in which physical economies fail or succeed in promoting the progressive development of society. The great advantage added by bringing in the contributions of Vernadsky in the way I have done this here, and in several other locations, is that this dynamic view of the economic process, enables us to free the way nations think about economies from the virtually Cartesian, mechanistic, "flat Earth" outlook unfortunately typical of accounting practice and most serious economic thought, to say nothing of the psychotic quality of absurdity intrinsic to the arguments of Wiener, von Neumann, et al.

If we set boundary values for the physical-economic processes as a whole, and set "fair price"-defined target boundary-values for monetary processes within the framework of the physical-economic processes, we shall, at worst, produce manageable "near misses" in our targetting of relative standard price-ranges of reference. We need not worry about precalculating a perfect target-price for products or national currencies; if we adopt manageable prices, and if our "macro-economic" intentions are well-chosen and clear, the social system of production and trade will adapt itself nicely to our design, a power of adaptation which is, after all, what the function of freedom of choice is needed to perform, in any case. Good economic science shows us what must be attempted to promote the general welfare. What is needed to control freedom of choice is good will, and good will is nothing other than an overriding commitment of the individual and his or her society to promote the general welfare. For that commitment of conscience to natural law, there is no substitute.

## Backlash Builds Against Cheney's 'Guns of August'

by Jeffrey Steinberg

As millions of copies of Lyndon LaRouche's July 27 "Cheney's Guns of August" statement circulate worldwide (see [www.larouhepac.com](http://www.larouhepac.com)), a Washington policy brawl has erupted into public view, over the Bush Administration's now-confirmed contingency plans to stage a pre-emptive military strike against Iran—possibly using nuclear weapons. The report that Vice President Dick Cheney had tasked the Strategic Command (STRATCOM) to develop military contingencies for a massive aerial bombardment campaign against Iran, in the event of a new 9/11 attack, was first revealed in *The American Conservative* magazine's Aug. 1 edition. The story highlighted the likely use of nuclear weapons, and the widespread military opposition to the pre-emptive nuclear war scheme.

Since that initial story by former CIA officer Philip Giraldi, this news service has confirmed the accuracy of the report from a significant number of horrified U.S. government officials—from Senators on both sides of the aisle, to military officers, diplomats, and spies. One former U.S. ambassador in the Persian Gulf reported that he had received angry reports from officials of the Central Command (CENTCOM), who have been tasked as part of the contingency planning.

Another military source suggested that there are probably pre-positioned tactical nuclear weapons at the U.S. military base at Diego Garcia, in the Indian Ocean, under the new military reorganization, which created a "Global Strike" plan for rapid, massive assaults anywhere on the planet.

The bottom line: Vice President Cheney, the architect of the pre-emptive nuclear attack plan, has gone stark raving mad, and is prepared to bring the world to the brink of chaos, before he is driven from power. Democratic Party figure Lyndon LaRouche describes Cheney's state of mind as "like Hitler in the bunker."

### White House De Facto Confirms

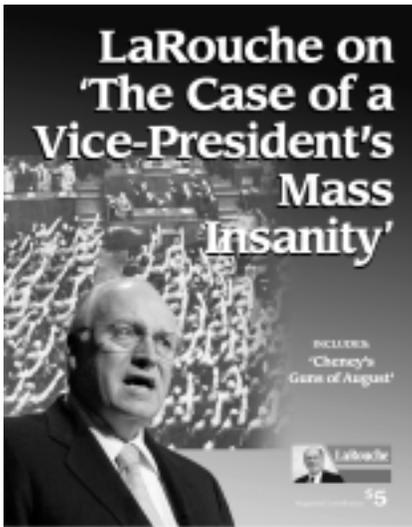
In response to a question from *EIR*'s White House correspondent Bill Jones, Presidential spokesman Scott McClellan let the cat out of the bag on July 28. Asked by Jones about the *American Conservative* report on the bombing contingencies, McClellan pointedly chose not to deny the charges, and instead, after telling Jones he "appreciated the question," went into a discussion of Iran's alleged secret nuclear program, threatening United Nations sanctions and other actions, should Iran fail to shut down its nuclear reprocessing efforts.

In response to a follow-up question by CBS reporter John Roberts about whether an attack on Iran might fall under the Bush Doctrine of pre-emptive action against "terror states," given the new Iranian President's former position in the Revolutionary Guard, McClellan again refused to reject the possibility, reminding the press that the Administration still considered Iran a "state sponsor of terrorism."

It should be recalled that on Jan. 20, 2005, the day of the Bush-Cheney second inauguration, the Vice President appeared on the Don Imus show on MSNBC cable TV, to target Iran. Using language identical to his earlier lies about Iraq, Cheney accused Iran of pursuing "a fairly robust nuclear program" and of sponsoring terrorism. "That combination is of great concern," he declared, warning that Israel could be expected to launch preventive bombing attacks on Iran's alleged nuclear weapons sites, if the Iranians don't abandon those supposed nuclear efforts.

### NIE Leaked

One of the most dramatic signs of the ferocious behind-the-scenes fight was the Aug. 2 lead story of the *Washington Post*, which leaked a recent National Intelligence Estimate (NIE) concluding that, far from being on the verge of achiev-



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*The LaRouche Political Action Committee issued this new pamphlet the first week in August, to stop Dick Cheney's drive for war against Iran, and his coup d'état against the American system.*

ing a nuclear bomb, Iran was at least ten years away from such a capability. The story, by staff writer Dafna Linzer, noted that “the carefully hedged assessments, which represent consensus among U.S. intelligence agencies, contrast with forceful public statements by the White House. Administration officials have asserted, but have not offered proof, that Tehran is moving determinedly toward a nuclear arsenal.”

The last time an NIE was prepared on Iran, it was estimated that Iran was five years away from obtaining a nuclear bomb, and that was in 2002. When Israeli Prime Minister Ariel Sharon visited President Bush at his Crawford, Texas ranch this past April, his top military aide, Gen. Yoav Galant, presented an Israeli assessment that Iran had a “very advanced” nuclear weapons program, could have a bomb within 12-18 months, and was near to reaching a “point of no return,” when “it could not be any longer stopped.”

The leak of the NIE, which was carefully prepared over a six-month period, beginning in January of this year, was widely hailed as a direct factional move, from high-level intelligence community circles, against the Cheney madness. One former Cabinet official noted that the mass circulation of LaRouche’s “Guns of August” statement had created the necessary political conditions for the leak to occur, seriously undermining Cheney and the neo-conservatives’ race to a new confrontation with Tehran.

The National Intelligence Council, the coordinating body of the 15 agencies that comprise the U.S. intelligence community as a whole, is now housed in the office of Director of National Intelligence John Negroponte. Just days before the leak to the *Washington Post*, Negroponte’s deputy, Gen. Michael V. Hayden, had testified before the House Intelligence Committee about the overhaul of the NIE process, to assure that there would be no repetition of the horrid mistakes

made in the October 2002 Estimate on Iraq’s weapons of mass destruction. That rushed October 2002 NIE vastly overstated and misrepresented Iraq’s weapons of mass destruction program, particularly its purported nuclear weapons program, and was a large contributing factor to the U.S. Congress’s capitulation to Bush and Cheney, in sanctioning the Iraq preemptive invasion—even as United Nations weapons inspectors were continuing their inspections with minimal interference from the Saddam Hussein regime, and were stating that no nuclear weapons production was to be found.

Hayden emphasized that the Estimates would now reflect the views of all the relevant intelligence agencies, would be much more “nuanced,” and would not be released without a thorough review process, including an assessment of the quality of the sources of key intelligence findings. According to the *New York Times*’s Douglas Jehl, “Other government officials said the standard had already been applied, to a recent highly classified intelligence report on Iran.”

## The Usual Suspects

In further probing of the Cheney-led drive for a pretext to bomb Iran, *EIR* has confirmed that the same cast of neo-con characters who led the disinformation campaign against Iraq, in the run-up to the March 2003 invasion, have been tasked to carry out the same effort, this time targetting the regime in Tehran. Furthermore, while some media have portrayed the election of Mahmoud Ahmadinejad last month as President of Iran as the trigger for the new war push, the truth is that the campaign was launched, in earnest, within days of the November 2004 dubious re-election of Bush and Cheney.

In November 2004, Dr. Jerome Corsi, a leading player in the Karl Rove-inspired dirty-tricks apparatus known as Swift Boat Veterans for the Truth, suddenly emerged as the new head of the Iran Freedom Foundation (IFF), promoting regime change in Tehran. Corsi was touted by Sen. Rick Santorum (R-Pa.) as being the driving force behind the Iran Freedom and Support Act of 2005, which calls for \$10 million in funds to be handed out to Iranian dissident groups. Corsi had co-authored the Rove-inspired propaganda book *Unfit To Serve*, smearing Bush’s Democratic Presidential rival John F. Kerry over his military service in Vietnam. In March 2005, Corsi published another propaganda book, *Atomic Iran*, peddling scare stories about Iran’s imminent possession of nuclear bombs.

From May 15 to May 18, Dr. Corsi led an “Iran Freedom Walk” from Philadelphia to Washington, where a rally was addressed by neo-con Richard Perle, and where Corsi was congratulated, in a written statement, by Dick Cheney.

In April 2005, Regnery Publishing, Inc. released another fractured-fairy-tale propaganda piece, promoting preemptive war on Iran, this one by Rep. Curt Weldon (R-Pa.). Sources familiar with the book report that Weldon was snookered by ex-CIA Director and leading neo-con war party opera-

tive James Woolsey, and self-proclaimed “universal fascist” Michael Ledeen, into buying fake intelligence, pushed through a former Iranian minister under the Shah, who has more recently been a business partner of discredited Iran-Contra gun dealer Manucher Ghorbanifar. Representative Weldon concealed the identity of his high-level “source,” referring to him only as “Ali.” But “Ali” was soon identified as Fereidoun Mahdavi, a former commerce minister, who fled Iran shortly after the 1979 Islamic Revolution, and never looked back.

In an interview with *The American Prospect*'s Laura Rozan, Mahdavi professed shock and outrage that his “information” had formed the basis for Weldon’s shrill book. He confirmed that all of the information he passed on to the Congressman had, in fact, originated with Ghorbanifar, a notorious disinformationist, and Iran-Contra ally of the Washington neo-cons. Weldon’s saga with “Ali,” as recounted in his book, *Countdown to Terror—The Top-Secret Information That Could Prevent the Next Terrorist Attack on America . . . And How the CIA Has Ignored It*, began in March 2003, at the very moment that the Bush-Cheney regime was about to launch its Iraq invasion.

In late June of this year, Kenneth Timmerman, a propa-

gandist for the neo-cons and for right-wing Israeli circles around former Prime Minister Benjamin Netanyahu, published another book, *Countdown to Crisis: The Coming Nuclear Showdown With Iran*, which makes a string of preposterous claims, all based on information provided by the Mujahideen-e-Khalq, an Iranian exile group on the U.S. State Department’s list of Foreign Terrorist Organizations. Timmerman asserted that: Iran was behind the 9/11 attacks; Iran is safehousing Osama bin Laden inside the country; and Iran has all of the elements to produce nuclear weapons, and possibly provide them to terrorist cells already infiltrated into American cities.

When the Timmerman book was published, the *Washington Times* ran three days of excerpts, along with an editorial touting the book and calling for action against Iran.

If all of this sounds remarkably similar to the propaganda run-up to the Iraq invasion of March 2003, that’s because it is. The same Michael Ledeen/Richard Perle/Dick Cheney circles that brought you Operation Iraqi Freedom, are aggressively pushing war against Iran. But this time, with 170,000 American troops bogged down in Iraq, Cheney, Secretary of Defense Donald Rumsfeld, et al. are now pushing their decade-old plan to conduct pre-emptive nuclear strikes.

## EIR Confronts McClellan On Iran War Scenario

At a White House briefing on July 28, *EIR* correspondent Bill Jones queried Bush-Cheney spokesman Scott McClellan about the “Guns of August” scenario for war against Iran.

After explaining the content of the *American Conservative* article on Vice President Dick Cheney’s revamping of the military posture toward Iran, with 4-500 missiles, including tactical nuclear missiles directly under theater commander control, now targetted on Iran, Jones asked: “Given our problems with Iran and the fact that now that they have decided to continue with developing the full fuel cycle for their peaceful nuclear program, might we not be anxious that if there were a terrorist incident here in the United States in any way attributed to Iran, that there might be a knee-jerk reaction utilizing this hair-trigger against the Iranians?”

McClellan replied: “One, I appreciate your question. I’m not going to get into accepting anything that you alleged in your comments. I’m not going to get into discussing matters relating to national security of that nature.

“Two, in terms of Iran, Iran made some commitments to suspend their uranium enrichment and reprocessing activities. We expect them to abide by that commitment. If they were to begin those activities again, they would be violating the commitment they made under the Paris agreement with the Europeans. And we have made it very clear that Iran has a history of hiding their nuclear activities from the international community. That’s why it’s so important that you have some confidence-building measures, or objective guarantees in place, so that they show the international community that their nuclear program is not being used to develop weapons, or that they’re not developing weapons under the cover of a civilian program. And if Iran is going to violate their agreements, then we would, obviously, be looking at discussing with the Europeans, who have also committed to doing so, looking at going to the Security Council.”

Other reporters pursued the line of questioning. CBS’s John Roberts focussed on the alleged role of the new President, Mahmoud Ahmadinejad, in the 1979 hostage crisis (a role the State Department later denied), inquiring whether the Administration considered this also a “terrorist act” and if it would thus fall under the Bush Doctrine. McClellan would not give a clear answer on this, but simply said that Iran was still considered a “state sponsor of terrorism.”

# Cheney's Guns of August: A Timeline

by Jeffrey Steinberg

The chronology that follows provides a picture of the drumbeat for war against Iran, orchestrated by the same neo-con and Bush-Cheney Administration war party apparatus that lied America into the pre-emptive war against Iraq. Initially, leading neo-cons in and around the Bush Administration had thought that a “cakewalk” victory in Iraq in the Spring 2003 would lead, in rapid succession, to “regime change” in Syria and Iran. However, by October 2003, the rise of the insurgency in Iraq forced even the hardliners in the Administration to concede that war schemes against both Syria and Iran would have to be postponed. The drumbeat for war on Iran was resumed right after the November 2004 elections.

## 2002

**Jan. 29:** In his first State of the Union address following the Sept. 11, 2001 attacks, President George W. Bush identifies Iraq, Iran, and North Korea as the “axis of evil,” clearly targeting those three countries for “regime change.”

**Late 2002:** Michael Ledeen and Morris Amitay cofound the Coalition for Democracy in Iran to promote regime change in Tehran. Among the other boosters, listed on the group’s website, are: Frank Gaffney, Jack Kemp, Joshua Muravchik, Danielle Pletka, and James Woolsey.

## 2003

**April 30:** The Jewish Institute for National Security Affairs sponsors a conference featuring a speech by Michael Ledeen, in which he declares, “It is time to focus on Iran, the mother of modern terrorism. . . . The time for diplomacy is at an end; it is time for a free Iran, free Syria, and free Lebanon.”

**May 6:** The American Enterprise Institute, the Foundation for the Defense of Democracy, and the Hudson Institute co-sponsor a forum, “The Future of Iran: Mullarchy, Democracy, and the War on Terror,” aggressively promoting regime change in Tehran. Among the speakers are: Michael Ledeen, Meyrav Wurmser, Morris Amitay, Reuel Marc Gerecht, and Ambassador Uri Lubrani, an advisor to the Israeli Ministry of Defense.

**Oct 24:** According to the Aug. 4, 2005 indictments of Larry Franklin, Steven Rosen, and Keith Weissman, all charged with passing classified U.S. documents to Israel,

Franklin told Israeli Embassy official Naor Ghilon that all work on an action plan targeting Iran had been suspended.

## 2004

**Sept 27:** *Newsweek* reveals that “the CIA and DIA have war-gamed the likely consequences of a U.S. pre-emptive strike on Iran’s nuclear facilities. No one liked the outcome. As an Air Force source tells it, ‘The war games were unsuccessful at preventing the conflict from escalating.’ Instead, administration hawks are pinning their hopes on regime change in Tehran—by covert means, preferably, but by force of arms if necessary.”

**Nov. 17:** En route to Chile, Secretary of State Colin Powell tells reporters that the U.S. has received new intelligence that Iran is working on modifying its Shahab III to launch nuclear warheads. It is subsequently revealed that a “walk-in” has provided the Bush Administration with thousands of pages of purported Iranian government documents, including designs of the new missiles and warheads. The walk-in is later identified as an associate of the Mujahideen-e-Khalq (MEK) political front group the National Council of Resistance of Iran. The NCRI held a press conference in Paris on the same day that Powell made his remarks to reporters, presenting the same allegations about Iran’s advanced secret missile and nuclear weapons program.

**Nov. 19:** *The New York Times* publishes a story by Steven Weisman, identifying Iran as a major foreign policy challenge for the second Bush Administration. Weisman writes, “While assembling a new national security team, President Bush is

## For More Information

For useful reviews of the Bush-Cheney Administration’s record of lies, see:

“Iraq on the Record: The Bush Administration’s Public Statements on Iraq,” prepared for Rep. Henry Waxman (D-Calif.) See <http://democrats.reform.gov/IraqOnTheRecord>.

“Last Throes of Credibility—Five Years of Lies and Deception,” a 36-page document released by Rep. John Conyers (D-Mich.) on July 22, 2005, at [www.johnconyers.com](http://www.johnconyers.com). A press release is available at [www.house.gov/judiciary\\_democrats/news/releases.html](http://www.house.gov/judiciary_democrats/news/releases.html).

W. Patrick Lang, “Drinking the Kool-Aid,” *Middle East Policy Council Journal*, Summer 2004. See [www.mepc.org/public\\_asp/journal\\_Vol11/0406\\_lang.asp](http://www.mepc.org/public_asp/journal_Vol11/0406_lang.asp).

confronting what could become the biggest challenge of his second term: how to contain Iran's nuclear program and what some in the administration believe to be Tehran's support of violence in Israel and insurgents in Iraq."

## 2005

**Jan 17:** Seymour Hersh publishes an exposé in *The New Yorker*, revealing Bush Administration plans to launch missile and commando attacks against as many as three dozen suspected nuclear weapons research sites in Iran, as early as Summer 2005. Hersh writes that U.S. commando teams have been infiltrated into Iran since mid-2004, developing target data on the suspected nuclear sites.

**Jan. 20:** On the morning of the second Bush-Cheney inauguration, Vice President Cheney goes on the Don Imus Show on MSNBC, to accuse Iran of aggressively seeking nuclear weapons and supporting terrorism against Israel, warning that Israel could conduct pre-emptive bombing raids against Iran's nuclear facilities. Cheney tells Imus, "Given the fact that Iran has a stated policy that their objective is the destruction of Israel, the Israelis might well decide to act first, and let the rest of the world worry about cleaning up the diplomatic mess afterwards."

**April 13:** Iran Freedom Foundation runs TV ads in 16 states plus the District of Columbia, titled "An Atomic 9-11: When Evil Is Appeased," based on the new book *Atomic Iran: How the Terrorist Regime Bought the Bomb and American Politicians*, by Foundation head Jerome Corsi. The ads depict a nuclear bomb attack on New York City, and warn that if Iran obtains nuclear weapons, the regime will provide them to terrorist groups to detonate inside the United States, killing millions of people. "In the blink of an eye, the United States could be reduced to second-class economic status."

**May 24:** AIPAC (American Israel Public Affairs Committee) holds its annual convention in Washington, D.C. highlighted by a speech by Defense Policy Board member Richard Perle, in which he calls for American military action against Iran, declaring, "If Iran is on the verge of a nuclear weapon, I think we will have no choice but to take decisive action." The other highlight of the AIPAC gathering is a multi-media display, "Iran's Path to the Bomb."

**May 28:** Geostrategy Direct, a consulting service headed by *Washington Times* reporter Bill Gertz, publishes a ludicrous report, claiming that North Korea and Pakistan have provided Iran with all the necessary components to immediately build several plutonium-based nuclear weapons, to be fitted on Iran's existing arsenal of Shihab III intermediate-range missiles.

**June 24:** In an interview with leading neo-con propaganda outlet Frontpagemag.com, Kenneth Timmerman, a propagandist for war on Iran, claims that Iran "has acquired nuclear weapons capability" and is also harboring Osama bin Laden inside Iranian territory, where he has met with

top regime officials as recently as March 2005.

**June 27-29:** *The Washington Times* publishes excerpts from Kenneth Timmerman's just-released book, *Countdown to Crisis: The Coming Nuclear Showdown With Iran*, which peddles a string of lies about Iran's protection of Osama bin Laden, its direct role in the 9/11 attacks, and its advanced quest for nuclear weapons. The excerpts are accompanied by a *Times* editorial, calling on Congress to ignore the findings of the U.S. intelligence community, especially the CIA, and take up Timmerman's dossier as a basis for policy action.

**July 25:** *The American Conservative*, dated Aug. 1, but released to the public a week earlier, publishes a short item by former U.S. intelligence official Philip Giraldi, which reads, in part: "In Washington it is hardly a secret that the same people in and around the administration who brought you Iraq are preparing to do the same for Iran. The Pentagon, acting under instructions from Vice President Dick Cheney's office, has tasked the United States Strategic Command (STRATCOM) with drawing up a contingency plan to be employed in response to another 9/11-type terrorist attack on the United States. The plan includes a large-scale air assault on Iran employing both conventional and tactical nuclear weapons."

**July 28:** In response to a question by *EIR* White House correspondent Bill Jones, Presidential spokesman Scott McClellan does not deny the Giraldi report about contingency plans to bomb Iran with conventional and nuclear weapons. Rather, he launches into an attack on the Iranian regime as a sponsor of international terrorism, and threatens UN sanctions if Iran does not abandon its nuclear reprocessing program. The Jones-McClellan exchange is featured prominently on CNN following the White House press briefing.

**July 29:** Frontpagemag.com sponsors a Symposium, "The Showdown," promoting a confrontation with Iran, in the wake of the election of Mahmoud Ahmadinejad as President of the Islamic Republic. The participants, all raving neo-con promoters of regime change in Tehran, are: Patrick Clawson, Kenneth Timmerman, Daniel Pipes, and Walid Phares. They promote various U.S. military actions, ranging from covert support for Iranian opposition groups, to full-scale bombing attacks.

**Aug. 2:** Frontpagemag.com interviews Joseph Farah, editor of World Net Daily, who proclaims that the United States is facing an imminent "American Hiroshima," in the form of a dirty nuclear bomb attack by al-Qaeda. Farah cites right-wing Israeli propagandist Yosef Bodansky and Paul Williams, author of an upcoming book, *The al-Qaeda Connection*, as others who have drawn the same conclusion. Farah claims his sources told him that dirty bombs had already been smuggled into the United States through our "porous borders," with the help of criminal enterprises like the Central American MS-13 gang.

## Stop Cheney's 'Guns of August' Nuclear War Plan

*Lyndon LaRouche was interviewed by telephone on Aug. 1 by James Whale, on talkSPORT, which is billed as the number-one commercial radio station in Britain. Whale previously interviewed LaRouche on March 18, 2003, on the eve of the Iraq War; he also spoke to EIR representatives on Nov. 2, 2004, Election Night.*

**Q:** . . . Lyndon LaRouche has warned of Cheney's "Guns of August," that they threaten the world. And the last time I spoke with Lyndon LaRouche, I did feel quite worried afterwards. Lyndon, I hope you're not going to depress me quite so much this time.

**LaRouche:** I don't intend to depress people, I intend to try to prevent some horrible things from happening.

**Q:** I think it's about time that some of the horrible things in the world *were* stopped from happening, Lyndon. I tell you.

**LaRouche:** I agree, quite. The point is, we've known for some time, that Cheney has a war plan, it's a nuclear war plan. The pretext is Iran. And the run-up for the Iran business, which is probably scheduled for this month—most probably—is pretty much an echo of what was done in the case of the run-up to Iraq.

**Q:** Go through this slowly with me, Lyndon, if you would. Let me just do a little bit for people who have never heard you before. Let's just do a little bit about your history, okay?

**LaRouche:** Yes, sure.

**Q:** How did you start getting out into this thing?

**LaRouche:** Oh, years ago. I was really an economist, fairly good at it, and I got into politics, in the middle of the late 1960s, and 1970s. I was involved with Reagan, in the project we had jointly, which became known as the SDI [Strategic Defense Initiative], which was a near-miss, but I was never ashamed of what we did there. And I'm quite a contentious character in the United States, but I'm a significant figure in the Democratic Party, and on fairly good terms with much of the leadership of the Congress.

**Q:** Do you think there's ever a chance that the Democratic Party will get back into power in America?

**LaRouche:** Oh, I'm sure of it. We're, in a sense, in power

now. That since January of this year, President Bush has been more and more a lame duck, in our terminology here. But the power lies essentially, naturally, in the institutions of the Senate, because the Senate is the institution which deals with irregularities, shall we say, in the Presidency—chiefly. So, we're trying to do things, knowing that there's an onrushing world financial crisis of horrible dimensions, and these continued threats of wars, that people start because they don't want to face financial problems, and therefore we are concerned. And there is a dangerous situation.

But, overall I'm optimistic, in the sense of going into a war that you don't know you're going to win, but you're determined to win, and you know you have the potentiality of winning. So therefore, you go at it that way.

**Q:** Okay, right. Now let's talk about your latest "message to the world," if you will. In it, you say that Dick Cheney's "living out an American version of Hitler in the bunker, lashing out at Republican Senators who have dared to resist his mad tirades." Now, I mean, I don't know much about him at all. Every time I see him interviewed, he seems a fairly benevolent, elderly gentleman, a man who's had his own medical problems which have been well documented, and a man who's probably coming up to his final few years in political office.

**LaRouche:** Yes, he's, of course, like many people in public life: He's a tool of something behind the scenes—which is rather typical of our political system anyway! There are very few exceptions to that.

So, he is a nasty fellow. He, as Secretary of Defense, came up with this scheme for using mini-nukes for preventive nuclear warfare. At that time, the first Bush Administration, Bush 41, under the guidance of James Baker III, who was then Secretary of State, and Brent Scowcroft, who was a key figure there, tried to stop it, and did stop it. But once George Bush II was put in the Presidency, and Cheney as Vice President, he began to scheme in these directions and push into the Iraq war; and he is now pushing us into what he also planned, back then, the Iran war.

We have a position where a ruling was made. We've now deployed nuclear weapons to theater commanders. We now have, under STRATCOM, an order from Cheney, as Vice President—which is not really within the Constitution for him to do this, but he did it—for preparing for a preventive war on Iran, under the pretext of anything that looks like a 9/11 equivalent against the United States. We are at that point.

**Q:** Yes. But, what you're saying, first of all, is: Does something like 9/11 have to happen to the States, before this will happen, or do they just have to think it could?

**LaRouche:** Either way. It's just a question of politics at this point: What can they get by with?



EIRNS/Chris Lewis

*Lyndon LaRouche: "We are in a period of madness: And I think that some people are realizing it, and I hope that we begin to come more to our senses."*

**Q:** But what does Cheney hope to gain from the mass slaughter of probably *millions* of innocent people?

**LaRouche:** I don't think Cheney thinks that way. I think this is a case of a political character, who's a secondary figure, more of a Mafia boss than really a thinker or a planner; who is on autopilot, headed for catastrophe—and not really concerned too much with the consequences of what he's doing.

**Q:** But Bush must be concerned, surely. I mean, if—

**LaRouche:** Bush is not—I don't think Bush is really in it. Bush is a man of limited intellect, and limited comprehension of what's going on around him. To some things he reacts passionately. To other things he reacts with a very curious indifference to reality. As, for example, when you have a President of the United States, who says that U.S. government bonds, which are part of the essential security system of the international monetary system, and says they're nothing but worthless pieces of paper, you know you have a President who is not quite all there. And in that situation, a fellow like Cheney, rising as Vice President way beyond the Constitutional limits of what a Vice President is allowed to do, is serving, actually, as an acting President. He's taking over. And I don't think George W. Bush really understands what going on.

**Q:** Now, you've been in London and the United Kingdom quite often. You must be aware of the kind of—the disdain of, I think, probably the majority of people in this country,

I'm sure a lot of people disagree, the disdain that people hold the American legal system in at the moment.

**LaRouche:** Well, we've had some problems. All countries have these problems—the United Kingdom has had such problems at times—

**Q:** We're not very happy with our own government, either!

**LaRouche:** I know, I know! I realize that.

**Q:** You know, everybody says, "Well, you voted Blair back in," and I'm *yet* to meet anybody who admits to voting for him! How that happened, I've no idea!

**LaRouche:** I understand—we have these kinds of problems, don't we?

But, we have to think on a higher level, you know, if we're really citizens—

**Q:** Well, we don't have to go too high. Let me tell you, Lyndon. Because, we feel now—or quite a few people in this country—we were taken into this Iraqi war under false pretenses, as I'm sure you know. And so far, upwards of maybe 150,000 innocent people have been slaughtered in Iraq. And it hasn't certainly made us in this country feel any safer. Obviously, you're aware of the problems we've been having recently.

**LaRouche:** Yes, well, you've got a mess, for example, coming out of Central Asia, spilling out of the Brzezinski's great adventure in the soft underbelly of the Soviet Union: We have failed states supporting a drug operation, which is spreading across Eurasia, and is threatening civilization generally. And these wars that we're running, like the Afghanistan war, the Iraq war, and so forth, by destabilizing parts of the world that can be nicely managed, with some usual difficulties, we are now turning this into an area of chaos.

And we are in a period of *madness*: And I think that some people are realizing it, and I hope that we begin to come more to our senses.

I can assure you, that in the United States, around the Senate, and around our intelligence institutions, our military, our senior diplomatic circles, they *do* understand these kinds of problems. And they are determined to try to stop them, and cure them.

**Q:** Okay. Now, you reckon that there is a grave danger, that Cheney is going to allow, or Bush, I suppose, will have to allow, a limited, tactical nuclear strike on Iran?

**LaRouche:** *Which I don't think you could stop.* Once you set fire to the fuse, the main charge is going to go off.

**Q:** So, do you think that the thinking behind this, the rather—well, the rather demented thinking behind this, as far as I can see—is that it'll make the world a safer place? If they can find a *reason* that doesn't incur the wrath of the rest of the planet, they'll go ahead and they'll nuke Iran!

**LaRouche:** I think what you're dealing with—remember, we had this Hitler problem back in 1933. And people—when the German military walked away from the situation, when they could have prevented Hindenburg from putting Hitler in as Chancellor—then people laughed at Hitler, when he was Chancellor, said “he’s going to be out soon.” But then, Hermann Goering set fire to the Reichstag, and dictatorial powers were granted to Hitler, and it didn’t stop until the end of the war!

Now, this time, we don’t have the great military capabilities, except for nuclear weapons, to conduct general warfare. But you have people like Cheney, who are thinking like some of those behind Hitler then, think they can pull off an operation, and they have no comprehension—remember, Cheney is a draft-dodger, and here he is planning wars! And this kind of situation is the danger.

Sensible people, around the world, know that warfare, except for defense, is a pointless operation in this day and age. The consequences are immense. There are other ways, and better ways that we can handle security problems, than going to general war simply because we’re angry.

**Q:** Okay. Do you think America has got the psyche now, that nobody can touch them?

**LaRouche:** No, I don’t think so, no. That’s what you will get from a largely managed section of our news media. But most Americans are quite distressed. The lower 80% of family-income brackets are more or less, as you were probably saying, the same as the lower 80% in the United Kingdom: They’re not too happy with the present situation, and they’re not too well-off, shall we say. They’re not happy. But, they don’t know what they can *do* about it.

So therefore, it comes to a question of leadership. In my view, the Democratic Party—and Republicans, we have a large number of Republicans who think the same way, in the Senate and elsewhere: That we have got to put this thing back in shape. And then the people will find a leadership they can trust. They will support it, we can deal with the problem. Right now, we’re in that in-between situation: We have a Presidency which does not function. It’s a menace. It’s a menace to the planet, as well as to us. And we have not yet put the checks and balances in, to get this thing under control.

**Q:** Do you think you can get them in, before this very worrying scenario that you’ve laid before us, comes to reality?

**LaRouche:** We’re very close to it. The month of August is therefore very dangerous, just as the month of August was in 1914, and was actually up to the run-up to Sept. 1, ’39. . . .

**Q:** . . . You think August is going to be the crucial month, Lyndon?

**LaRouche:** Could be. You know, it’s like military questions, in general: You have to have a war plan, you have to have an estimate of your situation. You do not try to predict too tightly,

but you are prepared, in a timely fashion, to deal with what might happen. And you consider your prospects.

So, we’re now at a point, where the real issue is, of course, the financial crisis. And that thing is ready to blow. This makes things very touchy. It means—

**Q:** Why is America’s economy, so, kind of shot, at the moment? I mean—

**LaRouche:** Because we’ve been an idiot for 40 years. For 40 years, we’ve been destroying the U.S. economy. We are now, still, nominally, the masters of a world monetary system, by virtue of the dollar. We’re crashing the dollar. And the whole thing is about to come down, because of these financial derivatives kinds of nonsense, as typified by the hedge-funds crisis. We’re sitting there, like idiots! We got ourselves into this mess: We destroyed our industry; we destroyed our agriculture; we’re living off the back of the rest of the world—and we think we can go on like this forever? No. Certain countervailing things begin to come in and hit us, after, say, 40 years of lunacy.

**Q:** Do you think the European Union, and the togetherness, if you like (although not *that* togetherness—ahem!) of countries in Europe, is affecting the dollar? The euro could quite easily replace the dollar?

**LaRouche:** Well, the euro is a farce, from my standpoint. You have a worthless currency called the euro. It’s a currency against which no credit can be issued; half of the countries such as France, Germany, Italy, and so forth, can not generate any credit, to get out of a loss position! So therefore, you have a worthless currency, the euro, controlling Europe. And the Continental Europeans can do nothing.

The United States has the responsibility, because of the role of the U.S. dollar in the international monetary system, to prevent the collapse of the dollar from causing a chain-reaction collapse of the international monetary system. We simply have to take our responsibility, and organize pledges to make sure this dollar is not going to collapse—that is, the monetary system is not going to collapse from under us.

**Q:** Do you see that the euro will actually fade away, eventually, and that all countries that adopted the euro will go back to their national currency?

**LaRouche:** The tendency will be that. You will find on the continent of Europe, there’s a prevailing desire to get back to the nationally sovereign currency arrangement. They don’t like it, they don’t like the euro, they don’t like what’s happening to them, they don’t like their hopelessness. This thing is about to blow up.

**Q:** Okay. Now, listen, let me just go over this other thing with you about the mini-nukes: which you say, reading bits you’ve written, that they’re now under the control of theater military commanders. Is that—do you have proof of that?



White House/David Bohrer

Vice President Dick Cheney with Prime Minister Tony Blair, at Blair's residence in London. Radio talk show host James Whale told LaRouche that he'd never met anyone who admits to having voted for Tony Blair. "Quite a few people in this country," he said, "feel we were taken into this Iraqi war under false pretenses."

**LaRouche:** Oh yes. That's U.S. official policy. That's been a policy for some time.

**Q:** But it's not well known. I didn't know that, Lyndon.

**LaRouche:** Well, it's actually published. It's well known. It's all over the U.S. It is an official policy. That's what we're working from.

The question was, was Cheney just sticking this *in*, in order to have such a policy, or did he have an intention?

**Q:** So, let me get this right: The theater commanders, i.e., in Iraq, or wherever they may be, or cruising the Mediterranean on their aircraft carriers or whatever—they actually have these mini-nuclear warheads with them *now*; and if they deem it necessary, they can use them, without—

**LaRouche:** No, it's not quite that simple. You probably have a large storage of these, at Diego Garcia, for example. Our

operation would come through the Strategic Command, STRATCOM. STRATCOM has received the order from Cheney, to proceed and prepare for such an attack, against Iran. We've talked to all leading circles in the Congress, and elsewhere, about about, personally, before I issued my statement. I issued my statement on the basis of having an evaluation from people in leading strategic positions, leading political positions, who said, "Yes." And I said, "Well, who's going to blow the whistle?" They looked at me—I blow the whistle.

**Q:** Okay—are you going to find yourself locked up, Lyndon, before long?

**LaRouche:** Oh no! There's always a danger in politics. You know, people opposed Hitler and they got into trouble, right. But you do what you're supposed to do anyway, don't you?

**Q:** Okay, right.

Let's just look at this: Iran is now saying that they are going back to developing their nuclear power. If they're developing nuclear power, they can't be that far away from having a nuclear bomb—in fact, they may even *have some, already*. And the thing that worries, you see, Lyndon: You guys in the U.S. are a long way away from all this, and we in Europe are not. All right?

**LaRouche:** Well, you see, you have a different situation between North Korea and Iran. North Korea is a very special kind of state.

**Q:** Yes, well, I would have thought if you were going to hit anybody, it would have been North Korea before Iran!

**LaRouche:** Well, North Korea is not that much of a problem, if we approach the thing properly.

Now, in the case of Iran: Iran has no interest—there are two things to bear in mind, here, strategically: The nuclear option is terrible. It is a mistake, in general. But at the same time, you have to think about what we're looking at. We're not looking at regular warfare. What Cheney's talking about is a nuclear surrogate for regular warfare. We are not looking on this planet at prolonged regular warfare: *We do not have the capability of prolonged regular warfare*. We're looking at *irregular warfare*, of the type of thing, we're seeing that Iraq is degenerating into, that Afghanistan is degenerating into. The danger is, the whole planet becomes a mess of irregular warfare, or so-called guerrilla or similar kinds of warfare. Some people call it "international terrorism." We are spawning that, by pushing these military war options, we are creating the preconditions for a rapid escalation of irregular warfare. And that, we're not prepared to deal with.

**Q:** Okay, now tell me: That you think that the recent bombings in London have provided Tony Blair with his own, as you put it, Reichstag Fire. Do you think that this is going to allow—we've already seen armed police on the streets of London like we've never seen before, and over the rest of the

country as well: Is this playing into the hands of people who wish to become a little more gung-ho, I think we would probably say?

**LaRouche:** I would say, that the danger of the spread of what people call terrorism, which in many cases is irregular warfare—in other words, it’s not terrorism in the simple, simplistic term. But it has the effect, which is equivalent to terrorism.

Irregular warfare: We’re going to see assassinations of key political figures around the world. We’re going to see this kind of thing: *This* is irregular warfare! What Tony Blair is dealing with, is simply an eruption, caused by the general state of the world, of irregular warfare, and it’s blown up in London! As it’s going to blow up in other places, as in the Middle East and elsewhere.

**Q:** Okay. To deal with this then, Lyndon, we need another “political will” if you like, another political ideal?

**LaRouche:** Exactly.

**Q:** Okay, well, that’s not going to come. Not going to come in our country, for *at least* another three, four years!

**LaRouche:** The United States—we have the position and responsibility of providing an initiative for one thing: It is not necessary to have a total collapse of the international monetary-economic system. We can reorganize it. You will not find, in Europe, the will to undertake such a venture. You will find, a will to do that in the United States, if we get our act together: We did it before, and we can do it again. If we act, if the initiative comes from the United States, I think we can be assured that a good deal of Europe will line up with the United States, maybe with some bickering, but line up, on a common-interest project, to avoid this kind of catastrophe. And that’s what I’m working for.

**Q:** If America were to use limited nuclear weapons against Iran, in say, the next few weeks, few months, whatever, what would be the response of the American people?

**LaRouche:** We don’t know. They probably would be demoralized, or, they might even react as, in a sense, they did to 9/11. I’m not sure. I don’t think anybody’s sure. I don’t think anybody can precalculate—it is incalculable. But it generally sounds to me, messy.

**Q:** Yes, you see, this term “mini-nukes” gives it a kind of, almost a feeling that it’s acceptable—do you know what I mean?

**LaRouche:** Yes. The problem is, that this mini-nuke business can lead to detonating thermonuclear weapons, which are sitting there in various places, are not on the playing field right now. But the danger is, that an extension of warfare, of strategic significance, as an attack on Iran, will set into motion a kind of tidal wave, which can lead then, to the actual involvement of thermonuclear weapons.

**Q:** It’s not a very happy picture that you paint, Lyndon. But, at least, you do—you qualify by saying, of course, it’s not too late. Something can be done.

**LaRouche:** Otherwise, I wouldn’t bother talking!

**Q:** Yes, exactly. Like the people I’ve had on before, telling me it’s all written in the Bible anyway. All we got to wait for is the false Messiah, and then we’re halfway to the—to the end of time!

**LaRouche:** Well, the human race has never been wiped out, and it’s probably been on this planet for about 2 million years. So, I think I can be rather optimistic about the ultimate resources of the human race for survival.

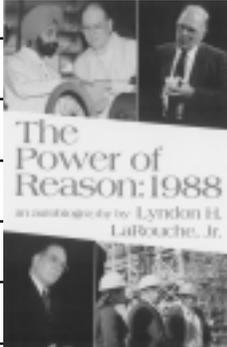
**Q:** Yes, Lyndon: that’s before we found there was an extra planet in the Solar System. Who *knows* what’s going to happen now?

**LaRouche:** I love that!

**Q:** Lyndon, thank you very much, indeed. It’s always interesting.

**LaRouche:** Thank you, good to be with you.

**Q:** Lyndon LaRouche. And, if you want to find out more about Lyndon, you can go to his website, [www.larouche.pac.com](http://www.larouche.pac.com).

<b>LaROUCHE</b>	
THE FOREMOST	
ECONOMIST AND	
PHILOSOPHER	
OF OUR TIME:	
HOW COGNITION	
CHANGES HISTORY.	
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# Is Rumsfeld Playing Divide and Conquer with BRAC Base Closings?

by Carl Osgood

One of the things that became readily apparent early-on, after the Pentagon released its base closing plan on May 13, was that the plan moves a substantial chunk of military assets from northern to southern regions of the country. However, as the independent Defense Base Closure and Realignment (BRAC) Commission proceeded through its grueling schedule of regional hearings across the country, over June and July, that divide became more defined, such as: Connecticut versus Georgia, Maine/New Hampshire versus Hawaii, South Dakota versus Texas, Indiana versus Illinois, Alaska versus the Lower 48 states, and so on. Although citizens and political leaders in states targeted for major closures have banded together, regardless of party, to defend their bases, politicians in states that are set to gain from the plan appear to be hoping to poach other states' assets for parochial advantage.

Some observers have attempted to attribute this outcome to political motivation on the part of the Bush Administration, to punish states that voted for Democrat John Kerry in the last Presidential election, a charge that, for the most part, people on both sides of the BRAC debate have denied. They point to so-called red states, like Alaska and South Dakota, taking big hits in the BRAC plan.

The politics of BRAC may be more related to Vice President Dick Cheney's "nuclear option," however. One Senate source told *EIR* in June, that Maine's two Republican senators, Susan Collins and Olympia Snowe, went to Senate Armed Services Committee chairman John Warner (R-Va.) at the point that they were threatened with base closures in their state, if they did not throw their support behind Cheney's cold coup attempt in the Senate. Warner became the leader, along with Sen. Robert Byrd (D-W.Va.), of the "Gang of 14," the bipartisan grouping of Senators which sabotaged Cheney's attempted coup on May 23. Collins and Snowe were both part of that grouping.

Ten days earlier, the Defense Department had released its BRAC recommendations, which included closing the Portsmouth Naval Shipyard, in Kittery, Me., as well as the Defense Finance and Accounting Service Center in Limestone, and the realignment of the Brunswick Naval Air Station, actions which, by the Pentagon's own estimates, would cost Maine nearly 7,000 jobs, directly.

Warner, himself, took a hit from the BRAC Commission on July 19, when it voted to add Oceana Naval Air Station,

in Virginia Beach, to the closure list. Oceana is the Navy's "master jet base" for all East Coast carrier fighter squadrons, and there are about 190 F-14 and F-18 jets stationed there. However, there are also significant issues with commercial encroachment in the area around the base. This led the commission to ask the Pentagon, on July 1, what considerations were given to realignment of Oceana to Moody Air Force Base in Georgia. In its July 14 reply, the Pentagon said "The best basing alternative for East Coast tactical aviation would be to build a new 21st Century master jet base, but such action would occur outside the BRAC [6-year] window." Thus, the commission voted to take a closer look at Oceana.

## Growing Anger in the Congress

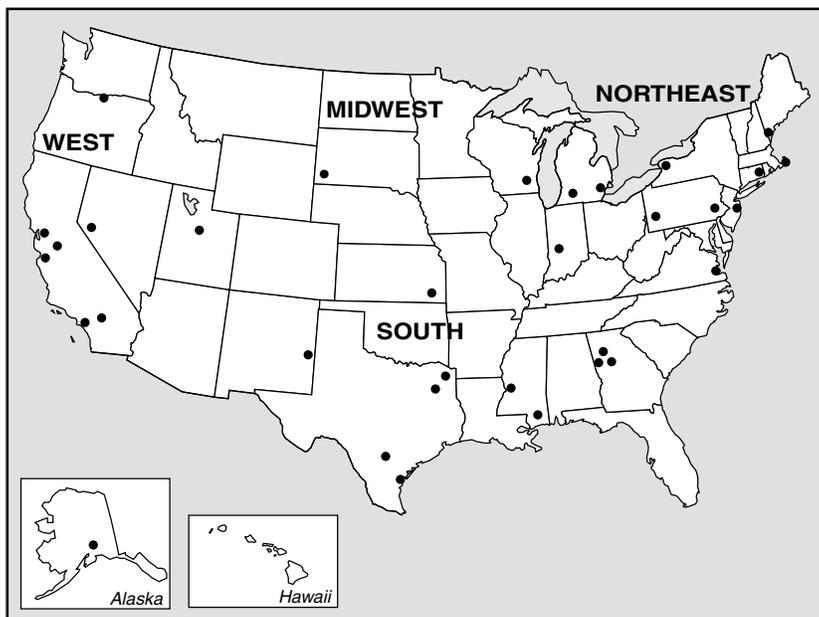
Not surprisingly, Warner did not agree with the commission's decision to add Oceana to the closure list. Warner publicly announced, at an Aug. 4 BRAC commission hearing in Washington, that allegations were brought to his attention that the commission was in receipt of *ex parte* communications from a Department of Defense official that had not been made part of the public record, "which raises a question of whether or not they laid a foundation for a decision or decisions" about Oceana's future. He would not comment on the content or source of that communication, but said only that he had invoked a provision in the BRAC law that allows the chairman of the Readiness Subcommittee of the Senate Armed Services Committee, Sen. John Ensign (R-Nev.), to investigate those allegations in order to insure that the BRAC process is open and transparent, as provided for in the BRAC law.

Warner referenced remarks made by commission member Gen. James Hill (ret.) during the July 18 BRAC hearing, in which Hill said that Admiral Vern Clark, who has just retired as the Chief of Naval Operations, had said that he wanted to close Oceana, but that he couldn't find another alternative. Warner said that he could not substantiate this statement anywhere in the documents available on the BRAC Commission's website.

The BRAC Commission must complete its report and submit it to President Bush by Sept. 8. The commission will begin a series of meetings in Washington on Aug. 22, to vote on each of the elements in the Pentagon proposal, a process which could take several days. Once the report is submitted

FIGURE 1

**The 33 Major Military Bases Rumsfeld Would Close Down**



Source: U.S. Department of Defense.

to the President, he has 15 days to accept or reject it. If he rejects it, it goes back to the commission, which has until Oct. 20 to resubmit the report. If Bush accepts it, then, he must forward to it to Congress by Nov. 7, which then has 45 legislative days to act on the report. The only action Congress can take is to pass a joint resolution rejecting the report, which must be signed by the President. Otherwise, it becomes law automatically.

**Divide and Conquer**

One obvious example of the divide-and-conquer quality of the Pentagon plan is the proposal to close the Navy’s submarine base in New London, Conn. The plan would distribute the New London-based submarines between Norfolk, Va. and Kings Bay, Ga., and relocate the submarine school to Kings Bay. Connecticut’s Congressional delegation, Republicans and Democrats alike, have been vigorously opposing the proposed closure, while Georgia’s delegation testified in favor of it at the BRAC Commission’s June 30 regional hearing in Atlanta.

Sen. Saxby Chambliss (R-Ga.) told the BRAC Commission that Kings Bay “is the best for gaining both submarines and the submarine school.” Rep. Jack Kingston (R-Ga.), whose district includes Kings Bay, said that “whatever way we go, the combination of Norfolk and Kings Bay will accommodate all the needs required in the future.” He stated, “Adding new missions to Kings Bay is the right move from a national security and an economic standpoint.”

Even more parochial was Rep. Mark Souder (R-Ind.) at the June 20 hearing in St. Louis. The BRAC proposal calls for shifting the Illinois Air National Guard’s 15 F-16 jets to Fort Wayne, Ind., replacing older F-16 jets there, and leaving Illinois with no aircraft at all. Illinois Gov. Rod Blagojevich (D) has already filed a suit in Federal court to stop the transfer.

At the St. Louis hearing, Souder was more than a little parochial when he argued before the Commission that Fort Wayne is a better airport, because it has longer runways, a brand new control tower, and other improvements that were paid for by earmarks that he had added to appropriations bills over the last several years. He also argued that aircraft assigned to the Air National Guard belong to the Federal government and, therefore, state governors cannot force that property to stay in their states.

A similar problem arose in the July 7 Baltimore hearing regarding Fort Monmouth, N.J. The Army plan for Fort Monmouth, a research and development center, is to close it down and redistribute

its activities to Aberdeen Proving Ground and Fort Meade in Maryland, and Fort Belvoir in Virginia. Because Maryland is set to gain about 11,000 jobs from the Pentagon plan, including most of the 4,600 that New Jersey is going to lose, Maryland’s Congressional delegation expressed nothing but support at the Baltimore hearing. Rep. Dutch Ruppersberger (D-Md.) went so far as to say that “These recommendations represent the kinds of transformation objectives Secretary Rumsfeld is trying to achieve in this round of BRAC.”

There have been notable exceptions to this pattern, however. One alternative bandied about to the closing of Portsmouth Naval Shipyard, is instead to close the Pearl Harbor Naval Shipyard, but, Sen. Judd Gregg (R-N.H.) shot down that idea during the Boston hearing. “It is not our position that Pearl Harbor should be on the [closure] list,” he told reporters. In any case, the BRAC Commission rejected a proposal to do just that at its July 19 meeting.

On another occasion, New Hampshire Adjutant General, Maj. Gen. Kenneth Clark, told an audience at a June 16 forum in Washington, D.C., sponsored by the National Guard Association of the United States, that some states should not gain at the expense of others in terms of the proposed redistribution of Air National Guard aircraft from many to fewer bases—and he was speaking from the standpoint of a state that gains three KC-135 tanker aircraft under the plan. “I don’t believe New Hampshire’s gain is in the best interests of the Air Force,” he said.

## Anger in the Congress

In addition to those noted above, the Pentagon process has angered many in the Congress, particularly Republicans, because of how poorly it appears to have been executed. One indication of this is that Rep. Rob Simmons (R-Conn.), whose district includes the Navy submarine base in New London, is so incensed about the plan to close New London, that he personally contacted *EIR* on Aug. 1, to relate his concerns. Simmons argues that the closure is “a very significant mistake,” because of the more than \$220 million in military construction invested at New London over the past decade; its proximity to the Electric Boat shipyard, in Groton, where submarines are built; and the presence of the submarine school and other valuable submarine-related activities there. Simmons warned that taking New London apart, and scattering the pieces would be “kind of like taking the different components of Yale University, throwing them around the country and expecting a great university.”

From miscounting the number of C-130 parking spots at



Rep. Rob Simmons (R-Conn.)

the West Virginia Air National Guard base in Charleston (there are 12 while the Air Force says there are only 8), to miscounting the number of dry docks at the New London submarine base (there are 3, but the Navy counted only 2 and didn't count the 10 piers at all), the process appears to be full of errors—errors which have been noted individually at many BRAC Commission hearings. “I think a process that can't count dry docks is a process with problems,” Simmons said, perhaps indicating that when the BRAC Commission report goes to Congress, it will face further intense scrutiny.

Another angry Republican is Alaska Senator Ted Stevens (R), who wrote to the BRAC Commission July 27, that the Air Force's recommendation to convert Eielson Air Force Base, outside of Fairbanks, Alaska, into a “warm base” is a “broken recommendation that does not deliver promised savings, ignores strategic value, and undermines joint training opportunities.” He reported that the Air Force's “poor analysis” was revealed during a site survey of Eielson “when it was determined that an additional 1,000 personnel are needed to maintain the installation than originally anticipated.”

Stevens also reported, as the Government Accountability Office had stated in a July 1 report, that the Air Force counted as “savings,” personnel who are going to relocate to other bases as a result of the realignment, by counting them as if they were leaving the Air Force. As a result of those two miscalculations, Stevens wrote that “An annual recurring savings of \$229 million goes to \$27 million!”

Simmons reported that Sen. Joe Lieberman (D-Conn.) had told him that if the amendments to the Fiscal Year 2006 defense authorization bill calling for a slowdown of the BRAC process had come to a vote, before Senate Majority Leader Bill Frist (R-Tenn.) had pulled the bill from the floor, he thought they would have passed. Simmons was not optimistic, however, that Congress will defeat the plan. “There is increasing distress over BRAC in the House of Representatives,” he said. “The biggest problem with BRAC is that you go out and absolutely screw about a third of the Congress, but two-thirds feel they're okay, so the numbers aren't there.”

There is a lot of anger and animosity, particularly among Republican members of Congress, Simmons said. “Ironically, a lot of the people that are getting screwed around with are people like myself who are great advocates of the U.S. military.” He noted that Rep. Bill Young (R-Fla.), the chairman of the Defense Appropriations subcommittee, thinks that the New London plan “is a terrible mistake,” in part, because he has overseen the appropriating of the hundreds of millions of dollars in military construction and other improvements that have gone into New London over the last two decades.

“I don't know that there's enough concern to scuttle the process,” Simmons said, “but there is growing concern, and I've had it since day one. I voted against the BRAC process because there's too much money up front to clean up these facilities, and the funds recovered are too far into the future. We should not do this process at this time.”

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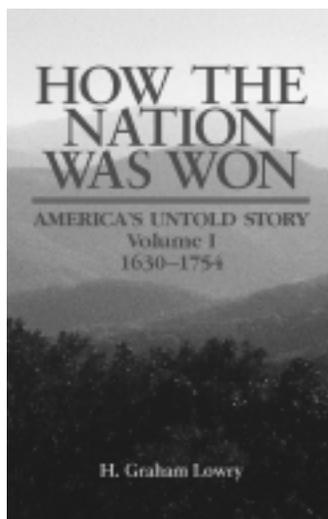
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# Larry Franklin Case: AIPAC Leaders Snared

by Jeffrey Steinberg

On Aug. 4, the U.S. Attorney for the Eastern District of Virginia, Paul McNulty, announced the indictment of two former top officials of AIPAC (American Israel Public Affairs Committee), on charges of “conspiracy to communicate national defense information to persons not entitled to receive it.” The same indictment included new espionage charges against Pentagon desk officer and Air Force Reserve Colonel Lawrence Franklin, who has already been indicted in the Eastern District, as well as in West Virginia.

The two “ex”-AIPAC officials are Steven Rosen and Keith Weissman. Since 1982, Rosen has been AIPAC’s Director of Foreign Policy Issues. Since 1993, Weissman has been Senior Middle East Analyst at AIPAC.

Before coming to work for AIPAC, Rosen had been employed from 1978-82 at the RAND Corporation. During that period, he worked on contract projects for the Central Intelligence Agency, and had top-level security clearances. Thus, Rosen signed written secrecy agreements with the U.S. government that remained binding after he went to work for AIPAC.

## Far-Flung Espionage Network

The new indictments, which have been anticipated for several months, unveil an Israeli espionage network that has been functioning since at least April 1999, involving a number of Pentagon officials beyond Franklin, as well as at least three officials of the Israeli Embassy and a former senior Mossad officer, Uzi Arad, who now heads Israel’s premier national security think-tank, the Herzliya Interdisciplinary Center.

U.S. intelligence officials have told *EIR* that the AIPAC/Franklin case reveals a new modus operandi, adopted by Israel intelligence, in the aftermath of the disastrous Jonathan Pollard spy scandal of the mid-1980s. Pollard, a Naval intelligence analyst, was caught pilfering thousands of classified Pentagon and CIA documents and passing them on to an Israeli intelligence unit headed by former Mossad European operations director Rafi Eytan, a close ally of current Prime Minister Ariel Sharon.

As the result of the blowback from the Pollard affair, according to the U.S. intelligence sources, Israel shifted its espionage operations targetted at the United States to think-tanks and lobbying organizations like AIPAC, which have ongoing “legitimate” contacts with American government officials.

What the Israelis and the AIPAC spooks did not anticipate was that their operations would be closely scrutinized by the FBI and other U.S. agencies, for at least the past six years, revealing numerous instances where the “legitimate” contacts crossed over into hard espionage.

The 26-page indictment is, in fact, a catalogue of scores of instances of classified information being passed from Pentagon officials to the two AIPAC men, on to Israeli Embassy personnel.

Franklin apparently walked into an ongoing FBI counter-intelligence surveillance of Rosen and Weissman, when he held his first meeting with the two men on Feb. 12, 2003. According to the indictment, phone conversations that Rosen had en route to the first meeting with Franklin, were monitored by the FBI. From Feb. 12, 2003 until July 9, 2004, Franklin had dozens of phone discussions and meetings with the two AIPAC officials, and on at least one occasion, faxed a document from his Pentagon office to Rosen’s home.

In June 2004, FBI agents confronted Franklin with evidence of his espionage activities, and Franklin agreed to cooperate with the government. His subsequent meetings with the two AIPAC officials were all controlled by the FBI, until Aug. 3, when the FBI visited both Rosen and Weissman. According to the indictment, even after the FBI visits, Rosen and Weissman continued to pass classified data provided by Franklin to select U.S. journalists and even to Israeli embassy officials.

## Franklin’s Connections

Lawrence Franklin had his own problems with his dealings with Israeli intelligence officials, even before his assignment to the Pentagon in early 2001 as Iran desk officer at the Near East South Asia policy office, under Assistant Secretary of Defense Douglas Feith and Deputy Assistant Secretary William Luti, a transplant from the Office of Vice President Dick Cheney.

Back in the late 1990s, as an Air Force Reserve officer, Franklin had done two tours of duty at the U.S. Embassy in Israel, in the Air Attaché’s Office. On his second tour, Franklin was kicked out of the country by the Air Attaché after a few months, after repeated incidents in which he held unauthorized meetings with Israeli intelligence officials.

It may have been these Israeli connections that landed Franklin his job at NES—or perhaps his ties to then-Deputy Secretary of Defense Paul Wolfowitz, who was Dean of Johns Hopkins School of Advanced International Studies in Washington, D.C. when Franklin was a graduate student there.

Whatever his pathway to the Pentagon, Franklin, according to eyewitness sources, became a fixture at regular “brown bag lunches” at the private office of Doug Feith attended by leading Pentagon neo-cons, including Harold Rhode, Luti, Abraham Shulsky, Richard Perle, and occasionally Wolfowitz. Franklin’s NES boss, Luti, boasted frequently that

he was working for “Scooter,” a reference to Dick Cheney’s Chief of Staff, Lewis Libby. (Libby, when he was not working for the government, was the personal attorney for Mossad frontman and international swindler Marc Rich. Well-informed U.S. intelligence officials believe that Rich, a Zug, Switzerland-based metal trader, was set up in business with Mossad funds.)

Franklin was also a traveling companion of Iran-Contra figure and self-professed “universal fascist” Michael Ledeen, in December 2001. Ledeen, Franklin, and Harold Rhode travelled to Rome for secret meetings with Iranian con-artist Manucher Ghorbanifar, another prominent Iran-Contra scandal figure who brokered Israeli missile sales to Iran in exchange for efforts to free American hostages in Lebanon. The scheme led to criminal indictments against a number of Reagan-Bush Administration officials and CIA officers, including Elliott Abrams and Duane Claridge.

The latest Franklin indictment threatens to snare some of these other leading neo-cons. The court papers filed in the Eastern District of Virginia identify several other Pentagon officials, along with at least three Israeli Embassy officials and Uzi Arad, as players in the extended Franklin spy operation.

The indictment of “Mr. AIPAC,” Steven Rosen, also raises serious questions about the future of “America’s Pro-Israel Lobby,” as AIPAC’s website describes the group. According to sources close to the Franklin probe, AIPAC may be forced, as a result of the Franklin case, to register as a foreign agent organization, thus losing its tax-exempt status and forcing much closer accounting of its finances and activities.

The Franklin case has not even come close to fully unraveling. And many leading Pentagon neo-cons are losing sleep over where this case will go next.

What makes matters even worse, the same basic cast of characters is tied up in the Valerie Plame Wilson leak probe, headed by independent counsel Patrick Fitzgerald, and a separate probe, headed by U.S. Attorney McNulty, into who was behind the forging of Niger government documents which purported to show that Iraq sought to buy “yellowcake” uranium from the African state to build nuclear weapons. The forged documents were used by Vice President Cheney and other Administration war hawks to win Congressional and public support for the invasion of Iraq. Plame’s husband, former Ambassador Joseph Wilson, was dispatched to Niger in 2002 to assess the validity of the Niger yellowcake charge, and returned to report that it was a hoax. His report was covered up, and the train of events was set into motion which led to his wife’s “outing” as a covert CIA operative, by top Administration officials—a criminal offense.

There are allegations that the Ledeen-Rhode-Franklin trip to Rome in 2001 may have played a role in the circulation of the forged documents.

## Ohio ‘Pay-for-Play’ Scandal Probed

by Richard Freeman

In a move tightening the noose around the Karl Rove network in Ohio that may have illegally financed the theft of the 2004 Presidential election, Congressmen John Conyers (D-Mich.) and Marcy Kaptur (D-Ohio), on Aug. 1, called on the Justice Department to appoint a special prosecutor to investigate the Ohio Bureau of Workers’ Compensation (BWC) “funding” scandal.

Conyers, the ranking Democrat on the House Judiciary Committee, played a leading role in exposing the massive voter suppression carried out in Ohio, under the George Shultz, Dick Cheney, Karl Rove apparatus, which stole the Presidential election in that state. Ohio’s electoral votes gave Bush-Cheney the 2004 election. Conyers has closely followed the Ohio funding scandal, to ensure that it is not covered up, or misdirected.

The Ohio BWC scandal is called the “pay-for-play” scandal: As a result of a change in the law in 1998, for the first time, the BWC contracted the management of its funds to outside investment managers. The BWC funds exist solely to compensate workers who are injured on the job. However, under play for pay, the managers who were awarded contracts, skimmed off a portion of the fees that they earned from managing BWC funds and put the money into Republican Party slush funds. These funds were used to ensure that Ohio was held as a Republican state, under a monetarist/neo-con agenda.

Thus far, it has been disclosed that investment managers of BWC funds *have recorded losses or are unable to account for more than \$320 million of BWC funds*. At the center of the scandal is Tom Noe. A rare-coin dealer, Noe is under multiple investigations by Federal and state authorities. Earlier this year, Noe, who is Karl Rove’s man in Ohio, told authorities, that of the \$50 million in BWC funds that he had been entrusted to manage, he “could not account for” \$12 million. On July 21, Ohio Attorney General James Petro, who is investigating Noe, stated that Noe had stolen outright at least \$4 million in BWC funds. Newly released records show that on May 31, 1998, the day that Noe received his first \$25 million contract from the BWC, he immediately diverted \$1.38 million into his private account.

Equally important is what Noe did with the funds: A Federal investigation is looking into allegations that Noe “conducted” tens of thousands of dollars of contributions illegally into the 2004 Bush-Cheney election campaign, at an Oct. 30,

2003 dinner in Columbus—an act which is a felony. Were these conduited funds stolen BWC money, compounding the crime?

Given Noe's reported close ties to Rove, if the investigation is handled properly, it could lead straight to the heart of the Shultz-Cheney-Rove apparatus.

The chief prosecutor for this Federal probe is Gregory White, the U.S. Attorney for the Northern District of Ohio, who received his position in March 2003. Conyers became concerned that White might not be prosecuting the case properly. In a July 5 letter addressed to White, Conyers stated that White had been informed of the allegations of Noe's illegal conduiting of funds to the Bush-Cheney campaign on Oct. 13, 2004, three weeks before the 2004 Presidential election, but did not announce a probe then; such a probe might have affected the election's outcome. Conyers also said that White delayed until April 2005 to open an investigation of Noe, and did not convene a grand jury into the matter until June of this year, seven and a half months after learning of the illegality.

### Help from Rove?

Then, e-mails released three weeks ago, from Gov. William Taft's office, shed new light on the case. The e-mails concerned the manner in which Gregory White had risen to the key post of U.S. Attorney for the Northern District of Ohio: by lobbying for the job based on his Republican Party credentials. In one e-mail to Governor Taft's then-Chief of Staff Brian Hicks, White, who had been an Ohio Republican County chairman (Lorain County), wrote, "I believe that my record speaks for itself, and I doubt that there are too many county chairs for the Bush campaign (in 2000) that worked harder." After White intervened with Brian Hicks, to get Taft to appoint White to the coveted U.S. Attorney's position, Hicks contacted Karl Rove himself to attempt to secure White's appointment. Obviously, the intervention succeeded.

Conyers and Kaptur assert in an Aug. 1 letter to U.S. Attorney General Alberto Gonzalez, that White cannot objectively handle the Noe case, which would involve, among other things, passing judgment on people who put him in office. They ask that he be removed from the case.

Conyers and Kaptur state:

"We write to request that the U.S. Department of Justice immediately appoint an outside special counsel to assume the Department's investigation into alleged illegal contributions by Mr. Thomas Noe to federal and state political campaigns. In light of recent disclosures that Governor Taft's office, which is a subject of the investigation, made a direct political appeal to Karl Rove for Gregory White, the U.S. Attorney for the Northern District of Ohio, there is little doubt that this is a textbook case for the appointment of a special counsel."

Conyers and Kaptur cite the appropriate features of the Special Counsel law that have specific application in this case. (See *Documentation*.)

On July 29, Brian Hicks—the man whom Gregory White

asked to intervene to secure him the post of U.S. Attorney—was convicted in a Columbus court on charges that he accepted improper gifts (i.e. bribes), from Tom Noe, while serving as the governor's chief of staff.

Meanwhile, two new grand juries were convened, one on Aug. 1 in Lucas County (which includes Toledo), and the other on Aug. 3, in Cleveland. The grand juries will examine matters pertaining to Tom Noe and "broader issues" concerning the manner of awarding BWC investment contracts, and how BWC funds were misinvested and lost. Counting the grand jury headed by Gregory White, discussed above, this brings to three the number of grand juries that are charged with getting to the bottom of the illegalities of the widening Ohio funding scandal.

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## Documentation

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*From John Conyers's and Marcy Kaptur's Aug. 1, 2005 letter to U.S. Attorney General Alberto Gonzalez:*

We understand and appreciate that it is not unusual for local and state politicians to use their influence to obtain presidential appointment for their friends and political allies; however, it is unusual, and indeed inappropriate and violative of your regulations, for prosecutors who obtain such appointments to review the conduct of those same individuals and their friends. . . . Whatever actions [the prosecutor] takes will inevitably be subject to questions of favoritism and bias, calling the entire prosecution into question. This is why the special counsel regulations were promulgated to begin with. . . .

As you are no doubt aware, under the [Justice] Department's regulations, you are required to appoint a special counsel when (1) a "criminal investigation of a person or matter is warranted," (2) the investigation "by a United States Attorney's Office or litigating Division of the Department of Justice would present a conflict of interest for the Department," or (3) "it would be in the public interest to appoint an outside Special Counsel to assume responsibility for the matter." There is little doubt that all three factors are met in the Noe case. . . .

There are myriad conflicts of interest for Department prosecutors to continue the investigation on their own. To begin with, the United States Attorneys investigating the case, for the Northern and Southern Districts for Ohio, both of whom were appointed by President Bush, would be in the untenable position of investigating a leading official of the 2004 Bush-Cheney campaign [Tom Noe]. We know that Mr. White has very close connections with the Governor's office and the White House. In fact, recently released records show that Mr. White sought Governor Taft's help in obtaining the U.S. Attorney position. The Governor's Chief of Staff, Brian Hicks, apparently communicated with Karl Rove, then a counselor to the President about Mr. White's interest in the post. . . .

## Zepp-LaRouche Presents Election Program in Berlin

by Nancy Spannaus

The Chancellor candidate of the Civil Rights Movement Solidarity party (BüSo), the LaRouche movement in Germany, Helga Zepp-LaRouche, presented her election program in the German capital Berlin on Aug. 4. Despite a concerted press blackout by the major media, Zepp-LaRouche gave her presentation to several independent journalists. In her speech, Mrs. LaRouche emphasized two major points: the need for Germany's return to its national currency, the deutschemark, and the acute danger of a global "asymmetrical" war.

With extraordinary national elections scheduled for Sept. 18 (although the Constitutional court could still cancel them), Germany is in the throes of election fever. But the only national candidate who is addressing the fundamental crisis facing Germany, and Europe, is Helga Zepp-LaRouche.

### Back to the D-Mark

Zepp-LaRouche began by laying out the economic crisis in its international dimensions, and stressing the imminence of a worldwide financial blowout. "In truth, Germany has not 5 million unemployed, as the Christian Democratic Union has said on its election posters, but up to 10 million," she said, citing a recent report by the Institute for Labor Market Statistics. Thus unemployment is by far the largest cost factor in the German economy. And no other party has put forward a program that will address this problem.

As Chancellor, Zepp-LaRouche continued, I would immediately pull out of the European Currency Union, and bring back the D-mark. This will allow Germany to implement the necessary 400-billion euro per year state credit program, which will create millions of jobs rebuilding necessary infrastructure. She cited the fact that other European leaders are also talking openly about leaving the euro.

"I know, from discussions with people in leading posi-

tions, that there is a discussion within elite circles, of a return to the deutschemark, state credit creation, and a new financial system. But it has been agreed to maintain silence about it in public," Zepp-LaRouche said.

She then outlined her proposal for a new world financial system on the model of Franklin Delano Roosevelt's Bretton Woods. Such a financial reorganization would turn short-term debts into long-term debts, while banning speculative instruments such as financial derivatives. Fixed exchange rates must be established, she said, so that criminal elements cannot destroy people's livelihoods through speculation.

The larger context for this policy would be the resumption of the infrastructure projects of the Eurasian Land-Bridge, in the tradition of the Trans-Siberian Railroad and the Berlin-Baghdad Rail project. Only through the integration and reconstruction of Eurasia could Germany have a perspective of real economic growth.

(Mrs. LaRouche's full economic program appeared in *EIR*, Aug. 5.)

### The Danger of World War

In the second part of her address, Zepp-LaRouche warned of the danger of a war of aggression by the United States against Iran. In that discussion, she highlighted the role which her husband, economist and politician Lyndon LaRouche, is playing in the United States, where he is mobilizing to stop Vice President Dick Cheney's "Guns of August" scenario for nuclear war.

"The pattern of threats by the Cheney-Bush regime resembles the construct of lies which was built up in preparation for the Iraq War," Mrs. LaRouche stated. These included the stories that Saddam Hussein had connections with al-Qaeda networks, and that he possessed weapons of mass destruction



EIRNS/Wolfgang Lillge

*Helga Zepp-LaRouche at a press conference in Berlin on Aug. 4, discussing her candidacy for Chancellor in the expected Fall election. While other German political leaders are whispering about a return to the deutschemark and other urgent policy issues, she is the only one bold enough to say it in public.*

which could be made ready within 45 minutes. All of this has been shown to be false. Today, total chaos reigns in Iraq.

If the United States hits Iran, a nation with 70 million inhabitants and much more military capacity than Iraq had, there is likely to be a huge counterattack against the U.S. troops in Iraq, Afghanistan, and Turkey. The great Asian powers, Russia, India, and China, have good relations with Iran. Whether such a U.S. action would cross the “red line” with these nations is not clear, but, altogether, such an adventure against Iran would certainly bring the danger of the third world war.

The only way to stop this threat, Zepp-LaRouche said, would be a timely mobilization of all political forces against the neo-conservatives and a rapid impeachment proceeding against Vice President Cheney and President Bush. A sign of strengthening resistance are the efforts by sections of the U.S. Congress to pursue criminal proceedings against associates of the White House, such as Bush’s political guru Karl Rove and Cheney’s chief of staff Lewis Libby, for their illegal exposure of the identity of CIA agent Valerie Plame. Plame’s husband, Ambassador Joseph Wilson, had provided important evidence showing that the case that Saddam Hussein had weapons of mass destruction was false, and was therefore being punished for that.

“In this race against time toward a possible new war, it is urgently necessary,” Mrs. LaRouche said, “to pull Germany’s soldiers and members of the aid organizations out of Afghanistan.” The mission of the German deployment has totally failed, as shown by the fact that the drug lords control the

region, and economic reconstruction of the country has not occurred. German soldiers have withdrawn for self-defense into their barracks. Their pullout should be ordered immediately. German security will not be defended in the Hindu Kush, Mrs. LaRouche said. Only a fundamental change in policy toward Eurasia could stabilize the area. (See below for a policy statement by Mrs. LaRouche on her proposal on Afghanistan.)

In the ensuing discussion, members of the press asked about the chances for her candidacy and about the feasibility of issuing the 200 billion euro (400 billion D-mark) yearly. “Purely technically,” Mrs. LaRouche said, “the Federal President has the possibility of calling in an expert to deal with the escalating crisis. That could be a technocrat, but it could also be a Helga Zepp-LaRouche.” On questions of credit, one must understand the difference between current budgets, and long-term economic growth and development. Only in the realm of long-term economic growth, above all for those of the lower income classes, could the budget be stabilized.

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## Helga Zepp-LaRouche Statement

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### The German Army Must Pull Out of Afghanistan!

*This statement was issued by Helga Zepp-LaRouche, Chancellor candidate of the Civil Rights Movement Solidarity (Büso) party, Aug. 5, 2005.*

As was laid out in the *American Conservative* magazine, U.S. Vice-President Dick Cheney has instructed the U.S. Strategic Command to work out a contingency plan for the eventuality that the United States would be hit again with a terror attack like that of Sept. 11, 2001. Part of the plan involves comprehensive air strikes on Iran with the employment of conventional and tactical nuclear weapons, the so-called “mini-nukes.” As in the case of Iraq, the planned attack does not depend upon whether Iran actually participated in the terrorist acts against the United States.

As the author of the article, the retired CIA officer Philip Giraldi, later explained, various high-ranking Air Force officers, who participated in the planning, were shocked about the consequences of Iran being the target of an unprovoked nuclear weapons attack. So far, however, no one has been ready to put his career on the line, and to oppose these orders.

### Terrorism and Psychological Warfare

British Prime Minister Tony Blair, who energetically forced through the Iraq war, is contributing to the best of his



BüSo

*The BüSo's proposal for a new deutschemark bill for Germany features Friedrich Schiller and Clara Schumann, along with the German Constitutional statement affirming the democratic and social state.*

ability, to prepare the psychological environment for such an aggressive war. He is holding “Islamic extremists” responsible for the recent attacks on London. Blair, naturally, is saying nothing—for one thing, totally neglecting the question of who were the real architects of the terrorism—about the fact that Islamic extremism is the long-term result of the policies of Zbigniew Brzezinski and Bernard Lewis.

These two geopoliticians played the so-called “Islamic card” against the former Soviet Union in the 1970s. At that point, Anglo-American circles trained Islamic Mujahideen for the war in Afghanistan, and in that way created the first radical-Islamic networks which spread out after the collapse of the Soviet Union, into the region that ranges from Afghanistan to Chechnya. And Blair obviously also says nothing about the fact that many terrorist organizations have maintained their headquarters in London for many years—with the apparent and often-criticized toleration of the British government.

In an eerie repeat of the propaganda campaign which led to the war against Iraq, Iran is currently being accused, in a flood of articles and books, of similar things that Blair, Cheney, and Co. had thrown at Iraq: That Iran is working on the production of weapons of mass destruction, that it controls international terrorism, and so on. The most hair-raising example of this propaganda is the book, severely criticized by the *Washington Post*, by U.S. neo-conservative Kenneth Timmerman, *Countdown to a Crisis: The Coming Nuclear Conflict with Iran*. Every conceivable kind of villainy is attributed to Iran, from complicity in the attacks of Sept. 11, to the attempt to procure nuclear weapons to menace the United States and Israel.

### **The Battle in the United States**

Particularly important, then, is the fact that the U.S. National Intelligence Council, in some respects the umbrella organization of the different U.S. intelligence organizations, has come out with an official evaluation in direct opposition to the White House. Iran has no separate military nuclear

program, it says, and the civilian program is at least ten years away from the possibility of producing fissile material for atomic weapons.

Therefore, the revelations of former UN Weapons Inspector Scott Ritter are very informative: He recently reported that he had been given information by government circles at the end of last year, that the Bush government absolutely wanted to reach the appearance of peace in Iraq by June of 2005, because the Pentagon had instructions to be ready at this point for a massive air attack on Iran. That in the face of these circumstances, Iran announced that it would resume its work on the nuclear site in Isfahan, notably under the supervision of the International Atomic Energy Agency, may perhaps not be the most diplomatically prudent step to take, but it is certainly understandable.

The international community must do everything conceivable to head off the escalation of the Iran issue. Unfortunately, only an effective opposition within the United States can actually stop this war plan, but we must strengthen this opposition. One of the strongest alarm signals is the “recess appointment” of John Bolton to be the new American Ambassador to the United Nations. Bolton, who in the past has spoken out openly for “preventive war,” would obviously be in place if the Bush-Cheney government wants to bring the Iran question before the UN Security Council. If a motion for sanctions fails, because of a veto by one of the permanent members of the Security Council, the United States would proceed unilaterally against Iran—exactly the same scenario as in the case of Iraq.

However, there is one decisive difference: An atomic attack on Iran would, with very high probability, be the beginning of an asymmetrical world war, with apocalyptic dimensions. Upon an American nuclear strike, Iran, a country with 70 million people and considerable military might, would react with counter-strikes, by which neither the U.S. troops in Iraq and Afghanistan, nor Israel, should be surprised. One good question is whether at this point of military escalation, the “red line” for Russia, China, or India would have been crossed.

### **Orderly Withdrawal of German Army From Afghanistan**

The dramatic sharpening of the crisis around Iran urgently demands a re-evaluation of the stationing of German soldiers in Afghanistan. A clear-headed analysis of the original objectives of this deployment shows clearly that the situation in Afghanistan has run out of control. At any moment there could be a catastrophe; for example, a huge attack or assault on the Germany Army troops deployed in Afghanistan, or the aid organizations working there.

The German troop deployment in Afghanistan must be newly examined, not only in the face of its obviously questionable motivation, which led to the demand for German

troops, according to Article 5 of the NATO Charter. It is also a fact that the originally planned economic reconstruction of Afghanistan has not happened. In the absence of economic development, drug cultivation has reached record levels. Afghanistan is up to 80% under the control of powerful warlords, who control the drug cultivation and trade.

The embitterment of the population is growing, and it could turn against the German troops, who before long could be perceived as nothing but occupation forces. Because the United States, instead of drawing the country onto its side through economic development, is now militarily going against the drug lords, the fuse for a huge explosion in Afghanistan has already been lit.

What's the reason for a deployment in Afghanistan, where the German Army primarily sits in its barracks, and basically only protects itself? And the argument that a big contingent of German troops has been stationed in Afghanistan and therefore the Bundeswehr [German Army] cannot be stationed in Iraq, has become, in view of the untenable situation of the United States in Iraq, pretty feeble.

One further reason for a new evaluation lies in the fact that the overall situation in Central Asia is becoming ever more opaque. Uzbekistan permits the use of the formerly German bases as a transshipment point to Afghanistan, but the summit of the "Shanghai Cooperation Organization," to which Uzbekistan, Tajikistan, Kyrgystan, Kazakstan, China, and Russia belong, has unmistakably drawn up a timetable for the pullout of foreign troops from these countries.

It's questionable whether Afghanistan can be stabilized under current conditions. In any case, essential German security interests are not being defended in the Hindu Kush. In reality, there were never any essential German security interests that would have justified the stationing of the German Army. At present, the Bundeswehr and the German aid organizations are sitting in Afghanistan in a trap, but fortunately it has not yet definitively snapped shut. The command of the hour should be, to set in motion an orderly retreat of the Bundeswehr as well as the aid organizations out of Afghanistan, without delay. We still have a chance which we should not waste. If the point of an American war against Iran arrives, it will be too late.

This does not mean that we must abandon Afghanistan to its fate. But a realistic opportunity for the economic buildup of the country can only come, if the completion of the Eurasian Land-Bridge is put on the agenda of the Eurasian governments. Only if there is an overriding interest in the economic development of all the participating nations, will the conditions for the solution of the problems of Afghanistan be created. And only when the powerful states of Eurasia work together, can the drug cultivation and drug trade, which serve today as one of the most lucrative financial sources for international terrorism, be dried out. The Afghan population would surely rather pursue agriculture and develop industry, than be



EIRNS/Daniel Buchmann

*The LaRouche Youth Movement organizes in Duisburg, Germany. Zepp-LaRouche's campaign is reaching out to the youth in particular, the "no future" generation which desperately needs the solution she offers.*

slaves of the drug lords.

The Afghanistan policy of Germany is one of many political topics on which it becomes obvious that there can be no pragmatic solution within a system which is built on false axioms. The CDU/CSU [Christian Democratic Union/Christian Social Union], when it came to a decision on the Afghanistan deployment of the Bundeswehr, demanded absolute subordination to the policy of the Bush-Cheney regime, in order to prove German "alliance-capability"—and that in spite of the questionable nature of the reasons which had to be advanced for this deployment, and in spite of considerations of international law. And if it were up to Mrs. Merkel [neo-con and CDU Chancellor candidate], then even more German soldiers would have died by now—including in Iraq.

Today a far-reaching vision for a peace policy for all Eurasia is necessary. That is exactly what the completion of the Eurasian Land-Bridge means. On the assumption that the war policy of Bush-Cheney and the neo-cons in the United States can be stopped, we must immediately put Eurasian integration through economic cooperation on the agenda.

# Will Terrorism in Nuevo Laredo Be Cheney's Pretext To Attack Iran?

by William F. Wertz, Jr.

As Dick Cheney pushes for a nuclear attack on Iran during the month of August, the crisis on the U.S.-Mexican border is escalating and could culminate in a terrorist incident which could be used to justify an attack on Iran. In a statement entitled "When Cheney Spoke of Terrorism: Which Terrorists, Dick?" (*EIR*, Aug. 22, 2003), Lyndon LaRouche stated that the major terrorist threat to the internal United States comes from Cheney's fascist co-thinkers abroad assembled around Spain's leading fascist figure, Blas Piñar. LaRouche stressed that the synarchist forces regrouped around former Franco official Blas Piñar would be ideal instruments for covering terrorist operations run against the U.S.A. through South and Central America.

On July 28, U.S. Congressman John Culberson (R-Tex.) introduced H.R. 3622, with 47 co-sponsors, to create the Border Protection Corps, an armed militia, to patrol the Mexican border. In introducing his bill, Culberson claimed that al-Qaeda is sending terrorists under assumed false Hispanic identities over the U.S. southern border in significant numbers. On July 20, Robert C. Bonner, Customs and Border Protection Commissioner, said his agency was considering the training of volunteers to create "something akin to a Border Patrol auxiliary." Two U.S. Senators, Jon Kyl (R-Ariz.) and John Cornyn (R-Tex.), have also introduced the Comprehensive Enforcement and Immigration Reform Act of 2005 (S.1438), which calls for expanded border patrols.

The Minuteman Project, led by Jim Gilcrist and Chris Simcox, is currently preparing to deploy vigilante border patrols simultaneously in Texas, New Mexico, Arizona, and California during the month of October. At the same time, the violence on the Mexican side of the border has reached crisis proportions, particularly in the city of Nuevo Laredo, which is the main port of trade with the United States, carrying about 40% of Mexico's total exports to the United States. More than 6,000 trucks daily cross the border from this city into Texas.<sup>1</sup>

Nuevo Laredo is the center of operations of the Zeta Group, former Mexican soldiers, who were trained at the School of the Americas in Fort Benning, Georgia in the United States. They were to be part of an elite paratroop and intelligence battalion known as the Special Air Mobile Force

Group, which they deserted in 1991. Now working for the Gulf Drug Cartel, they have recruited an army of as many as 200 followers, many of whom are believed to be operating in Texas, Arizona, California, and Florida. They are offering \$50,000 bounties for the assassination of U.S. law enforcement officers. The question arises, given the U.S. training of the Zetas, are they being used or manipulated by forces in the United States allied with Dick Cheney?

In the city of Nuevo Laredo, more than 100 killings have occurred since Jan. 1. On June 8, the newly appointed police chief, Alejandro Domínguez, was gunned down seven hours after he was sworn in. The city's new police chief, Omar Pimentel, escaped death during a drive-by shooting on his first day, although one of his bodyguards was killed.

In May, U.S. Ambassador to Mexico Tony Garza said that Nuevo Laredo could be the place where a "terrorist attack" against the United States could occur. On July 28, Garza was echoed by John Bailey, director of the Mexico Project of Georgetown University, who stated that a "new terrorist attack could occur."

On July 29, Garza announced the closing of the U.S. consulate in Nuevo Laredo for one week. His announcement came a day after a military confrontation took place in the city between the Zetas and the "Negros," a paramilitary group controlled by the Sinaloa Drug Cartel. Days earlier, Garza had announced that the State Department had extended the "alert," which had been put into effect in January, warning U.S. citizens of the danger of travelling to Nuevo Laredo.

Mexican authorities including Ramón Martín Huerta, the federal Secretary of Public Security, and Carlos Abascal, Secretary of the Interior, have stressed that the Zetas are using weapons such as bazookas, which are not manufactured in Mexico, but rather in the United States.

At the same time, however, the question must be posed: Since Mexican President Vicente Fox's PAN government is allied with the Bush-Cheney administration, are elements of that government complicit, either through acts of commission or negligence, in creating the current crisis? Carlos Abascal's father, Salvador Abascal, was the chief of the Nazi-instigated National Synarchist Union (UNS) in Mexico at the outbreak of World War II. At that time, the Nazis, in alliance with the Imperial Japanese, intended to use the UNS to carry out military operations against the United States,

1. See William F. Wertz, Jr., "Huntington's Synarchist Scenario Escalates on U.S.-Mexican Border," *EIR*, June 24, 2005.



minutemanhq.com

*A Minuteman self-appointed guard at the Mexican border.*

including the option of an invasion. The PAN was allied with the UNS from its inception.<sup>2</sup>

### **The Case of Victor Davis Hanson**

While George W. Bush has attempted to portray himself as a friend of Mexico, and has even denounced the Minutemen as “vigilantes,” Bush and Dick Cheney have been working directly with one of the key gurus of the Minutemen project, Victor Davis Hanson, the author of the book *Mexifornia*, who, like Harvard’s Samuel P. Huntington, is an advocate of both a clash of civilizations with the Islamic world, and conflict with Mexico. Hanson is a senior fellow at George Shultz’s Hoover Institute, a fellow in California Studies at the Claremont Institute, and a distinguished fellow at Hillsdale College. In addition, he is a member of Shultz’s Committee on the Present Danger and a member of Benador Associates, the organization which worked with Cheney to spread the lie that Iraq had a nuclear weapons program. Hanson also writes a biweekly column for William F. Buckley’s *National Review Online*.

Hanson is also a member of the Advisory Board of Californians for Population Stabilization (CPS). This organization ties Hanson to the orbit of John Tanton, the founder of the racist Federation of Americans for Immigration Reform (FAIR) and its various spinoffs, which are promoting the Minutemen. For example, former Colorado Gov. Richard Lamm is on the board of advisors of CPS along with Hanson, and he is also the chairman of the Board of Advisors of FAIR. The late Malthusian scientist Garrett Hardin is an Emeritus of both the CPS and also John Tanton’s FAIR. Dr. Ben Zuckerman and Stuart Hurlbert, who are members of the board of directors of CPS, are also listed as advisors for Tanton’s

2. See William F. Wertz, Jr., “The Nazi-Instigated National Synarchist Union of Mexico: What It Means for Today,” *EIR*, July 9 and July 16, 2004.

NumbersUSA, an organization committed to “reduce the overall numerical levels of annual legal and illegal immigration.”

After 9/11, Hanson was invited to lecture President Bush’s staff on the history of terrorism and methods used to combat it. At the invitation of Cheney, he discussed military history with Cheney, journalists George Will and Bret Hume, and Mary Matlin, who is a member of the White House Iraq Group. He also had a private three-hour dinner with Lynne and Dick Cheney. Cheney urges Hanson’s books on his staff and on reporters travelling with him on foreign trips. Hanson is a regular consultant to the Pentagon Office of Net Assessment and has been a visiting professor of military history at the U.S. Naval Academy in Annapolis, Maryland. He has lectured the Joint Chiefs of Staff. He attended the Christmas parties of both George W. Bush and Dick Cheney in 2002. He signed a contract with

Random House for a book on the Peloponnesian War, due out in October, to be titled *A War Like No Other*.

In his book *Mexifornia: A State of Becoming*, Hanson writes: “The really perilous course lies in preserving the status quo and institutionalizing our past failed policies: open borders, unlimited immigration, dependence on cheap and illegal labor, obsequious deference to Mexico City, erosion of legal statutes, multiculturalism in our schools, and a general breakdown in the old assimilationist model.”

His solution is to “adopt sweeping restrictions on immigration,” end “separatist ideology,” promote a “stronger mandate for assimilation,” and end “the two-tier legal system for illegal aliens.”

“After September 11, 2001,” he writes, “the question of secure borders and a unified citizenry no longer stands afar in the future or remains a parlor game of academics and intellectuals, but is a matter of everyone’s concern right now, both in and out of California.”

Rep. Tom Tancredo (R-Colo.) chairman of the Congressional Immigration Reform Caucus, has praised *Mexifornia* as “really well written.” On July 16, 2003 in an address to the Congress on immigration reform, Tancredo said “I think that Mr. Hanson agrees, if I remember correctly in the book, that unless we begin to control our borders, unless we begin to actually get a handle on our borders, to be able to say that they are even somewhat secure, we can never, and I mean never, begin to think about a solution.”

In testimony on the Alien Gang Removal Act of 2005, submitted on June 29, 2005, Michael Hethmon, staff counsel of FAIR, referred explicitly to Hanson’s *Mexifornia* to support the Act.

### **FAIR, the Minutemen, and Schwarzenegger**

On April 23-28, FAIR sponsored a week-long conference in Washington, D.C., attended by Jim Gilchrist and Chris

Simcox of the Minutemen, and about 18 right-wing radio talk show hosts. The conference was called “Keep Their Feet to the Fire.” Tancredo gave the keynote address at the conference dinner. The purpose of the conference was to support The Real ID Act authored by Rep. James Sensenbrenner (R-Ill.) This bill passed the House on May 5, the Senate on May 10, and was signed into law by Bush on May 11. It purports to secure the U.S. border by prohibiting states from issuing standard driver’s licenses to undocumented immigrants, making it harder for immigrants to obtain political asylum status, and requiring the completion of a wall on the Mexican/San Diego border. The White House had attached the Act to the \$82 billion war supplemental request for Iraq and Afghanistan. Minutemen Gilchrist and Simcox addressed a meeting of the House Immigration Reform Caucus on April 27 as part of the conference. FAIR executive Director Dan Stein invited Simcox to attend.

The connection of FAIR to the Minutemen is also confirmed by the fact that California Governor Arnold Schwarzenegger, who has invited the Minutemen to patrol the California-Mexico border, has himself been a member of the Advisory board of “U.S. English” for 15 years, a group founded by John Tanton in 1983.

### The Genocidalists Behind the Crisis

On Nov. 29, 1983, the *Washington Post* reported that although FAIR was the brainchild of John Tanton, he was joined by, among others, “William Paddock, former dean of the largest agricultural school in Central America.” In 1975, William Paddock had told a journalist: “The Mexican population must be reduced by half. Seal the border and watch them scream.” Asked how that would reduce the population, he replied: “By the usual means—famine, war, and pestilence.”

Paddock’s wife, Elizabeth Paddock, who co-authored a book with him—*We Don’t Know How: An Independent Audit of What They Call Success in Foreign Assistance* (Ames, Iowa: Iowa State University Press, 1973)—was a policy board member until at least 1995 of another Tanton group, the Center for Immigration Studies, founded in 1985.

The Chairman of the Board of the Center for Immigration Studies is David Simcox, who along with Richard Lamm, Garrett Hardin, and Dan Stein (executive director of FAIR) belonged to Tanton’s racist WITAN cult. Simcox is a former U.S. State Department official who specialized in border affairs and Latin American migration and labor issues. He was Director of the State Department’s Office of Mexican Affairs from 1977-79, and a senior advisor at Negative Population Growth, Inc. (NPG). The executive director of NPG is Sharon McCloe Stein, the wife of the executive director of FAIR, Dan Stein. On July 14, 1997, at an event jointly sponsored by NPG and FAIR, she and her husband spoke on “Reinventing Malthus for the 21st Century: A Bicentennial Event on Malthus’s Original Population Essay.”

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## Obituary

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# Edward Heath: Stepping From the Shadows

by Katharine Kanter

On July 17, 2005, there died Sir Edward Heath, former Prime Minister of Great Britain. Very detailed necrologies have appeared in all the world’s press.

Allow us therefore to focus solely on a singular aspect that might perhaps be overlooked.

It can now be said that Edward Heath was amongst those Europeans who intervened with the prison and judicial authorities of the United States, in an attempt to secure the release of Lyndon LaRouche, who was in jail, a political prisoner, from 1989 to 1994.

Mr. LaRouche could not be described as a warm admirer of the British Empire nor of the Monarchy. His philosophical disagreements with the ruling classes of Great Britain are more severe still than his critique of their system of political economy.

Sir Edward, throughout his life, remained a pillar of the Conservative Party, and would seem to be the quintessential Establishment figure.

How then, did Sir Edward take an interest in the LaRouche case—let alone actively intervene?

### Humble Beginnings

In the *Telegraph* on July 18, appeared a necrology, doubtless penned by one of the smaller braying equids from Maggie Thatcher’s stable, that gives some clues. It refers to the late statesman’s support for the supersonic Concorde and the Channel Tunnel (in the 1970s) as “large-scale vanity projects,” and spares few epithets, “charmless” and “graceless” being amongst the more flattering.

The giveaway is the *Telegraph*’s unconcealed distaste for Heath’s “kind of Conservatism [that] appealed to his instincts far more than did the prescriptions of the market-place— . . . corporatist rather than political, dirigist rather than democratic.”



Edward Heath  
(1916-2005)

Sir Edward's father was a carpenter, and his mother, a lady's maid. Today, in 2005, thanks to the Thatcherite stranglehold over the European economy, that would mean living out a "nasty, brutish and short" existence with no hope of advancement whatsoever.

In 1916, however, and despite the War, the idea of progress was not quite dead in England.

Although his parents were, if not penniless, very poor, they bought Edward a piano, and his brother a violin, although it took years to finish paying for them. Edward went to a Church of England primary school, where great emphasis was placed on serious musical training. On scholarship, he was then sent to Chatham House Grammar School, at Ramsgate, where he received a very good education. All the while, he sang at Saint Peter's parish church—great music, in fact—and joined a group of youngsters at Broadstairs that sang, to a very high level, for charity. It was called Our Carol Party,

"We had some German carols and some French carols; we always tried to use obscure harmonizations of the better-known tunes, and we sang lesser-known English songs collected from the countryside. Everything was performed *a cappella*, and with great control and discipline."

Heath later took over leadership of the Group, and made friends of whom he always retained "vivid memories of singing madrigals . . . around the dining table."

At Chatham House Grammar School, Edward acted in Shakespeare's plays, "where I learnt some important political lessons" (later, at Oxford, he was to tour the countryside with a group performing ancient Greek plays, to which he had composed the music), was taught to play the organ to a professional standard, studied music theory, and conducted the school orchestra, several of whose members later become outstanding musicians. One should stress here that this was *not* one of the country's top public (i.e., private) schools, but simply a Grammar School.

In March 1933, the Oxford Union debating society had considered the motion that "This House will under no circumstances fight for King and Country," carried by 275 votes to 153, an event reported to Berlin by the German Ambassador at London as a signal that England was unlikely to fight. The Oxford Debating Union, founded in 1823, was, and to a lesser extent remains, a prestigious and influential factor in national politics.

Nevertheless, from Chatham House Grammar School, at his School's newly founded Debating Society, the 17-year-old Edward spoke out against that policy of appeasement, and won the debate by 45 votes to 13.

For a working-class nobody of 17 who was conservatively inclined and already politically ambitious, to speak out so publicly against the prevailing upper-class view, was the mark of an independent and principled mind.

In Sir Edward's words, "I suppose that I was already in-

curably addicted to politics by my teenage years. Young people have always been unwilling to accept the world as they find it. . . . I have always believed that anyone who wants to see a better world—with greater prosperity for all, fewer injustices and more opportunities—cannot afford to sit around being an armchair critic. If you want something done, then you have to be a doer, and I resolved, early on, to be a doer."

Edward went up to Balliol, where he read PPE (Philosophy, Politics, Economics), and, though he eventually decided against a professional musical career, gained an organ scholarship at the hands of Ernest Walker, who had known Brahms personally. That scholarship afforded him a living. He joined the Oxford Bach Choir, and writes,

"The overwhelming impact on me was made by Beethoven's *Missa Solemnis*, which we sang in Oxford Town Hall. One of Beethoven's greatest works, it has played its part at intervals throughout my life . . . devotional music of this calibre often gives me the most intense joy of all. Perhaps this is because, in common with many of my contemporaries in this country, I first experienced great music through performing it in the English choral tradition. Nothing can get you inside a work, and the mind of its composer, quite like studying and then performing it."

## Opposition to Nazis and Thatcherites

At Oxford in 1938, having returned from several months in Germany where he was an eyewitness to the Nuremberg Rally, Edward rose again to attack the policy of appeasement in debate. In 1939, he became president of the Oxford Union.

To give one the flavor of what Edward and his friends were up against, this is a diary entry from the ultra-right Conservative, Henry Channon, dated Dec. 5, 1936:

"I had a long conversation with Lord Halifax [then Prime Minister Stanley Baldwin's War Secretary] about Germany and his recent visit. He described Hitler's appearance, his khaki shirt, black breeches and patent leather evening shoes. He told me he liked all the Nazi leaders, even Goebbels, and he was much impressed, interested, and amused by the visit. He thinks the regime absolutely fantastic, perhaps even too fantastic to be taken seriously. But he is very glad that he went, and thinks good may come of it. I was riveted by all he said, and reluctant to let him go."

Sir Edward, who saw active duty in the armed forces during World War II, later explains that the objective of the One Nation Group that he helped to found in 1950, was to create a new and just post-War settlement, that would "bind our nation together," and establish the society for which the War had been waged in the first place.

Neither an original nor a profound economic thinker, as Prime Minister, Sir Edward came to muddle-headed decisions, such as abolishing resale price maintenance, leading

to the supermarket blight that has ruined many a community. That being said, and though one might beg to disagree with his glowing view of Keynes, he did have convictions.

“[T]wo books which came to prominence during my time at Oxford . . . convinced me . . . that neither socialism nor the pure free market could provide the answer. . . . the first was Keynes’ *General Theory of Employment, Interest and Money*. . . . Although his ideas were not put into practice in Britain until after the Second World War, they provided some intellectual basis for Roosevelt’s New Deal, which was already successfully pulling America out of depression. It was the Keynesians, and Keynes Cambridge protégé John Hicks, in particular, who proved that the New Deal could work as well in principle as it did in practice.

“The second work . . . was Harold Macmillan’s *The Middle Way*, published in 1938 . . . a plea for planned capitalism, arguing that a degree of economic planning could make commerce and industry more efficient and generate the resources that would help protect the needy in society. . . . These works provided the philosophical basis for the One Nation Group which I helped to found as a young MP after the War.”

In 1979 Sir Edward was succeeded as Prime Minister by Maggie Thatcher, whom he detested to the end. “I was out of sympathy with the monetarist, neo-liberal doctrines to which my successor was beginning to become attached, and which

I could not believe to be in the long-term interests of the party or of the country.”

He was particularly concerned about the impact of monetarism on the youth:

“[One should not] allow young people to receive wages more appropriate to slave labor than to a modern industrialized economy. A system of minimum wages is essential for a properly balanced society. In Britain, we had industrial wages councils through every form of party and coalition from the time Churchill introduced them in 1909, until the John Major government abolished them in 1993. The argument that such arrangements adversely affect competitiveness cannot be sustained. . . . Set at a realistic level, a minimum wage forces the employer to improve his own efficiency rather than exploiting his employees.”

One of his sharpest clashes with the Thatcherite grouping, was over the reunification of Germany, that he strongly supported: “I was appalled by the rabid, bigoted, xenophobic attacks on Germany within the UK during this momentous period. . . . Mrs. Thatcher undermined at a stroke the trust which a whole generation of German politicians had reposed in us. . . . A united Germany had no designs on ‘taking over Europe.’ ”

And elsewhere he writes, “Our membership of the Commonwealth is still important to us, but it cannot be the main bedrock for . . . pursuit of our fundamental national interests.

“We should stop hankering after an imperial past which will not return. . . .”

Finally, one should point to Sir Edward’s ceaseless efforts, which included travelling to Iraq to meet with Saddam Hussein, to head off the 1990 Gulf War:

“My intentions were threefold: to ensure that every diplomatic route . . . was fully explored; to put the 1990 crisis into its proper cultural and historical perspective; and to do my best to ensure that whatever arrangement was made at the end of the crisis . . . was overwhelmingly acceptable to the Arab world.”

These interventions led to newspaper headlines such as “Traitor Ted” (the *Sun*) and “Fury at Ted the Traitor” (the *Daily Star*), or “Heath, Isolated and Wrong” (the *Sunday Times*).

He continued to intervene in Iraq’s favor after the War, protesting at the embargo: “Sanctions generally punish the weak, the sick, the elderly. . . . In Iraq, I have seen the consequences with my own eyes, and it is scarcely to be on the side of ‘appeasement’ to be moved by the plight of decent, humble people who are forced to cling to life and dignity by a thread, because of the arrogance and obduracy of politicians. . . .”

The quotations above, taken from the autobiographical *The Course of My Life* (1998), may go some way to clear up Sir Edward’s otherwise mysterious decision to suddenly appear, if discreetly, at the time of greatest danger both to Lyndon LaRouche’s life, and to his political mission.

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# Bankers Hit Argentina With 'Kirchnergate'

by Cynthia R. Rush

Almost as soon as Argentina successfully completed its restructuring of \$82 billion in defaulted debt, international financial predators launched a speculative assault on the country, not unlike the one they directed against the nations of Asia in the mid to late 1990s. These synarchist financiers intend to bring the country down, first flooding it with speculative capital, producing uncontrolled inflation and economic chaos, and then pulling the plug, leading to massive capital flight and renewed debt crisis.

Why?

President Néstor Kirchner is dealing with a still-fragile economy, growing poverty, and wage levels that have yet to recover from the free-market looting of the 1990s. Although he has continued to pay Argentina's debt to the International Monetary Fund (IMF) and other multilateral lenders, his warnings that he will rebuild the economy without the Fund's austerity dictates have reverberated around the continent. As they face a global financial debacle, foreign banker elites are also shaken by Argentina's insistence that the Summit of the Americas it will host Nov. 3-4, in the resort city of Mar del Plata, will debate the need to reform the international "financial architecture."

Post-default bonds that are denominated in pesos, and indexed to an inflation coefficient known as CER, have provided the immediate vehicle for a speculative frenzy that has reached dangerous proportions in recent weeks, despite the government's imposition of capital controls and efforts to stem the rising inflation resulting from the ballooning trade in these instruments. Both President Kirchner and Finance Minister Roberto Lavagna have refused to resort to the restrictive monetary policy the IMF says is necessary to "cool down" the economy.

Government officials have appropriately referred to the speculative offensive as a "financial bicycle" a phrase identified with the barbaric looting practices of José "Joe" Martínez de Hoz, the British-trained Finance Minister of the 1976-83 military junta. The current spiral isn't close in size to what Martínez de Hoz unleashed, but its intent is the same.

In recent weeks, large institutional investors such as Deutsche Bank and Morgan Stanley, and allied U.S. investment funds, have poured billions into the country to snap up such inflation-indexed bonds as the Boden 2014, Dis-

count, and Par bonds. In July alone, the value of these bonds soared by 20%, and their 16% yields make them the most profitable in the world.

Almost 40% of Argentina's public debt is now denominated in these peso bonds. As prices rise, thanks to the machinations of large foreign and domestic economic conglomerates, so does the yield on the inflation-indexed bonds, which in turn drives inflation even higher. Even after Lavagna announced in late July that the government would cease issuing the bonds, they continued to trade furiously in secondary markets, while large investors and banks accelerated the dumping of their dollar holdings, increasing pressure on the exchange rate.

As one economist noted, at some point soon, the financial interests that set off this speculative cycle will just as quickly step in to stop the "inflation-interest rate bi-cycle," as a prelude to launching massive capital flight.

## Local Synarchists Scream

Nor have the local synarchists been idle in their attempts to plunge the country into political chaos.

On Aug. 1, Santa Cruz Gov. Sergio Acevedo announced his intention to repatriate over \$500 million in funds derived from oil royalties which his predecessor, Néstor Kirchner, had deposited abroad for safekeeping, during his term as governor of Santa Cruz in the 1990s. Acevedo's announcement provoked howls of protest from a gang of thugs who claimed that by sending the funds abroad, Kirchner had committed outrageous acts of corruption, abuse of power, and fraud against the state, which required an immediate congressional investigation and action by the courts.

That these charges against the Argentine President are bogus can be seen in the pedigrees of those who are making them. As Kirchner said on Aug. 1, it was these same criminals who were personally involved in looting Argentina with their murderous free-market policies during the 1990s: former Finance Minister Domingo Cavallo, possibly the most hated man in Argentina; and former Finance Minister and Mont Pelerin ally of Washington's neo-con think-tanks, Ricardo López Murphy. And now they want to give Kirchner advice on proper "financial management?"

Another member of this gang is one Adrián Salbuchi, a Hitler admirer who poses as a patriot and enthusiastically warns that the Santa Cruz funds "scandal" is the "Kirchnergate" that will bring down the President. In its Aug. 2 coverage of the Santa Cruz issue, that mouthpiece of synarchist bankers the *Wall Street Journal*, prominently covered Salbuchi's charges, failing to note, however, that this allegedly anti-British "nationalist" has taken the Kirchner case to Transparency International, the "anti-corruption" non-governmental organization created by Britain's Prince Philip to wage war against the institutions of the nation-state.

LAROCHE TO CONGRESS

## 'Pass New Amtrak Bill With a Veto-Proof Majority'

by Mary Jane Freeman

A bipartisan group of U.S. Senators trumped President Bush's plan to kill off Amtrak on July 27, introducing a bill to authorize \$1.9 billion a year for six years to ensure operations and critical infrastructure investment in Amtrak and restructure its debt; and another \$13 billion bonding authority over ten years for a Federal/State grant program to build rail projects. In addition, the new Amtrak bill directs \$793 million, over three years, to be spent by the Homeland Security Department for critical rail security and safety infrastructure upgrades.

The Passenger Rail Investment and Improvement Act of 2005 (PRIIA), S. 1516, was initiated by Senators Trent Lott (R-Miss.) and Frank Lautenberg (D-N.J.). Senators Ted Stevens (R-Ak.) and Daniel K. Inouye (D-Hi.) joined as co-sponsors.

Bush and Transportation Secretary Norman Mineta had believed that they could force the national passenger rail corporation into bankruptcy with a provocative, zero-funding proposal, and ram through a long-sought neo-conservative agenda item: privatizing Amtrak. The Lott-Lautenberg bill's focus—infrastructure investment to create a national passenger rail system in collaboration with the states—changes the agenda.

"National passenger rail service isn't a luxury—it's a necessity [to give] Americans another transportation choice, while reducing traffic, air pollution, and our dependence on foreign oil," Lautenberg said in a July 27 statement. He added, "it's an historic blueprint for the future of passenger rail service." The next day, July 28, when Senator Stevens shepherded the bill through the Commerce, Science, and Transportation Committee, it had three more co-sponsors and was passed 17-4, sending it on to the full Senate for debate. The

four dissenters, all Republicans, were Senators Jim DeMint (S.C.), John Ensign (Nev.), John Sununu (N.H.), and John McCain (Ariz.).

### Privatization Strategy Confronted

McCain, long a promoter of Amtrak privatization, tried to kill the new bill's grant program. Ironically this aspect of the bill would aid states in taking more initiative to run rail projects. This section sets Federal rail policy: To "develop a long-range national rail plan that is consistent with approved State rail plans and the rail needs of the Nation . . . in order to promote an integrated, cohesive, efficient, and optimized national rail system for the movement of goods and people."

After the Committee vote, Senator Inouye called this "the most comprehensive bill on Amtrak we've ever had." Inouye is an old-line "FDR" Democrat who knows the importance of national infrastructure. Senator Lott identified the reality of government's role, arguing that if Congress wants Amtrak to innovate and provide quality service, it must fund it. "This is not going to be a great big profit-maker. It isn't profitable anywhere in the world." Under the bill, Amtrak's capital subsidy would grow, while the operating subsidy would shrink by 40% over six years.

There are three key features to the bill: 1) funds Amtrak's operations and investment in its infrastructure; 2) directs the Treasury to restructure Amtrak's debt, and to assume that debt if savings would result; and 3) sets up an 80/20 Federal/State grant program for states' passenger rail capital projects. If adopted, the grant program will facilitate unleashing the many ready-to-go state rail projects, including high-speed, rail plans. Most of these project 110-mph travel (still well

below high-speed rail's potential, but a breakthrough in American rail transport).

PRIIA is a six-year authorization bill, combining operational funding, capital grants, and capital borrowing authority, and it offers a desperately needed infrastructure capitalization ability to the states, which have been unable to spend on infrastructure. It does not match Lyndon LaRouche's "science-driver" approach to using the most advanced, magnetic levitation and electrified rail technologies, and expanding machine-tool capabilities; and it concedes to the demands of "reformers" like McCain, that Amtrak compete with existing private railroads. But a network of high-speed passenger rail corridors could be built on the Amtrak core passenger-rail network, which the bill secures. It can start the actual expansion of an Amtrak system which has been forced to shrink.

LaRouche, upon learning of the key elements in the bill, remarked that although limited, it is "model legislation to get the country off dead center, and get a reindustrialization policy going." Of the Federal/state grant program, LaRouche added: "This helps the states deal with their fiscal problems with infrastructure, in the necessary way. We can't let it die just because the President is brain-dead." Aware of a Bush/Mineta veto threat, LaRouche declared, "I'm saying that this legislation should be passed, and it should be passed with veto-proof majorities."

By Oct. 1, the start of the new Federal fiscal year, adoption of a fully funded Amtrak plan is crucial to ensure that a national passenger rail network is in place on which to build. On July 21, the Senate Appropriations Committee voted to fund Amtrak at \$1.45 billion, rejecting the Bush/Mineta zero-budget proposal, as well as Mineta's threat to advise a veto if the Committee passed higher funding without reforms. The full Senate has yet to take up the appropriations bill, H.R. 3058.

Earlier, on June 29, the House approved \$1.176 billion for Amtrak, also rejecting Bush's plan, but passing a funding level clearly insufficient to make long-overdue infrastructure improvements. Fiscal 2006 was to be Amtrak's start-up year for some of its bigger multi-year capital projects. It needs a minimum of \$1.6 billion; anything less will mean, again, triaging infrastructure upgrades.

Once the Senate passes a funding level, it must be reconciled with the House in conference committee, then approved by both chambers, and sent to Bush for signing. Although a veto threat has been bandied about, it would be suicidal, as this appropriation, H.R. 3058, also contains funding for aviation, highways, the Internal Revenue Service, and much more.

As neither the House nor Senate are on track to provide that \$1.6 billion level of FY2006 appropriations, it is all the more critical that the Lott-Lautenberg six-year authorization bill, S. 1516—creating new authorized funding and borrowing levels—be moved in the Senate. However, it is unlikely to be taken up until after other pressing matters are completed.

A potential companion bill in the House, H.R. 1630, although less comprehensive, passed the House Transportation Committee in April. An Ohio rail official told *EIR* that Rep.

Steve LaTourette (R-Oh.), one of that bill's sponsors, and Senator Lott are discussing their bills, to work out common language. An Amtrak spokesman told *EIR* that it is likely that the House would defer to the Senate for a new authorization bill.

## State Rail Plans Drive Re-Industrialization

PRIIA's creation of an 80/20 Federal/State grant program to fund states' passenger rail expansion, can unleash ready-to-go rail projects that otherwise lack funds. An "Ohio Hub" spokesman told *EIR* that with adequate Federal matching funds, the first tier of their high-speed rail plan could be built in two to three years, adding that the nine-year plan would create "over 6,000 construction jobs alone." Indeed, job growth would be exponential as a new rail grid were built, bringing back steel production, electric power capacity, and manufacturing employment. (See an animation of this rail-corridor development's impact at <http://www.larouche.pub.com/eiw/public/onlineimages/raildevcorridor.html>.)

Critical to such initiatives is LaRouche's call to retool the nation's threatened auto sector, using the machine-tool capacity and skilled workforce resident there, to build components for infrastructure, especially rail. In Ohio alone, this would keep 35,500 GM and Ford workers employed and prevent plant closures by them and their suppliers.

Twenty-four states are involved in developing parts of the 11 nationally designated high-speed rail corridors. **Figure 1** shows two key Midwest multi-state high-speed rail projects: the Midwest Regional Rail-Chicago Hub; and the Ohio & Lake Erie Regional Rail-Ohio Hub. Their plans connect them to the Empire and Keystone high-speed corridors, still under development, and the Northeast Corridor. This corridor, electrified from Washington, D.C. to Boston, came about because of the passage of the 1965 High Speed Ground Transportation Act. S. 1516 would invest to bring the Northeast Corridor to a state of good repair, rectifying what Lautenberg said is a key Amtrak problem, "spending so much time fixing worn-out things, lots of time on repair . . . to make up for past neglect."

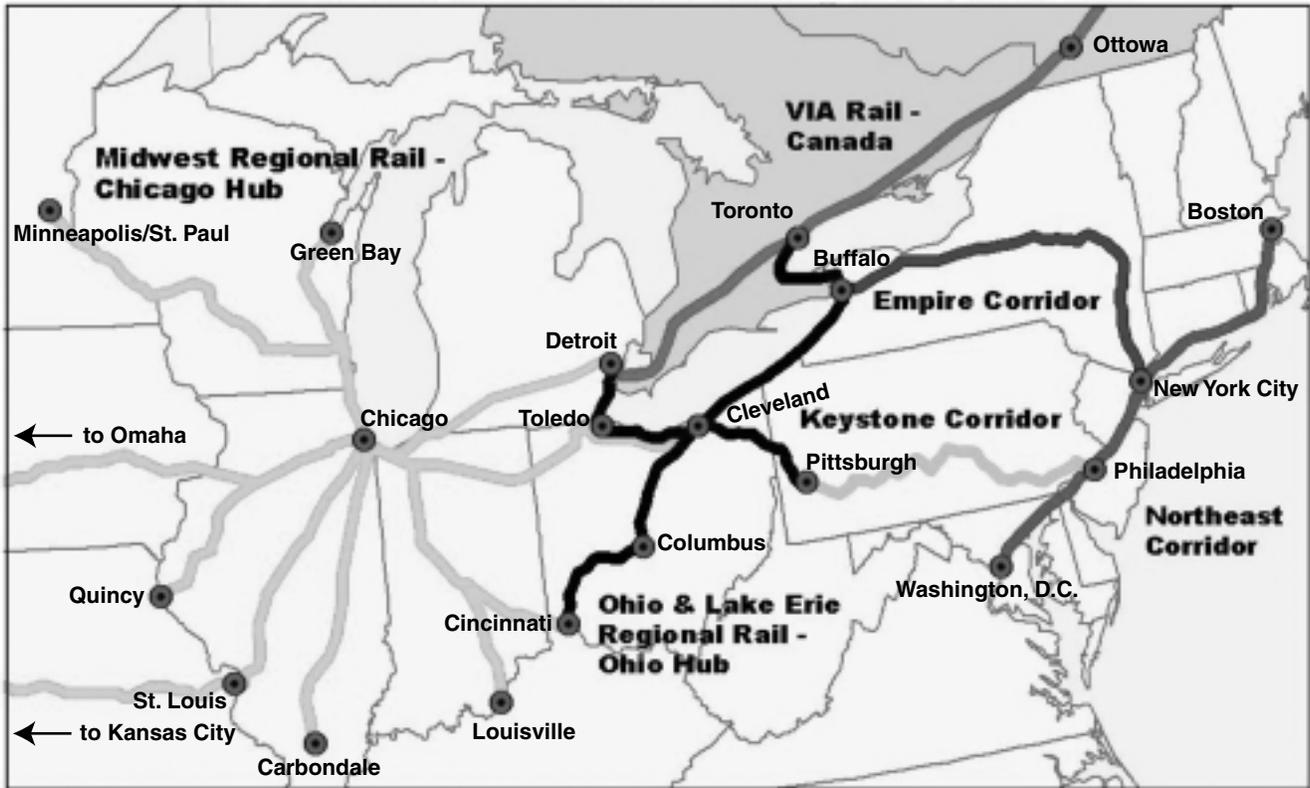
The Midwest Regional Rail System uses 3,000 miles of existing rail rights-of-way to connect rural, small urban, and major metropolitan areas, using a hub-and-spoke network out of Chicago. Millions of dollars have been spent by Midwest states upgrading sections of their existing rail. Using a multi-modal plan, the Midwest system expects to service 90% of the nine-state region's population.

Wisconsin has completed an environmental impact study and preliminary engineering work for 110 mph travel in the Milwaukee-Madison corridor. In its Milwaukee-Chicago route, ridership grew by 14.6% in the first six months of 2005, showing the viability of the initiative.

Michigan's Kalamazoo-Niles route now runs trains at 90 mph, and expects approval for 110 mph once new on-train technologies are tested. Illinois, from the 1990s to 2002, has invested \$200 million in upgrading the Chicago-St. Louis corridor. A 120-mile segment has had all grade crossings and

FIGURE 1

**Major Sections of Proposed U.S. High-Speed Rail Network**



Source: Ohio Rail Development Commission; *EIR*.

safety upgrades made, and a next generation Positive Train Control system has been tested such that it is readied for 110-mph trips. Sadly, the Illinois legislature, uncertain of Federal funds for the project, has cut its spending. This points to the need for adoption of a veto-proof S. 1516, as emphasized by LaRouche.

Ohio, historically at the crossroads of the nation’s frontier development, puts forward a four-corridor linked plan of 860 miles of rail, which will service 22 million people in four states and southern Ontario, and connect 11 major cities. But when linked to the planned regional rail corridors in Pennsylvania and New York, and to the Northeast Corridor, the plan will serve more than 140 million people, or about half of America’s population. Ohio, like the Midwest system, foresees creation of economies of scale by interconnecting their plans to a national passenger rail network, thereby reducing overall operating costs.

**‘Moon Shot’ for Rail: Develop Maglev**

The American system legacy—from John Quincy Adams, who as Secretary of State facilitated building the nation’s first commercial railroad, the Baltimore and Ohio; to Abraham Lincoln, to John F. Kennedy—has been a bipartisan commitment to the nation’s posterity through exploration and

development of frontiers. In this tradition, LaRouche has called for the nation to build true high-speed, magnetic levitation rail, or “maglev.” Interim steps to get to maglev, require the build-out of the 11 nationally designated high-speed rail corridors, with separate tracks dedicated to freight and people, and building and electrifying more than 25,000 rail-route miles (see *EIR*, June 10, 2005).

Maglev utilizes magnetic force to lift, propel, and guide a vehicle along a guideway, “flying” on a magnetic cushion, thus eliminating wheel-on-wheel friction, and enabling a cruise speed of 245 mph. Today, despite advances in this technology, and largely because of America’s lack of a national vision for rail development, the few pilot projects we have are languishing.

Federal funds for maglev development have slowed to a trickle. Seven projects were studied to determine best placement for the first project. Baltimore to Washington, and Pittsburgh to its airport, were the two finalists. But neither was selected for development, so minuscule monies are now given to both projects, and to another—Las Vegas to Anaheim, California—for “pre-planning” work. One Midwest rail official summed up the situation: “Our problem in the United States is that maglev has been five years away for three decades.”

# Bird Flu Is Spreading In and From Asia

by Marcia Merry Baker and Colin Lowry

Shown are major potential migratory routes for avian influenza (H5N1) along waterfowl flyways that span Eurasia, into Africa and Oceania; and also, where the presence of the flu strain has been confirmed as of Aug. 3, since the 2003 outbreaks began in Indo-China. Wild ducks, geese and swans (Anatidae waterbirds) head north (in the Spring) for breeding grounds in the wetlands, and south for non-breeding (in the Fall) over the Winter. The birds can fly up to 1,000 miles a day. Thus, their patterns constitute transmission belts to spread the virus among domesticated birds and pigs through which, if the virus mutates to an efficient human-to-human form, the conditions for a pandemic will be created. Such transmission has been confirmed, thus far, in Indonesia.

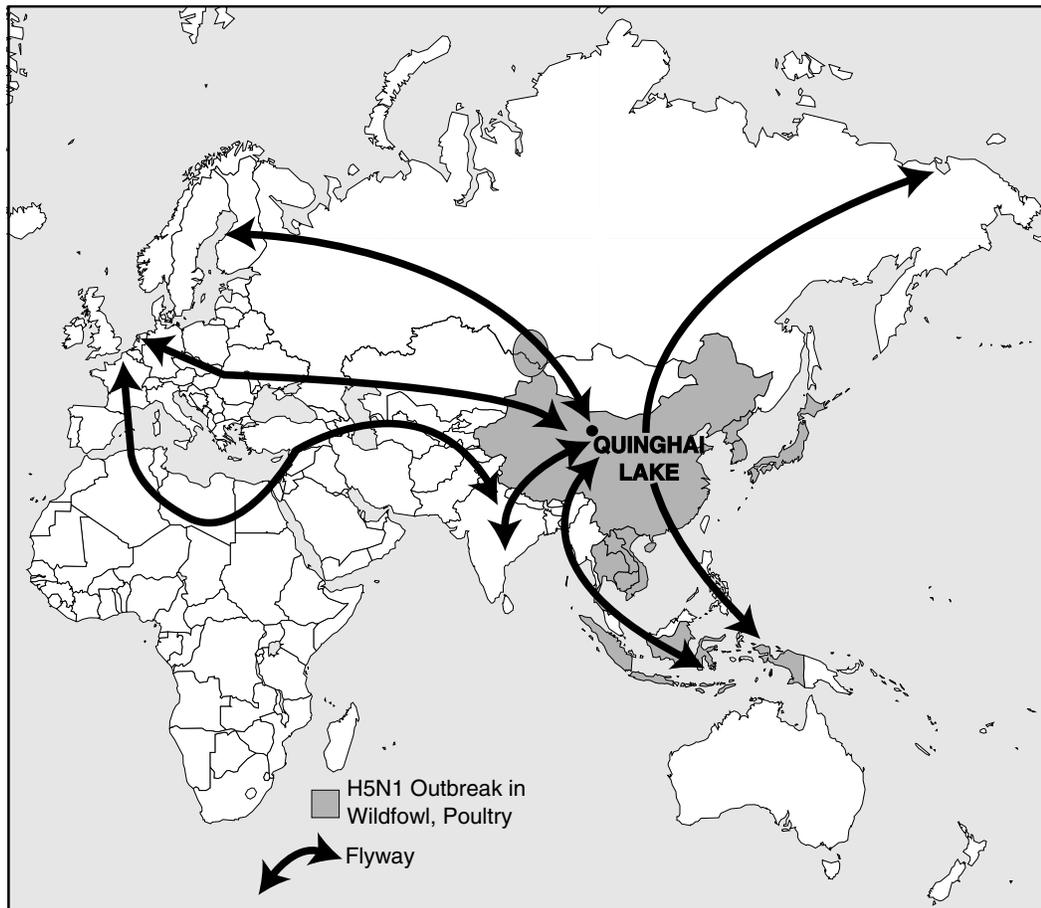
Since 2003, some 140 million poultry have been culled in Southeast Asia, and parts of China, in an attempt to retard the spread of the disease. The avian flu virus has expanded its host species to include cats, and captive tigers in Thailand. There have been at least 57 deaths from avian flu among the 111 human cases since the epidemic began in 2003.

Qinghai Lake in central China is a cross-over point for migrations; at least 189 bird types are known to breed or rest here. The 60-mile saltwater lake hosts hundreds of thousands of birds. In May, at the Qinghai Lake Bird Reservation, H5N1 killed 5,000 wildfowl—mostly geese, but also cormorants, gulls, and other birds. Avian flu is not usually lethal to wild birds, which can carry it without showing any symptoms. This shows the virus may be mutating. The H5N1 virus is very stable in the environment, and can survive for three days in water pools, and up to a few months in piles of manure and dirt on poultry farms, making efforts at isolation more difficult.

In July, H5N1 was confirmed in Novosibirsk and Altai provinces of Russia, in the Ob River wetlands region. Then in early August, it was confirmed next door in Kazakstan, at Pavlodar, on the Irtysh River.

Thus, the avian flu is proceeding toward Europe, and expected in India in the near future.

**Avian Flu Proceeds Along Eurasian Waterfowl Flyways—Confirmed Outbreaks as of Aug. 1, 2005**



Source: World Food Programme, European Commission.

# Why the ‘Euro’ System Is Unsustainable

*Dr. Hankel, Professor of Economics at Frankfurt University, is one of four German professors who had tried to stop the replacement of the German mark by the euro, by means of a legal procedure against it at the German Federal Constitutional Court. He was a board member and chief economist at the German Kreditanstalt für Wiederaufbau (Reconstruction Finance Agency) in the 1960s, and later was president of the public bank Hessische Landesbank.*

*This interview was conducted on July 16 by Lothar Komp and Michael Liebig, and translated by EIR.*

**EIR:** Professor Hankel, for the past ten years you have been a most outspoken critic of the Maastricht Treaty, and the European Monetary Union (EMU). Besides your very public comments, you have intervened on both the political and legal fronts against the euro. Why?

**Hankel:** Let’s start by looking at the current situation: Why are people so extremely skeptical about the euro? It’s so thick in the air you could cut it with a knife. Then we’ll get back to the other issues.

**EIR:** Helga Zepp-LaRouche, who has attacked the euro for years, in point of fact, issued a statement yesterday, calling upon Germany to withdraw from the Maastricht Treaty and return to the deutschemark.

A few days back, Christian Noyer, Governor of the Bank of France, said that, “of course,” European Monetary Union member states may, if they so please, leave the euro system. In Italy, debate has boiled up over the euro, while a number of banks, such as HSBC [formerly Hong Kong and Shanghai Banking Corporation], have just published studies that conclude that the euro system is about to break up.

**Hankel:** For early critics of the euro such as myself, to find that others have woken up to the euro’s drawbacks, gives one grounds both for satisfaction, and bewilderment. The drawbacks were plain enough from the starting-block: How could anyone have anticipated that a single currency might work, for a conglomerate of such diverse states and national economies?

In the euro zone, the competitive setting has been totally distorted: Relatively poor, backward economies can now compete—thanks to their very backwardness—with advanced economies. Backwardness, has become the competitive edge! With the euro, countries whose currency is weak and capital formation scant, enjoy a currency risk close to zero. The poorer national economies, which have low wages,

low living standards, and where costly infrastructure is less developed, and which therefore have low taxes, are drawing away investments from more developed nations—thanks to their “cutting edge” in terms of tax levels, social costs, and wages.

What we find here in Germany, namely investors fleeing into the Europe’s “rim states,” is a manifestation of an utterly distorted competition, which violates the law of productivity. The more productive nations, those that have worked damn hard to build up costly infrastructure, high social standards, and high wages, are now being punished for their prosperity. They are losing out on jobs, capital, investment, and growth potential. In the first 40, glorious years of the Common Market, Europe could protect itself against this, to a significant degree, through currency-competition. In countries like Ireland, Portugal, Spain, Italy, and until recently, even France itself, the currency was devalued every two to three years, for reasons that are easy to grasp. A foreign investor, therefore, had to consider the eventuality that overnight, part of his capital might go up in smoke.

Germany, for its part, enjoyed a substantial advantage with its hard and stable currency; foreign investors could even cash in on currency revaluations. We had the lowest nominal and real interest rates in Europe. On losing the D-mark, Germany no longer had the magnetic drawing power of its highly productive economy.

There are those “selfless good guys,” (*Gutmenschen*), here in Germany, who will say: “But isn’t that just what’s wanted. Burden sharing throughout Europe.” In my book, this is a dangerous illusion. For countries, in the EMU, with feeble capital formation, the prospects may look bright in the short term, but it will *not* hold. Besides a boom there, you have inflation. At the moment, there are huge capital flows into national economies where the domestic rate of capital formation is weak and the savings rate is low. Or else, they are afforded cheap credits by the European Central Bank (ECB), because they are entitled to the same rates as countries with a high rate of capital formation. The outcome spells inflation.

**EIR:** Is the property boom in Ireland or Spain one expression of the inflationary dynamic?

**Hankel:** Indeed. There is a quite extraordinary inflationary trend through the euro zone’s money markets. It becomes all the more evident, when one considers asset prices: real estate, stocks, and so forth.

At a glance, there you have it: A European Central Bank



EIRNS/Chris Lewis

*“Those pushing globalization and the euro are dismantling the state—and with it its social systems,” charges Dr. Hankel (left), shown here with Lyndon LaRouche at an EIR seminar in Berlin on Nov. 5, 2001. Pointing out that “the euro system will become totally unmanageable,” he asserts that a “Bretton Woods II” would be the only solution to a world economy based on a dollar and euro in crisis.*

will necessarily be snowed under. What will the ECB do, when, in the “rim states,” the priority is fighting inflation, while in the productive, core states, it is deflation and unemployment? To fight inflation, one would need higher interest rates in the “rim states,” but that will only worsen the deflationary crisis in the core states, while feeding political unrest. Should the European Central Bank cave in to pressure from the productive states and cut the rates, it will be pitching oil onto the fires of inflation in the rim states.

What does [ECB chief] Mr. Trichet do then? Nothing at all! Just go with the flow. The lesser evil, eh? The problem is that the lesser evil means, that the process—inflation here, deflation and crisis there—by which the nations grow apart, will but intensify. In a nutshell, the euro’s days are numbered.

Even Mr. Greenspan has understood this. Sometime in the 1990s, he went on the record saying that “the euro may come, but it will not be sustainable.” He said this around the time that we four professors [Schachtschneider, Nölling, Starbatty, and Hankel] filed a complaint in the Federal Constitutional Court of Germany against the euro. . . . In 1992, Professor. Schachtschneider filed a complaint in Federal Constitutional Court against the Maastricht Treaty, that led, in 1993, to the Court’s Maastricht Judgment. Essentially, that judgment states that the euro could be introduced, as it was compatible with the German Constitution. But the European Central Bank must continue the tradition of the Bundesbank [German Central Bank], and guarantee the same stability for the euro as there had been for the deutschemerk. In its ruling, the Court states that, should that basis for stability no longer exist, then any German government could—the Court used

the subjunctive mood—quit the currency union.

In drafting our own constitutional complaint in 1997-98, we referred to that judgment. Plainly, the not-yet-existent euro would never fulfill that requirement. And the so-called Stability Pact could not work: Should an economic crisis erupt—as we expressed it at the time—tax revenues would collapse, and the deficit surge. That is precisely what has occurred.

**EIR:** What you identified as the European Monetary Union’s main flaw, is the deflation/inflation tandem. Why then was the euro system rammed through with such brute force?

**Hankel:** A theory has been making the rounds, known as the “Factual Constraint Theory”: “As we seem to be getting nowhere with the United States of Europe, then let’s do it via the currency. Once we’ve got a common currency, the factual constraints of coordination and adjustment

will be such, that political unity will emerge, as though automatically, from the monetary union.” In our complaint to the Federal Constitutional Court, we asserted that this Factual Constraint Theory is unproven. It contradicts all historical experience. Never, in the history of the world, or the history of money, have such currency unions ever worked for long.

The European currency union cannot hold longer than five to seven years, because those who have incurred prejudice, the losers if you will, want out. . . .

A European single currency could not work, unless, beforehand, there were a political agreement to level out divergences, through gigantic structural and financial compensation. And for this, there never has been, nor does there now exist a single clue—the currency union was worked out without the faintest notion of structural and financial compensation. The little that has been done in that respect, is a drop in the bucket, quite insignificant.

**EIR:** What role did Robert Mundell’s “optimal currency space” play, for the EMU? Mundell has just been granted a prize by Kiel World Economics Institute, and dubbed the “intellectual father of the euro.”

**Hankel:** I know Mundell rather well. I can understand it, but I do find it dreadful to see him betray his achievements as an economist for a mess of potage. In Mundell’s theory of the “optimal currency area,” he lays down the criteria that the European currency union *does not* fulfill: 1) structural and financial compensation; 2) labor-force mobility, which means that migration across borders would flatten out all wage differentials; 3) minimizing external economic influences.

As it happens, there is no structural and financial compensation in the euro system. Nor can we have migration, as it leads to xenophobia. As for the third criterion, it also cannot be fulfilled—although Germany has a large domestic market, it is just as dependent on economic influences outside the EMU as it was before reunification, perhaps even more so. Why Mundell allows himself to be fêted like that, I would not venture to say. A game is being acted out, and he’s played as a frontman.

**EIR:** Isn’t disaffection with the European Constitutional Treaty in France and Holland related to the fact that the living standard has fallen, while economic and social insecurity are on the rise since the euro was brought in?

**Hankel:** That’s the reality. The highly productive states are the losers, while the lesser-developed nations appear, for the time being, to be flourishing. The man in the street, who is, perforce, rather sharper than your average politician, is increasingly aware that the crisis in the core states—Germany, Benelux, France, and Italy—can manifestly be ascribed to the negative impact of the common currency. With the euro, the latter nations are barred from applying the tried-and-true instruments of an active conjuncture or employment policy: 1) interest rates are fixed across the euro-zone; 2) “smooth” exchange-rate realignments are no longer possible; and 3) thanks to the stability pact, in particular, state budgets are blocked.

Of the four instruments of an active economic policy, three—exchange rate, interest rates, and the budget—have been blocked by the euro. The only remaining instrument is wage-“levelling,” which is deadly. [German Chancellor Gerhard] Schröder’s Agenda 2010 is a mere euphemism for dragging German wage levels down to the average European level.

In our constitutional complaint concerning the euro, and in our book on the “Euro-Illusion” we state point blank, that a social-market economy—let alone the German social state—is incompatible with the euro.

**EIR:** The castration of state investment and employment policy, is already a key feature of the 1992 Maastricht Treaty. How ever did they ram that one through?

**Hankel:** Well, the negotiators were pursuing extremely diverse interests. In those countries where productivity is low—Ireland, Spain, Greece, Portugal, and, to a lesser degree, Italy—what was expected from the euro was both capital inflow and low interest rates. As for France, its concern was, first and foremost, to do away with the mark. From reliable sources close to Mitterrand, we learn that he saw the Maastricht Treaty as equivalent to having Germany sign on the dotted line of a second Versailles Treaty.

Through the Common Market, France always pursued the aim to dominate Europe via the EU institutions, and to that aim, the D-mark was a hindrance. Also, smaller nations like

Austria or Holland were tied to the D-mark. Better, they thought, to be a euro-satellite than a deutschemark-satellite. At least, they would sit in the European Central Bank, whereas, insofar as Bundesbank decisions were concerned, the Dutch and Austrian central banks had no say.

The question remains, what made Germany consent to monetary self-castration, as you put it? The country was fully disarmed—in monetary terms. Could it be the German character, that every half-century, it goes into a Wagnerian Twilight of the Gods phase? . . .

**EIR:** Or could it have been part and parcel of the “deal” imposed upon Germany, in exchange for reunification? Kohl has said that the December 1989 ultimatum, that the D-mark be relinquished, was the “blackest moment” of his entire political career.

**Hankel:** But he went ahead and signed the Maastricht Treaty nonetheless, although a few short hours beforehand, he’d said that he wouldn’t, unless there had first come into existence a political union. No currency union without political union! Word for word, that is what Kohl had said.

It was Joschka Fischer, later Foreign Minister, who—in person—gave me the clearest reply. This was in 1992 at a public meeting on Europe held at Frankfurt University. Prof. Lepenies, a sociologist, myself, and Mr. Fischer were invited to speak. Prof. Lepenies lectured on the grave economic problems following the introduction of a single currency, the lira, in Italy in the 19th Century. The historical precedent, I responded, was most instructive. Through the euro, the “wealthier” areas of Europe would become poorer, while there would be a “boom” in the economically feebler ones, that would soon peter out.

Then Mr. Fischer spoke; he said that he must concur with the two experts, who had spoken before him. But, nevertheless, he had voted for the Maastricht Treaty, and had instructed his own [Green] party in the Bundestag—he did use the term “instructed”—to vote for the Treaty. Silence. Finally a student chirped up: “Very well, Mr. Fischer, but why did you do so?” To which Fischer replied: “After Auschwitz, no German politician can afford to vote against Europe.”

**EIR:** Although it was France which rammed through the euro, it is now one of the two *big losers*. Last week, Bank of France head Christian Noyer stated that countries could quit the system if they wish to. What do you expect the French will do?

**Hankel:** Isn’t Mister Noyer just stating the obvious, namely that there is always a way out of a Treaty? In international law, as Hugo Grotius has defined it, international treaties are to serve the state’s best interests, and should that foundation fall away, then the state concerned is entitled in law, to withdraw from the treaty, no matter whether that treaty contains a withdrawal clause, or not.

This point is one that I have discussed at length with Helga

Zepp-LaRouche. To my mind, an included irony in the present situation, is that there happens to be a withdrawal clause in the European Constitutional Treaty, the very treaty that has just belly-flopped before our eyes. Should the European Constitutional Treaty have been adopted, or should it be adopted, we would not need to rely upon Hugo Grotius to exit the EMU.

So, I repeat, Noyer has done nothing more than state the obvious. That he did say so, does lead one to suspect that the idea has begun to sink in, that France has been playing the wrong card. In respect to the impact of the Maastricht Treaty, the view from Paris has been out-and-out wrong, and the French people have just slapped the bill down onto the table. Not the first time in history that a people have proven sharper than their political elites!

**EIR:** In Anglo-American circles, insofar as the euro is concerned, ambiguity rules. On the one hand, a palpable anxiety that the euro might threaten the dollar's position, and thus expressions of *Schadenfreude* [satisfaction at another's misfortune] over the current euro crisis. On the other hand, America's foreign trade and monetary condition are equally disastrous. So the question arises whether both the euro crisis and the dollar crisis might not be two sides of the same coin? Should we not turn the entire world monetary system right around, and head towards a New Bretton Woods?

**Hankel:** There are smart politicians, and dumb ones—everywhere. The smart ones, in America, anticipated that the euro would solve nothing. The smart fellows were not so much concerned that the euro might compete with the dollar. Their concern was that the inevitable euro-crisis would ripple outwards, first to a dollar-crisis and then to a worldwide economic and monetary crisis—as happened during the 1930s after “Black Friday.” Smart politicians in the United States do see the linkage. But that certainly does not mean that the world monetary system's present condition is in order. Two central currencies plunged into crisis—the euro and the dollar—can hardly be a solid basis for the world economy.

**EIR:** Of that, more later. As for arrangements for withdrawing from the euro system, there are psychological factors as well. How would you see an orderly exit from the euro?

**Hankel:** The first step has been the growing awareness in Europe, that we've painted ourselves into a corner—just look at the referenda in France and Holland!

Next, this: The euro system will become totally unmanageable, at the latest, when the new EU member states in Eastern Europe arrive, in other words, another lot of low-productivity countries joining the EMU. The ten new EU member states are not going to be pushed away from the dining-room table! They want in, into the euro system, and they've had it all written down on the document in the fine print. What they expect from the euro are low interest rates and cheap capital. At a stroke, the living-standard gap would

widen even further—from 3:1 to 6:1. Which all goes to show that expanding the EU to the Eastern European nations will, perforce, mean scrapping the currency union. . . .

**EIR:** Germany's determination to get out of the EMU must be made perfectly clear, but will there not have to be some sort of consultation and new forms of cooperation?

**Hankel:** The alternative to the euro must not be chaos, or a currency war with other nations, such as, in particular, the United States. I would venture to say that consultation within the G-7 or G-8 is critical, because, should one attempt to move unilaterally, without having first reached an agreement both within and without the EU, huge turbulences could break out. In a nutshell, the euro spells not *dynamics*, but *dynamite*. The entire world financial system could blow sky-high. One is entitled to hope that on both sides of the Atlantic, that point has been grasped.

One must work out what will replace the euro. It would be logical to bring back the national currencies, a move in the best interest of the more-developed nations within the euro system. The lesser-developed would, of course, be against it. Take the case of Italy: The first step towards a new lira would mean massive devaluation, and surging inflation.

Therefore, I think that the first step would be to keep the euro, but making it into what the ECU represented before the EMU, namely a unit of account. One could leave the euro that way, as a symbolic currency for Europe. It would be the basis for exchange-rate relationships among the national currencies. One could then transform the current European Central Bank into a common institution for coordinating currency policy throughout Europe, as was the case with the European Monetary System for exchange rate arrangements after 1979. The ECB would no longer be a central bank, but a kind of “European IMF.”

**EIR:** Using the euro as the basis for exchange rates, would allow orderly realignments, if necessary, but this would clearly mean the return to national currencies?

**Hankel:** It would. There is no alternative to a competitive currency order in Europe; the failed experiment of the euro proves that. And, it can be easily established, as the national central banks still exist. Contrary to common belief, the European Central Bank is not the “mother” of each member nation's currency and central bank, but rather their “daughter.” The capital of the ECB is held by the national central banks; accordingly, the latter can perfectly well give the former a new assignment!

Look at a euro banknote. It bears a number, and a letter. Via that letter, one knows which national bank of issue that note came from. Might it not be that from the very outset, the “fathers of the euro” had its end in mind?

**EIR:** So, one could take the euro banknotes, and simply recalculate them back into the national currencies? Another

aspect is the trauma of inflation, from the 1920s, which has left many Germans queasy about anything to do with a currency change. What would be the wisest way to deal with that?

**Hankel:** One has got to tell the people, that it's no problem whatsoever. It is no problem to calculate all former euro accounts and obligations back into D-marks. One could either do that at the former exchange rates, the which, in the meantime, have changed not from a nominal standpoint, but rather in the real world, owing to the varying deflation and inflation rates. One has got to take the old conversion rate and update it with the inflation index, in other words, take into account real devaluation. And for the intra-European accounts and obligations, the *real* exchange rates need to be applied. Logistically, this currency conversion is no problem at all.

**EIR:** So, there is nothing especially complex about getting back to the D-mark?

**Hankel:** Definitely not. The currency re-conversion is no technical problem, nor are there problems from an economic standpoint. But it will be an expensive little holiday! It will cost as much as it did to move over to the euro—roughly 80 billion D-marks. At the time, the government did not foot the bill; the tab was picked up, in the main, by the private sector. New software will have to be designed, new accounting papers, and so forth. Again, simply exchanging the notes is really nothing to get into a lather about. After reunification, when the East German mark went out of circulation to be replaced by the D-mark, or the transition to the euro, technically, in both instances things went smoothly.

**EIR:** In France, de Gaulle's currency reform, in 1959, had a rather positive psychological impact on the population.

**Hankel:** I expect that a return to the D-mark would be welcomed by the general population. Care must nevertheless be paid to one factor: In going over to the euro, a number of countries fixed not only the exchange rate for calculating incomes, but the rate for prices as well. In Germany, however, only the exchange ratio for incomes was fixed. What happened to prices was left to private businesses. The outcome has been very perceptible inflation: A restaurant will charge for a bottle of wine the same price they'd been charging for that bottle in D-marks—but now in euros. The real price has doubled! Parking your car now costs in euros precisely what it used to cost in D-marks, and so forth. The Dutch and some other countries, were rather more clever, and laid down by law: The exchange ratio applies to all prices. So when we get back to the D-mark, by law the exchange rate applies to all prices—at least for the first year.

**EIR:** Besides quitting the Maastricht Treaty in accordance with international law, and the return to national currencies, Helga Zepp-LaRouche calls for a return to the 1967 Law on Economic Stability and Growth. What is your view?

**Hankel:** Just as was the case in introducing the euro, a law

on the return to the D-mark will have to be passed in the Bundestag [lower house of Parliament]; and the Bundesrat [upper house of Parliament] will have to approve it. That's the first step.

This must be done in such a way that conversion, both of incomes and of prices, be defined by law. The conversion and the exchange rates must be updated via an inflation index, but as we've seen, that poses no technical obstacle. Nor will there be any problem with returning the euro banknotes and issuing fresh D-mark notes.

But then comes something really decisive: Article 109 of the German Constitution, which describes the 1967 Stability and Growth law as a constitutional mission, can be put into effect, again. To put it bluntly, in the event of imbalances in the overall economy, the Federal and state Finance Ministers have the task, or better said, the duty, to implement an active, deficit-financed growth policy. We will then be able to combat unemployment and the economic crisis seriously, through low interest rates, public investment, and employment programs.

**EIR:** Over the past years we have accumulated a giant deficit in infrastructure investments. How would you finance the vast amount of overdue infrastructure investments? Have we understood you correctly: "to climb out of debt, pile on the debt?"

**Hankel:** Well, a little nuance here would do no harm! The critical flaw in the EMU, notably insofar as what has been referred to "Bundesbank philosophy" within the EMU, is that public debt is being denounced as though it were a heresy, without ever taking into account what one does with public debt.

And so, one sees people pointing to Article 115 of the German Constitution, where it is stated that the volume of public debt is conditional on how much of it is covered by investment. As it happens, an erroneous interpretation is being put upon that article. All it means, is that whenever the state decides to make real investments, the amount of debt it may incur is unlimited. So why does the state decline to invest?

The Maastricht and Amsterdam Treaties stipulate that state indebtedness may not exceed 60% of gross domestic product, nor may fresh debt exceed 3% per annum. All that would be a bag of wind, once we've withdrawn from those treaties.

There is one figure though, that does give pause for thought. The only issue that has been openly discussed is *visible* public debt. It so happens that there is "invisible" public debt, namely the already existing, capitalized pension claims. Once a citizen is covered by the [obligatory] public-pension insurance, his entitlement is guaranteed by the state. And when he goes off to retire, he expects to draw, on a monthly basis, a guaranteed pension on account of X number of years' work.

Taken together, those claims represent 270% of current gross domestic product! And these claims will swell enormously, at the latest, when the Baby Boomer generation will retire, from the year 2010 onwards. That is the implicit state debt, that appears nowhere, because there is no duty to set it down as such, in the accounts of the Federal budget. These figures are real, and there is no dispute whatsoever over them. Our Finance Minister has acknowledged it and confirmed it.

In today's monetary system, this cannot be dealt with. If we carry on with the euro, no later than the year 2010, Germany will face state bankruptcy. While, if we return to the D-mark, we can make Germany's social-security system creditworthy—it could issue bonds. To my mind, that means one thing: If for no other reason, the death of the current euro system is inevitable. Staying in that system, looming on the horizon no more than five to six years hence, is the bankruptcy of the German state. This, by the way, would mean that the biggest net-contributor to the EU's finances would be gone.

**EIR:** So, the euro system and the German social state are incompatible. Faced with these pension entitlements, must we not move over to a massive investment offensive?

**Hankel:** Precisely! I have just finished penning a lengthy article on this subject. Were the growth rate but 3%, GDP would double within 20 years, which would go some way to heading off the problem. Should GDP double, the implicit public debt could be dealt with, and smoothly so. To safeguard our social state, there must be the substitution of the dwindling number of contributors to the social-security system by rising productivity and expanded capital formation. Substitute the shrinkage of human capital with advanced capital-goods investment. And, you need sufficient monetary flexibility; that will also mean making the public pension system fit for the capital markets.

**EIR:** Surely you don't mean privatizing the social system?

**Hankel:** Not privatization, but open up the system's finances for private investors. The obligatory, public insurance system is to be kept fully intact. Why shouldn't there be a "National Social Insurance Bond" in Germany, or a "Public Equity Fund," through which the system is financed. And, if there is a state guarantee and a moderate yield for these bonds, private investors will purchase them.

**EIR:** Back to the matter of the investment campaign: Nationwide, the municipalities estimate that there is an investment backlog of roughly 650 billion euros in Germany. Taken together with the investment backlog on a Federal level, this all adds up to roughly 1,000 billion euros. Then one examines the investment rate in this country, in other words the ratio of investment to GDP, and one concludes that what's required is an investment rate like that in the 1960s, something like 200 billion euros investment per annum.

**Hankel:** No problem to generate these funds. Glance at the latest Bundesbank report, and you'll see that it would be child's play. Every June for the past 15 years, the Bundesbank has published the overall accounts for the national economy. Since the euro was introduced in 1999, one notes an ever-widening gap between shrinking real investments, both private and public, and surging savings. In the last four years alone, savings have come to outstrip real investment by 450 billion euros!

This begs the question of whatever becomes of those 450 billion in available savings capital? Over the past four years, roughly 300 billion have gone into public budgets—Federal, state, and municipal. Unfortunately, not into real investment, but to fill holes in the budgets. That being said, 150 billion euros remain, but they go up in smoke, on financial adventures and speculation, which amounts to throwing out what could otherwise have gone into a job-creation program.

As I've been proposing, one could use some of those savings for financing the social-security system. That would give back to the public budgets the maneuvering room for financing large-scale investment programs in infrastructure.

From an economic standpoint, it's an outright lie, and madness too, to argue that we're all "living beyond our means." For Heaven's sake, we're living *under* our means, otherwise we would not have such a great mass of savings. A classic, Keynesian situation: When savings outstrip investment, crisis breaks out. That's exactly where we now stand.

Provided one has excess savings, it makes no economic sense whatsoever to compel the poorest of the poor to pay more into the social-security systems, force pensioners to pay income tax, slash unemployment benefits, and jack up VAT [value-added tax].

The only question is how best to channel those savings. Pension reform, health-insurance reform, geriatric care, and so forth, it all depends on opening up the relevant public insurance agencies to the capital markets. I do not mean private pensions, but rather opening the *public* pension and health-care schemes to private financing.

**EIR:** How would one go about creating productive jobs through public financing of large infrastructure projects? We've proposed building a Transrapid network to cover Germany, indeed Europe, right to Moscow and Beijing. What role would the Reconstruction Finance Agency (KfW) play?

**Hankel:** I served ten years there as its Chief Economist. You may recall a certain Hermann-Josef Abs, who made sure that KfW remained free, creative, and took initiatives, but he also tied the KfW to the Deutsche Bank. Nowadays, the KfW has got itself bogged down in bureaucracy. Are they still ready for this sort of creative strategy? After all, today, the Reconstruction Finance Agency is nothing but a subordinate financial agency of the Federal government.

The Transrapid project is most worthwhile, and from an investment standpoint, highly profitable, too. The KfW could

be brought in, but the European Investment Bank (EIB) is a likelier candidate, I think. The EIB's standing on the European capital markets is better, and English, perhaps even American funds could be activated.

**EIR:** You seem to favor the EIB, but what happened to the Delors Plan or the Tremonti Plan, for Europeanwide infrastructure projects? They got sabotaged.

**Hankel:** The Delors Plan was a kind of euphemism for giving the EU Commission greater prerogatives in investment and employment policy—a kind of “Euro-Keynesianism.” After Delors left, the EU Commission, as we know, became full-fledged neo-liberal, leaving the Keynesians out in the cold. The neo-liberals then hit the “privatization” button. Under the Delors Plan, really big projects would have been launched, but that was scarcely to the liking of the private banks.

The most frenetic lobbyists for the euro continue to be the big private banks, the so-called “global players.” They wanted to siphon off the European capital market, and were pushing for mega-mergers. A quiet cartelization has taken place between German, Spanish, Dutch, and Italian banks. The megabanks and mega-firms, have sucked up all the advantages of a common capital market and currency area, and have gone for tax-dumping. Here we have a Social Democratic Finance Minister, Mr. Eichel to be precise, asserting that big, stock-exchange-listed German firms pay too much corporate tax—that's ludicrous. In reality, they pay virtually nothing.

**EIR:** If we understand you rightly, Professor Hankel, you consider it critical to any effective investment and employment policy that, in terms of the real economy, we stop squandering, year in, year out, our enormous savings?

**Hankel:** Precisely. We engage in an egregious waste of capital which can even be quantified. All one needs to do is to pick up the annual Bundesbank report. Even a layman can understand that: By injecting such huge amounts of savings into financial markets, which serves only to crank up shares, whether they be American or otherwise, you create bubbles—paid for by productive jobs which could have been created instead. On top of this, the bubble-profits vanish into thin air every two to three years. Presently, we have a well-organized system of squandering capital!

By dismantling the state—via various code words like euro or globalization—we are losing the social component of the economy and of society. An overpowering market cuts down the state's ability to protect the individual citizen. Those pushing globalization and the euro are dismantling the state—and with it its social systems. That the Social Democratic Party would involve itself in that, is, to put it mildly, quite extraordinary.

**EIR:** In 1997, Oskar Lafontaine wrote a book entitled *Nothing to fear from Globalization (Keine Angst vor der Globali-*

*sierung)*. Now he's attacking the Social Democratic Party. What do you think of this chap, who claims to be an economic and financial policy expert?

**Hankel:** All I can say is that I recall that Mr. Lafontaine was once a vigorous opponent of the euro. He argued that should the euro be introduced, Germany would cease being a social state. But, the instant he was elected SPD [Social Democratic Party] chairman, he wrenched the steering wheel in the other direction, and drove straight towards the euro—forcing the euro onto the SPD. The man has no principles, no grounding. In his case, political flexibility transcends into spinelessness. Above all, he's a man entirely lacking expertise. The Lafontaine crowd has been playing the populist game, acting as a mouthpiece for popular anger—but they have zero solutions for the crisis.

**EIR:** In the week of July 7, we had on world financial markets, the heaviest turbulences since the LTCM hedge fund collapsed in Autumn 1998, triggered, rather than “caused,” through the bombings in the London public transport system. According to our London sources, the central banks intervened massively on that day into the financial markets.

**Hankel:** I can well believe it. No surprise at all, as for the last 20 or more years, it's been clear, at least to me, that this system has constantly stood at the cliff's edge of a crisis of confidence—constantly. That's been the case ever since the Bretton Woods system was scoffed off, a matter that I have had many occasions to discuss with Mr. LaRouche.

Since the Bretton Woods system was scrapped, there has been a gigantic and constantly growing overhang of credits, relative to real economic potential. At this point in time, turnover in financial values represents 90 times the turnover of real economic values. The daisy-chain of credits and the overhang quite stagger the imagination. So, both the creditors and the “credulous” are nervous that their credits might get frozen or might have to be written off altogether.

Once the warning lights flash on, how will the hordes of creditors react? They'll say: “Rather than losing everything, let's prop up the market—by issuing even more credit.” Provided one can keep the overview, that will still be possible. However, I can readily imagine circumstances where this won't work any longer. Some players may lose their nerve, entirely, or the mass of credits may become so enormous that the thing can no longer be shored up.

For 30 years now, since the Bretton Woods system came to an end, we've lived through just what we saw in the 1930s: Under conditions of floating exchange rates and unregulated financial markets, all credit is insecure. And when credit is becoming insecure, there is, at any moment, the danger that the credit pyramid gets shaky and collapses. That's the system we have.

We can try to live with it, until it all blows sky-high, or we can decide to return to an orderly architecture in the world financial system: That would be Bretton Woods II.

# Colombia Must Build Railroads To Link Up With World Land-Bridge

by Maximiliano Londoño Penilla

*The author leads the LaRouche movement in Colombia.*

In order to connect the various geographic regions of our country as well as to link up with our neighbors and the rest of the world, Colombia's wild and varied topography will have to be crossed east-west and north-south, by railroad lines that will form the axis of development and infrastructure corridors (**Figure 1**). These railroad corridors will have high-speed electric trains that move at 250 km per hour or more for the transport of passengers, and at 150 to 190 km per hour to transport cargo. Some higher-speed corridors will transport passengers by means of magnetically levitated (maglev) trains, moving at 400-500 km per hour.

These rail corridors will exponentially raise the physical productivity of the entire Colombian economy. The impact of the railroad corridors will be felt directly in a 100-kilometer span (50 kilometers on either side of the rail line), but the shock wave of infrastructural progress will radiate out the length and breadth of Colombia, and beyond our borders as well.

The routes of the railroad corridors will be determined, first, by the decisive role that Colombia will play as a pivot for the branching of the Eurasian Land-Bridge (**Figure 2**). After crossing the Bering Strait and passing from North America to Central America, the Land-Bridge will enter South America, boring through the Darien Gap at the Colombian border with Panama. Rail Corridor A will begin at the border with Panama, passing southward through Colombia into Ecuador, and continuing down to the extreme southern tip of Argentina, via Ecuador, Bolivia, and Chile.

Rail Corridor B will also begin at the border with Panama, but will then head into Venezuela, and from there, will follow the Brazilian Atlantic Coast, ending in southern Argentina. Corridor C, also beginning at the Panama border, will go through Bogota to Villavicencio, then on to Colombia's southernmost tip, and from there, cross over into Brazil.

As has been elaborated elsewhere, the current Eurasian Land-Bridge links every country in Western Europe by rail to the extreme east of Russia, through the Northern Corridor or Transsiberian Railroad, and also joins the European countries with India and China, via the Southern and Central Corridors. Now the Land-Bridge is in a process of expansion, forming a network of increasingly dense railroad corridors, and

the leading strategic issue under discussion in the world, concerning the next 50 years, is how to achieve the physical connection of all the continental land-masses of the planet, by means of these railroad and development corridors.

## Key to Colombia's Survival

If Colombia wants to survive as a sovereign nation, which can answer for the general welfare of its current and future generations, it will have to link up with Asia, via these kinds of railroad corridors. The railroad, the cheapest means to transport both passengers and merchandise over long distances, must integrate with water and highway transport routes as well. Highways cannot compete with, or replace, railroads; highways serve for shorter-distance transport, but railroads must be electrified, two-way, and wide gauge.

The modern railway as a means of transportation was eliminated in Colombia by decisions of Wall Street and City of London financial circles—decisions that have been implemented by the selfish ruling elites of our country, and endorsed by the passivity of the immense majority of our people. It is time to end this narrow view of ourselves.

Nominally, Colombia possesses 3,154 kilometers of rail, of which 1,013 kilometers are inactive and the rest were turned over to private concessions and are in need of rehabilitation. Only 680 kilometers are currently functioning, primarily for transporting coal to export ports.

During 2004, only 45.6 million tons of cargo were actually transported. This volume results almost entirely from transportation of coal, from the site of production to the port of export.

In 2003, railroads transported a microscopic 0.04% of all passengers. The average speed of the cargo trains of the Atlantic concession is 40.8 kilometers/hour, while that of the Pacific concession is 20.0 kilometers/hour. According to international criteria in the "Global 2002 Competitive Report," Colombia has a 1.5 rating out of a maximum of 7, with respect to its railroad infrastructure.

Because of the absurd economic policy decisions made, rail transportation in Colombia has languished, and today is almost gone. We do not currently have a railroad system that integrates the different regions of the country. Rather, there are small branch lines which have generally served the needs of such mining companies as Drummond, which extract and

FIGURE 1

**Colombia: Great Rail Projects**



export coal.

The only electrified branch, which covers some 150 kilometers, can be found in Cerrejón, and goes directly from the mine to the port. Furthermore, the existing rail networks are all narrow gauge, which makes it impossible to connect our railroads with the systems of other countries, which use a wider rail gauge.

Rail transport is the cheapest and most efficient means of transporting large quantities of cargo over long distances. The fact that Colombia's geography includes three distinct mountain ranges, is not a disadvantage but an enormous advantage, because a country with lots of mountains also has lots of rivers. And, indeed, Colombia has the fourth highest

hydropower potential on the planet. Of course, we would have to bore through the mountains, using modern tunnelling technology, in order to be able to build the modern rail lines and highways we need.

**The Vision of Rafael Núñez**

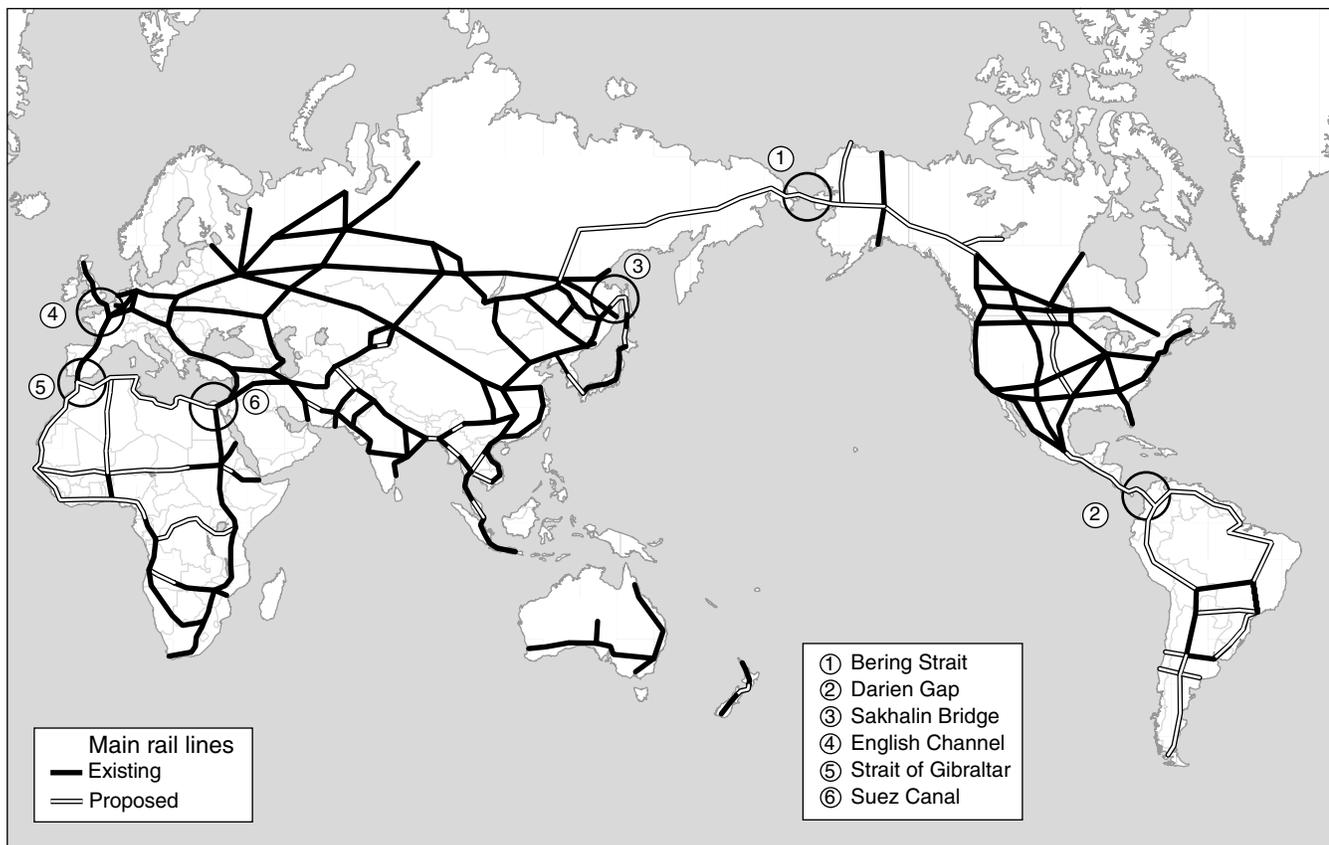
Rafael Núñez, the great Colombian patriot who visited the United States during the Lincoln period, before he became President of Colombia in the 1880s, understood the significance for the United States of the development of the rail land-bridge that eventually spanned the United States, from east to west. As a great visionary, Núñez launched what he conceived of as the railroad backbone of the country: a network that would link the Pacific and Atlantic coasts with the interior. Núñez intended that Colombia would produce not only the rails, but also the locomotives, and this was one of the reasons he gave for promoting the construction of steel plants in the cities of Boyacá province.

Núñez's railway program was part of a great project, which included not only maintaining and expanding navigation the length of the Magdalena River, but turning Colombia into an industrialized nation. He designed the National Bank as an instrument for generating long-term and low-interest credit, to encourage manufactures and the mechanization of agriculture. To stop Núñez's industrialization program, the free-trade oligarchy of that time, in association with foreign interests, provoked what came to be known as the

War of 1,000 Days.

The oligarchic families wanted to keep Colombia as an agricultural and mining colony, a sad condition of backwardness that still exists in Colombia. When Canadian economist Lauchlin Currie arrived in Colombia in 1949, heading up the first world mission of the World Bank, his principal purpose was the destruction of all that remained of the Núñez legacy. Currie opposed, although unsuccessfully, the construction of an integrated steel mill in Boyacá (what is today Paz del Río), with the argument that it would be cheaper to buy the steel from abroad than to produce it locally. Currie did manage, however, to make sure that the blast furnace that Colombia purchased was already outmoded at the time of its purchase.

FIGURE 2  
The World Land-Bridge



Source: *EIR*.

As the first step toward wiping out the rail system, Currie set the highways in competition with the railroads. His disciples took responsibility for blocking any investment in the renovation and expansion of the railroads, such that they slowly disappeared for lack of maintenance and improvements—just as has occurred in the present period with the Institute of Social Security, and with the state oil company, Ecopetrol. The later pseudo-explanation was that “labor costs” were to blame for eating up the national railroads.

Now is the perfect moment for intersecting ongoing preparations for the Presidential and Congressional campaigns, by initiating a discussion on how to carry out, as quickly as possible, the construction of a vast national railroad network, in the context of the great infrastructure projects our country needs to become a fully sovereign nation committed to scientific, technological, and industrial development.

In effect, the railroad will unite Colombians.

In the beginning of the 1880s, Rafael Núñez already understood this. He said: “These days, the railroad is the true measure of progress. There is a generating force in the railroad, whose marvelous effects are like those of compound

interest. The railroad needs industry to feed it, and industry needs the railroad to move and grow. Each track of rail that is laid down is, therefore, a new incentive to industry, broadening its radius of action. The final result must be amazing, just like the progressive power of compound interest. There is between the railroad and industry—and when we say industry, we also refer to agriculture, mining, ranching, etc.—there is between the railroad and industry, I repeat, the same relationship as between the chicken and the egg. Industry is the former and the railroad is the latter, and, in the end, they are nothing in truth but one and the same thing. Just as there are vicious cycles, so too there are fertile ones. The vast network of railroads that encircle, like a titanic musculature, the body of the North American Union, is the primary and decisive cause of its prodigious production and wealth.”

And in what would appear to be a reprimand of contemporary blindness, Núñez explains: “Without railroads, how would our businessmen transport our Andean agricultural products advantageously abroad: And if they can’t transport them at moderate cost, how would they survive the competition of other, better endowed countries?”

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## Editorial

### *The Price of Denial*

The word is out for the mickeys: The U.S. economy is in a "recovery," and everything is just as sound as it can be, despite a few potentially worrying spots in the real estate hotspots internationally. As long as the world orients to following the U.S. example, things will be just fine. If you believe that, you are being led down the primrose path to a New Dark Age.

Reality is quite different, and it is the reality of an imminent financial collapse, far beyond that of the Fall of 1998; it is impelling the world's Synarchist bankers to hysterically demand increasingly tough austerity packages, even dictatorships, to keep their hands on the financial controls.

Exemplary of this reality is a story which appeared in the German newspaper *Die Welt* on July 27, quoting a report by Goldman Sachs economist Jim O'Neill, who writes that excessive liquidity by central banks has built up huge speculative bubbles around world financial markets. Sooner or later, they will all burst with a big bang, perhaps like the stock market crash of 1987 or the bond crash in 1994. It's "almost inevitable," he writes, that some unforeseen event in the coming months will trigger such a crash. And almost all big crashes of recent decades took place in the late Summer or Autumn. The trigger could be a political event like an escalation in the Middle East, Iran, or North Korea. But there is also a potential for a local disruption in emerging markets, as an example in Brazil, which then would spread around the globe like in 1997-98.

*Die Welt* then quotes an ABN Amro economist saying that another huge disaster in the hedge-fund sector, which could hit world markets like LTCM in 1998, is hanging in the air.

You didn't read such stories in the U.S. or popular press, you say? Well, think about why.

But ordinary citizens do have the ability to figure out what is going on, if they escape the Siren song of denial. For one thing, look at the unemployment in the industrialized nations, and think about what that means.

One of the most obvious disasters on the jobs front is Western Europe, where unemployment hovers at the 10% mark, or higher, in all the major continental na-

tions. Germany, which is the largest economy and the engine of Europe, actually has about 10 million unemployed, out of its population of 80 million, a shocking waste in one of the most educated and high-technology nations in the world. The most rapid rates of decline are in manufacturing, of course.

According to the official statistics, the United States does not share such a problem, but that is provably a lie if you look at the manufacturing sector. U.S. companies announced 102,971 lay-offs in July, down 7% from June, but up a whopping 48% from July 2004, as many corporations cut jobs just to show a profit, according to the outplacement firm Challenger Gray & Christmas. At the current rate, job cuts will exceed 1 million for a fifth year in a row. Over the past three months, announcements of job cuts have totaled 296,250, "unusually high for warm weather months," Challenger said, calling this the Spring-Summer "job-cut Hell." For the year, the threatened auto industry heads the lay-offs list, which is centered heavily in the manufacturing sector.

Why focus on this bad news, some might ask? Because, as leading economist Lyndon LaRouche has pointed out, it is *now, before* a total financial blowout, and the utter destruction of the productive capacity and workforce of the industrialized nations, that emergency actions have to be taken. What is required is action on two levels. First, patriots of each nation, and particularly the United States, must mobilize to push through emergency measures that will freeze the unpayable debt burden, and restart production to meet the massive needs in infrastructure, through the provision of state-backed long-term, low-interest credit.

Second, these patriots must get their governments to convene an international emergency conference to establish a new monetary system based on the principles of FDR's Bretton Woods, including a fixed-exchange-rate system and sovereign control over currencies.

If you, as a reader of this magazine, continue to deny the crisis, and the need for such emergency actions, you will be effectively voting for your own destruction, and that of the human race. That's a pretty high price to pay, when the solution is, in fact, at hand.