

# EIR

Executive Intelligence Review

July 27, 2007 Vol. 34 No. 29 [www.larouchepub.com](http://www.larouchepub.com) \$10.00

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EIR (ISSN 0273-6314) is published weekly (50 issues), by EIR News Service, Inc., 729 15th St. N.W., Washington, D.C. 20005. (703) 777-9451

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Canada Post Publication Sales Agreement #40683579

**Postmaster:** Send all address changes to EIR, P.O. Box 17390, Washington, D.C. 20041-0390.

# EIR

## From the Assistant Managing Editor

As our cover this week suggests, the U.S. ship of state is rapidly steaming into treacherous waters, as the month of August looms. It is not only that the two world wars of the 20th Century started during August, but this year, as Congress leaves for its Summer recess, Dick Cheney and company are beating the drums for war against Iran, while the Vice's London masters push for a new Cold War with Russia (see *International* lead by Helga Zepp-LaRouche). As Lyndon LaRouche noted in his remarks to a private luncheon with Washington diplomats (see *Beware the Guns of August*), "It's very dangerous. Anything can happen. And governments are on vacation." Bolstering LaRouche's warning is Jeffrey Steinberg's article, "Cheney's Finger Is Already on the Trigger."

Lowering the threshold for global showdown, is the Cheney cabal's destabilization of the Central Asian cockpit, centered around Pakistan-Afghanistan; and international naval maneuvers in the Bay of Bengal, which bring together naval forces from five countries: India, Australia, Japan, Singapore, and the United States (see *International*).

Meanwhile, in the "Coward Zone," a.k.a., Washington, D.C., members of Congress, especially the Democrats, are playing the political equivalent of shuffleboard on the deck of the *Titanic*. Once they return to their home districts over the recess, however, they will be confronted by an increasingly angered citizenry, demanding the immediate impeachment or resignation of Cheney.

And, to inspire you to take up the challenge to drive Cheney and the warmongers out now, see our *Feature* by LaRouche, "Music: Science or Fantasy"; our *Economics* lead on the prospects for the Alaska-Canada-Lower 48" rail link; and the founding of the South Africa LaRouche Youth Movement (*International*).

Finally, don't miss LaRouche's July 25 webcast, "The End of the Post-FDR Era," to be videocast live, and also archived at [www.larouchepac.com](http://www.larouchepac.com).



## Cover This Week

*Is Cheney Planning a New 9/11? Here, a surface to-air missile is launched during training exercises off the California coast.*



U.S. Navy/Kenneth Pace

### **4 LaRouche to Diplomats: To Avoid War, We Need a New Roosevelt-Type IMF System**

Beware the guns of August! Citing signs of the onrushing economic crisis, Lyndon LaRouche, addressing a private gathering of diplomats, warned that “under these economic conditions, war becomes likely,” and that Dick Cheney’s drive for war against Iran compounded the possibility of world war. But he emphasized that “the alternative is also on the table,” which would involve a process of engagement by the United States with Russia, China, and India.

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"A seemingly routine book review by the *New York Times*' Edward Rotstein," Lyndon LaRouche writes, "may attract the attention of the witting to a seemingly little matter of actually great importance." Rotstein reviewed a new book, by Lawrence Kramer, titled *Why Classical Music Still Matters*. What is it that J.S. Bach, Wolfgang Amadeus Mozart, and Ludwig van Beethoven knew, that Rotstein and Kramer do not even suspect? And why is an understanding of the work of astronomer and mathematician Johannes Kepler so crucial to anyone who wants to make fundamental progress in advancing Classical music and culture today—as the LaRouche Youth Movement has found?

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# EIR Beware the Guns of August

LAROUCHE TO DIPLOMATS

## To Avoid War, We Need a New Roosevelt-Type IMF System

Lyndon LaRouche held a closed-door discussion July 19 with 25 Washington-based diplomats representing 20 countries from Eurasia, Africa, and Ibero-America. As per tradition, LaRouche's opening remarks were recorded and transcribed, but the discussion afterwards was off the record.

LaRouche began by noting, "This is not yet August, but as I think back to Augusts in the past, I think of August 1914, August 1939."

There exists now a "virtual state of war" between Russia and Great Britain, he said.

Citing signs of the onrushing economic crisis, such as the recent collapse of two Bear Stearns hedge funds, and the *New York Times* report of the cost of a can of soda in Paris (\$5.52), LaRouche said, "Under these economic conditions, war becomes likely,"

Noting particularly Dick Cheney's drive to start a war with Iran, LaRouche said, "It wouldn't be war in the simple sense of World War I and World War II, but something comparable."

And unfortunately, he said, Cheney's war drive occurs in a situation in which we have very poor leadership in the United States. Cheney and the British typify the situation. "It's very dangerous. Anything can happen. And governments are on vacation," he warned.

"The world can blow up. Now the alternative is also on the table. It was put on the table in a curious fashion this past Spring. A series of events. It happened at the time that I was making a visit to Moscow for the birthday anniversary of a friend of mine, a distinguished figure in the Russian system. I had some meetings there.

"But at the same time, you had the death of Yeltsin in that period, and the events that went along with that. President Clinton was there, former President Bush was there. Other figures were there. And during this interval of this Spring,

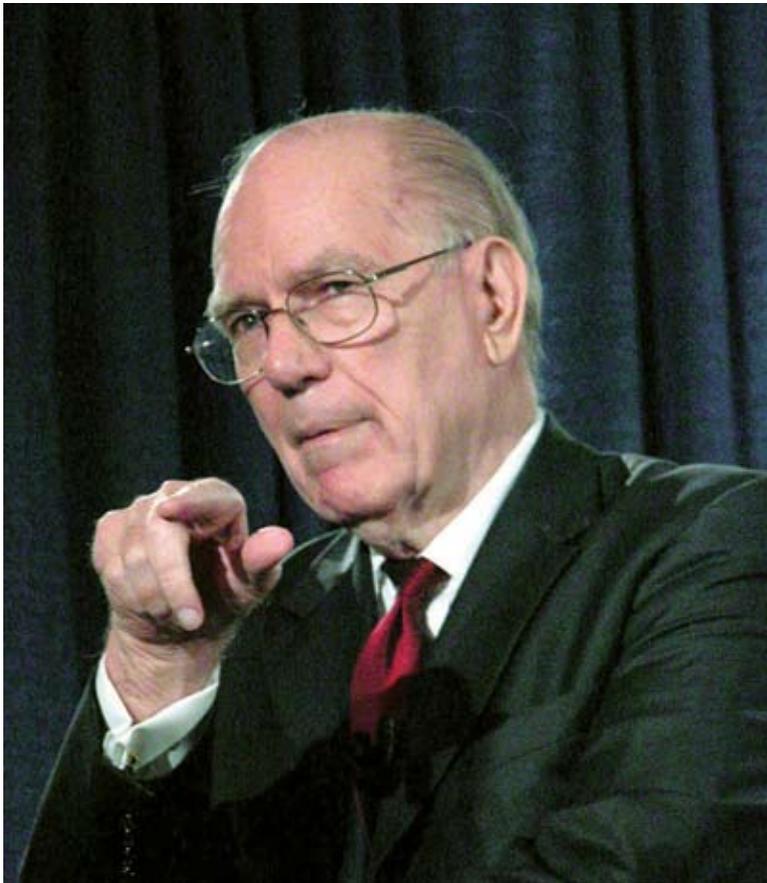
concluding with the meeting at Kennebunkport in Maine, with the Bush family and with President Putin of Russia, there were certain negotiations behind the scenes in which former President Clinton played a key role, and others played a key role.

"We have on the table the option, the opening of the door, so to speak, with the Kennebunkport proceedings, in which we could induce what has to happen. What has to happen is a process under which the United States government engages with the Russian government, the government of China and the government of India, to sponsor emergency action to save the world from a general financial collapse, which is what's oncoming now.

"Let me explain what that means. If the U.S. dollar collapses, as it is collapsing now, the entire world could go into something worse than a depression. If you look at the effect of the collapse of the dollar on world markets, and look at the financial condition of countries throughout Asia, as well as elsewhere, a collapse of the dollar would mean a chain-reaction collapse worse than any depression of the last century.

"Now, that could be prevented. We have in United States history, in our Constitution, we have the means to do that. Roosevelt is an example of that, Franklin Roosevelt. But *if* the government of the United States were to engage Russia, the government of China, and India, as the four major nations who are going to co-sponsor something on behalf of the world as a whole, and say, we're going to freeze the values of currencies among these governments, and other governments, and we're going to go back to a Franklin Roosevelt approach, to organize a general world recovery.

"In other words, we're going to take over in effect, have the nations of the world, take over the IMF system, and put it under a Roosevelt-style administration. Under those condi-



EIRNS/Stuart Lewis

*With governments on vacation during the month of August, and Dick Cheney driving for war with Iran, we are in a dangerous situation, Lyndon LaRouche told a closed-door diplomatic luncheon July 19. But, he said, an alternative to war and economic collapse is now on the table.*

tions, we could manage this crisis and we could work our way, gradually, out of many of the financial and related problems. If we could unite nations around this issue, which has to be addressed now, the economic issue, then their interest would be in preserving that agreement. Every nation on the world would have a substantial interest in maintaining that agreement and making it effective.

“Our problem is we’ve been moving in part away from—Western Europe is a junkpile. It is no longer a technological center. The United States has no high technology, except in the military sector which produces weapons. We are exporting production from Europe and from North America, into countries we’re exploiting on the basis of their cheap labor. So therefore, we are not really helping these countries—though they may get *some* benefit, as the case of China, for example, illustrates. But the benefit of the people as a whole, the entire population, that does not occur, because the income is not sufficient, the rate of growth is not sufficient, to raise the standard of living around the world. What we’re doing is exploiting cheap labor in these countries, or exploiting the

population in order to exploit the labor. We’re not developing them.

“Therefore, we need to go to a Roosevelt-type approach. We organize the world system, freeze the values of currencies, put the whole system under bankruptcy, prevent a collapse, and then unleash measures for global development over the coming 50 years. We need really a set of 50-year agreements on economic recovery. It *can* be done, it *has* to be done. It’s not something that would ordinarily be considered now, but only in a time of crisis as grave as this is, are nations capable of making the kinds of sudden, sweeping changes needed to deal with a crisis of this type.

“We’re at such a point, in which it’s in a sense like August 1914. The British were determined to get rid of a lot of problems, and they prepared the war—it was called World War I—by starting a war of Japan against China in 1894, and Japan’s war against China, launched from London, continued from 1894 to 1945. That’s a big chunk of history there. We repeated World War I, in World War II. The outcome was somewhat different because of Franklin Roosevelt, but with the death of Franklin Roosevelt, we began to abandon his policies and move in a different direction. And with the assassination of President Kennedy, we began to move in the United States distinctly in that direction.

“So, we’ve come to a time where we have to change our ways. We also have to recognize, from looking at the month of August, and looking at the ominousness of this month, the coming month of August, and compare it with 1914, compare it with 1939. We’ve come to a very dangerous period, but dangerous periods are times when people who recognize the danger will *do* things they otherwise would not do. They are willing to make changes they otherwise would not make. They’ll make changes for worse, or changes for the better. This is a deadly threat; it’s also an opportunity. And that’s what I’m concentrating on.”

### Get Cheney Out

“The point is very simple. My view is that we have to somehow get rid of Cheney. I think if we get rid of Cheney, with what’s brewing among politicians here who are really not that courageous. They’re not men of principles, they’re opportunists. They’re not bad people, they’re just opportunists. But when an opportunity strikes in this form, where the horror hits ’em, they’re capable of accepting the changes that they otherwise would never consider. And the time for those changes is now. The potential is now.

“And what I propose essentially, or have been proposing, is that the four principal nations I indicated must hopefully



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As in 1914 and 1939, the Guns of August may flare again in 2007, LaRouche warned. Above, trench warfare in World War I.

form a committee to sponsor a general rally of nations to reorganize the system. Because smaller nations do not have the courage or means to initiate these kinds of steps. You need to have a dominant leading power in the world, or combination of power, who opens the door to let other nations participate in this kind of reform. That's a chance. And in that case, we have to go back to a new kind of IMF system, a Roosevelt-type of IMF system, what Roosevelt had *intended* for the post-war period, had he lived.

“And with that kind of perspective, I think that we could organize cooperation among nations, dealing with some very obvious problems, which will lead to a solution to these problems. We also have to get rid of Cheney. That's clear. Cheney is not an American. He's nominally an American. He's British property. And he's his wife's property. She made him out of nothing, or less than nothing, and he represents the interests who want war. He represents the interests that want a war with Iran, and that could set the whole world afire. So we have to get rid of him. We invite him to go back and grow

potatoes in Wyoming. That's his best opportunity.

“But this is the crisis. And the cowardice of my fellow American leaders here, in facing these kinds of issues, is a problem. But the crisis is now. More and more of America's leaders are realizing that this crisis exists. More and more people, Republicans as well as Democrats, behind the scenes, recognize that we've got to change some things here. And the effort is to, by September, or late September perhaps, to have something new in process where Cheney is no longer the landscape. The great *danger* is between now and September, September at Labor Day, until politicians return to Washington. The great danger is in this month of August, *again* as in August 1914 or August 1939. A monster could be let out, could be let loose, and maybe the world doesn't have the ability to quickly stop that monster from setting fire to the world. So we have opportunity and great danger. We have great issues that have to be faced.

“Being a professional troublemaker as I am, I do the best I can.”

# The Guns of August 2007: Cheney's Finger Is Already on the Trigger

by Jeffrey Steinberg

On July 16, the London *Guardian* reported that President Bush, under the powerful influence of Vice President Dick Cheney, has tilted in favor of military action against Iran before he leaves office. According to the *Guardian* account, a series of meetings during June and July, involving top White House, Pentagon, and State Department officials, was used by the Vice President to assert that the diplomatic track, ostensibly pressed by Secretary of State Condoleezza Rice and Defense Secretary Robert Gates, had failed to produce any results, and that no future U.S. administration would have the courage to act militarily against Tehran. President Bush, according to the account, went along with Cheney, and once again, the prospects for a new Persian Gulf preemptive war loom large over Washington.

Highly informed sources contacted by *EIR* confirmed and elaborated on the *Guardian* leak, which came from circles close to the White House who are adamantly opposed to the prospects of an American or Israeli preventive strike against targets inside Iran. *EIR*'s sources confirmed that President Bush had, indeed, tilted back towards supporting Cheney's position that Iran's alleged nuclear weapons sites must be hit preemptively, and that one of the most persuasive arguments mounted by Cheney and his neo-con allies, is that unless the U.S. strikes against Tehran, Israel will launch an attack, and this will create an even bigger mess for Washington.

Speaking for some of Cheney's London patrons, Patrick Cronin, director of studies at London's International Institute for Strategic Studies (IISS), a leading Anglo-American think tank, is quoted by the *Guardian*: "Cheney has limited capital left, but if he wanted to use all his capital on this one issue, he could still have an impact. . . . The red line is not in Iran. The red line is in Israel. If Israel is adamant it will attack; the US will have to take decisive action. The choices are: tell Israel no, let Israel do the job, or do the job yourself."

In fact, the consensus among American military strategists is that Israel does not have the capacity to do serious damage to Iran's now widely dispersed nuclear research program—unless it were to use nuclear weapons.

## The Two Liebermans

As Cheney was making his power play inside Administration circles, he was receiving back-up from "the two Liebermans." In early July, Israel's Minister of Strategic Affairs,

Avigdor Lieberman, traveled to Brussels to confer with top NATO officials, and on his return, he told Israeli Army Radio that he had won backing from the United States and Europe for preemptive strikes against Iran's nuclear sites. Lieberman, who is known among Israeli analysts as "Israel's closest thing to a National Socialist," elaborated that, if Israel were to launch air attacks against Iran's nuclear sites, NATO would join in to defend Israel in the event of Iranian retaliation. Lieberman could not have been more blunt: "We're stuck in Afghanistan, and European and American troops are wallowing in the Iraqi quagmire, which is something that is going to prevent the leaders of countries in Europe and America from deciding on the use of force to destroy Iran's nuclear facilities. Therefore," he concluded, "at the end of the day, Israel is going to have to remove the nuclear threat posed by Iran with the means at its disposal, and it won't be able to count on international cooperation." But, the Israeli minister then declared, "Europe and the U.S. will support us."

The very day that Avigdor Lieberman was threatening Israeli preemptive strikes on Iran, July 11, Sen. Joseph Lieberman (I-Conn.) introduced an amendment to the defense spending bill, demanding that U.S. intelligence agencies report to Congress every 60 days on Iran's activities inside Iraq. Although Lieberman's amendment, which contained a string of dubious or outright false claims of Iranian combat support operations against American forces in Iraq, was clearly aimed at putting the Senate on record as supporting a warlike policy against Iran, the entire Senate sheepishly voted, 97-0, in favor of the Lieberman ploy.

Lest there be any doubt that Joe Lieberman's actions were tightly coordinated with Cheney, the text of the Lieberman amendment quoted extensively from Gen. Kevin Bergner, the former top military aide to neo-con Elliott Abrams at the National Security Council, who was dispatched to Baghdad in June 2007, to conduct White House "spin control" over the war reporting. Bergner has put out a steady stream of disinformation and/or exaggerated claims of Iranian involvement in the Iraqi insurgency. Bergner's propaganda from Baghdad, according to Pentagon sources, has infuriated the Joint Chiefs of Staff, who see it as a replay of the "stovepipe" of fake intelligence, funneled from the Pentagon's Office of Special Plans to the Vice President's office, in the run-up to the Iraq invasion. This time,

there is no pretense that the war propaganda is being vetted by the Pentagon intelligence services. It is being funneled directly from Baghdad via General Bergner, directly to Cheney, Lieberman, et al., and is increasingly showing up on CNN and other news outlets.

## Impeach or Remove Cheney Now

The turn toward war against Iran, coming from the “usual suspects” in Washington, must be assessed against the backdrop of the July 1-2 Kennebunkport, Maine summit meeting between President George W. Bush and Russian President Vladimir Putin. The two days of discussion, hosted by former President George H.W. Bush, represented a potential strategic breakthrough in U.S.-Russian relations. President Putin proposed a long-term strategic partnership between Washington and Moscow, encompassing all of Eurasia in a security alliance, built upon Lyndon LaRouche’s original strategic defense proposal, which later became President Reagan’s SDI. Just days before Kennebunkport, former President Bill Clinton, in a speech in Yalta, Ukraine, had also signed on to the proposal, indicating a powerful intervention by the institution of the U.S. Presidency—along with that of the Russian Presidency—to avoid war in Eurasia for decades to come.

It was in response to that initiative that Cheney made his move, and set the United States potentially back on a course towards near-term war, a war that would soon spread from Southwest Asia to other parts of Eurasia, and ultimately lead into World War IV—pitting the United States against Russia and China.

It is for this reason that LaRouche, in a dialogue in Washington with a group of diplomats on July 19 (see transcript, p. 4), asserted that the only way to avoid war at this late date, is for Dick Cheney to be either impeached or removed from office now—before the guns of August are fired.

It was also in this context that LaRouche reiterated his message to Sen. Hillary Clinton (D-N.Y.), the ostensible Democratic Party front-runner for the Presidential nomination. LaRouche called upon Clinton to take the lead in the fight to remove Cheney from office, promising that if she does so, she will be “virtually acclaimed” as the next President, by an American electorate that is overwhelmingly demanding Cheney’s ouster.

LaRouche’s message is also resonating among leading Republican circles, who fear a total wipeout in the 2008 general elections, if Cheney remains long on the job—and if the preemptive strikes against Iran take place. While some Republican Party voices, including former Reagan Justice Department official Bruce Fein, former Presidential candidate Patrick Buchanan, and retired CIA officer and *American Conservative* columnist Phil Giraldi, all have demanded Cheney’s immediate ouster to stop an Iran fiasco, GOP leaders have so far failed to come forward to confront President Bush and force Cheney’s ouster. And Congressional Demo-

crats have chosen to dodge the Cheney bullet and opt for impotent gestures, like the all-night Senate debate over Bush Administration Iraq policy, in which Cheney’s name was not mentioned once. The ultimate cowardly act was the Democratic Senate capitulation to the “Buckleyite Damn-ocrat” Joe Lieberman’s Iran war gambit. Such cowardice and opportunism, LaRouche has frequently warned, could bring about the doom of the American republic and a global “permanent war” that would engulf the planet for several generations to come.

## Cheney and Bandar

While General Bergner’s “wurlitzer” continues to churn out war propaganda from Baghdad, pushing the idea of military action against Iran to “save the lives of American GIs” fighting the “Iranian-backed” insurgency in Iraq, U.S. intelligence specialists have alerted *EIR* that there is growing worry about another aspect of the Iraq insurgency. Saudi Arabia, through Prince Bandar bin Sultan, Cheney’s chief ally and the purported national security advisor to King Abdullah, has been pouring money and weapons into Sunni tribes in western Iraq, who have now emerged as what some U.S. intelligence officials brand “al-Qaeda II.” These Iraqi Wahabi networks, distinct from the bin Laden/Zawaheri “al-Qaeda in Iraq” apparatus of largely foreign fighters, have emerged in recent months as a significant element within the overall insurgency. According to these sources, “al-Qaeda II” is part of Cheney’s scheme—designed in London by the likes of Dr. Bernard Lewis—to promote a permanent Sunni versus Shi’ite conflict in the region.

This Cheney-Bandar effort, the sources warn, is one of the driving factors, provoking Iran, and fueling the prospects of a near-term explosion. Earlier in July 2007, an emissary of Prince Bandar delivered \$750,000 to the Mujahideen-e Khalq (MEK), an Iranian exile group that formerly worked for Saddam Hussein, and which is on the U.S. State Department’s international terrorist organizations (ITO) list, for having assassinated American military officers in Iran. The MEK is actively engaged in sabotage and assassination operations inside Iran—with the enthusiastic support of Washington neo-cons, typified by Daniel Pipes, who recently attended the MEK gathering outside of Paris where the Bandar money was delivered.

The U.S. Department of Justice is already investigating Prince Bandar for his role in the BAE Systems scandal, involving the \$100 billion offshore covert operations fund, established under the British-Saudi “Al-Yamamah” barter deal. At least \$2 billion in “Al-Yamamah” funds went directly to Bandar’s bank accounts in the United States, and some of those funds went to a range of Wahabi insurgencies, according to U.S. intelligence sources. One question that Justice Department investigators should take up is whether some of those funds are now going to the MEK to fuel Dick Cheney’s Iran war schemes.

# Defeat Dick Cheney's Clash of Civilizations!

*EIR's* 1997 Report showed how to outflank the financier oligarchy, opening up the vast potential for Eurasian development. An alliance of the U.S.A., Russia, China, and India can implement these policies—once Cheney is kicked out.

## The Eurasian Land-Bridge

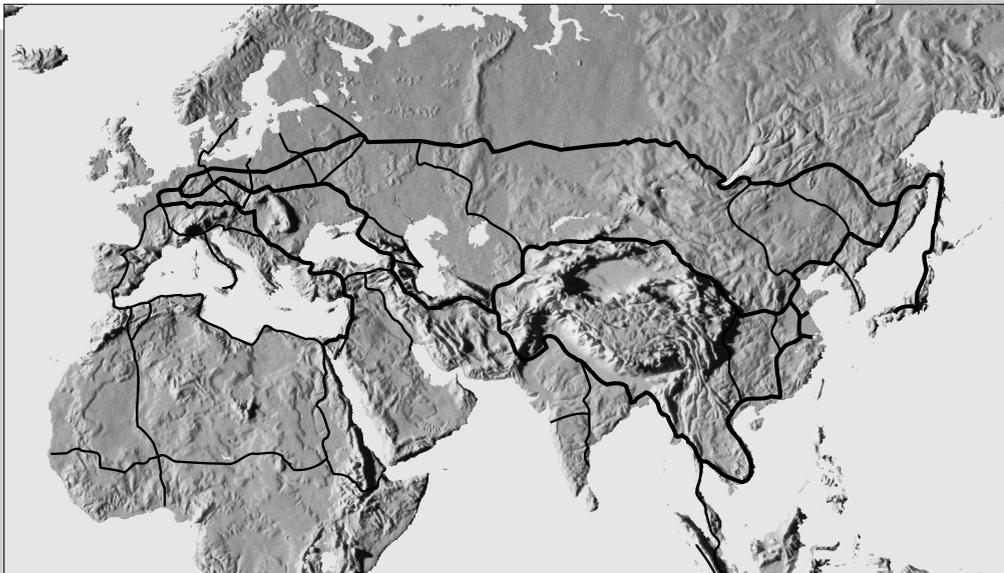
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EIRNS  
Helga Zepp-LaRouche (right), known as "the Silk Road Lady," has played a major role in organizing worldwide support for the Eurasian Land-Bridge. She is shown here with Schiller Institute associates at Lianyungang Port in China, October 1998.



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‘SOMETHING IS ROTTEN IN THE U.K.’

## Great Britain Escalates Crisis With Russia

by Helga Zepp-LaRouche

On July 17, the world found itself dangerously close to a military incident between Great Britain and Russia. The *London Times* asserted, under the authority of the command of the Royal Air Force, that two British Tornado fighter planes had made an emergency takeoff in order to possibly intercept two Russian Tu-95 long-range bombers, which allegedly, during a routine patrol on the Norwegian coast, had suddenly headed for Great Britain. But the Russian bombers turned around, before they reached British airspace.

The Commander of the Russian Air Force, Col. Gen. Alexander Zelin, called this assertion “rubbish”; reports that Russian planes had approached British airspace were absolutely untrue, the Russian news service Novosti said. The planes were flying on a planned mission over international waters, and as usual, the flights had been planned at least six months in advance, and all the affected countries had been informed ahead of time. Therefore, the question is: What was London aiming at with this provocative, and dangerous action?

Right now, Great Britain obviously is trying by all means to slander Russia, and, above all, President Vladimir Putin, and thus is drawing upon pretty much the entire array of “Venetian” poison pills. Putin has been held responsible for several murders of Russian journalists, such as Anna Politkovskaya, or the dissident and former bodyguard of Boris Berezovsky, Alexander Litvinenko, but it is totally obvious that the “*cui bono*” behind these murders does not lie with Putin. London is demanding the extradition of the alleged murderer of Litvinenko, the Russian entrepreneur Andrei Lugovoy, which Moscow has refused with reference to the Russian Constitution, which, as in the case of most countries, forbids the extradition of its own citizens. On the other hand, Russia itself has offered to put Lugovoy on trial, in the event Great Britain presents sufficient evidence. At which point London expelled four Russian diplomats,

and Moscow, in response, declared four British diplomats *personae non gratae*.

The real reason for Britain’s anti-Russian campaign lies in the fact that Russia, under Putin’s leadership, is resisting the idea of an Anglo-American world empire. While former President Boris Yeltsin, during the 1990s, consented to Russia being plundered, and “oligarchs” like Berezovsky and Vladimir Guzinsky became billionaires overnight, and submitted to the Anglo-American empire of globalization, Putin has taken steps to re-establish Russia’s role as a world power. The current economic growth of over 10%, in the realm of manufacturing industries, over 15% in June, is a fact which no one can ignore. The mood in the country accordingly has totally changed; while several years ago, broad criticism of the state’s cuts in social services predominated, now 80% of the population stands behind Putin.

Another reason for the recent escalation of the U.K.’s anti-Russian campaign in the Anglophile media, lies in the strategic initiative which Putin made toward President Bush during his visit at the beginning of July to the home of the Bush family in Kennebunkport, Maine: Putin proposed the installation of a joint Russian-American missile defense system under the control of the NATO-Russia Council, which could develop the relationship between the two countries into an extensive strategic partnership in all areas. Several days later, the Deputy Prime Minister Sergei Ivanov elaborated on this, saying that a global missile defense system was proposed, in which all nations in the world could participate with equal rights.

London sees in this proposal a threat to the Anglo-American “special relationship” as the basis for a new world empire of globalization, and has since escalated its campaign to characterize Russia under Putin as a dictatorship, in order to undermine the potential for a Russian-American strategic partnership, and to draw Continental Europe onto its side, in a staged conflict with Russia. Were Charles de Gaulle alive to-



Russian Presidential Press and Information Office

*President Putin visits the command center of the Russian Strategic Rocket Forces. While seeking an accommodation with the U.S., he is modernizing the Russian military.*

day, he would have found the appropriate words for this: “Perfidious Albion!” Or, as the commentator on the Voice of Russia said: “There is something rotten in the United Kingdom.”

### **Cheney Brings Bush Back Under Control**

In the United States, Vice President Cheney worked immediately to bring Bush, after his return to the White House from Kennebunkport, back under control. And while Bush, for a brief period under the moderating influence of his father, who was also present at Kennebunkport, showed an interest in Putin’s proposal, he soon revealed his bellicose side again, at a later press conference, and announced a big confrontation against Iran, Syria, Hamas, and Hezbollah. Back under the influence of Cheney, Bush degenerated again into his usual hard-headedness, which prevents him, in the face of criticism, for example, about the catastrophic situation in Iraq (“we stay the course”), from allowing himself to be confused by events.

The former Deputy Treasury Secretary in the Reagan Administration, columnist Paul Craig Roberts, recently warned that Bush has already signed the necessary orders to transform the United States into a police state, in the case of a currently planned series of terrorist attacks “under false flags.” Roberts stressed that police states are notorious for staging false-flag attacks on their own territories, as the 1933 Reichstag fire showed. Only immediate impeachment proceedings against Bush and Cheney, Roberts warned, could prevent the United States from becoming a police state within a year, in the case of war with Iran. Lyndon LaRouche has made a similar argument in his appeal to Democrats not to wait for the government change in January 2009, because, unless Cheney is removed now, there will probably not be elections at all.

The acute war danger was also underscored by another columnist, Pat Buchanan, who, like LaRouche previously, in reference to Barbara Tuchman’s book on World War I, warned of the “guns of August,” that is, that war against Iran would be launched in August, when Congress is on Summer recess. Such a new “Gulf of Tonkin” event has possibly already occurred, when Gen. Kevin Bergner blamed Iran for being behind the raid on Karbala, Iraq, which took the lives of five American soldiers in January. With a 97-0 vote, the U.S. Senate approved Sen. Joe Lieberman’s amendment, which held Iran responsible for complicity in the soldiers’ deaths. The Congress has buried a resolution which demands a new authorization from Congress for war against Iran. How could Congress under these circumstances go on vacation, and leave Bush and Cheney to decide on war in the Middle East?

The fuse for global asymmetric warfare is thus already burning. Whether it can be extinguished, definitely depends on whether Cheney can be immediately removed from office, and whether Bush can be brought, without Cheney, to agree to Putin’s proposal for a strategic partnership. So far, Bush doesn’t appear to be ready to give up his plan to install missile defense systems in Poland and the Czech Republic. At any rate, Bush spoke about this on July 15 with Polish President Lech Kaczynski during the latter’s trip to Washington.

On the same day, Russian head of the General Staff Yuri Baluyevsky warned Poland about the illusion of security, which such a missile defense system would apparently bring. In reality, these missiles would be very dangerous for the country in which they were stationed, because if there were actually an interception of ballistic missiles by the American interceptor rockets, considerable territory would be threatened by plunging debris and radioactive elements, especially if these rockets were armed with atomic warheads and weapons of mass destruction. It is precisely this circumstance which explains why the United States wants to position these systems as far away as possible from its own territory. Therefore, they provide only the illusion of security.

Then Baluyevsky pointed on a map to where American military bases have been established, all of which have been erected in proximity to Russia’s borders and on the latter. This placement is the reason, he said, why Russia speaks of being militarily encircled. Otherwise, these topics also concern all Europeans, and they must therefore be discussed on a multi-lateral basis. It would be dangerous to speak about matters of such significance, without speaking about them with one’s neighbors. For weeks, President Putin has stressed that the establishment of these missile defense systems in Eastern Europe would be unacceptable. In the face of the possibility of

converting interceptor rockets in a short time, and equipping them with atomic warheads, such rockets, with a flight time of three minutes to Moscow, represent in any case a strategic provocation of the first order.

Moscow is obviously drawing the first consequences from this situation. The spokesman for the Russian Air Force Alexander Drobyshevsky explained to Interfax News Agency that Russia would install the S-400-Triumph missile system around Moscow at the end of July. This missile system has the capability of shooting down middle-range rockets and airplanes at a distance of 400 kilometers, and therefore has double the range of American Patriot missiles. These plans have been in existence for a long time, but in light of the debate over the systems in Poland and the Czech Republic, the announcement of their deployment takes on new meaning.

### China Responds

That the encirclement strategy by the U.S. and NATO does not only concern Russia, but, especially, also China and India, is well known in these countries. "Russia's security concerns are multiplying, and this fact should be fully understood," wrote Wang Baofu, deputy director of China's Institute of Strategic Studies at the Chinese National Defense University, in a commentary printed in the *People's Daily* July 17. Russia doesn't have patience anymore, he said, as its freezing of the Conventional Forces in Europe (CFE) Treaty shows. Russia is not ready to submit to the change in the strategic balance of forces represented by the deployment of the missile defense systems in Eastern Europe, and the non-ratification of the CFE Treaty by the new NATO members.

In the case an American military strike would actually occur, then future historians will all identify the the developments mentioned here as the precursor to the Third World War. In fact, these are just manipulations on the chessboard, on which not a few lunatics are operating. Thus, the proposal in an interview on Fox News on July 12 by neo-conservative Bill Kristol, that the U.S. should carry out military strikes against al-Qaeda networks in Pakistan without the backing of the Musharraf government, only shows how totally crazy they are. Should Pakistan, the sixth-largest country on Earth by population, with 164 million inhabitants, now fall under the control of the radical fundamentalists? Today, there are al-Qaeda forces in Iraq—under Saddam Hussein there were none! And why has no European government denounced the proposal of Avigdor Lieberman, that Europe should support an Israeli military strike against Iran?

We would do well to take the advice of General Baluyevsky, and in Europe engage ourselves vigorously in the debate over the future world security order, because our physical existence is also at stake. Until now, only Bavarian Gov. Edmund Stoiber and Azerbaijani Foreign Minister Araz Azimov have supported Putin's proposal for a common strategic missile defense system. Bill Clinton, for his part, demanded at



DOD/William D. Moss

*Cheney immediately pulled George W. Bush back into his control, after the Kennebunkport summit with Putin.*

the beginning of July, in Yalta, Ukraine, that we take up again the Strategic Defense Initiative of President Reagan from 1983, whose author is well known to have been Lyndon LaRouche. German Chancellor Angela Merkel only recently expressed the view that Putin had made some interesting proposals which we must discuss. In the face of a world situation which stands so dangerously close to the edge of a Third World War, these statements are too few.

When world peace or a new world war is so clearly at stake, everyone is called on to participate in the discussion. Politicians who don't have courage, or who always swim with the stream out of opportunistic habits, are part of the problem, and should be voted out at the first opportunity. There is a clear hope that the LaRouche movement in the United States will succeed in so increasing the pressure for the impeachment of Cheney, or his resignation, that catastrophe can be averted. According to polls, the population is far ahead of the Congress: 54% of all Americans want Cheney's resignation; 76% of Democrats, and as many as 17% of Republicans.

Presidential pre-candidate Rep. Dennis Kucinich (D-Oh.), who introduced the resolution for Cheney's impeachment officially in the Congress (H.R. 333), receives thunderous applause at all campaign events, while his hedge-fund controlled co-candidates are still quiet on this subject. If Hillary Clinton would join the growing chorus, and demand Cheney's impeachment, she would have a good chance of winning the election in a landslide. If she fails to do it, then there would be considerable doubt about her leadership qualities as a President.

In any case, we on the European continent should make it very clear that Great Britain does not speak for us. And the debate over Putin's proposal is more than urgent.

# The Geostrategic Import of the Coming Bay of Bengal Naval Exercise

by Ramtanu Maitra

Come September, India will host a major naval exercise in the strategic Bay of Bengal, located between mainland India, Bangladesh, and the western shores of Myanmar, Thailand, and Malaysia, Indian Defense Ministry officials report. The war maneuver will bring together naval forces from four other countries: Australia, Japan, Singapore, and the United States. The 20 warships that will participate include two nuclear aircraft carriers from the United States, the *USS Nimitz* and *USS Kitty Hawk*, and one non-nuclear carrier from India, the *INS Viraat*. In addition, the five-day maneuvers will also see in action shore-based Jaguar deep penetration strike aircraft of the Indian Air Force and the Indian Navy's Sea Harrier jets and Sea King helicopters from the *INS Viraat*. Indian defense officials point out that the location of the planned naval exercise has been chosen to maintain distance from the arc of the Pacific Ocean, and skirts the borders of Russia and China where such moves could arouse Beijing's sensitivities.

From all available accounts, it can be assumed that the September naval exercise will be the biggest held in the region by far. Last April, the United States, Japan, and India conducted their first joint naval exercises off the Japanese coast. That was a one-day goodwill exercise, as one Indian official pointed out, and did not involve many maneuvers. The *Mysore*, an Indian guided-missile destroyer, along with two U.S. destroyers and three escort ships of Japan's Self-Defense Force (SDF), were among the vessels that took part in the exercise off Chiba prefecture (state) on Japan's eastern coast, according to Japan's Defense Ministry. No doubt the September exercises will be dramatically different.

## A Troubled Area

The maneuvers will take place at a time and place of great instability, much of which has spun off from the Anglo-American reactions to the 9/11 event. Not far from where the September exercise will take place is the Persian Gulf, the cockpit of the current Iraq conflict, and potential attack on Iran.

The situation in Iraq is deteriorating every day, and the fear of involvement of citizens, if not of the governments of Iraq's neighbors, in this civil war looms large. The presence of about 200,000 foreign troops, of which 170,000 are from the United States, and almost 30,000 private, armed security forces,

mostly from western countries, have not succeeded in drawing down the level of violence which exceeds 100 deaths every day in Iraq.

East of Iraq, the United States and the NATO member-nations have been engaged for over five years in trying to physically eliminate the Islamist Taliban militants, who have been entrenched in Afghanistan since 1996. The invaders' self-proclaimed war on terror was launched soon after the 9/11 event. Having achieved a quick military victory in the Winter of 2001, the foreign troops find themselves getting increasingly bogged down by insurgents who can no longer be identified simply as the old Taliban. As a result of the presence of almost 50,000 foreign troops, and an explosion of opium production unprecedented in the history of Afghanistan, violence has spread far and wide. The upheaval has spilled over into bordering Pakistan, making a section of that nation ungovernable. The anti-U.S. and anti-foreigner insurgents, under the garb of being Islamic extremists, have now launched an attack against the powers-that-be in Islamabad.

Sandwiched between Iraq and Afghanistan is Iran, which is very much in the cross-hairs of the United States. Iran is also under pressure from the European nations, for engaging in a uranium enrichment program, ostensibly to power its future nuclear power plants. Influentials within the United States, belonging to the bloodthirsty faction represented by Vice President Cheney and some of the neo-conservatives, are exerting pressure on the White House and the Pentagon to use all means, including military, to bring about a regime change in Tehran. They are now in the process of developing a theory that says that no solution to Iraq or Afghanistan is possible unless the evil regime of Iran is uprooted.

Because of this relentless campaign of the Cheney-led cabal, and the Iranian unwillingness to give up uranium enrichment, a war-like situation has come to prevail in the Persian Gulf. As of now, the United States Fifth Fleet has two aircraft carrier strike forces lodged in the Persian Gulf, and the third carrier strike force, under the *USS Enterprise*, is on its way. The arrival of the *USS Kitty Hawk* in 40 days or so, in the Bay of Bengal, which is in striking distance of the Persian Gulf, raises fears of more military activities in the region in the coming weeks.



## Signs of Unease

Looking at the scorecard before us, as well as the map, there is clearly good reason to become uneasy when the Bush Administration talks about security and stability. There is no question that under the Bush Administration, U.S. nuclear doctrine has been undergoing radical redesign, to further the imposition of a new imperial order. The U.S. move toward setting up a missile interception system in central Europe is correctly seen as part of this shift. Military sources have told *EIR* that the most radical aspect of that redesign has been the consolidation of offensive nuclear warfare capabilities, with both missile defense and current and future space-war capabilities.

Thus, the September naval exercise is likely to make nations in Eurasia, particularly Russia and China, suspicious. Although Russia, a close and long-term ally of India, has not expressed any discomfiture officially, China, with which India is in the process of developing a better mutual trust and understanding, has.

There's a recent history to China's reaction. The U.S.A., India, Japan, and Australia met in May on the sidelines of the

Association of Southeast Asian Nations (ASEAN) Regional Forum in Manila to set up a new "quadrilateral" grouping. Although no agenda was set up for the talks, these quadrilateral consultations drew Chinese ire. Beijing issued protest demarches (formal diplomatic communications) to each of the four states.

The meeting was preceded by a joint statement on May 1 by U.S. Secretary of State Condoleezza Rice, Defense Secretary Robert M. Gates, Japanese Foreign Minister Taro Aso, and Defense Minister Fumio Kyuma, who spoke about a common strategic objective of continuing to build upon partnerships with India to advance areas of common interests and increase cooperation, recognizing that India's continued growth is inextricably tied to the prosperity, freedom, and security of the region. Since then, Indian Prime Minister Manmohan Singh has said India is not "ganging up" against China, and that the quadrilateral group is "not a military alliance." Subsequently, Australia's Defense Minister Brendan Nelson has tried to allay Beijing's fears, saying there was no quadrilateral security alliance comprised of Australia, the U.S.A., India, and Japan in the offing.

But that is unlikely to satisfy Beijing, which fears that Washington is fashioning a “China containment” strategy involving India, Japan, and Australia. The Bush Administration’s record, and the nature of the Cheney-led cabal in the United States, naturally worry the Chinese.

What also concerns Beijing is the growing military interaction between the U.S. military and that of India. While the naval exercise is one major event, it is evident that India is becoming increasingly addicted to the U.S. and Israeli arms and equipment and technologies associated with these. Last year, the Indian Navy made its first big procurement from the United States by purchasing the 17,000-ton *USS Trenton* (LPD-14), an Austin-class amphibious transport dock. Recently, Indian defense officials said Washington has offered the giant landing ship, *USS Nashville*, to the Indian Navy, and New Delhi has shown interest.

### **U.S.-Indian Military Relations**

There’s no question that the U.S.-Indian military relationship has grown by leaps and bounds in recent years. As pointed out recently by the U.S. Ambassador to India David Mulford, since 2002, the United States and India have been partners in more than 30 military exercises. At the recently held Aero India 2007 air show in Bangalore, American high-technology systems were brought to India by U.S. defense companies, which, in an impressive display, highlighted the next frontier of their desired military relationship.

At Aero India 2007, U.S. defense companies demonstrated flights of the F-16 and F/A-18A fighter jets, the C-17 heavy-lift aircraft, the naval reconnaissance P-3 Orion, and the CH-47 Chinook cargo helicopter. More than 20 U.S. companies, including Boeing, Lockheed Martin, General Electric, and Raytheon, well known for their respective technology and defense manufacturing, were present at the air show. Recently, Lt. Gen. Jeffrey B. Kohler, director of the Defense Security Cooperation Agency in the U.S. Defense Department, was in India. He told news reporters in Delhi that India and the United States are close to signing an agreement under which their armed forces will provide each other logistics support on a reciprocal basis. Kohler said the accord had been presented to India’s Cabinet Committee on Security. The Americans usually describe such a pact as an “acquisition and cross-services” agreement. It was listed as a logistics support agreement at the suggestion of India, he said.

“The agreement will ease joint operations by the armed forces of the two countries during exercises and in coming to the aid of people struck by natural calamities,” Kohler said, making it clear that the accord did not in any way imply the stockpiling of weapons on each other’s soil.

“The armed forces of the two countries are having frequent interactions and face immense difficulties by way of fuel supplies and other logistics. With such an agreement in place, it would ease things for both militaries,” he said. The U.S. has signed similar agreements with 65 countries, in-

cluding a recently concluded pact with India’s neighbor Sri Lanka.

### **Israel, the American Proxy**

Moreover, India’s growing relations, military in particular, with Israel, which is considered an American proxy in that part of the world, is often bracketed as part of the Indian-U.S. relationship. India has started a \$2.5 billion joint venture with Israel to develop an advanced range surface-to-air missile capable of detecting and destroying hostile aircraft, missiles, and spy planes, news reports said. India’s Cabinet Committee on Security, chaired by the Prime Minister, approved the project between the Defense Research and Development Organization and Israel Aerospace Industries for developing the missile system. Over the years, India-Israel arms and military relations advanced quietly. Israel is now India’s second-largest supplier of arms, Russia still retaining its number one position. Recently, an Indian warship visited Israel, and a seven-member Israeli delegation, led by Deputy Chief of the General Staff, Major Gen. Moshe Kaplinsky, was in the disputed state of Jammu and Kashmir, to the utter dismay of the anti-Indian Kashmiris and the Pakistanis.

Discussions with the visiting army delegation on that occasion focused on anti-militancy operations in the region and also on how the Indian army is challenging the infiltrators from Pakistan across the Line of Control (LoC). India has followed Israeli advice and fenced with barbed wire the 720-km-long LoC with Pakistan.

### **Security: An Urgent Need**

On the other hand, there is little doubt that to enhance security in the Indian Ocean and Pacific Ocean rim countries, naval cooperation between the United States (with the world’s largest navy at its disposal), India, Japan, and Australia is an urgent necessity.

A very important element in all this is the steady development of India-Japan relations. Recently, Japan has committed itself to a nearly \$100 billion Delhi-Mumbai industrial freight rail corridor. It is said that when Japanese Prime Minister Shinzo Abe visits India in August, the project will come alive.

In recent years, New Delhi has observed a changing mood in Japan’s governments. Unlike the insular and chauvinistic underpinnings of its rise in the pre-World War II era, Japan today is different, and trying to develop a foreign policy of its own. What prompted Japan’s focus on India, evident from Japan’s recent diplomatic overtures and initiatives, can best be answered by Japanese policy-makers. But, it is clear that Japan and India are likely to become close partners in coming years, based on common values and strategic interests.

One analyst, Anirudh Suri, in an article in the *Asia Times*, recently noted that the rise of China, and increasing tensions between China and Japan, have altered Japan’s sense of complacency. Tokyo has therefore become more proactive in tak-

ing leadership in Asia, seeking Asian partners to limit, if not contain, China. Building on former Prime Minister Koizumi's January 2002 proposal for a new Asian regionalism based on the promotion of market economics and democratic values, Prime Minister Abe has envisaged an "Arc of Freedom and Prosperity," made up of democratic nations lining the outer rim of the Eurasian continent, Suri wrote.

But, despite Japanese concerns, neither Japan nor India are likely to be railroaded by the United States' anti-China cabal, into a policy of "ganging up" on China.

### The 'Trust Deficit'

Nor is India likely to become a trusted ally in other Anglo-American war drives.

One complication is the U.S. relationship with Pakistan, whose armaments the U.S.A. is modernizing. Washington has delivered two F-16 fighter jets to Pakistan, and will hand over another 24 shortly, the U.S. Embassy in Islamabad has announced. These join 34 F-16s already in Pakistan's armory.

The delivery of F-16s did not create an anti-American fervor in India, but New Delhi firmly believes that Pakistan's desire for modernized weapons is for the single purpose of challenging India, which considers a hostile and well-armed Pakistan, friendly to China, to be a strategic threat to India.

Last April, at a two-day workshop at the Indian Defense Studies Analysis (IDSA), a New Delhi-based think tank, discussions took place on emerging U.S.-Indian strategic relations. One Indian analyst pointed out that although Indians are eager to obtain U.S. technology, a "trust deficit" still exists, based on past U.S. sanctions on India, and Indians worry that at a crucial time they might not be supplied with replacement parts if the relationship goes bad again.

At the same time, it was pointed out at the conference that India is in fundamental agreement with the idea of the U.S. Chief of Naval Operations for allied naval cooperation (referred to as the 1,000 ship navy), and in fact has already engaged in some activities compatible with that goal, including tsunami relief, patrolling the Straits of Malacca, and evacuating refugees from Lebanon. Lieutenant General Kohlers' "acquisition and cross-services" agreement is also geared in that direction.

A senior Indian military official delivering a luncheon address to the conference cautioned that Indo-U.S. relations are likely to remain fluid, and unpredictable. He asserted that those relations can be better described as an "evolving entente," and argued that given its size, location, and ambitions, India will always march to the beat of its own drummer.

The official stated that when dealing with a potential conflict situation, the Indian political and civil leadership tends to follow a restrained, consensual approach on the domestic as well as international level. He added that India's primary effort is invariably to shape the security environment through cooperative peace, rather than plan on the basis of inevitable armed conflict.

## Pakistan in the Shadow of the Lal Masjid Raid

by Ramtanu Maitra

Since July 11, when Pakistani security forces in Islamabad took back control of the Lal Masjid (Red Mosque) from Islamic fundamentalists, Pakistan and the semi-autonomous Federally Administered Tribal Agencies (FATA) bordering Afghanistan have been rocked by explosions and killings by suicide bombers. The targets of the bombers are Pakistani soldiers, Chinese workers, and white-skinned foreigners. However, most of the victims so far have been Pakistanis who are not in the military. In particular, a section of the FATA—the agencies (provinces) of South Waziristan, North Waziristan, and Bijaur—could be deathtraps in the coming days for the Pakistani military and foreigners alike.

Moreover, as the veteran Pakistani columnist M.B. Naqvi pointed out in the daily *The News*, before the raid on the Lal Masjid began, the mosque's leaders have links with the Pakistan Army. A wide swathe of intelligent opinion believes that they served Pakistan's intelligence services well during the 1980s jihad in Afghanistan, Naqvi said. As for America's covert war against the Soviets, carried on by paid mujahideen, the United States and its friends pumped in \$40-50 billion in a decade in a socially backward and economically poor area. In addition, some European agents taught the natives the art of heroin production and marketing. The Americans, British, Germans, and of course, the Saudis and other conservative Arab regimes actively favored the reactionary Islamic extremism of largely, but not exclusively, Pushtun jihadis, Naqvi said. He also pointed out that "no outsider can know the precise limits of that collaboration by the Lal Masjid leadership with the army and possible other agencies."

President Pervez Musharraf, whose life is now in grave danger, is trying not to provoke the militants any further, but it would be a serious test for him to remain passive and not face the militants' violent challenge head-on. It would be difficult for him for two obvious reasons—the same reasons that led him to raid the Lal Masjid.

### Two Pressure Sources

Musharraf is under extreme pressure from the United States and China to eliminate the jihadis. Washington, under the thumb of Vice President Dick Cheney and his blood-thirsty cabal, has been warning the Pakistani President to take on those in the FATA tribal areas and clear that area of jihadis, al-Qaeda, and the Taliban. The proposal translates to asking Musharraf to declare war against Pakistan's citizens on behalf of U.S. and NATO forces. The reason Cheney is

putting pressure on Musharraf is that the reading among that war-hungry circle, is that unless Pakistan clears itself of the “Islamic extremists,” a victory in the “war on terror” in Afghanistan would be impossible. Time is running out on the Bush-Cheney Administration, and pressure for Cheney’s ouster is growing within the United States. Musharraf, who has been fêted and honored by Washington since 9/11, must deliver that victory.

Now that the Red Mosque event has forced President Musharraf to take on the so-called Islamic extremists, by unleashing the Pakistani security forces on the Lal Masjid jihadis, and killing more than 100 of them, Washington has succeeded in virtually isolating Musharraf from a large portion of the population.

The Cheney cabal is also using other methods to exert pressure on Pakistan’s President. Washington is demanding that when Musharraf’s term comes to an end in October, he give up his uniform (as the Chief of Staff of the Army), or give up the Presidency. The U.S. Administration has coaxed Musharraf to allow the exiled former Prime Minister, Benazir Bhutto, to become his Prime Minister, come October. This arrangement will have a significant amount of support within that segment of the Pakistani population which does not want military rule, and would like at least a democratic face, as a feel-good measure. There is, however, no doubt in most Pakistanis’ minds, that the military is the only functional institution in that country, thanks to American efforts in the Cold War days, to systematically undermine Pakistan’s democratic forces.

## Chinese Concerns

The pressure from China is also significant. At least the timing of the raid on Lal Masjid was directed from Beijing. The Chinese have been particularly upset with Musharraf’s handling of the jihadis, because they have targeted the Chinese, who are working on infrastructure development and other economic activities in Pakistan.

On July 19, suicide bombers hit a convoy of Chinese workers in southern Pakistan, and a police academy in the north, killing 51 people and injuring more than 54, as further violence swept across the country. The Chinese workers’ convoy was passing through the main bazaar in Hub, a town in Baluchistan province, some 30 kilometers northwest of the port city of Karachi, when a moving car blew up next to a police vehicle, officials said. The suicide bomb did not kill any Chinese, but they were targets. The Chinese worked at a lead extraction plant in Dudhar in Baluchistan and were temporarily leaving the area for Karachi because of security concerns, police said.

In 2006, Chinese engineers were abducted in FATA under orders from Waziristan warlord Abdullah Mehsud. A number of Chinese engineers were killed in Baluchistan, and China has repeatedly pressured Musharraf to take action against the perpetrators. Musharraf has not done so, because of the dan-

gers he foresaw, and which in fact, have developed since the Lal Masjid event. While the Pakistani President has confessed that the FATA seminaries have been sheltering Uighur terrorists from China’s western province Xinjiang, opposition politicians in Pakistan heatedly deny that there are any foreigners in the tribal areas.

The Chinese Xinhua news agency reported as follows: “China on Tuesday [June 26, 2007] asked Pakistan to take further measures for the security of the Chinese people and businesses in the South Asian country. ‘We hope Pakistan will look into the terrorist attacks aiming at Chinese people and organizations as soon as possible and severely punish the criminals,’ the Chinese Minister of Public Security Zhou Yongkang told visiting Pakistani Interior Minister Aftab Ahmed Khan Sherpao. Sherpao’s visit came days after seven abducted Chinese—a couple and five of their women employees—were released in the Pakistani capital of Islamabad on Saturday night [June 23, 2007]. . . .”

The *Daily Times* of Lahore wrote in an editorial: “During his visit to Beijing, Sherpao got an earful from the Chinese Minister of Public Security, Zhou Yongkang, who asked Pakistan for the umpteenth time to protect Chinese nationals working in Pakistan. The reference was to the assault and kidnapping of Chinese citizens in Islamabad by the Lal Masjid vigilantes. The Chinese Minister called the Lal Masjid ‘mob terrorists’ who targeted the Chinese, and asked Pakistan to punish the criminals. Mr Sherpao, who must have regretted being in Beijing, lamely rejoined that Pakistan would take more rigorous action to safeguard the security of Chinese people and organizations in Pakistan.”

The *China Daily* reported on July 18: “China did not push Pakistan for operations against the Red Mosque, Chinese Ambassador to Pakistan Luo Zhaohui said. It is the consistent policy of China not to meddle in the domestic affairs of other countries, he told *The News*, a major Pakistani daily.” At the same time, following the completion of the Lal Masjid raid, China and the United States were the first to thank and congratulate President Musharraf.

The reason that China is so concerned about the rise of the jihadis in Pakistan, is not only the presence of Uighur rebels there, but the threat they pose to China’s plan to develop its western wing. To begin with, China has already invested significantly, and is keen to invest a whole lot more, to develop infrastructure within Pakistan for China’s access to the Persian Gulf. It is for this reason, that China has helped Pakistan

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financially to build the Gwadar Port in the southwestern tip of Baluchistan, almost touching Iran.

In addition, China wants to connect the Central Asian nations—Uzbekistan, Tajikistan, Turkmenistan, Kyrgystan—through highways and railroads (wherever physically possible), and make them strong partners in trade and commerce. That infrastructure would also allow these land-locked Central Asian nations an access to the Arabian Sea, and beyond. The rise and dominance of the jihadis in Pakistan would ruin China's future plans, and that bothers Beijing more than anything else.

### What Cheney Wants

It is evident that the Chinese interest lies in a stable Pakistan which, then, can integrate into an area of economic activity, along with a part of Central Asia and western China, over time. The Cheney cabal's interest, however, is not Pakistan's stability per se, but to secure a victory in Afghanistan and gain a permanent footing in Central Asia. The Pakistani jihadis are enemies, not only because they harbor, shelter, and train anti-American Afghans, but also because they could be a threat to the United States' and NATO's supply of arms and other equipment to the 50,000 foreign troops battling the anti-U.S. insurgents in Afghanistan. Pakistan's Karachi Port is the major entry point for the arms and ammunition used by the foreign troops in Afghanistan.

With no time at hand to slowly cull the jihadis, the Cheney cabal has now begun to exert pressure on President Musharraf to either launch a full-fledged invasion, by Pakistani troops, of the tribal agencies, or allow the foreign troops to move in and eliminate the insurgents.

Either way, Pakistan's President faces a grave danger. This danger is that of the revival of the Greater Pakhtoonistan issues. It should be remembered that the FATA tribal population is Pushtun, and the bordering Afghan provinces are also land of the Afghan Pushtuns. Imperial Britain, defeated decisively in two Afghan wars, had drawn a line on the sand, called the Durand Line, in the latter part of the 19th Century. No Afghan king or any other leader has accepted the Durand Line as the demarcation between Pakistan and Afghanistan. According to the Pushtuns, the Pushtun land, or Greater Pakhtoonistan, extends to the River Indus, which separates Pakistan's Punjab and Sindh provinces from the Northwest Frontier Province, FATA, and Baluchistan, in the West.

In other words, any military incursion into FATA, by Pakistani or foreign troops, with the intent of annihilating the tribal insurgents, and their backers and sympathizers, could lead to a secessionist movement, shedding the blood of thousands. President Musharraf knows the danger, but the question remains: Having travelled this far with the Bush Administration in its "war on terror," and having weakened and isolated himself in the process, will he be able to avoid traversing this dreaded path?

## What's Wrong With Germany's Politicians?

by Helga Zepp-LaRouche

*Mrs. LaRouche is the chairwoman of the Civil Rights Solidarity Movement (BüSo) in Germany, and also the founder of the Schiller Institute. Her article has been translated from German, and subheads have been added.*

Looked at from a clinical psychoanalytic standpoint, a majority of the political class and Establishment in Germany is behaving irresponsibly, in a frankly disconcerting way, whether, or even because, they are doing "their duty." That may sound like a paradox, but it isn't. Because it is this falsely understood feeling of obligation to do that which is expected of one, and to fit in as "normally" as possible, in the sense of being "politically correct," which leads to politically irresponsible decisions, or also to the failure to take any decision at all.

Therefore, these days we find in our capital city, among persons who are concerned in the broadest sense with the financial system, a really astounding agreement that this system is hopelessly bankrupt. They agree that the collapse of some hedge funds, as the result of the breakdown of the U.S. real estate market, would kindle a crash that would overwhelm the market. Perhaps there is also a weak counterargument that the hedge funds also have a positive function, because they spread the risk more widely through derivatives speculation. But, since the big investment banks, which in large part have financed the hostile takeovers in the recent period, are sitting on a huge pile of bad debt due to the collapse of the hedge funds, any objection vanishes, and gives way to a groaning acknowledgement—yes, exactly that is also the biggest worry here in Berlin. And what then is being done about it? Exactly nothing!

It is certainly astounding that in 1997, the former government of Chancellor Helmut Kohl, on the occasion of the publication of documents on the events around reunification, had to admit that it had no plan for the fall of the Wall and the dissolution of the G.D.R. (Communist East Germany), although reunification was the declared goal of the German Federal Republic, which had its own ministry to deal with the issue, namely the Ministry for Internal German Affairs. Apparently we have learned nothing from this experience: Now we stand anew before a systemic crash, and again, no one is working on a concept of how the enormous damage which would ensue, especially for the poorer portion of the population, could be prevented. Whence comes this apparent blindness, this ir-

responsibility which would have such monstrous consequences?

The argument that Germany tried at the G-8 summit (June 6-8) to propose at least transparency for the hedge funds—it would never do to think about regulation—but the resistance of Great Britain and the United States was simply too strong, and therefore no one supported Germany, doesn't get Germany off the hook. Because it doesn't do anything to solve the problem of the threatened crash of the system.

## A Caste System

This behavior, on the one side, has its source in an unbelievably widespread kind of caste-thinking in Berlin and Germany, which is in no way inferior to that in India in its brutality and crippling effects. According to this thinking, there is a caste of politicians, divided into sub-castes of political parties and their branches; then there is the caste of bankers, members of the media, academics, scientists, entrepreneurs, trend-setters, the permanent bureaucracy, the managers, etc. Within these castes, there is currently politically correct behavior, which demands obedience, so to speak, and means that one supports, in an essentially pathological accommodation to the ideology that is dominant in this caste, the mythologies that belong to the belief structure of this caste. Moreover there are certain system-wide taboos and sacred cows, which represent an unspoken consensus among the different castes.

The social rituals connected with the habits of each caste represent a kind of cotton padding, which enables its members to largely suppress reality, and to install themselves comfortably in their niches. Because one subjects oneself, knowingly or unknowingly, to the power structure of each grouping, one can lull oneself into a phony reality, of doing one's duty, thereby being "successful," and being accepted. But, looked at objectively, such people are totally other-directed. In an ironical way, the idea of so-called "self-realization" is also the hallmark of such a caste, to speak of the ideology of a certain phase of development of the '68ers, under which, in spite of the claim to self-realization, lies external determination.

It has come to the point that the different, partly successive ideological influences of the development of the postwar period in Germany have brought the heads and feelings of whole generations into disorder. Such different forms as the so-called critical method of the Frankfurt School, or the Brechtian alienation effect, or post-modern deconstructionism—to name only a few—have all contributed to separate thinking from feelings, among those affected by these ideologies.

## The Loss of 'Capacity for Emotion'

Many of these contemporaries have lost the capacity for empathy to an absolutely astonishing degree; whole

continents can almost disappear before their eyes, and it wouldn't occur to them that it could concern them. The practical consequence is that they have not only gotten rid of empathy, but also the idea of personal responsibility for mankind, or the way out of the historical period in which we now live—a feeling of personal responsibility which could grow out of what Friedrich Schiller called the capacity for emotion.

Without this empathic capacity (as we would express it in modern times), it becomes possible to imagine that performing one's duty according to the conceptions of each caste to which one belongs, also fulfills the criteria of responsible behavior. Only through these self-delusions is it explicable how such "duty-conscious" people can often—apparently from one day to the next—throw away a seriously assumed responsibility, like an overcoat, when for some reason, someone else suddenly influences the belief structure of the caste. If inner feeling is separate from thought, it is also separated from morality.

Lessing's statement is also valid today: that the most empathic man is the best man. Only a person who develops his cognitive and emotional capacities, in Schiller's sense, into a harmonious whole, can protect his autonomy of thought and take personal responsibility for reality. To that idea also belongs the statement that one learns to look beyond the proverbial edge of the plate; that one doesn't only stand up for his own hobby horse, but develops the capability to take responsibility for the whole.

It is also clear that, in the Federal Republic as an occupied country in the postwar period, it was "normal" to adapt to the existing power structures, or to submit to these structures; that is, the external determination was practically built into the political system. It has not simplified the problem that Germany, although we have won reunification and national sovereignty through the peaceful revolution of 1989, has betrayed the fruit of this battle. The peaceful revolution, which really occurred, was quickly degraded into a mere "change," and reunited Germany was subjugated under the yoke of the Maastricht Treaty, thanks to Margaret Thatcher and François Mitterrand.

But history is full of examples, in which the population allowed itself to be led around by the nose for a very long time, but sooner or later came to the point where it threw off the yoke. A very good example of that at the current time is the ongoing revolt in the United States, on a bipartisan basis, against Cheney. German politicians who seek to imitate his politics here, are obviously in the Valley of the Clueless.

One thing is certain in any case. Germany can only be saved, in this extremely dangerous world situation, if we dramatically raise the portion of our fellow human beings who are independent-thinking, certain of inner autonomy and love of truth, and passionately compassionate. The BüSo has set exactly this as its mission.

# Rescuing Germany From The Green Paradigm

by Rainer Apel

It remains a mystery, why a few days before the July 3 “national energy summit” of the German government and industry, two minor accidents occurred at the two northern German nuclear power plants of Krümmel and Brunsbüttel; not surprisingly, the incidents were welcomed by the anti-nuclear lobby as allegedly proving that nuclear power is “unsafe.” Environment Minister Sigmar Gabriel, one of the most prominent proponents of the Al Gore global warming swindle, took the opportunity to mock nuclear technology, claiming that “German power plants are the best in the world, but sometimes they burn and explode.”

The hysteria mongering was, unfortunately, not limited to Gabriel; Chancellor Angela Merkel and the leadership of her Christian Democratic Union (CDU) also exploited the incidents to justify their call for an exit from nuclear technology. On July 2, the day before the national energy summit, the CDU party executive presented its draft proposal for the new party policy platform, which includes a passage defining nuclear power as only a “transition until alternate energy sources are available.” Merkel herself proclaimed a “new era” at the summit, declaring that, “in the era of global warming, which is the *challenge of the 21st Century*, there cannot be a return to the policies of before” (emphasis in original). With that, the CDU finally opted out of nuclear technology, joining the other establishment parties in their greenish outlooks.

That CDU move makes it obvious that now, there is only one pro-nuclear party in the nation—the LaRouche movement, which has fought the green paradigm for 35 years, and placed the call for nuclear development, especially of thermonuclear fusion, at the center of its political campaigning. It is important for voters to recognize this fact, because in spite of the new CDU draft program, a handful of prominent Christian Democrats, like Roland Koch, the state governor of Hesse, still pose as “pro-nuclear.” Four days after the national energy summit, Koch stated that Germany could not afford to be the only leading industrial nation in the world without nuclear power, but adding that there was “no urgency to discuss that before 2010.” Why wait another three years, whereas in all other countries, the return to a pro-nuclear view is going on right now? Why wait for a debate in Germany, whereas even in Sweden (which the Germans considered their model, when it opted out of nuclear power in 1980), most recent opinion polls have shown that 70% of Swedes want to at least keep the

existing nuclear power capacities, which provide 50% of the nation’s electricity. And this, despite the fact that Sweden actually had a well-publicized accident at its nuclear plant at Forsmark, a year ago.

## The ‘Enronization’ of the Power Industry

Crucial for a return of Germany to the atom, is a change of views in the German power industry. Already, before the scandalous nuclear exit agreement signed between industry and government in 2000, the big utility companies accommodated to the world of globalized energy supply. This implied that, as long as it seemed possible to purchase electricity in the neighboring states of Europe, German industry managers did not consider it urgent to discuss new nuclear power projects. And to this day, even as in other countries, there is a revival of pro-nuclear views, there has not been any prominent call from among the German establishment, including industry, for the construction of new nuclear power plants.

In addition, the “Enronization” of the German power sector, the transition from energy-producer to energy-trader, has done enormous damage: Already in 1995, leading nuclear scientists warned that within ten years, Germany would lose its nuclear engineering capacity, so that, from 2005 on, it would no longer be able to operate its 17 remaining atomic power plants safely, nor even be able to envisage the construction of a single new plant. Two years after 2005, Germany has indeed witnessed the loss of its former nuclear-technology competence; moreover, under the rules of the exit agreement of 2000, the state no longer subsidizes the training of engineers to build and maintain nuclear plants, but only those “engineers” who are trained in how to turn off power plants.

But that is the world as the Green Boomers, who dominate German politics at present, see it. The good news is that the young generation is less interested in environmental issues and gives higher priorities to the creation of jobs, and it is less pessimistic about technology. And in eastern Germany, greenie brainwashing has been less intense than in the West. Therefore, the main impulse for a return to nuclear power in Germany will come from the young generation. The prospect of mastering the great challenges posed by projects such as the Eurasian Land-Bridge, is certain to capture the imagination of young Germans, encouraging them to become engineers and scientists, to revive the standard, “Made in Germany,” as the best quality of high-tech products, and to provide the world with revolutionary inventions like the Transrapid maglev train, or the gas-cooled high-temperature reactor (which is living on in exile now, in South Africa). Once that paradigm-shift occurs in Germany, nuclear power will return as well. An international conference on the Eurasian Land-Bridge perspective, held by the Schiller Institute in Germany in September, will rally support for such a paradigm change.

## May the Empire He Served Be Buried With Him

by Maximiliano Londoño Penilla,  
President of the LaRouche Association in  
Colombia

On July 11, at age 94, former Colombian President Alfonso López Michelsen (1974–78), renowned for having made himself Godfather of the drug trade, finally died.

The corpse of Colombia's courageous Justice Minister Rodrigo Lara Bonilla, murdered on orders of the drug cartel on April 30, 1984, was not yet cold, when López Michelsen met in Panama with the kingpins of the Colombian drug trade on May 6, and returned with an ultimatum for then-President Belisario Betancur: In return for their bringing 3 billion narco-dollars into the country, the traffickers should be granted amnesty, and welcomed in as members of Colombia's business elites and political parties. Extradition to foreign countries to face drug-trafficking charges, in particular, must be eliminated. Otherwise, the country would be plunged into ever worsening narco-terrorist acts.

The Andean Labor Party and the National Anti-Drug Coalition, associated politically and philosophically with U.S. statesman Lyndon LaRouche, launched a worldwide campaign exposing the stratagem of López Michelsen and his narcos as a transparent attempt to formally install a narco-regime in Colombia. Already in the 1982 elections, the Andean Labor Party, with its campaign against "the chicken who lays coca eggs," had played a catalytic role in defeating López's bid to win a second term as President. In his last two books, *Parábola del Retorno* [Parable of the Return] and *Palabras Pendientes* [Pending Words], López Michelsen virulently attacked LaRouche's associates in Colombia, especially the author of this article.

On July 26, 1984, after several months of threats, harassment and robberies, Patricia Paredes de Londoño, a leader of the Anti-Drug Coalition, and wife of Londoño Penilla, was kidnapped in Bogota. She was freed after LaRouche mobilized his associates internationally to expose and document, far and wide, that López Michelsen was not simply a messenger for the drug mafia, but its actual Godfather.

### A Benthamite Free Trader

Throughout his life, López Michelsen was an agent of Anglo-Dutch imperialism, a direct result of his being a follower of the radical Manchester Liberalism of Jeremy Bentham, better known as free trade, neoliberalism, or simply, globalization. Not only was he an undying defender of usury and domination by every kind of financial speculation, but in coherence with this doctrine, as President, he was the architect of Colombia's first marijuana "bonanza." His Finance Minister, Rodrigo Botero Montoya, carried out the first economic "opening," and thereby bankrupted Colombian agriculture. That created the conditions in which "emerging businessmen" supplied marijuana seeds and abundant credit to bankrupted farmers, particularly those who, until then, had been growing cotton in many regions of the Atlantic Coast.



López built up his fortune serving as a lawyer to large foreign corporations, to the detriment of national companies. For example, López fired Mario Galán—father of Luis Carlos Galán, a hard-line anti-drug Presidential candidate assassinated by the cartels in 1989—as head of Colombia's national oil company, ECOPETROL, because Galán senior insisted that Colombia should increase its refining of oil, which was not to the liking of the big foreign oil companies. At the same time that he destroyed the nation's physical economy (industry, agriculture, and infrastructure), López Michelsen legalized financial flows from illegal activities, establishing the "sinister window" at the Bank of the Republic (the central bank), where money could be deposited "no questions asked," thus creating the country's first great drug-money laundromat.

López's adopted "political son" was also imposed by the drug mafia as President: Ernesto Samper Pizano. Samper was a propagandist for López's drug legalization proposals, and he continued López's tradition of giving ever greater economic and political power to the drug traffickers.

López was a demagogue and sophist, whom the oligarchy in Colombia held up as a man who made the country think—that is, to think of things unthinkable for the general welfare of the human race, such as the legalization of drugs, and surrender to the demands of the narco-terrorists. In his book *Palabras Pendientes*, López insisted: There is no other solution to the drug trade problem; either drugs are legalized, or we go to Hell. And, indeed, under what López Michelsen represented until now for Colombia, we have gone to Hell.

The good news is that LaRouche's battle against the Anglo-Dutch empire is yielding fruit, in the midst of the systemic and terminal crisis of the international monetary and financial system associated with the International Monetary Fund and World Bank. It is time to bury, once and for all, worldwide, the system which López Michelsen embodied in Colombia.

# LaRouche Youth in South Africa Seek To Develop the Continent

by Charlene Pillay and Simon Jensen

As the present world financial system, sometimes referred to as globalization, approaches its boundary-condition and meets its destiny in the trash can of failed ideas in history, the Renaissance concept of cultural transformation advanced by economist and long-term economic forecaster Lyndon H. LaRouche, Jr., is spreading like wildfire across the planet. Not only has the LaRouche Youth Movement (LYM) established itself as a crucial element in the shaping of politics in the Americas, Europe, the Philippines, and Australia, but the recent formation of the South African LaRouche Youth Movement sparks the potential for the growth of the LYM on the African continent.

This July, one of the first major gatherings of the newly formed South African LYM, took place near Johannesburg. The audience consisted of 20 members. A segment of older participants has been reading LaRouche's writings since the early 1990s. In March of this year, however, stimulated by the emergence of the international LYM, a small group of youth began distributing material at the local universities and then contacted the LYM War Room in the United States, affirming itself as the South African LYM.

During the extensive discussion session of the July meeting, a number of thoughtful questions emerged regarding LaRouche's system of economic recovery. Other concerns, however, had to do with the way forward for the South African LYM. One of the young women asked what the youth could do to spread the ideas of LaRouche. The reply pointed to the model of Joan of Arc and her sublime actions in the political conditions of her time.

The political situation in South Africa is characterized by many scandals, and an uncertainty towards what will happen after President Thabo Mbeki steps down in 2008. In the background, stands former Vice President Jacob Zuma, who was asked to step down from his position after serious allegations concerning his former financial advisor, Schabir Shaik. Shaik was found guilty in June 2005, of soliciting an annual bribe of \$75,000 for Zuma from Thint, the South African branch of the French arms-maker Thomson CSF (now called Thales, it is being investigated in the context of the BAE scandal), in return for shielding Thint from an investigation into a large arms deal. Shaik was also convicted of bribing Zuma to use his position to promote Shaik's business interests. Zuma maintains his innocence and remains deputy president of the ruling Af-

rican National Conference, and is attempting to line himself up for the ANC presidency, a stepping stone to the presidency of the country.

One of the biggest political questions is the need for the improvement of the living conditions for the lower 80% of the population, who are still living in extreme poverty conditions in the townships, a remnant of the Apartheid system. Nelson Mandela's ruling ANC party, which led the revolution against the oppressive policy of Apartheid, has come under heavy criticism for maintaining the old social divisions by not dealing effectively with the basic economic infrastructural problems, such as the housing problem in the townships. Therefore, the danger of riots and jacobin violence breaking out in the townships is imminent, as many look towards Mugabe's land reforms in Zimbabwe for a solution.

In fact, the formation of a LaRouche Youth Movement in South Africa has the potential of playing an enormous role, in steering the upcoming political turmoil away from the path of riot and violence. In a country which was influenced by Mahatma Ghandi's political visions, and experienced the abolition of the racist Apartheid system without a violent revolution, the potential for the ideas of Lyndon LaRouche to spread with lightning speed is great. As this article is being written, groups are forming in different townships, dedicated to mastering the ideas of Kepler and to forming effective Bach choirs to take up the challenge from within, to change the destiny of the African continent.

## The Empire

The discussion at the first major LYM meeting began by unravelling the current, international BAE scandal; its origin in the oligarchic Venetian system, and the system's impact on South Africa, from the Anglo-Dutch colonization, to the reign of Cecil J. Rhodes, to South Africa today.

South Africans are well situated to understand the BAE scandal. On the one hand, their country's history comes directly out of the British Empire, which itself was born out of the East India Company, which operated its colonies as a private company, and whose business practice lives on today in the name of BAE Systems. These predatory practices continued after independence. In fact, the British Serious Fraud Office (SFO) and U.S. Department of Justice are currently investigating the financing of military operations in



*The LYM in South Africa was founded in March 2007. Here, some of the members on July 7: coauthors, Simon Jensen, visiting from Denmark (second from right); and Charlene Pillay (third from left). To her right is Samuel Lepele, leader of the group.*

Africa, including arms deals with the South African government.

The founder of the British South Africa Company, Cape Colony Prime Minister and occupier of Rhodesia (now Zimbabwe), Cecil John Rhodes, is still prominently revered and immortalized in the form of statues and in the Rhodes Memorial Monument at Cape Town, South Africa, the prestigious Rhodes Scholarships, and Rhodes as a brand. Not only was Rhodes a mega-imperialist and a true forerunner of Al Gore—both dedicated servants of the British Empire—but he was also the founder of the Rhodes-Milner Round Table of Great Britain, the sole purpose of which was to establish the British Commonwealth of Nations and ultimately thereby, to bring the world under the domination of a restored British Empire.

One of the founders of the Round Table, H.G. Wells, a former member of the Fabian Society, laid out his vision for a one-world dictatorship in *The Shape of Things to Come*, in which he envisions that nation-states, after exposure to a prolonged World War II scenario, will submit themselves to world government. Lord Alfred Milner, Rhodes' successor as head of the Round Table, envisaged white supremacy as a principle of world government. He once remarked of himself, "My patriotism knows no geographical but only racial limits. I am a British Race patriot."

In the LYM discussion, it was brought out that this racist monster at the very center of the British Empire, can only be truly understood as the continuation of the Venetian System with its secret-government reign of terror, and that the key purpose of its continuation today is the destruction of the

United States and the American System of economics. The Fabian Society, the Round Table, and the synarchists, as Lyndon LaRouche has underlined explicitly, were all created to destroy the United States and the American System from the inside. It is explicitly against this Venetian enemy, that the U.S. Founding Fathers laid down the Declaration of Independence and later the American Constitution, to break with the looting from the British Empire.<sup>1</sup>

### **Africa Today: The Role of the LYM**

The LYM worldwide has opened up a series of crucial flanks in the fight against this Anglo-Dutch Liberal banking empire, as is evident in the case of Argentina, where the LYM has a continuing dialogue with President Néstor Kirchner, a leading fighter against the free trade IMF system. Al-

though Africa has been even more devastated than Ibero-America by centuries of Anglo-Dutch oligarchic rule, the potential for the LYM to grow and take leadership is similar.

One of the most critical challenges facing the African continent is the epidemic spread of AIDS. Between 2010 and 2015, in South Africa alone, there will be 17 times more deaths among young people aged 15 to 34 than would have occurred in the absence of AIDS. This means that there will be 3.2 million excess deaths in this age group. The epidemic has reduced life expectancy in Sub-Saharan Africa to only 47 years. Infant mortality has increased by 25 to 40%, and the percentage of new mothers who are infected with HIV ranges from 25% in South Africa to 45% in Botswana.<sup>2</sup> The devastation caused by this epidemic is fast destroying entire countries, as 25 million out of a 600 million population are infected with HIV, while 12 million children have become orphans.

Brazil has shown that even palliative action can be effective. It has adopted one of the most comprehensive anti-retroviral programs in the world, which is yielding positive results. Nationally, mother-to-child transmission of HIV has declined substantially, from 16% in 1997, to less than 4% in 2002 (Dourado et al., 2006). According to the CIA Factpage, only 660,000 people are living with HIV/AIDS out of a population

1. Carroll Quigley, *The Anglo-American Establishment*, 1981. Read also, the book review, "Britain's Assault on America Revisited," by Jeffrey Steinberg, *EIR*, Feb. 23, 2007, [http://www.larouche.com/other/book\\_reviews/2007/3408quigley\\_jeff.html](http://www.larouche.com/other/book_reviews/2007/3408quigley_jeff.html)

2. "AIDS Toll Rises, But Could Still Be Stopped," by Colin Lowry, *EIR*, July 5, 2002, [http://www.larouche.com/other/2002/2927unaids\\_barcel.html](http://www.larouche.com/other/2002/2927unaids_barcel.html)



*The July 7 meeting of the LYM took place in Evaton, near Johannesburg, one of several townships in the Vaal Triangle, the heartland of South African industrial production. In Evaton, 90% of employed workers earn less than \$500 a month. The term township refers to urban residential areas that were reserved, under Apartheid, for non-whites, who worked in "white-only" areas.*

of 190 million. Brazil has been able to disappoint the blood-thirsty genocidal population reductionists, a pack of wolves currently led by Al "Zeus" Gore. In comparison, in South Africa, where the population has been denied access to cheap anti-retroviral drugs, the result is that 5.3 out of 44 million people today are infected with HIV/AIDS, a deadly process that could be dramatically halted, by adopting the Brazilian AIDS treatment policy.

To solve the AIDS epidemic, however, the traces of Anglo-Dutch Liberalism must be eradicated. Dick Cheney must be impeached now, as demanded by LaRouche, so that a new financial system can be established. It is the evil financial gods of the City of London who are imposing the genocidal policies currently being played out on the African continent. British agent and hedge-fund manager Al Gore has continuously pushed for African population reduction, either directly through his publications, or indirectly through his climate policy. This is shown in Gore's policy of banning low-cost, generic anti-retrovirals to treat AIDS. In 1998, using the sledge hammer of the State Department's definition of protecting "intellectual property rights," then-Vice President Al Gore threatened South Africa's then-Deputy President Thabo Mbeki with an economic boycott if the nation did not void its law allowing the production of generic drugs to fight AIDS.<sup>3</sup> This was the same year in which Gore authorized the bombing of Sudan's only pharmaceutical plant, al-Shifa.

In his texts, *Earth's Next Fifty Years* and *The Coming Eurasian World*, LaRouche lays out the principles for a planetary harmony of growth. He points out the necessity of abolishing and replacing the IMF and World Bank with UN credit institu-

tions under the control of the finance ministers of the nation-states. The American System economics of Alexander Hamilton, Henry Car-ey, and Abraham Lincoln would become hegemonic. The building of a Sub-Saharan magnetic-levitated rail network would become a real possibility, along with the terra-forming of the deserts to make them productive. Above all, it is the setting free of the mind, the release from the oligarchic prison of bestialization, that will allow mankind to discover and conquer the Universe.

## The Way Forward

There is great hope for the entire continent of Africa within the framework of the Eurasian Land-

Bridge. A transcontinental network of rail-based transportation will lay the foundation for a truly sovereign economic policy for the individual countries. This will entail setting up large agro-industrial projects, medical centers, and mass educational institutions to the highest levels all across the continent.

But without the absorption of the highest technological level known to mankind so far, a rapid recovery will not be possible. Power is the key to kick-starting Africa's economy. Africa accounts for 12% of the world population, but only 2% of the world's energy consumption. The planned construction of the Pebble-Bed Modular Reactor (PBMR) nuclear power system is South Africa's solution to a global challenge of meeting mankind's power needs, including those of transport and industry. The PBMR is a revolutionary nuclear power source combining simplicity, robustness, and inherent safety, with the capability of producing high-temperatures for the production of hydrogen-based fuels and other industrial processes, as well as affordable electricity. The PBMR is a leading exemplar of high temperature reactor (HTR) technology, which LaRouche and his collaborators have long identified as the workhorse for global economic restructuring in implementing programs such as the Eurasian Land-Bridge and re-industrialization of the United States.<sup>4</sup>

By the end of the discussion among members of the South African LYM, optimism was the order of the day for the challenges ahead. As echoed by an older member, the way forward must center on the ideas of Friedrich Schiller and Plato's hypothesis of the higher hypothesis.

3. "AIDS: Don't Be Fooled by Al 'Adolf' Gore," by Scott Thompson, *EIR*, Jan. 21, 2000, [http://www.larouchepub.com/other/2000/2703aids\\_gore.html](http://www.larouchepub.com/other/2000/2703aids_gore.html)

4. Jonathan Tennenbaum, "South Africa's PBMR: World's Most Versatile Nuclear System," *EIR*, Feb. 10, 2006, [http://www.larouchepub.com/other/2006/3306safrica\\_pbmr.html](http://www.larouchepub.com/other/2006/3306safrica_pbmr.html)

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# National News

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## Utah Dem Leaders Punt On Cheney Impeachment

The leadership at the Utah Democratic convention failed to even introduce the Progressive Caucus's resolution calling for the impeachment of Dick Cheney July 14, despite overwhelming support for such a measure from the convention attendees. LaRouche PAC supporters on the scene, who were the principal drivers of the resolution, reported that they found near-unanimous support for it in both the labor and black caucuses. The state Dems' Progressive Caucus had passed the resolution unanimously.

When Wayne Holland, chairman of the Utah State Democratic Party, was confronted by a LaRouche PAC activist after the convention, Holland gave limp and sophisticated arguments with twisted logic, as his rationale for not allowing the resolution to come to a vote on the convention floor. At one point, he cited an unnamed poll that purported to show that 75% of Democrats say that we should "let the past go, and look forward to the future." In fact, a recent American Research Group poll showed that 76% of Democrats favor Cheney's removal from office.

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## LYM, Young Dems Tell Candidates: Impeach!

The Young Democrats of America and the LaRouche Youth Movement are circulating a resolution that gives Democratic Presidential candidates a choice: Call for Dick Cheney's removal, or go without the Young Dems' endorsement.

The resolution was drafted as a result of the LaRouche Youth Movement organizers' intervention at the Young Dems' national convention in Dallas, Tex. on July 19.

The resolution, headed, "Call to the Democratic Candidates of the United States Presidency," states: "We, the members of the Young Democrats of America and guests of this 2007 National Convention find it necessary, and see it fit, that if you seek our

support in the 2008 Democratic primaries, it will be required, your duty, and your responsibility to demonstrate your sincere dedication in upholding the provisions and founding principles of the U.S. Constitution and the General Welfare of the American people, by publicly calling for either the resignation or impeachment of Vice President Dick Cheney."

The Young Dems and the LaRouche movement organizers are gathering signatures on the resolution and confronting all the candidates with it.

When LaRouche organizers told the Young Dems at the convention that Lyndon LaRouche was advising Hillary Clinton to call for Cheney's impeachment, and thereby possibly win the Presidency by acclamation, the general response initially was, "Nice idea. But it won't happen."

By the following day, the Young Dems began to get a sense of how they could make a nice, and necessary, idea happen. The resolution was drafted and the organizing thrust began.

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## Brits Honor Sophist Gore For Global Warming Scam

The British Members of Parliament and the House of Lords named former Vice President Al Gore as their international statesman of the year at the annual House Magazine awards in Westminster on July 18. The award was given to him for his alarmist film "An Inconvenient Truth," and also for his promoting of the failed concert, "Live Earth."

In keeping with his award-winning alarmism, Gore told an audience at the Aspen Institute Greentech Innovation Network Summit that the human race has only ten years to solve the problems of global warming. He compared the Earth to Venus, saying that both planets have about the same amount of carbon. Gore noted that in Venus's case, the carbon is in the atmosphere and has caused Venus to have a daytime temperature of 867°F.

Gore again has shown his disregard for science with this statement. He should know that Venus has an atmospheric pressure that

is 90 times greater than that of the Earth. Since, as most ninth graders know, temperature increases as pressure increases. Thus, given everyday physics, Venus would be about 100 times hotter than the Earth.

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## Surgeon General Muzzled On Important Issue, Too

The Bush Administration suppressed reports on deficiencies in emergency preparedness prepared by the Surgeon General in the wake of 9/11. The shocking, but not surprising facts were revealed at a July 10 hearing of the Congressional Committee on Oversight on Government Reform, chaired by Rep. Henry Waxman (D-Calif.). The hearings took testimony from three former Surgeons General: C. Everett Koop, David Satcher, and Richard Carmona.

Far more important than administration attempts to dictate policy to the Surgeon General on issues such as sex education, stem cell research, and second-hand smoke, which were given great press play, were the facts which came out about the suppression of vital reports on the nation's emergency preparedness, as reported by Richard Carmona, who was Surgeon General, 2002-06. Carmona has an extensive career in emergency preparedness, a qualification which was much publicized when he was appointed following the 9/11 attacks. He told the Committee that throughout his tenure, the role of Surgeon General had been marginalized and sabotaged, and that he was made answerable to political appointees with partisan agendas, who attempted to quash everything that did not fit their political, ideological, or theological pre-conceptions, with no regard to the findings of science.

Carmona elaborated, during questioning by D.C. Delegate Eleanor Holmes Norton, that reports which he had proposed to prepare on the effects of terrorist incidents on mental health, and on the general, national emergency health preparedness, were sabotaged and never got out of the planning stage, even though he had collaborated with some of the best scientists in the world.

# Build the Missing Link: Alaska-North America Rail

by Hal B.H. Cooper, Jr.

*With the convocation of the April 24, 2007 Moscow International Conference on Megaprojects, which called for the building of the Bering Strait Tunnel crossing, the prospects for a new era in international economic cooperation, and war avoidance, took on new life. The proposed project to link Siberia and Alaska across the Bering Strait goes back decades, but, in the present context, would represent the crowning link in what is called the Eurasian Land-Bridge Project.*

*The Eurasian Land-Bridge has been a leading element of the program for world economic development espoused by Lyndon LaRouche, his wife Helga Zepp-LaRouche, and the institutions associated with them, for at least 15 years. In the wake of the Moscow conference, both EIR and the Schiller Institute have launched an international campaign to have the Bering Strait proposal, and many other links along the Land-Bridge, adopted as policy by governments, most especially, that of the United States.*

*For the Bering Strait Tunnel to function, of course, both Russia and the United States would have to develop infrastructure within their nations, including rail connectors in eastern Russia, and between Alaska and the Lower 48 states. There has been recent discussion on the U.S. side for building an Alaska-Canada Rail Link (see EIR, July 6, 2007), in effect finishing the job that was proposed by the U.S. Army Corps of Engineers in 1942, when it did a rush survey for a 2,280 kilometer direct route linking Alaska, Canada, and the United States.*

*One of the leading collaborators of the LaRouche movement in promoting development corridors and rail links is Dr. Hal B.H. Cooper, Jr., a transportation engineer. Cooper has been working for years on behalf of rail corridors in the Northwest, and has now joined with LaRouche forces in lobbying Congress to put Federal attention on the Bering Strait Tunnel development initiative.*

*A review of the history, and of an intercontinental econo-*

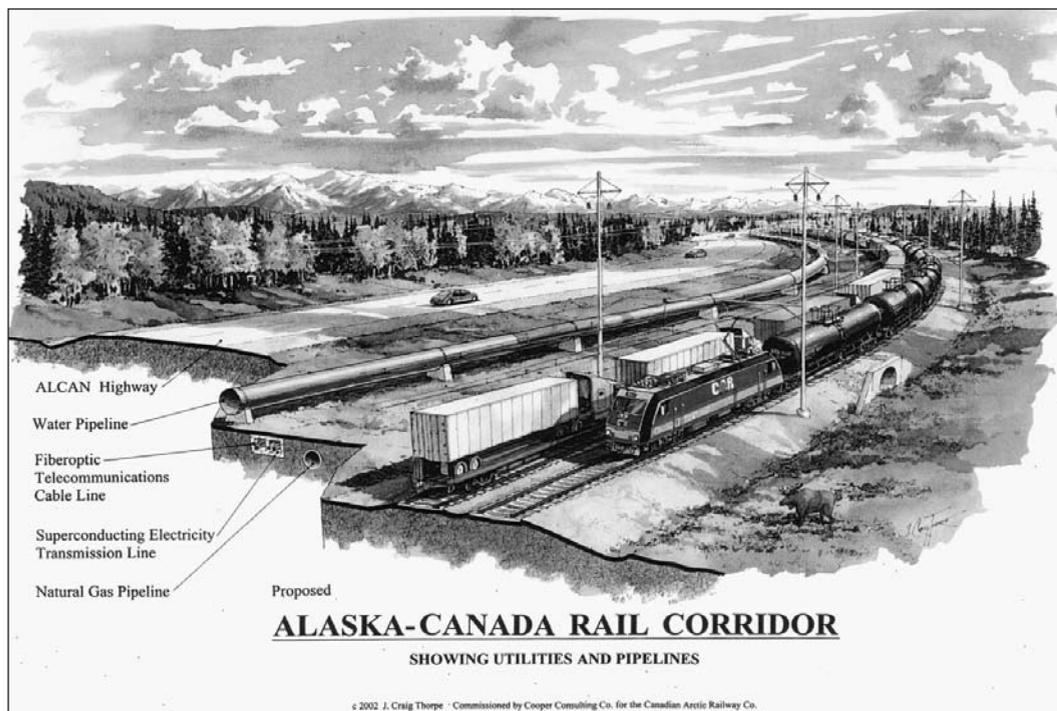
*my-building approach to the “Alaska link-up,” is reprinted here in a paper presented by Cooper, as the keynote for a Sept. 28-30, 2004 forum in Dawson Creek, British Columbia. His speech on “The Alaska Canada Railway Corridor Project” draws upon a feasibility study sponsored by the Canadian Arctic Railway Co., to which he was a consultant.*

*—Marcia Merry Baker (marciabaker@larouchepub.com).*

## **Alaska-Canada Railway Corridor Project**

There is renewed and increasing interest in the completion of a railroad linkage between Alaska and the rest of the North American rail network. Five recent developments which enhance the potential for completing this railroad linkage between Alaska and Canada to the North American rail network are as follows: 1. The recently announced sale of the British Columbia Railway by the Province of British Columbia to the Canadian National Railway; 2. The legislation passed by the State of Alaska to promote the construction of a new natural gas pipeline from Alaska to Alberta and the Lower 48 States; 3. The legislation enacted by the Alaska State Legislature to create a new railroad corridor to the Yukon Territory and to authorize the issuance of revenue bonds; 4. The decision to proceed with the extension of the Alaska Railroad from Eielson Air Force Base near the North Pole to Fort Greeley near Delta Junction for the new missile defense base; 5. Recent events causing the increasing cost of crude oil and natural gas with growing concerns about their supplies.

There is growing interest in expansion of the North American rail network with the recently announced sale of the British Columbia Railway to the Canadian National Railway, in parallel with the extension of the Alaska Railroad. These recent announcements revive the earlier plans to extend the British Columbia Railway to Fort Nelson, which was completed in the 1960s, and the effort to complete the rail line to



*This artist's conception shows the railroad running alongside the AlCan Highway, along with utility, gas, and water lines. It was commissioned in 2002 by Cooper Consulting Co., for the Canadian Arctic Railway, which sponsored the two-year feasibility study for the Alaska-Canada Rail Corridor.*

© J. Craig Thorpe

Dease Lake in the 1970s, which was not completed. There had been earlier studies of expanding the Canadian railroad network to the Yukon Territory in the 1960s and 1970s by the Canadian National and Canadian Pacific Railroads, as well as by the Province of British Columbia. However, these efforts never went beyond the study plan.

Considerable interest and expense have gone into the efforts to study the feasibility of a new natural gas pipeline from Alaska to Alberta and the Lower 48 States. The interest in and possibility of constructing a new natural gas pipeline from Alaska to the Lower 48 States has proceeded in parallel to the possibility of connecting Alaska, Canada, and the Lower 48 States by a direct railroad network.

There is a considerable benefit in the combined construction of the natural gas pipeline and the railroad between Alaska, Canada, and the Lower 48 States in terms of construction cost and maintenance access for equipment and materials. However, public sector efforts alone have been unable to bring these projects to fruition in spite of their common benefits.

It was felt that private sector participation would be necessary to bring these projects to reality, where significant efforts began to be made in the late 1990s. A feasibility study was commissioned in August of 2002 by the Canadian Arctic Railway of Surrey, British Columbia to the Cooper Consulting Company of Kirkland, Washington, which is in the process of being completed. The purpose of conducting this feasibility study was to evaluate the technical and economic viability of constructing a new railroad line between Alaska and Canada with connections to the Lower 48 States as a private sector activity. This feasibility study was based on an extrapolation

of previous studies in Alaska and Canada conducted since World War II, and on other data.

This feasibility study was commissioned to determine the proposed routings, and physical characteristics of the proposed railroad corridor as well as the freight and passenger traffic generation potential and associated revenues plus the estimated capital costs of construction plus operating and maintenance costs. It was then intended to make the necessary economic cash flow projections of available income and net income after debt service as well as depreciation and taxes. The necessary financial performance of the proposed Alaska-Canada railroad connector project could then be evaluated in terms of its potential rate of return on investment as well as project payout period and other economic criteria for assessing investments based on cash flow projections.

The original geographic extent of the feasibility study was limited to the corridor between the end points of Fairbanks, Alaska, Prince George and Dawson Creek, British Columbia. This study was later expanded to include a connection through Alberta and Saskatchewan to North Dakota, and then to Texas and Coahuila over the route commonly referred to as the Central North America Trade Corridor (CNATCA). It was later recognized that the possible future construction of the proposed Bering Strait tunnel between Alaska and Chukotka would have a dramatic impact on the proposed Alaska-Canada rail connector in terms of both traffic volumes and track capacities. As a result, it was decided to incorporate consideration of future freight and passenger traffic flows between Asia and North America, by way of the railroad corridors in northeastern Russia, by way of routes parallel to the Pacific

Ocean, as well as the Arctic Ocean via a proposed tunnel under the Bering Strait.

The consultant (Hal Cooper) and the client (David Broadbent) took an extensive automobile tour in September 2002 to personally inspect the alternative Dease Lake (western) and Fort Nelson (eastern) alternative routes for the proposed Alaska-Canada rail connector between Prince George and Fairbanks via Whitehorse. The result of taking this right-of-way tour by way of the Alaska Highway and other routes was that the western Dease Lake option would be faster, easier, and cheaper to implement than the Fort Nelson route option. However, the Fort Nelson route would be more beneficial if it were decided to build the railroad line and the natural gas pipeline in parallel along a common right-of-way because it would parallel the pipeline for a longer distance.

### **Army Corps of Engineers Route**

There have been previous studies of a proposed railroad linkage between Alaska, Canada, and the Lower 48 States. There was one major technical and economic feasibility study, which was conducted of the proposed Alaska-Canada rail connector prior to the study, plus several more limited studies in both the United States and Canada. This feasibility study was conducted by the Seattle District Office of the U.S. Army Corps of Engineers, in early 1942, of a proposed railroad line from Prince George, British Columbia to Fairbanks, Alaska, via Watson and Faro in the Yukon Territory, by way of the Rocky Mountain and Tintina Trenches, as well as through the Ladue, White, and Tanana River Valleys.

The initial feasibility study conducted by the U.S. Army Corps of Engineers in early 1942 showed a capital cost of \$87 million for the line alone, and another \$24 million for the rolling stock. The line was a single track route with siding spaced at 10-mile intervals over a 1,417-mile route between Prince George and Fairbanks, whose construction could be completed in three years through the creation of 16,000 jobs. It was also planned to build an extension from Fairbanks to Teller at the Bering Strait [which] would cost another \$60 million, plus another \$35 million for port facilities at Teller and on the Yukon River, and install a fuel oil pipeline and water pipelines as well. It was decided not to build this railroad line because of the critical steel shortage, which existed during the early part of World War II. The Alaska-Canada railroad project did not have a sufficiently high priority as compared to the production of tanks, trucks, and artillery in 1942 when it came to the critical allocation of steel for the war effort.

What is not generally understood is what precipitated this early feasibility study by the U.S. Army Corps of Engineers in early 1942. The actual course of events is that immediately after the attack on Pearl Harbor in December of 1941, Joseph Stalin called Franklin Roosevelt to urgently request American help to resist the German invasion of the Soviet Union through supplying war material. Harry Hopkins was immediately dispatched by U.S. Secretary of State Cordell Hull to go to Mos-

cow to meet with Soviet Foreign Minister V.A. Molotov and Stalin. Hopkins was then presented with a whole series of options for supplying the Soviet Armed Forces from the United States under the Lend Lease program. One of the options presented was to build a railroad from Prince George to Teller, Alaska, and then to temporarily ferry the supplies across the Bering Strait to Uelen, Chukotka, until a railway tunnel was built. Another railroad would then be built from Uelen to Egvekinot, to a junction point, to one or both of two rail corridors. One of these two corridors would go for nearly 3,500 miles along the south shore of the Arctic Ocean, to the west to Vorkuta, to join the newly completed 1,100-mile-long rail line to Moscow. The other rail route would go to the southwest over a series of mountains to Yakutsk, capital of the Yakutian Autonomous Republic (now the Sakha Republic), and then to join the Trans-Siberian Railway at Skovorodino over an estimated 2,500-mile route. There would then be an approximately 4,000-mile rail haul over the heavily traveled and vital military artery of the Trans-Siberian railway to Moscow, which had been planned to connect the various concentration camps of the Soviet NKVD Gulag network.

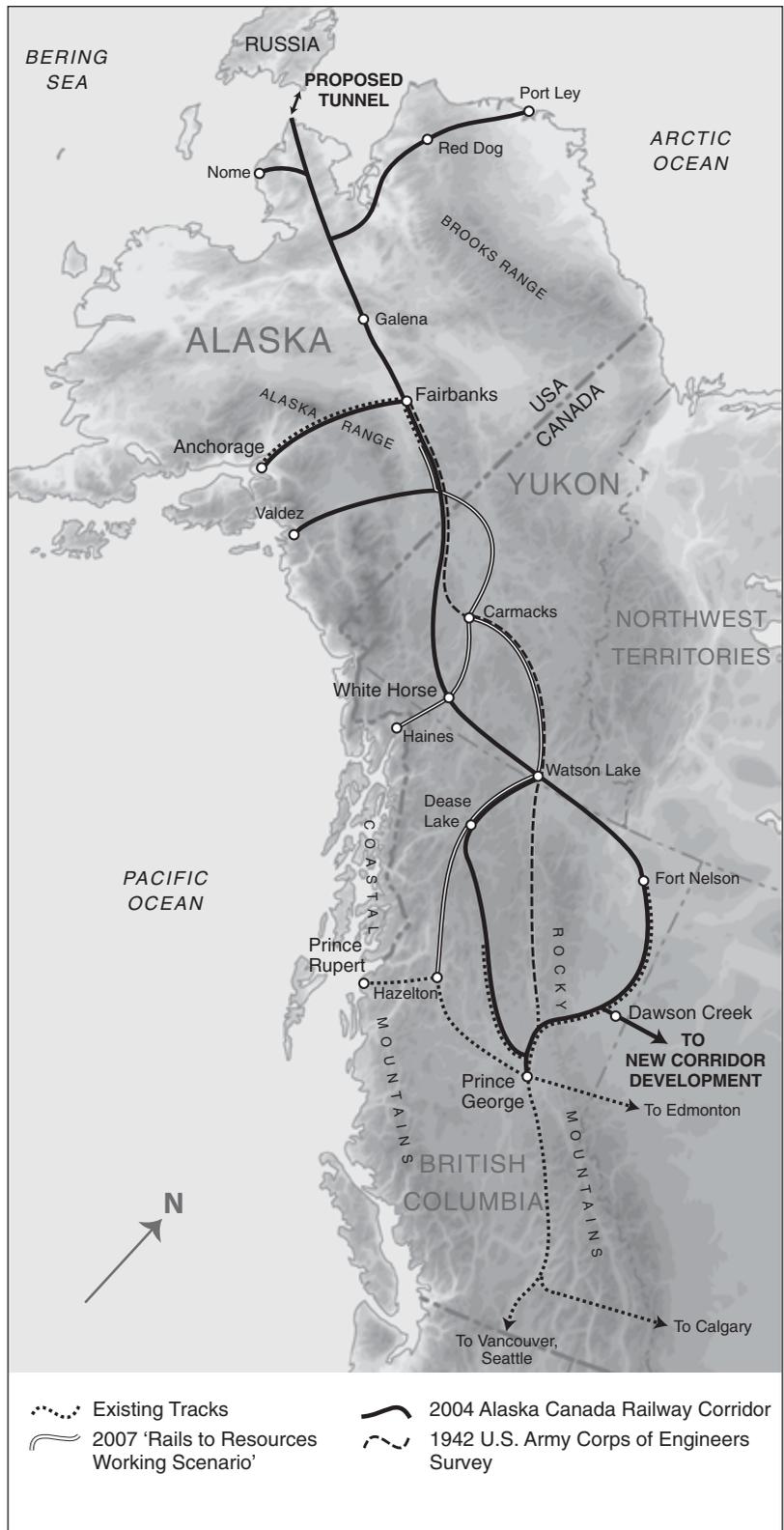
### **FDR Rail Promotion**

Franklin Roosevelt's uncle Frederic Delano was a former railroad president and a real rail advocate. When Hopkins returned from Moscow to Washington, he briefed Hull, Roosevelt, and Delano. Delano then convinced his nephew, the President, to authorize a study of the proposed railroad line from Prince George to Fairbanks to join the Alaska Railroad and then build the extension to Nome and Teller in western Alaska. The need for this railroad line became strategically heightened when Japanese troops occupied the islands of Atta and Kiska at the western end of the Aleutian Islands in March of 1942, which was actually a diversion from their main military attack against Midway Island.

However, when the main Japanese carrier attack force was sunk during the Battle of Midway Island in early June of 1942, the strategic importance of building the railroad to Alaska was greatly reduced. This Alaska railroad feasibility study was completed at the same time, but the strategic decision was made to build the Alcan Highway as a military supply route from Dawson Creek, British Columbia to Delta Junction, Alaska. The Alcan Highway was completed in less than 12 months by American and Canadian Army Engineers, and became the basis for the present Alaska Highway whose primary focus today is tourism. The reason for building the original Alcan Highway was to connect the various airfields used to supply material being flown from the United States to the Soviet Union by way of Canada and Alaska.

In spite of Frederic Delano's persuasive skills with his nephew Franklin Roosevelt, the project to complete the railroad between Alaska, Canada, and the Lower 48 States, was deferred in 1942. However, in Russia, these two alternative railroad routes had both already been surveyed and designed

**FIGURE 1**  
**Route Options for First-Ever Rail Link-Up—Alaska,**  
**Canada, Lower 48**



EIRNS/Alan Yue, 2007

over their entire distances by the U.S.S.R Ministry of Internal Affairs (alias NKVD or Secret Police) between 1938 and 1940 at the direction of Stalin. There were a large number of settlements along these two routes, most of which were nothing more than concentration camps. In one section between Salekhard and Igarka, over a 500-mile route in northern Siberia, a single-track railroad line was completed by the labor of 120,000 people over a three-year period where 60,000 men died immediately prior to the onset of World War II.

Eventually, because of cost and time, it was decided to ferry all the supplies by airplane from North Dakota to Nome, Alaska and then fly the planes to Chukotka or Anadyr or Provideniya or Egvekinot by American pilots. The Americans would then turn over the planes and supplies to Russian pilots, who would then fly them to their final destinations. The American pilots would then be flown by shuttle aircraft back to the United States to get another load and return to Russia via the Alcan Highway airfields. This massive airlift of war material from America to Russia via Canada and Alaska under Lend Lease greatly assisted the Soviet Army in its struggle against the German Army, which they eventually won under the leadership of Soviet Field Marshall George Zhukov acting at the instructions of Stalin.

*The rail lines shown as "existing track" (short dashes) were in place before mid-20th Century, located within Alaska, and up to northern British Columbia, but with no connection between, despite decades of plans. In 1942, the U.S. Army Corps of Engineers did a rush survey for a 2,280-km rail link-up for potential defense matériel shipments, running directly northward from Prince George, B. C. This Army Corps line (long dashes) was never built. In June, the 2,000-km "Rails to Resources to Ports Working Scenario" route (parallel lines), was proposed (See Figure 2). It would connect Alaskan rail through the Yukon via Watson Lake, to Dease Lake, B.C., and southward to the Canadian rail grid. The focus is on hauling out minerals and fuels to Asian markets, through three Pacific ports. In 2004, a broader regional economic development-based design was proposed, whose 4,006-km network (dark lines) not only runs via Dease Lake to the Canadian railhead below, but arcs a route eastward, via Fort Nelson and Dawson Creek, to connect with new development corridors inland. The westward link runs across Alaska to the proposed Bering Strait Tunnel. This is the "Alaska Canada Railway Corridor Project," sponsored by the Canadian Arctic Railway Co.*

After the end of World War II, Stalin contacted President Harry S Truman to restart the discussions over connecting the Russian and American railway systems via a tunnel under the Bering Strait. Truman rebuffed Stalin, as it was the start of the Cold War period. The idea of connecting the Russian and American railway systems then died until the early 1990s when it was reborn by the transplanted Czech engineer George Koumal, who promoted the Bering Strait tunnel.

### **1800s Alaska Rail Link Proposals**

In actuality, there had been several previous attempts to build railroad lines from Canada and the Lower 48 States to Alaska and Russia, going back more than 100 years. Colorado Territorial Governor William Gilpin was the first known person to propose a railroad line from Denver to Alaska in 1845. Union Pacific Railroad President Edward H. Harriman proposed in 1899 to extend his railroad from Wyoming to Alaska and then build a dam at the Bering Strait over which his railroad would run through Russia to connect with the Trans-Siberian Railway: Neither of these ideas, nor a whole series of other proposals, got very far.

However, one idea did move forward: the proposal of the Trans-Alaska Siberian Company to build a railroad from the North Dakota connection through Canada to Nome, Alaska. There would then be a railroad from Chukotka to the southwest to connect with the Trans-Siberian Railway in the Amur region. This company was incorporated with American, French, and Russian investors, with \$6 million of actual initial capital. These funds allowed the initial feasibility studies to be completed for the 5,650-mile-long railroad system from the United States to Russia and France, between New York, Moscow, and Paris.

New York, Moscow, and Paris could all be joined in a common railroad system to promote world peace and development as the goal of the company's investors. The company was actually well on the way to raising the required \$300 million in 1907, to complete both the Russian and North American railway land components. These fundraising efforts suddenly were halted by the intervention of somewhat obscure financial interests, who supposedly represented the British Empire maritime and minerals cartels who wished to perpetuate their monopolies, and who had opposed the completion of construction of the Trans-Siberian Railway. There have even been accusations made by some researchers that World War I was actually started to prevent this railroad from being built between North America and Eurasia.

### **Parallel Russian Rail Grid Expansion**

There is today a parallel project being developed on the Eurasian Continent which would become a companion to the proposed Alaska-Canada railroad connector which will link China with Kazakstan, Uzbekistan, Turkmenistan, Iran, and Turkey by a single standard-gauge railroad line. The planned high-speed freight rail project will go from Urumchi in western

China to Istanbul, Turkey, on the western side of the Bosphorus Strait, so that the Chinese and European standard-gauge railroad networks can be directly linked over a 4,700-mile route distance. This line will require 2,450 miles of new railroad lines. A new 8.7-mile-long tunnel, to be completed in 2010, for \$5-7 billion, will be built under the Bosphorus Strait between Asiatic and European Turkey, by the Taisei Construction Company to be completed in 2009, at a cost of \$930 million.

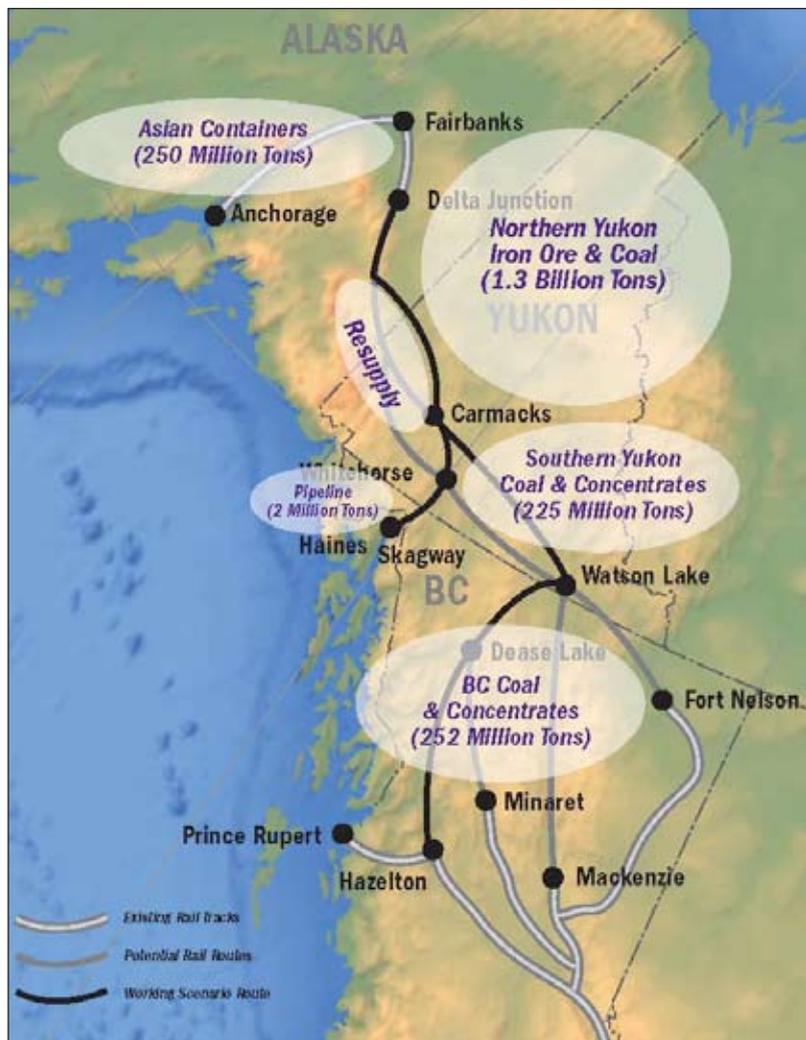
This proposed new railway being developed under the leadership of Kazakstan Temir Zholy (KTZ) or Kazakstan State Railways is intended to carry oil from Kazakstan to China, plus intermodal containers between Europe and Asia, as well as other cargoes. The expected transit time for containers is expected to be reduced from 50 days by sea, to 15 days by rail over land. The project is to be financed by both public and private investment, with \$3.5 billion in equity investment already secured from private sector Asian investors.

This proposed Pan-Eurasian railroad connector between Urumchi and Istanbul would serve as a parallel development model for the planned Alaska-Canada railroad connector, as there is a parallel to the proposed Bering Strait railroad tunnel project. This project could be built over an estimated 4,800-mile route between Dawson Creek and Prince George, British Columbia in Canada, to Ust Kut along the Baikal Amur Magistral (BAM) railroad line in the Irkutskaya region of Russia, as well as to Zhangling in Heilongjiang Province of northern China. This entire railroad network would be built for an estimated cost of \$25 to \$40 billion, of which \$15 to 25 billion would be for the Bering Strait railroad tunnel.

This railroad line would be expected to transport large quantities of oil plus intermodal containers and other commodities. The container transit times between China and the United States would be reduced from 30 days by ship to 10 days by rail over land in a manner similar to that between China and Europe via the Pan-Eurasian railroad connector. It is even conceivable that these two projects could be connected by means of the existing railroad networks between Ust Kut in Russia and Aktogay in Kazakstan. However, it would be necessary to regauge those sections of the Russian railroad network from the 5.0-foot-wide Russian gauge to the 4-foot, 8.5-inch standard gauge to assure smooth and seamless freight traffic flows such as is now being done by Kazakstan.

This brings us to the situation we face today, where we still do not have a railway connection from Alaska to the rest of North America, following the completion of the Alaska Railroad in 1923, let alone, across the Bering Strait to Russia, China, and Kazakstan to Europe via the Pan-Eurasian Connector. The British Columbia Railway expanded its routes to the north from Prince George to both Dease Lake in the west and Fort Nelson in the east in the 1970s under then British Columbia Premier W.A.C. Bennett. Unfortunately, these lines were never connected to Alaska, and as a result, never achieved their development potential; all construction stopped after the Dease Lake line problems in 1981.

**FIGURE 2**  
**The ‘Rails to Resources to Ports’/Alaska Canada Rail Link Project: Long Range Markets and Route Options**



Source: Prepared for the governments of The Yukon and Alaska, by ALCAN RailLink Inc., Whitehorse, Yukon, for “The Alaska Canada Rail Link Project; Phase 1 Feasibility Study,” June 2007.

The “Rails to Resources to Ports” plan calls for a 2,000-km rail line, of new and existing routes, to connect the Alaska Railroad at Delta Junction, to Skagway/Haines port in southeast Alaska, and to the Canadian National Railway in northern British Columbia. The project design is oriented to shipping out bulk commodities—minerals, concentrates, fuels—by the shortest distances to Pacific ports, to supply Japan, China, and Korea and other Asian markets. The estimated cost of the new rail system is \$10.5 billion, and a 50-year cycle of operation was analyzed.

### Proposed Priority Routes Today

The present feasibility study presents the following findings from its research. An initial single-track line of 1,355 miles in length, would be built between Prince George, British Columbia and Fairbanks, Alaska, via the western Dease

Lake route, in four years. at an estimated total capital cost of \$3.715 billion. The construction of this railroad line would employ 3,000 to 5,000 workers during the planned four-year construction, with an operating staff of 1,000 to start increasing to 1,500, within 10 years after starting operation. The comparable capital cost of the alternative eastern route via Fort Nelson between Fairbanks and Prince George would be approximately \$4.22 billion for the 1,435-mile route which would require five years to complete if built completely separately.

The recommendation is to build the Dease Lake line first as a single-track route, with sidings spaced at 20-mile intervals, and centralized traffic contract signaling and diesel locomotive traction. It is expected that there would be a two-year evaluation and design period followed by a four-year construction period, with operation to begin in 2010. The siding spacing would be reduced to 10 miles by 2015 and 5 miles by 2020, as traffic increases and the line progressively converts to double-track operation by 2030, as the full line capacity is reached. The railroad line connection from Whitehorse to the east, to Watson Lake in the Yukon Territory and to Coal River, British Columbia would be built along the Fort Nelson route for the gas pipeline.

It would be planned to add a single-track line to connect near Jake’s Corner in the Yukon Territory, to the east to Watson Lake by 2012, and Fort Nelson, British Columbia, and then to the east to High Level, Alberta by 2015. Construction on this line would begin at the same time as for the Dease Lake line and be completed in one year, and be completed by 2020 with an additional connection between Dawson Creek and Fort St. John. At the same time, the eastern extension of the Dease Lake line to the east via Tumbler Ridge to Grand Prairie, Alberta would begin construction in 2010, and be completed by 2015 from the east side of the existing tunnel to the west of Tumbler Ridge on the existing rail line.

The entire combination route for the Alaska-Canada railroad connector would then be completed for both the Dease Lake and Fort Nelson routes as a single-track route by 2015. A second

track would be added for the common route segment between Fairbanks and Whitehorse to Jake’s Corner by 2020. In addition, it would be planned to electrify the entire railroad route of the Alaska-Canada railroad connector between 2015 and 2020 as both diesel fuel prices and freight traffic volumes pro-

gressively increased into the future. It would also be planned to build a series of power plants burning coal and/or other fuels to serve the electrification needs of the railroad, estimated as increasing from 500 megawatts in 2020, to 3,000 megawatts in 2050. Additional electricity growth would be needed to facilitate regional economic development for the native reserves, mines, factories, and communities along the route of the Alaska-Canada railroad connector.

The entire eastern line from Dawson Creek and Tumbler Ridge to Grande Prairie, east to Edmonton, Alberta would then begin and be completed by 2020. In parallel, the existing Canadian National Railways branch line from Edmonton, Alberta to Lloydminster and Saskatoon in Saskatchewan would be upgraded for full-scale freight traffic by 2015. This line would then be extended to Regina, Saskatchewan and ultimately to Lampman, Saskatchewan to Minot and Max, North Dakota as a new railroad line by 2020, to connect with the Central North America Trade Corridor being built between Minot and Del Rio, Texas between 2010 and 2020. In parallel, the new railroad line from Melville to Lampman, Saskatchewan would be built to allow a direct connection to the Hudson Bay Railroad line at Churchill, Manitoba.

### **Scenarios: Trains, Costs, Savings**

The expected freight train traffic on the Alaska-Canada railroad line via the Dease Lake route would be expected to increase from six trains per day in 2010, to 30 trains per day in 2030. The average total freight tonnage moved would be expected to increase from 10 million tons per year in 2010, to 50 million tons per year in 2030, assuming food, lumber, coal, oil machinery, and other commodities would be moved for the minimum traffic growth scenario. The construction of the proposed natural gas pipeline would require as much as 110 million tons of all materials to be moved, including earthworks, which would largely be on the Fort Nelson line.

The proposed plan for the construction of the railroad line connected with or in advance of the natural gas pipeline proposed to be built, could be reduced by between \$2.4 and 2.7 billion from a \$20 billion estimated total capital cost for transport alone, plus another \$1.2 to 1.5 billion for reduced welding needs. This capital cost savings in the proposed pipeline construction cost is equivalent to the direct construction cost of \$1.25 billion for the Dease Lake option of the Alaska-Canada rail connector. The capital cost savings for the natural gas pipeline primarily, based on building the Fort Nelson railroad line would be greater at \$2.65 billion, as there is a greater haul distance for construction materials and equipment.

The initial financial analysis of the proposed Alaska-Canada railroad line is based upon the basis of an initial capital investment of \$3.7 billion. This project will have an estimated rate of return on investment of over 15% per year, with a project payout period of five to eight years from the end of construction for the minimum freight traffic growth scenario with the Fort Nelson route. For the higher traffic growth scenarios,

the expected rates of return on investment will be greater, and the project payout periods will be shorter, than for the minimum traffic growth case. The advantage of the proposed Alaska-Canada rail connector, from a financial standpoint, is that the freight traffic hauled, will go over a long distance of 1,100 to 1,300 miles as a high unit-revenue-generation source, with a consummately high-income level.

The Fort Nelson railroad line will have a higher capital cost than the Dease Lake line, as it is longer, with a greater distance of new line to be constructed. There is more difficult terrain to encounter, especially through the Liard Canyon to the east of Watson Lake. However, it is expected that the freight traffic volumes on the Fort Nelson line will be greater in the early years than on the Dease Lake line because the hauling of materials for the natural gas pipeline will occur over its entire route as compared to only a part of the route with the Dease Lake to provide for a shorter payout period and a higher unit debt service coverage ratio. The total capital cost of the Alaska-Canada railroad connector, with both the Dease Lake line and Fort Nelson routes included, is expected to be \$6 billion for the diesel power and \$10 billion with electric power.

As a result, the expected rate of return on investment for the Fort Nelson line is expected to be equivalent to, or slightly greater than, for the Dease Lake line if only one is built to start. The capital cost will be greater for the Fort Nelson line, but its traffic base, during the early years of operation, will be greater because of the pipeline. However, over the longer period, there is expected to be more freight traffic flowing over the Dease Lake line because of its shorter distance and more gentle terrain. In conclusion, both lines need to be built, in spite of the greater expense whose payoff will really result when the railroad through the Bering Strait is completed and in operation, where major freight traffic increases are expected to occur.

### **Expanding Freight, Passenger Volume**

The expected freight traffic volumes on the other connecting railroad lines in North America will generally increase from the range of 5 to 10 million tons per year in the first three to five years, to between 40 and 50 million tons per year over a 20 to 30 years period. In addition, it is expected that the proportion of the freight traffic hauled over the Alaska-Canada rail connector will be between Alaska and the Upper Midwest and Eastern States with an expected 65-75% of the total. A relatively small proportion of 25-35% of the expected freight traffic will originate or terminate in the Pacific Northwest as at present. In fact, it is likely that there may be substantial political opposition to the proposed Alaska-Canada rail connector project from the maritime interests in the Puget Sound area whose businesses would be adversely affected as Alaska's trade center shifts to the east, from Seattle to Minneapolis, in the future.

It is planned to have a continuing construction program to progressively expand the railroad network for the Alaska-

Canada rail connector and affiliated lines including both Dease Lake and Fort Nelson. There will be a construction program to add siding and yards on a continuing basis as well as to start new lines as single-track routes with sidings gradually added until the lines are fully double tracked as traffic progressively increases. A parallel program of electrification of the railroad lines is expected to be implemented in order to reduce unit energy and maintenance costs as well as to support regional economic development for the native reserves and other communities.

In addition, it is expected that passenger traffic is expected to add 5-10% to the railroad revenue base for tourist and cruise trains, plus online passenger services for business and pleasure.

The three commodities most likely to add to the freight traffic base for the Alaska-Canada rail connector are crude oil and petroleum products as one category, intermodal trailers and containers as a second category, and products of a third category of these three commodities, plus others which will be significant for the Alaska-Canada rail connector. The proposed Alaska-Canada railroad connector can then serve as the engine for the overall economic development of the entire northwestern North America, especially for the native reserves and communities along the route where new energy facilities, mines, forestry operations, and industrial facilities would be located.

The expected freight traffic volumes to be generated will be significant from the Alaska-Canada railroad connector alone. However, they will become much larger in magnitude and importance once the proposed Bering Strait rail tunnel becomes a consideration. The completion of the proposed Bering Strait railroad tunnel would increase the maximum freight traffic levels along the Alaska-Canada rail connector from 50 to 70 million tons per year, to between 270 and 300 million tons per year, after a 20-to-30 year period.

It will then be necessary to greatly expand the capacity of the Alaska-Canada railroad connector as well as to plan for increased economic activity in communities along the entire route to double or even triple track operation.

### **Bering Strait Tunnel: 'Northern Strategy for Development'**

The completion of the proposed Bering Strait railroad tunnel between Alaska and Chukotka would dramatically increase the expected freight traffic levels all along the Alaska-Canada rail connector and on other rail lines as well. As a result, there would be a need to double-track all connecting main railroad lines on both continents once the Bering Strait tunnel is completed plus to have a triple-track route between Whitehorse, Yukon Territory in Canada and Egvekinot, Chukotka in Russia. Also, the proposed Bering Strait railroad tunnel will need to be built with three tubes instead of two because of the very large freight (and passenger) traffic volumes which will be expected in the future

between North America, Europe, and Asia.

The proposed Alaska-Canada railroad connector will make it possible to haul large quantities of crude oil at low transport rates from Alaska and northwestern Canada to refineries located in southern Canada (if allowed) as well as existing or new refineries located in the Northern Tier of the United States. In addition, the proposed Bering Strait tunnel will make it possible to haul crude oil from fields in northeastern Russia to petroleum refineries in the United States directly by rail to North Dakota, Montana, and elsewhere. It will be very desirable to expand crude oil production in Alaska with oil transported by rail to refineries located in North Dakota and elsewhere in the Upper Midwest. It is also possible that petrochemical production could take place using natural gas, ethanol, or crude oil as feedstocks in Saskatchewan, Alberta, Montana, and North Dakota. The major development of heavy oil deposits in Alaska could significantly increase the Alaska-Canada rail connector's freight, and should be greatly encouraged, as well as from the Athabasca tar sands deposits in northeastern Alberta.

In summary, the proposed Alaska-Canada rail connector project is expected to be very feasible, with a sufficiently high rate of return-on-investment of 10-20% per year, a suitable debt service coverage ratio of 2.0 to 3.5, and a sufficiently short repayment time of 5-to-15 years so as to justify some type of long-term, low-interest-rate private financing mechanisms. In addition, the construction of the Alaska-Canada railroad is expected to require a capital investment which would progressively increase from \$3.7 billion to 9.5 billion over a 25-year period in a series of steps for a system which would reach 2,400-miles by 2020. The total expected capital investment for all of the associated rail lines in North America would be expected to progressively increase from \$16.7 billion to \$33.0 billion, over a 30-year period, from 2010 to 2040, as traffic increases. The total maximum capital investment in all of the connecting railroad lines in North America and Asia is expected to be 120 to 175 over a 30-year period, or less than that of the present Iraq War, estimated as \$200 billion to date.

It is recommended that for the Alaska-Canada rail connector, that private-sector financing be utilized. It is suggested that Governors Murkowski of Alaska, Hoeven of North Dakota, and other governors, plus the premiers of the Canadian Provinces jointly support the creation and implementation of the Alaska-Canada rail connector. In addition, it is suggested that Prime Minister Paul Martin of Canada and U.S. President George Bush meet, to jointly support the Alaska-Canada rail project proposed to develop the Bering Strait railroad tunnel that connects Asian and North American railroad lines. It would benefit from a meeting among Prime Minister Martin, President Bush, and Russian President Vladimir Putin, to establish a cooperative support basis for implementing these projects to the mutual benefit of all in terms of worldwide job creation by means of the Northern Strategy for energy and economic development.

## Oops! \$9 Billion Turns to Dust

*The vaporization of two Bear Stearns hedge funds shows that the value was never there in the first place.*

In a letter recently sent to clients, the investment bank Bear Stearns admitted that two of its hedge funds, which were nominally worth some \$9 billion, had essentially vaporized, suffering “significant deterioration in performance for May and June.”

“The preliminary estimates show there is effectively no value left for the investors in the Enhanced Leverage Fund and very little value left for the investors in the High-Grade Fund as of June 20, 2007,” the letter said.

That the two funds were revealed as worthless should have come as no surprise to anyone. The names alone—the High-Grade Structured Credit Strategies Fund and the High-Grade Structured Credit Strategies Enhanced Leverage Fund—should have been enough to give anyone pause. The funds took in money from clients, used the clients’ money as the basis to borrow much more money from banks, and then spent the whole bundle on bets which were doomed to fail. It was a remarkable display of stupidity, blindness, and greed.

The real story here, however, is not merely the fate of the two funds, but what this little episode reveals about the system as a whole, where hundreds of trillions of dollars of notional value of financial assets are in the same boat as the Bear Stearns hedge funds were a few months ago, carried on the books at illusory values which can disappear in a flash.

The financial types will naturally scream at such assertions, claiming their expertise and their algorithms will save the day, but as events unfold,

their bare sterns are increasingly exposed. The reality which they are so determined to ignore is that the U.S. economy has been operating below breakeven, and increasingly so, since the late 1960s.

One element which gives the game away is the composition of the workforce, where the number of manufacturing workers is now well below what it was in 1950, and in per-capita terms is slightly below what it was in 1860 (yes, 1860, nearly 150 years ago!). As a result, our balance of payments on merchandise trade (exports minus imports) has dropped through the floor, from a slight surplus in 1970 to a whopping \$838 billion deficit in 2006. We have, as the purveyors of globalization intended, become dependent upon goods produced elsewhere for our survival, and increasingly dependent upon the imperial cartels to sell those goods to us at rigged “market” prices.

As we shut down our industry and took lower-paying service jobs, our society stratified into a wealthy few at the top, a declining middle class, and a growing impoverished class at the bottom. At the same time as wages have dropped in real terms for most, the prices of basics like food, housing, medical care, and transportation have soared. To cover the gap, U.S. households and businesses have borrowed huge amounts of money, in many cases funds they have no hope of being able to repay.

The result, predictably, has been an explosion of debt, with total credit market debt (as reported by the Fed) up 81% since the beginning of the

2000s. That’s roughly a \$5 increase in debt for every \$1 increase in GDP (and GDP itself is dominated by services). Then there are the derivatives, which have grown hyperbolically; the derivatives held by U.S. commercial banks alone, as reported by the FDIC, have soared from \$35 trillion to \$146 trillion since the end of 1999.

How does an economy, the productive activity of which is collapsing, manage to remain, as is so often claimed, fundamentally sound? The simple answer is that it cannot. We have continued to exist by treating our ever-growing mountains of unpayable debt as assets, and then speculating heavily on those assets in order to maintain the fiction of profit.

As long as these so-called assets remain undisturbed in their virtual world, they provide the illusion of wealth—not wealth, but the perception of it, a perception the financiers have a vested interest in maintaining. As the bubble grew and asset values inflated, the illusion was protected. Now, however, the system is kicking into reverse, with some asset values, notably home prices, deflating, and the value of some of the mortgages, and more so the mortgage-backed securities and collateralized debt obligations based upon the mortgage-payment stream, are vaporizing. They are not “losing value,” because they never had any value to begin with; they were an accounting fiction, a shell game designed to present an illusion of prosperity.

The U.S. economy, indeed the entire global financial system, is rotten with worthless paper. Like the assets of the Bear Stearns hedge funds, the moment you move to sell, the alleged value evaporates. As assets deflate, more gamblers will be forced to sell, triggering further vaporization in a classic self-feeding process. This is how panics are born, and nations fall.

# Yes! It Really Is Gambling

by Robert Ingraham

On June 21, during an international webcast, Lyndon LaRouche uttered the following comments:

As a matter of fact, the great danger of a financial crash today, is that most people in what they call economics believe actually not in economics: They believe in gambling. It's called a financial system; it's a gambling system. And people understanding that, ever since Galileo came up with this idea about gambling as the basis of discovering how markets would work, everyone has tried to get a better statistical system for gambling. Like breaking the bank at Monte Carlo, making a killing at Las Vegas, probably one's own. And therefore, these guys who are running the financial world today, depend on the assumption that they've got a "better system"—as they used to have at the race tracks, a "better system" for handicapping the horses. And it would really handicap the bettor, in the end, as he found himself on the street without cash—and being pursued by his lenders.

But what you've got today, as was typified in the calamity that occurred in August through October of 1998, was that the bettors now rely upon mathematics. And computers have helped them to do this: They can now bet faster, they can do mathematics faster than ever before, statistics faster than ever before. But they're all trying to find the best system of gambling. And they're all competing to get in on what they believe is the best system of gambling. The result is that, when all the gamblers come close to the same system of gambling against each other, but they're all gambling according to the same formula, what happens? They all go down together, in one big flop!

Is Mr. LaRouche exaggerating for effect? If you think that is the case, please consider the following chronology:

- In 1956, an engineer at Bell Labs in Murray Hill, N.J. published in the *Bell System Technical Journal*, an article titled, "A New Interpretation of Information Rate." The engineer's name was John Kelly, and the article, which was prepared with the help of another Bell engineer, Claude Shannon—famous today as one of the founders of Information Theory—posed the question of whether a mathemati-

cal formula could be devised to ensure success in betting on horse races. Kelly answered the question in the affirmative, and his solution, the **Kelly Formula** or **Kelly Criterion**, not only became the basis for several betting systems in Las Vegas and Atlantic City, but is also widely used today in financial options trading, where it is sometimes called the "geometric mean maximizing portfolio strategy." Use of the Kelly method, according to one options-trading authority, is intended to "maximize the value of the logarithm of wealth."

- In 1960, Claude Shannon introduced the Kelly Formula to a mathematics professor at MIT named Edward Thorp. Beginning in 1960, using an IBM Fortran 740 mainframe computer at MIT, Thorp programmed a statistical computer program to win at blackjack. In 1960 and 1961, Shannon and Thorp took several trips to Las Vegas to test their theories on blackjack and roulette. In 1961, Thorp presented his blackjack system in a paper, "Fortune's Formula," to the annual conference of the American Mathematical Association. Then in 1962, Thorp issued a public challenge to casino owners that he could beat their games, travelled to Reno, Nevada, and in two days, doubled his money playing blackjack. Later that year, Thorp published a more popularized version of his method and experiences in the best-selling book *Beat the Dealer*.

Shortly after these events, Edward Thorp relocated to the University of California at Irvine and began to investigate how to use his winning blackjack strategy to make money in financial investments. During the next ten years he became one of the pioneers in the emerging field of new "financial instruments," particularly after the opening of the Chicago Board of Options Exchange in 1973. In 1967, Thorp published a book on investment strategy titled *Beat the Market: A Scientific Stock Market System*. He presented the first, basic version of what would be later known as the famous **Black-Scholes Formula**. In 1969, Thorp opened Convertible Hedge Associates, described as the world's first market-neutral hedge fund. Later renamed Princeton Newport Partners (PNP), this hedge fund flourished until 1988, when it was raided and shut down as part of the U.S. government's racketeering case against Michael Milken/Drexel Burnham. Thorp survived, creating a new hedge fund, Edward O. Thorp and Associates, in Newport Beach, Calif., which exists to this day.



MIT professor Edward Thorp's 1961 statistical program for how to win at blackjack, led to a strategy for making money in "new financial investments." He later opened a hedge fund.

In 1973, Thorp received a letter from Fisher Black, in which Black expressed his admiration for Thorp's work. Black included in the letter a copy of the Black-Scholes Formula, which was about to be published. This letter began a friendship between Thorp and Black which lasted until the latter's death in 1995. Later that year, Thorp presented a paper, "Extensions of the Black-Scholes Option Model," at the annual conference of the International Statistical Institute in Vienna. Through the 1970s and '80s, Thorp continued to play a leading role in the initiation of new financial investment methods. In 1974, he developed the first mathematical solution to the American "put curve."<sup>\*</sup> In 1979, Thorp and his team at PNP came up with the idea of "statistical arbitrage." According to Thorp, their intent was to "use the Brownian motion structure of stock prices to 'drain energy' (money) from the ceaselessly excessive fluctuations in stock prices." Thorp is still very much active today. In 1997, he presented a paper, "The Kelly Criterion in Blackjack, Sports Betting, and the Stock Market," to the Tenth International Conference on Gambling and Risk Taking, in Montreal; and, in 2003, the *Quantitative Finance Review* published a piece by him titled "A Perspective on Quantitative Finance: Models for Beating the Market."

- At a 1963 conference on computer science, held in Las Vegas, computer programmer Harvey Dubner proposed a revision to the Thorp blackjack system, utilizing a method based on a "high-low" card count. Another computer programmer, Julian Braun, then played over 90 million simulated blackjack

<sup>\*</sup>In options trading, there are two types of contracts: 1) an option to buy a commodity at a future date, known as a "call" option, and 2) an option to sell a commodity at a future date, known as a "put" option.

hands on an IBM 7044 computer until he had perfected Dubner's revisions to the Thorp system. Braun was an IBM engineer, with degrees in mathematics and physics. After leaving IBM in 1987, he became a day-trader in stocks and commodities.

In 1967, a revised version of *Beat the Dealer*, including the Thorp/Braun combined method, was published. This work has remained the basis for all blackjack winning strategies down to the present day.

The final development in successful blackjack strategy was the invention of team play, first by Ken Uston in the 1970s, and then, more spectacularly, by the MIT blackjack team in the 1990s. Uston, a *magna cum laude* graduate of Yale University, with an MBA from Harvard, was, by 1967, the vice president of the Pacific Stock Exchange in San Francisco. He quit his job to take up blackjack full-time. He was the first to utilize team play, which he described in his 1977 book, *The Big Player*. In the 1990s, using the Thorp/Braun system and Uston's team strategy, a group of MIT mathematics and physics undergraduates created the MIT Blackjack Club, and over a period of several years, won millions of dollars from the Las Vegas casinos. Their exploits were described in the 2002 book *Bringing Down the House—the Inside Story of Six MIT Students Who Took Vegas for Millions*.

The final figure in the field of blackjack worth mentioning is John Ferguson (a.k.a. Stanford Wong), who refined many of the betting methods of Thorp, Braun, and Uston. Ferguson, who holds a Ph.D. in economics from Stanford University, published *Professional Blackjack* in 1975, which to this day is considered the all-around best book on the topic.

- In 2001, Texas banker Andrew Beal travelled to Las Vegas for the express purpose of defeating the best professional poker players in the world. Beal's efforts, which continued for several years, are chronicled in the popular 2005 book *The Professor, the Banker and the Suicide King: Inside the Richest Poker Game of All Time*, by Michael Craig. Beal is the founder and president of the Dallas-based Beal Bank, which he created in 1988 on the wreckage of the Texas savings and loan industry. During the past 20 years, his bank has specialized in buying and selling "distressed properties," and, among other "investments," it provided some of the financial backing for Enron Corp. to move into the deregulated California energy market. By his own account, Beal spent thousands of hours writing and running computer programs in order to perfect a winning poker strategy. His poker games in Las Vegas still hold the record as the biggest high-stakes games of all time, where, in some games, there was as much as \$30 million on the table. Beal is also an amateur mathematician and student of number theory. In 1997, the American Mathematical Society published a paper by Beal, "Beal's Conjecture," which purported to contain a solution to Fermat's Last Theorem.

- In 1981, a group of physics and mathematic students at the University of California at Santa Cruz formed a club

named the Dynamical Systems Collective, but popularly called the Chaos Club. They studied chaos theory, played around with fractals, and decided to devise a method to win money at the roulette tables in Las Vegas. Their adventures were recounted in the 2000 book *The Eudaemonic Pie*, by Thomas A. Bass. Then in 1992, the same group of now ex-students founded an investment firm, The Prediction Company, in Sante Fe, N.M. The idea for the company grew out of a series of conferences held between 1986 and 1991, where arguments centered around the view that financial markets were essentially stochastic (random, aimless) in nature, and that chaos theory provided the basis for predicting safe bets in chosen financial instruments. The seed money to create The Prediction Company came from David Weinberger, who began his career at Bell Labs, and went on to become a bond trader at Goldman Sachs. When Weinberger left Goldman Sachs, he was replaced by none other than Fisher Black, of Black-Scholes fame.

- Between 1975 and 1985, the Black-Scholes methodology revolutionized finance: Everyone adopted it. Earlier, in 1969, Myron Scholes had created new financial strategies which led to the development of hedge funds and index funds. In 1973, the Black-Scholes Formula was published in the *Journal of Political Economy*. The formula assumes that stock prices follow a “geometric Brownian motion with constant volatility.” In 1973, the Chicago Board of Options Exchange opened options trading, based on the work of Black and others. In 1985, while working for Goldman Sachs, Fisher Black developed the “Black-Derman-Toy” model, which led to the rapid expansion of the derivatives market. Perhaps the most important figure in this circle, however, was neither Black nor Scholes, but their friend and collaborator, Robert Merton. Merton received a Ph.D. in economics from MIT in 1970. In 1973 he published a paper, “The Theory of Rational Options Pricing,” in the *Bell Journal of Economics and Management*. Merton proposed a “stochastic calculus,” which, according to him, allowed the behavior of option prices to be described in the language of classic probability theory. Merton went on to work at Solomon Brothers and to become a managing director at J.P. Morgan. He is often credited with opening the doors at Wall Street firms for finance and mathematics professors. In 1997, Merton and Scholes were awarded the Nobel Prize in Economics.

## What About Reality?

In looking at the players and influences which created the current field of mathematical-finance, we find a remarkable confluence of game theory, information theory, chaos theory, and statistical probability theory. We also find, of course, the earlier paramount influences of Bertrand Russell, Norbert Wiener, and John von Neumann.

For those readers who still can't grasp what is wrong with the ideas of the individuals named above, here's a clue: First off, they simply ignore the real world; and secondly, nothing

they write about or talk about has anything to do with physical economic processes. The methods they use to pump billions of dollars into financial “bets” every day are identical to, and in some cases, directly derived from, the daily activity of gamblers at Las Vegas. It really is simply betting. On the other hand, what the nation produces, the condition of its infrastructure, its energy needs, are of absolutely no concern whatsoever. In *Bringing Down the House*, one of the MIT blackjack students remarks to another, “We're not gambling; this is arbitrage.” That's the mentality.

And, of course, it doesn't work. The whole idea of Thorp, Black, Merton, et al., is to create “risk-free” betting, by coming up with mathematical formulas which will always guarantee a profit. This insane idea, which is derived from a very old gambling method known as **Dutch Book**, is why you hear people say that derivatives have made the financial markets safer and more stable. It's the blind leading the blind. First off, as Mr. LaRouche pointed out in his June 21 address, use of the Black-Scholes and related methods is now universal. They're *all* using the same formulas. Picture what would happen if every blackjack player in a Las Vegas casino was part of the MIT blackjack team, and you should understand what is wrong with that picture. Second, they demand to set their own rules. As even Black and Scholes point out in their 1973 paper, the success of their formula depends on very specific criteria, e.g., a constant flow of cash at a risk-free interest rate (provided in the real world of 2007 by the yen carry trade), no transaction costs or taxes, the possibility to always sell a stock short, etc. In other words, they have constructed an artificial game, supposedly rigged to always win. A fantasy!

We have seen this before: Galileo Galilei (*Concerning an Investigation on Dice*, 1630), Giralamo Cardano (*Book on Games of Chance*, 1633), and Abraham de Moivre (*Doctrine of Chances*, 1718 [dedicated to Isaac Newton]), all examined the idea of using mathematical formulas to win at gambling. Their methods came into widespread use in 17th-Century Amsterdam, with the creation of speculative options trading. The result was the Tulip craze, and the South Sea and John Law bubbles.

In the real world, there are nearly 7 billion human beings, the vast majority of whom live in grinding poverty. The world desperately needs physical economic development, in the form of nuclear power, freshwater development, high-speed mass transit, health care, and industry. The lunatics of “mathematical finance” aren't going to provide any of this. Only the power of sovereign governments, working together, can do it. The hedge funds, the derivative markets, and all of their related betting systems should be shut down, their associated financial obligations wiped off the books, and the banking system should be tightly re-regulated. Once that is done, state-directed credit can be utilized to finance urgently needed physical economic development, and to make the world a better place for human beings.

# Rebuilding FDR's Dedicated Lending System for Housing

by L. Wolfe

## Introduction: The Current Housing Crisis

The United States now finds itself in the midst of the worst crisis in the housing sector since the Great Depression. Sales of all kinds of housing, both new and existing, are falling at rates far greater than they had risen by, at the height of the recent "housing bubble." With sales falling, developers and speculators have been caught holding properties that they can't sell and in some cases may never sell; the mortgages and loans on those properties are now in jeopardy.

Meanwhile, especially in the formerly industrial areas of the country already hit by waves of unemployment triggered by the collapse of the auto sector and the decline in industrial output, families with breadwinners out of work find themselves unable to meet their mortgage payments; such families are being crushed under mountains of debt, from which they had hoped the rising price of their homes would bail them out. In many cases, these families have been victimized by unscrupulous lending practices of mortgage brokers and bankers, who saddled them with high-priced subprime mortgages, often with adjustable rates, the which have shot through the roof.

The financiers and others, who have debt-farmed mortgages, securitizing them and selling them in the global financial casino, have tried to use the very people that they victimized with their mortgage gimmicks to convince Congress that these swindles and the mortgage bubble in general should be bailed out with taxpayer money, ostensibly to save the swindled from foreclosure and homelessness, but also to "save" the banking system. (See box.)

As Democrat Lyndon LaRouche has explained,<sup>1</sup> that banking system and the mortgages, in their present form, cannot be saved, nor should there be any effort to do so. The problem is not really about the ability of the mortgagees to pay, or even the foreclosures, per se. As a byproduct of speculative policies that have collapsed and destroyed the global financial system, and destroyed our basic infrastructure and physical economy, the system that allocated and distributed credit for the good of the nation, to the housing sector—a system de-

signed and created by Franklin Roosevelt—has been perverted and broken apart. No solution to the housing crisis is possible without resurrecting that workable system of dedicated lending for housing, which served the General Welfare, and not the special interests of handfuls of powerful bankers and financiers.

When faced with a similar crisis, FDR knew better than to fall for propaganda or schemes that wouldn't work. As we reported in a previous article,<sup>2</sup> when faced with a real crisis of millions of foreclosures, FDR steadfastly refused to bail out either mortgagees or the mortgage lenders, realizing that this would in no way serve the General Welfare.

What was required was a reorganization of the banking system, not by the bankers, but by the Federal government, and then the regulation of that system to encourage the proper allocation of public credit; and, when the banks either could not or would not allocate credit, especially for new housing and home ownership, FDR created a system of government-regulated, dedicated housing lenders—the Savings and Loans—to do the job. FDR's system worked quite well, until the same financier-led forces destroying our banking system decided that they would loot and destroy that system of dedicated lending, ultimately creating the deregulated mess that exists today.

What is required to deal with the current "foreclosure crisis," and the banking crisis more generally, is to "put the toothpaste back in the tube," as LaRouche has demanded: to go back to FDR's regulated banking system and the system of locally based dedicated lenders to handle mortgages.<sup>3</sup> We again summarize briefly what crisis FDR faced, and then indicate how we can put the "toothpaste back in the tube," if we are willing to ignore the screams of a few bankers along the way.

## The Nature of the Crisis FDR Faced

As FDR took office in March 1933, half of all mortgages were threatened by foreclosure, and nearly one-third were in

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1. See the transcript of Lyndon LaRouche's June 21 international webcast, "LaRouche Takes on BAE: The World's Biggest Loose End," *EIR*, June 29, 2007.

2. L. Wolfe, "Lessons From FDR's Handling of the Housing Crisis," *EIR*, March 30, 2007.

3. *Ibid.*

## Whose 'Foreclosure Crisis'?

"Reliable" real estate industry sources, such as RealtyTrac, report that there will be well over 1 million foreclosures by year's end.

But why should we place our faith in reports that come from the misnamed real estate "industry" and mortgage brokers and bankers who created this crisis in the first place? Rather than focus on the numbers from highly suspect sources, it were better to ask some questions: "Exactly who is it that is being foreclosed on?" "Who would benefit from a bailout of troubled mortgages?"

EIR's sources in the mortgage sector tell us that the majority of the homes being foreclosed on, by far, are not *owner-occupied properties*, but homes owned by speculators or developers, who find themselves holding properties against which they have over-borrowed and are now unable to flip for a profit. These speculators are on the rampage—to save their own hides.

In some cases, such as in upscale communities in California and Florida, speculators bought over-priced vacation or "second" homes in markets that are now "ice cold." In places such as Loudoun County, Va., in the formerly "white hot" suburbs of Washington, D.C.—an area that was con-

sidered a gold-plated, "can't miss" market for speculators—investors now find themselves up against a glut of other high-priced real estate garbage, with new additions to the glut coming on line daily. Ironically, many of these formerly non-credit-risk developers and speculators were stupid enough to go for exotic loans, including subprime jumbos, looking for big returns, under the delusion that the homes would still sell for a profit. Now, they are trapped with high-dollar mortgages coming due on properties that can't be sold.

The developers and the speculators are now bailing out, willing to take hits on their credit. In so doing, they dump these toxic properties on the banks, which, in most cases, hold on to them, rather than sell them at auction. As one banker explained, the banks do this out of fear that mass fire sales would trigger a total price collapse.

This is the reality of the crisis. The numbers from the various real estate sources on foreclosures are primarily lying propaganda, concealing what is happening while feeding calls for a government bailout to take those toxic mortgages off the books of the banks—a bailout process of speculation itself, financed with taxpayer money.

—L. Wolfe

the foreclosure process.<sup>4</sup> The problem, as FDR saw it, was not merely the distress of the mortgagees, but that the entire system by which housing was financed had broken down.

The 1920s was a period of real growth in the physical economy of the United States, driven largely by the expansion of the auto sector and related industrial growth. This in turn produced demand for housing, especially for the families of the growing industrial workforce, building up communities in the industrial heartland, as well as the close-in suburbs.<sup>5</sup>

Until 1927, this housing growth and homeowner mortgages were primarily financed by community-based Savings and Loans (or Building and Loans, as they were called in many places), whose asset base was dependent on savings deposits of those same people who applied for the loans. As they were structured and chartered, the S&Ls were, in reality, banking cooperatives, in which these depositors (and mortgagees) were the effective owners; their success (or failure)

depended very much on the decisions made by the local bank officers and the banks' community boards.

The S&Ls, whose charters forbade them from selling or trading in mortgages, were what are called *dedicated lenders*, whose credit allocation is based primarily on loans to the local community, especially for housing.

The "Roaring '20s" were also a period of speculative frenzy, where even the smallest investor fell prey to "get rich quick" schemes and speculative investments, made with borrowed money that was often dependent on future growth of their asset values, the which, in most cases, meant the appreciation of their homes.<sup>6</sup> Then, as has taken place in the recent decade, with the influx of huge sums of money from large banks and other Wall Street-linked "investors," a housing asset bubble was pumped up.

The bubble pumping really took off in 1927, when the Coolidge Administration lifted the ban on state- and Federally chartered commercial banks issuing mortgages. These banks began issuing mortgages and loans at a feverish pace, pushing up the price of housing. Since these predators had no real roots in local communities, and were only interested in their profits,

4. Thomas Marvell, *The Federal Home Loan Bank Board* (New York: Praeger, 1969).

5. For an excellent discussion of the culture and contradictions of the 1920s, see Frederick Lewis Allen, *Only Yesterday* (New York: Harper & Brothers, York, 1931).

6. *Ibid*



EIRNS/Stuart Lewis

Residential foreclosures are on the rise, including in upscale Loudoun County, Va. (shown here). The only real solution to the crisis is a reorganized banking system.

they could afford to “cherry pick” among borrowers, taking the best prospects away from the S&Ls, which were left with the riskier loans.

When the Coolidge-Hoover financial bubble burst in 1929, the housing sector quickly imploded. Most mortgages were issued with five- or ten-year maturities, at interest rates of 8% or higher. With people thrown out of work, they could no longer make the payments; when mortgages came due, they couldn’t qualify for refinancing. The speculators and developers suddenly found themselves with properties whose values were plummeting in the deflation, and which couldn’t be sold at prices that would clear their mortgages.

The commercial banks, which had gobbled up more than half the mortgage market, pulled out. That left the S&Ls to absorb the major losses. For a while, especially in more rural areas, they tried to postpone foreclosing on mortgages, realizing that this would destroy their deposit base. Over time, as conditions under President Hoover got much worse, these community bankers, faced with lack of operating capital, first were forced to “eat their own” and foreclose on their depositors, and then, when they still were unable to obtain

needed capital, started shutting their doors. In 1929, there were more than 16,000 S&Ls serving communities around the nation; by 1932, more than 1,700 closed, with 5,000 ready to do shut their doors in the first months of 1933. By the start of that year, mortgage lending, the engine of homeownership and the housing market, had virtually ceased, with the number of new loan originations *throughout the nation at less than 1,000.*<sup>7</sup>

## What FDR Did

FDR realized that no nation could survive for long in this situation. However, this problem could not be solved by simple actions that failed to deal with the fundamental problem—that the national system by which credit was allocated for housing construction and mortgages had broken down. Nor could a *credit crisis* be solved by a legally dubious Federal moratorium on foreclosures, as many populists had proposed. Roosevelt never backed such a measure.<sup>8</sup>

Instead, the new President and his advisors developed a multi-faceted approach, anchored in the premise that any housing problem is *essentially a problem of banking and credit*. There was only one way to deal with a banking problem that was national in scope: The Federal government had to take control of the banking system and reorganize it so that it could once again allocate credit. Therefore, the first steps in solving the foreclosure crisis took place the night that FDR became President, when, in declaring a national economic emergency, he invoked his Constitutional powers to take emergency control of the banking system and declare a Federal “Bank Holiday.”<sup>9</sup> As Roosevelt was to explain to the nation in a radio address, this was not intended to shut the banks, so much as to make sure that they could reopen with people having faith that their money was safe and that the banks would continue to do business.

Government examiners went into the banks and looked at their books, under orders to work things out wherever possible to keep the banks functioning, to write down bad loans and debts, and to see what cash would be necessary to let the banks operate; the Federal Reserve was instructed to facilitate this. In so doing, the examiners effectively halted all

7. Marvell, *op cit*.

8. Wolfe, *op cit*. FDR correctly saw the idea of foreclosure moratoria as avoiding the real problem—the need for the Federal government to reorganize the banking system so as to make sure that credit was allocated for mortgages and housing construction. He was also worried about the tendency among many populists who advocated the moratoria to view all bankers as the enemy, without any distinction. Roosevelt realized that while financiers and Wall Street bankers were a problem, no credit distribution system would work without “community bankers,” most of whom had been forced into implementing foreclosures.

9. Although the Executive clearly had the power to implement, on its own, a bank holiday, FDR quickly had his actions ratified by a more than willing Congress, so as to place the full weight of the government behind his banking reorganization.

foreclosures, reworking mortgages at values appropriate to current market conditions, at longer terms, and at lower interest rates.

In June 1933, FDR put into effect the next prong of his attack on the problem. He took an existing Federal agency that had been created by Hoover and his financier controller Andrew Mellon to bail out the banks, the Federal Home Loan Bank Board (FHLBB), and redefined its mission as to steer new credit into the housing sector and help homeowners secure new mortgages and refinance existing ones.

Through the Home Owners Loan Act, FDR created a new agency, to operate under the FHLBB, the Home Owners Loan Corporation (HOLC), and authorized it to use \$2 billion in public credit to purchase delinquent loans from the S&Ls, most of which were still under Federal supervision. If that were all the HOLC did, then it really wouldn't be more than the agency administering a bailout for the banks; but, again on orders of the President and his advisors, the agency was told now to offer direct aid to homeowners, many of whom the bankers would have cut off from credit. The new agency offered 20- and 30-year mortgages, at rates lower than the homeowners' previous mortgages, with highly flexible initial payment terms; if necessary, the HOLC loaned homeowners cash to help deal with family crises, also over the long term and at favorable interest rates. Every loan was handled by the HOLC on an individual basis, with its agents often making personal visits and helping clients to reorganize their lives, including helping them find work, often in a government-sponsored program.<sup>10</sup>

Within one year, the HOLC, which was allocated \$200 million from Congress, along with a \$2 billion bond issuance limit, had issued loans to 20% of all mortgage holders; by 1936 it had issued more than 1 million mortgages valued at more than \$1 billion. Despite the cries from Wall Street about the HOLC's "unsound" lending practices, its loans had a minimal failure rate, one better than or equal to the loans issued by commercial banks to their "prime" customers.<sup>11</sup>

But the HOLC, as well as the government's actions during the Bank Holiday, had only stabilized a dire situation; they could not be substituted for a credit delivery system for the housing sector. For this, FDR turned to the re-creation of a system of dedicated lenders, with the S&Ls as the cornerstone for that system. This required government regulation and guidance to protect this system from the predatory practices of Wall Street, while making its lending practices viable for S&L operators. For such a system to work, it must be community-based, in which wide discretion is given to bankers and loan officers who know both their customers and the communities they live in; in the end, successful banking rests

10. Kristen Crossney and David Bartlett, "The Legacy of the Home Owners Loan Corporation," in *Housing Policy Debate 16*, Fannie Mae Foundation, 2005.

11. *Ibid.*

on the judgment of such individuals and their understanding that their depositors' interests are best served by lending that leads to a productive local economy over the long term, rather than for short-term cash profits, for either banks or individuals.<sup>12</sup>

With this in mind, FDR and his advisors gave insurance to the S&Ls for their deposits, provided protection against Wall Street and commercial banks' takeover of local lending and the mortgage market, as well as regulating interest rates that could be offered depositors, giving an advantage to "savings" banks over commercial banks. In addition, rather than placing commercial banks and S&Ls in the same "pot," and having the Fed serve as their rediscounter and clearing their paper, FDR and his Federal Reserve chief, Marriner Eccles, kept the S&Ls outside the Federal Reserve System, using branches of a Federal Home Loan Bank, administered by the FHLBB and Treasury, to perform the rediscounting and clearing functions.

Eccles, in particular, as a former community banker, realized that it were impossible to merely issue mortgages against deposits, especially if they were for a long term, without severely limiting the capital that was available for new lending.<sup>13</sup> Such a closed system would die the equivalent of a "heat death," and the community it served would suffer a credit slowdown or even shutoff. Both FDR and Eccles sought to prevent turning mortgages into instruments of "debt farming," refusing to allow banks to resell them.

The HOLC, in its purchase of loans from the S&Ls, served as a "closed loop" discounter, which in turn was prevented from speculating in those mortgages. But as an emergency body, the HOLC had a limited lifespan and capital; something more permanent was clearly needed. FDR and Eccles had hoped and even urged the private banking sector to establish its own agency to re-lend to the S&Ls by purchas-

12. FDR shared this understanding of the role of banks in the community and economy with America's first Treasury Secretary, Alexander Hamilton. While FDR lacked the depth of understanding of Hamilton's seminal works that are foundation of the American System of political economy, he, like Hamilton, identified that such a system must at all times serve the General Welfare, and that this principle, and not a drive towards monetary profit, must guide all policy, banking and credit policies included.

13. Eccles was chosen by FDR to head the Fed precisely because he was *not* a Wall Street banker. He had been an industrialist and had run a network of community-based banks in the West. Eccles had seen the indifference of the large commercial banks, and Wall Street generally, to the plight of the average American, as such bankers pursued policies that led to their great monetary profit while destroying farms, industry, and community alike. As Fed chairman, he saw himself as serving the interests of those people forgotten and discarded by Wall Street, and restoring the power of government to guide credit and other monetary policies in the interest of the General Welfare. Community-based banking was essential to this mission. Eccles saw in FDR a like-thinking leader who was willing to fight to protect banking from the worst impulses of those who had become too powerful for their own good. See Marriner S. Eccles, *Beckoning Frontiers* (New York: Alfred A. Knopf, 1951).

ing and holding their mortgages. Wall Street and the commercial banks would never accept, however, any restriction on their right to speculate with mortgage paper. By 1938, with the capital needs of the S&Ls growing, FDR could wait no longer, and along with Eccles, he created Federal National Mortgage Administration, or as it is more commonly known, Fannie Mae. It is important to note that Fannie Mae was supposed to be the end point for the mortgages that it purchased, collecting on them as due; it was not supposed to market them to other banks, except under specific, limited circumstances, and it was never supposed to be allowed to bundle its mortgages for resale, or even worse, to market the bundled mortgages as securities or to purchase mortgage-backed securities, as it does today.<sup>14</sup>

With the creation of Fannie Mae, FDR's "closed loop," dedicated credit stream for the housing sector was complete. As **Figure 1** indicates, this dedicated lender credit system poured billions of dollars into the housing market, producing a spectacular 30-year growth in home ownership, while keeping prices relatively stable, and the market insulated from the worst ravages of speculation.

### Knocking Out the Pillars

Thus, there were three pillars to FDR's system of dedicated lending for housing:

1. Protection of the S&Ls from the predatory lenders of the commercial banks and similar debt-farming institutions, through government regulation; this included giving the S&Ls an advantage in attracting deposits through preferential interest rates.<sup>15</sup>

2. Keeping the lending system "closed" by refusing to allow the resale of mortgages to anyone but Fannie Mae; this prevented the debt-farming of mortgages in the so-called "open market."

3. Keeping the system locally based, with decision-making in the hands of members of the same community as the mortgage applicants; at the same time, government mortgage and deposit insurance programs "backstopped" these local decisions, by making sure that limited errors in judgment would not destroy institutions.

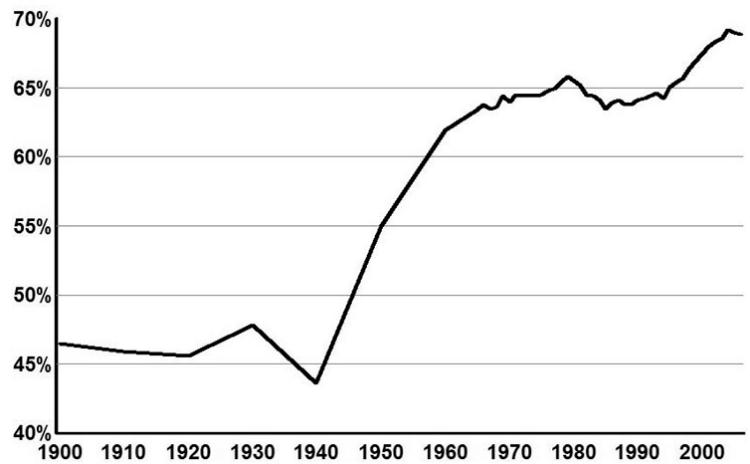
In destroying the system, the Wall Street crowd and their stooges in Congress, knocked out each of these pillars.<sup>16</sup>

14. "Government Sponsorship of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation" (Washington, D.C.: U.S. Treasury, 1996).

15. "Regulation Q" forbade the commercial banks from offering interest or premiums on demand deposits. This provided the S&Ls with a clear advantage in attracting such accounts. It remains on the books, but through increasingly bizarre interpretations, it is now virtually meaningless and certainly unenforced.

16. For more detail on this assault, see Wolfe, *op cit*.

FIGURE 1  
U.S. Home Ownership Rate, 1900-2006



Source: U.S. Census Bureau

First came the moves to break open the dedicated lender "closed loop." It started with the Johnson Administration in the mid-1960s, when the Comptroller General required that the scores of billions of dollars in mortgages held by Fannie Mae be counted as an expense and liability of the government, rather than as an asset, as had been done since FDR's time. This paved the way for Wall Street to have Fannie Mae spun off from the government, and deregulated, allowed to lend to anyone rather than just the S&Ls; this placed Fannie Mae in competition with the institutions it had been created to serve.

Next came the Milton Friedman-led Nixon Administration's creation of a new mortgage relending institution, also without real regulation, the Federal Home Loan Mortgage Corporation or "Freddie Mac." Friedman's new wrinkle was that "Freddie" would be allowed to resell the loans it purchased on the open markets. By the 1990s, any commercial bank or mortgage lender was allowed to issue its own mortgage-backed securities, and sell them to any buyer.<sup>17</sup>

The death blow for the S&Ls as dedicated lenders came at the end of the Carter Administration, with the passage in 1980 of the Depository Institutions Deregulation and Monetary Control Act, which laid out a timeline for the total deregulation of the banking system. In specific, the act eliminated controls on interest rate charges, while trying to induce the S&Ls to become "regular" banks, allowing them to take checking accounts. During the Clinton Administra-

17. While the ability to sell mortgages already existed, it was former Fed chairman Alan Greenspan who unleashed the frenzy that continues to this day in the sale of "mortgage-backed securities" and similar paper, by allowing their rediscounting through the Fed. See Richard Freeman, "U.S. Mortgage Crisis Can Trigger Collapse of Global Casino," *EIR*, March 23, 2007.

tion, the last vestiges of FDR's regulatory control system were removed, including all restraints on interstate banking.

By then, the dedicated lending system had become "road kill," with its scraps looted by Wall Street predators and commercial banks.<sup>18</sup>

### Putting It Back in the Tube

As a byproduct of their vendetta against FDR's banking regulation, the Wall Street crowd and their stooges and dupes in the government and Congress had destroyed a credit distribution system that had served the interests of the nation well, for 50 years. As the orgy of speculation and financial lunacy that replaced this system careens towards a breakdown, the same people who have brought on this crisis now scream through such press sewers as the *Wall Street Journal*, that we can't go back to what worked, that we must remain on our deregulated course straight to financial hell.

There is no way to solve this current crisis, and preserve our national institutions and restore our economy, without going back to FDR's system of nationally regulated banking and credit distribution, including the re-creation of a government-regulated "closed loop" system of dedicated lending for housing. For those who have trouble seeing how to "put the toothpaste back in the tube," we provide in brief outline, step by step, a pathway back to financial sanity in the housing sector.

1. There should be a declaration of national economic emergency, preferably by our Executive, but failing that, by the Congress, which authorizes the Federal government to take control of the Federal Reserve System and all other credit distributing institutions.<sup>19</sup>

2. All mortgage-backed securities and related collateralized debt obligations (CDOs) shall be wiped off the books of banks and other lending institutions, including Fannie Mae and Freddie Mac; no payments shall be made on these, and their issuance shall henceforth be strictly prohibited.

3. As part of this overall banking reorganization, it shall be determined which mortgages are in distress, examining as well, which dwellings are owner-occupied and which are not. All foreclosure proceedings shall immediately cease.

4. Bank examiners, drawing upon people in local communities, including those that will inspect properties, shall write down mortgages to what are real and deflated mortgage values, adjusting interest rates downward as well, while adjusting all mortgages to long-term (30 years or more); all adjustable rate mortgages will be so converted.

5. Congress shall authorize a regulated Fannie Mae to act as did the Home Owners Loan Corporation, authorizing its

government-backed recapitalization at sufficient levels to purchase from banks and other institutions these rewritten mortgages for all owner-occupied housing (the bank examiners may offer rewritten mortgages to non-owner-occupied properties at a higher interest rate).

6. Properties that have been foreclosed on will be re-offered to their former owners with mortgages at reduced amounts and rates for those formerly occupied, and at higher amounts and rates for those that were not owner-occupied; Fannie Mae will supervise the resale of any remaining foreclosed properties.

6. Fannie Mae will be authorized to provide bridge loans at nominal interest rates for homeowners who are occupying their properties, but who are in financial distress; the loans will be at low interest rates, with the intent of keeping families together; later, S&Ls will be instructed to do the same.

7. As part of the banking reorganization, the FHLBB shall establish a Federal Home Loan Bank in communities across the nation; in some cases, the FHLB may be an existing bank or S&L; in other cases, it will be a newly created bank; in all cases, the bank will be locally run, with a community loan board. Such banks will be Federally chartered, with sufficient initial lending capital provided by the Fed and the Treasury; their deposits will be insured by the Federal Saving and Loan Insurance Corporation (FSLIC); the banks will be restricted to taking in deposits and issuing mortgages and loans at nominal interest charges to the local community for the purpose of housing; all such lending will be long-term (for 30 years or more), at fixed rates, to be set by the FHLBB.

8. Fannie Mae will redistribute loans and mortgages it might hold in local communities to these community-based banks, which loans shall be considered as assets of the local bank. Fannie Mae will, from time to time, purchase loans and mortgages from such local institutions to replenish its capital stock; the banks and Fannie Mae will be otherwise prohibited from reselling such loans and mortgages. Freddie Mac will do the same in redistributing its mortgage to the local banks.

9. Predatory mortgage brokers and lenders, such as Countrywide, Ditech, and Quicken, will cease issuing mortgages and will be barred from selling their existing mortgages; they will be allowed to continue to collect on mortgages that have been written down, or make arrangements to have Fannie Mae take them off their hands, at a discounted price; such mortgages will then be reallocated, where appropriate, to Federal Home Loan Banks.

10. Commercial banks, such as Citigroup and its mortgage-lending arms, will be similarly banned from issuing new mortgages or from taking interest-bearing deposits, with "Regulation Q" fully enforced; their mortgages may be dealt with as with those of mortgage brokers, as indicated above.

None of these measures can work without a Federally di-

18. The Resolution Trust Corporation (RTC), the agency created by the Reagan Administration and Congress to "save" the S&L industry, used taxpayer monies to make most of those banks ready for the "slaughter," facilitating their sale to commercial banks.

19. LaRouche, *op cit*.

## Resolutions To Deal With Housing Crisis

*The LaRouche Youth Movement (LYM) has presented resolutions on how to deal with the housing crisis, to Democratic Party bodies in several states during the past few months. The first one was put forward by Ardena Clark, 43rd Assembly District, and a member of the Franklin Roosevelt Legacy Democratic Club. It was adopted by the Los Angeles County Democratic Central Committee on July 9, 2007. It must next be taken up by the state Democratic Party Executive Board. The second resolution was adopted by the Massachusetts State Democratic Convention on May 19, 2007.*

### Los Angeles

*Whereas, keeping people in their homes and preventing predatory lending practices are values long supported by the Democratic Party, and are present in the rights established in the General Welfare clause in the Preamble of our Constitution;*

*Whereas, the projected number of foreclosures in 2007 is up to 2 million homes (John Burns Real Estate Consulting, May 22, 2007), many due to unethical lending practices; and*

*Whereas, the collapse of hedge funds, e.g., Bear Stearns, heavily invested in subprime mortgages threatens to set off a chain reaction collapse of the mortgage-backed securities (MBS) and collateralized debt obligations (CDO) markets, jeopardizing many national programs such as student loans and pensions, causing ultimately, the blowout of the global monetary and financial system.*

*Therefore be it resolved, that the California Congressional delegation lead the way in creating governmental institutions whose purpose is to direct credit to keep people in their homes in a manner similar to Roosevelt's Home Owner's Loan Corporation.*

*Be it further resolved, that the California Congressional delegation introduce legislation that would prevent and/or mitigate against a global financial crisis.*

### Massachusetts

*Whereas, there are projections of up to 2 million families in danger of losing their homes in the near term because of foreclosure, with thousands of these in Massachusetts, due to false over-inflation of housing prices, and predatory loan practices which saddled families with unpayable mortgages;*

*Whereas, because of changes in law in the 1970s and 1980s, mortgage loans were allowed to become a financial instrument (mortgage-backed securities—MBSs) to be sold and traded on the markets, and the current popping of the speculative bubble of MBSs is rapidly bankrupting hedge funds and companies such as New Century Financial and GMAC;*

*Whereas, because of these bankruptcies, pensions and municipal health-care funds, which have been invested into these financial corporations are threatened with being wiped out, as well as the assets of major U.S. banks which have up to 50% of their assets tied up in these MBSs, putting the entire banking system at risk;*

*Whereas, the Preamble of the Constitution demands that the government put the General Welfare of the population before the rights of financial entities to collect debt;*

*Therefore, be it resolved, that the Democratic Party of the Commonwealth of Massachusetts calls on our delegation to the federal Congress to act as Franklin D. Roosevelt did in dealing with the housing crisis in the 1930s. We call on our Congressional delegation to introduce emergency measures which would immediately freeze the current debt and mortgage obligations, as well as the chain of financial instruments built upon them, until such obligations can be sorted out and reorganized in the context of a larger bankruptcy reorganization of the U.S. banking system, while placing a moratorium on foreclosures to keep the homeowners in their houses and prevent mass homelessness of thousands of American families in the near term.*

rected program, as proposed by LaRouche, to rebuild the nation's infrastructure and revive our collapsed physical economy, financed through low-interest government-directed credit.<sup>20</sup> Housing is a component of that program, if it is built, not for speculation, but to meet the real needs of families; despite the glut of speculatively built housing, in such places as upscale Loudoun County, Va., there is a physical deficit in housing for middle class and poor Americans, who remain trapped in decay-

20. *Ibid.*

ing cities and suburban slums.<sup>21</sup> A community-based dedicated lending system can help solve that problem as well.

There can be little doubt that a such a program will be unpopular with Wall Street. But, as LaRouche has demanded, it is about time that we put the interests of the nation and its people ahead of the interests of wealthy financiers, both on this side of the Atlantic and in London, who have placed us on our current path toward economic doom.

21. Freeman, *op cit.*

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## Movies

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# 'Sicko': Effective, But Falls Short

by Patricia Salisbury

Filmmaker Michael Moore's "Sicko" is now showing at movie theaters around the country, after a highly political June 29 premiere, where activist doctors and nurses attended showings around the country to attest to the truth of the picture Moore paints of the collapsed state of health care in the United States, and the role of the HMOs in denying needed medical services. Moore had also held a joint press conference with Rep. John Conyers (D-Mich.) on June 20, where the two announced an escalated mobilization around Conyers' legislation for universal single-payer health-care, H.R. 676, also known as "Medicare for All." A pre-screening of the film for members of Congress took place the same day. At the press conference Conyers expressed his view that Moore's film would promote his legislation throughout the country and in the Congress. (See *EIR*, July 6, 2007, for more on the Moore-Conyers collaboration in support of universal health care.)

In the film, Moore presents vivid and powerful anecdotes and case studies, starting with footage of a man sewing up his own wounded leg after an accident, because he could not afford the medical treatment. Additional grim footage depicts an elderly couple who have health insurance, but are forced to move into their daughter's junk-filled spare room, because they cannot afford both to pay for the medications they need, and keep their home.

In one very controversial segment, Moore takes a group of emergency workers who volunteered their time at Ground Zero, during and after the 9/11 attacks, as a result of which they suffered respiratory and other ailments, to the Guantanamo Bay Naval Station and then on to Havana by boat. These heroes of 9/11, Moore reports, have been denied treatment in the United States because they were not official government employees, but instead had volunteered their services to aid in the national emergency. Dramatic footage shows the boat being turned away from the Guantanamo Bay medical facility; Moore points out that this is the one place on U.S. soil where universal, government-funded health care is provided, in this case, to the suspected enemy combatants who are incarcerated there. Moore then takes his passengers to Havana, where they are checked into Havana Hospital under Cuba's public health-care system, and receive extensive testing and medical care, free of charge.



*Michael Moore's documentary "Sicko" presents a powerful indictment of the U.S. health-care system, but fails to identify the collapse of the physical economy as its cause. Moore is shown here with 9/11 emergency workers, who attempt to get medical treatment at Guantanamo Bay, Cuba.*

### Not Just the Uninsured

Moore emphatically makes the point that it is not just the uninsured who are denied health care in the United States, but that the profit-driven HMO system attempts to provide as little medical service as possible to its policy-holders; this argument lends support to the provision in Conyers bill that calls for abolishing the HMOs altogether.

Moore's polemic is bolstered by video footage of a 1971 meeting between then-President Richard Nixon and advisor John Ehrlichman, of Watergate notoriety, in which Ehrlichman convinces Nixon that there is a new form of health insurance (HMOs) which represents a great way for the insurance companies to rake in huge profits, by denying coverage. In the course of the film, a number of health-care professionals testify that their jobs require them to figure out every possible way to deny benefits to policy-holders, and that the entire system is based on assuming that care will be denied.

This system is contrasted with those in Great Britain, France, and Canada, where health care is publicly funded and essentially free. While Moore makes an important point about the need for universal single-payer health care in the United States, he is entirely uncritical of the health-delivery systems of these countries, and seemingly unaware that they too are being wrecked by the collapse of the world economy.

Another area of reality entirely ignored by Moore is the destruction of the health infrastructure of the United States, built up after World War II under the Hill-Burton legislation, which required an adequate number of hospital beds and health-care professionals per thousand population, in any given county. Moore's ironic and polemical style would be well-suited to a case study treating the destruction and 2001 closing of D.C. General Hospital, the last remaining public hospital in Washington D.C., and the deterioration of health care in the nation's capital since then, symptomatic of the decline in health infrastructure throughout the nation. Perhaps Moore should begin work on "Sicko II" and finish the job.

# Business Briefs

## Real Estate

### Bernanke Sees \$100 Billion Losses in Mortgage Bubble

Federal Reserve Chairman Ben Bernanke—who was warned a month ago by *EIR* that the mortgage meltdown was “much worse than he thinks”—estimated in Congressional testimony, that there will be \$100 billion in hedge fund and bank losses in the mortgage bubble that his predecessor Alan Greenspan largely created. Bernanke testified before the Senate Banking Committee on July 19.

Bernanke’s public estimate is well down on the low end of bank and real estate analysts’ estimates of these losses, and even Standard & Poors’ forecast, in a July 14 report, that the losses will be in the \$400-500 billion range. Hedging his bets that the subprime mortgage losses might go higher, Bernanke added, “A lot of the subprime mortgage paper is not as good as was thought originally,” as he notified the Senators that he is now working with some banks to assess the value of their mortgage assets, such as collateralized debt obligations (CDOs)—pools of bonds backed by subprime home loans.

The Fed chairman was careful not to leave any room for speculation that he might cut short-term interest rates in response to the accelerating collapse of the mortgage bubble. In fact, he can’t lower them because the U.S. dollar is sinking, and the yen carry trade could be rapidly “unwound” by U.S. interest rate cuts, worsening the market crisis.

## Hedge Funds

### Why Locust Funds Are Leaving Germany

Both Germany and Denmark have recently passed new tax laws intended to clamp down on leveraged takeovers of companies by private equity and hedge funds. The German law is the tougher one, and reveals what was behind the fight over regulating hedge funds at the June G-8 Summit in Heiligendamm.

A German economist told *EIR* that the new law, which took effect July 1, slightly

lowers the overall corporate tax rate, but makes it apply to corporate income before deduction of debt interest expenses, with the exception of only a maximum of 30% of such expenses. And it makes a corporation report all financing it has received, including foreign financing, for tax purposes.

This is anathema to the takeover funds, or financial locusts, because they make their takeovers work by borrowing huge amounts of leveraged debt, putting that debt on the books of the target company, and then deducting the large interest charges from the new entities’ taxable income, resulting in their paying no taxes. These funds also locate parts of the target firm offshore, including the patent-holding division, to which royalty income is paid, allowing that income to escape taxation. The new law also puts an end to this practice.

The economist confirmed reports from other sources that big hedge funds were starting to flee Germany.

A Danish government tax expert described the new Danish law, which passed on April 1, but takes effect beginning Jan. 1, 2008. The Danish law mirrors that of Germany, although it is not quite as tough. It allows 45% of interest expenses of a new corporation to be deducted from taxable income, but only up to 6.5% of the total tax base of the corporation’s assets. It does not allow fees and commissions (typically to the locust funds or their banks) to be deducted, another common takeover scam. And it taxes all patent royalty income at 12.5%, no matter where it is generated or paid.

Some U.S. Congressional offices are studying these laws as potential models for dealing with the private equity and hedge funds there.

## Agriculture

### Biofuels Bubble Starving The Neediest Nations

Sharp increases in the prices of certain key food commodities, caused by diversion of food supplies and land to the “biofuels bubble,” are now hitting food aid to the world’s neediest nations, says the United Nations World Food Program (WFP). In an interview in the July 16 *Fi-*

*nancial Times*, WFP director Josette Sheeran said that food cost increases “mean we are now able to reach far less people” with a total amount of food aid which, at \$600 million annually, hasn’t changed since 2000.

WFP purchasing costs for all types of food have risen 50% in five years. Sheeran said the program will be forced to ask donor countries to provide more food and money, an appeal which may fail. Citing Uganda as one nation in which food aid programs had to be cut back because of the maize and cereal price increases, Sheeran said, “We face the tightest agriculture markets in decades, and, in some cases, the tightest ever on record.”

Global wheat stocks are at their lowest levels in 25 years, during which the world’s population has grown by 60%, according to the U.S. Department of Agriculture. In the United States, 30% of corn production is being diverted to biofuels.

## Food Prices

### First Tortilla Riots, And Now Pasta?

Earlier this year, riots broke out in Mexico over a surge in the price of tortilla flour. Now, the Association of Italian Pasta Producers (Unipi) has announced that, as a result of biofuel production, a package of spaghetti will cost 20% more in September. De Cecco, the number one quality producer, has already increased its prices by 10%, and Barilla, the largest pasta producer, will do the same.

Producers are adjusting prices to durum wheat, whose prices have risen 50% in six weeks on the international markets, as farmers have shifted from wheat to corn because of the higher profitability of biofuel products.

As hedge funds speculate on maize, driving up prices, all consumer sectors will be affected. Gian Domenico Auricchio, chairman of the Association of Italian Food Producers, reported increases in production costs of 20% for eggs, 50% for butter, and 20-40% for meat. Reporting on the situation, the Italian daily *La Repubblica*, noted a U.S. study that calculated that biofuel production will cause the doubling of starvation figures in the world.

# Briefly

## European Finance

### Italian Ministers Support France on Maastricht Veto

Two former Italian economic ministers have supported the French government's right to override the restrictions on national spending, which were imposed by the European Union Treaty signed at Maastricht in 1992, and in subsequent amendments.

Giulio Tremonti, former Finance Minister with the Berlusconi government and Paolo Savona, former Industry Minister with the first Prodi government, independently announced support for the French government's right to override the European Currency Board and European Union Commission on matters of currency and budget.

The two interventions do not address the austerity measures promoted by the French government of Nicolas Sarkozy, but limit themselves to asserting national sovereignty. In this limited sense, they are correct and are an expression of the unavoidable crisis affecting the supranational European Union bankers' government.

## Manufacturing

### Russian Production Rising Rapidly

Industrial production is rising rapidly in Russia this year, according to figures published in by the Russian governmental statistics agency, Rosstat. Russia's manufacturing index was 7.7% higher in the first half of 2007 as compared with 2006, a rate of growth which Russia has not achieved since Rosstat began recording economic developments. *Kommersant* newspaper reported July 19. Growth rates from 2005 to 2006 were half the current rate.

Most important is the fast growth in manufacturing industry, which rose a record 15.6% in June alone, and 12.2% in the first half of 2007. Construction materials are a key part of this.

*Kommersant* reported from discussions with energy sector experts, that the highest

growth rates were in energy produced by steam and hydraulic turbines. These experts were quoted as saying that the increase is directly linked to "the beginning of the realization of a large-scale investment program in electrical energy."

## Nuclear Power

### Japan's Reactor Withstands Earthquake

The seven-unit Kashiwazaki nuclear plant, the world's largest in output, withstood the 6.8 magnitude earthquake July 16, while the surrounding area was severely damaged, and ten people killed.

The Kashiwazaki units shut down automatically, as part of their anti-quake safety routine. There was a small fire at an electrical transformer at one of the units, which was extinguished. A leak of water from a tank at one unit produced screaming press headlines about a "radioactive leak," but the water is radioactive at 1 billionth of the allowable level. Some drums containing low-level waste products were overturned in the quake, but TEPCO (Tokyo Electric Power Company) reported no radioactivity leak to the environment.

Nuclear power provides 30% of Japan's electricity, and there are plans to increase this percentage and pursue fast breeder reactors as the standard next-generation plant. Its nuclear program has long been the target of anti-nuclear groups, which have used every possible occasion to sow fear, this earthquake being no exception.

Japan's 55 nuclear plants are earthquake-hardened because the country sits in an quake zone. The government is now reviewing the earthquake standards of its non-nuclear equipment, such as electrical transformers, to bring them up to the quake-resistance of the reactor cores.

Kashiwazaki is 160 miles northwest of Tokyo, and is operated by TEPCO. Five of the nuclear plants are conventional boiling water reactors, and the two most recent units, built by General Electric, are advanced boiling water designs, at 1,350 megawatts each.

**BUBBLES** in Paris: American tourists in Europe are being surprised by higher costs due to the decline of the dollar against the euro, reported the *New York Times* July 18. Among the vignettes related, was that of a couple in Paris, who paid 9.5 euros for a can of Coca Cola, and found that their hotel was selling a single glass of Coke for 4 euros, which translates to about \$5.52, at current exchange rates.

**SOUTH KOREA** has a 30-year plan to become a global leader in nuclear fusion power, Yonhap news service reported July 18, in coverage of the Ministry of Science and Technology's announcement of a three-stage funding plan for nuclear fusion energy.

**JAPAN** is "very interested" in a project to construct a high-speed rail line from Boryspil airport to Kiev, Ukrainian Transport and Communications Minister Mykolya Rudkovsky said. Rudkovsky was in Japan July 8-13, and met with officials of the Foreign Ministry there.

**A BRIDGE** connecting Yemen, on the southern tip of the Arab peninsula, with Djibouti on the African mainland, is proceeding with design and construction, according to *EngineeringNewsRecord.com*. The Middle East Development LLC is overseeing the project, which will be carried out by the newly formed Noor City Development Corp. of California. The bridge will cross the Gulf of Aden at the southern end of the Red Sea, and is being promoted as the longest bridge in the world, at 18 miles.

**SIEMENS** and Russian Railways held a ceremony in Krefeld, Germany July 19, to mark the production of a new generation of high-speed trains called "Velaro Rus," which are specially designed for the technological and natural conditions in Russia, including Russian wide-gauge track, Interfax reported. These are the first high-speed rail lines in Russia, and will begin operating this year.

RETORT TO THE NEW YORK TIMES

## Music: Science Or Fantasy?

by Lyndon H. LaRouche, Jr.

July 3, 2007

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About five decades ago, in the course of a not untypical case from my past career as a management consultant, an associate and I discovered conclusive proof of a relatively significant industrial theft by insiders, by attention to a kind of “purloined letter.” The relevant evidence was a large deposit in plain sight, but, like most stolen objects, was in plain sight where one should have suspected it to be: outside the firm being audited, in a not distant junkyard. Now, similarly, seemingly trivial clues, such as a seemingly routine book review by the *New York Times*’ Edward Rotstein, may attract the attention of the witting to a seemingly little matter of actually great importance. The hoax on which I am focused at this moment, is a strictly Sophist trick which, as U.S. counterintelligence officer Edgar Allan Poe would have shown, Rotstein foists upon himself: his seemingly casual assertion, that the performance of what is, at worst, nominally Classical musical composition, no longer has the social function it enjoyed even a generation ago.<sup>1</sup>

Obviously, the popularity of performances of great music according to the Classical tradition shared among Bach, Mozart, Beethoven, and Franz Schubert, for example, has fallen off greatly since the famous generation of the “white-collar” breed called “Baby Boomers” was plummeted into its adulthood. The question to be considered here, is whether, as Rotstein implies, it is Classical music which has failed, or, is it the presently hegemonic setters of public tastes who have failed disastrously in the role of art, as they have also failed, not only in both science and economy, but with a Sophist’s minimal respect for even bare personal integrity in the domain of ideas?

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1. See end note, on the method of Edgar Allan Poe.

*In the particular instance of the “Arts” section of the July 2, 2007 Times, reviewer Rotstein had presented a commentary under the title “Classical Music Imperiled: Can You Hear the Shrug?” That piece was his commentary on the theme of a new book, by Lawrence Kramer, titled Why Classical Music Still Matters. Rotstein wrote: “It is the kind of title that would not have been used a generation ago....” To come to the crucial issue of the matter I am addressing here, Rotstein shows no inkling of what the real issue is not; and, if reviewer Rotstein has not abused Kramer on this account, Kramer, like many others among the ranks of his genre, has similarly missed the crucial point.*

*Therefore, as you shall read below, my subject here is not Kramer’s book, but the behavior exhibited in Rotstein’s use of the occasion provided by the book, to produce his own notable bit of folly, the folly whose appearance has prompted me, now, to present to you the real-life context of the tragic interaction of that reviewer with that book’s author.*

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*“...Amos Cottle—Phoebus! what a name  
To ... [bear the weight of] future’s fame...!”*

Shades of Lord Byron’s *English Bards and Scotch Reviewers*! The errant opinions expressed on the subject of the shifting meanings of “popular” among European musical entertainments, as by both Lawrence Kramer and the *New York Times* reviewer Edward Rotstein, as many others, are a subject in itself. Rather than enmesh ourselves within the bounds of such follies as those, we must seek the remedy for their axiomatic blunders on the subject of varying musical tastes. This is a remedy which must be found in those much deeper places from which the truly essential role of music in human existence has sprung.

This case of Rotstein’s product, reminds us that coinci-



EIRNS

Luca Della Robbia's relief sculpture of choir boys, singing in the *bel canto* mode, under the dome of the Cathedral of Florence. What are the scientific principles that underlie musical polyphony?

dences abound in life, especially those cases which are not merely coincidences. There is an element of merely apparent coincidence in my responding to his argument *in this way*, at the present time. Although the premises for the views which I express here, are matters of my own longstanding concern, it is what I have introduced as a crucial point of added emphasis, in my remarks on the recent work among my associates, on the subject of the role of harmonics in Johannes Kepler's discovery of the universal physical principle of organization of our Solar System, which has produced the working, public environment through which a broader discussion of the blunder by Rotstein can now, and must be given the kind of broader public attention which I prescribe here.<sup>2</sup>

*Specifically:* the existence of human qualities of musical composition and its performance, lies within the geometry of a human existence which dwells, in turn, within the harmonics of Kepler's uniquely original discovery of the principle of

2. Notably, "working environment" is an allusion to relevant work being done, as a coordinated effort, by young-adult associates, in replicating the ancient and subsequent foundations of modern physical science, from Pythagoras through Riemann, as this overlaps experiencing the challenge of the strict Florentine *bel canto* required for insight into the performance requirements of the motets of J.S. Bach, such as the *Jesu, meine Freude* of Bach, and Mozart's *Ave Verum Corpus*. This includes the matter of that science's relationship to the role of *bel canto* vocal practice of J.S. Bach's expression of his method, and that of his faithful followers, such as Wolfgang Mozart and Ludwig van Beethoven, throughout their development of the application of Bach's method of well-tempering. That the participation of people in both projects, art and science, simultaneously, as indivisibly one, rather than two parallel tracks, is a crucial practical basis for promoting practical comprehension of the issue of music which I address here. Reference to C.P. Snow's *Two Cultures* is implied.

organization of the Solar System which we presently inhabit. I am speaking, thus, of Kepler's founding, in fact, of that modern experimental physical science which had been founded, implicitly, with Cardinal Nicholas of Cusa's recognition of the scientifically fatal error inhering in Archimedes' attempted quadrature of the circle.<sup>3</sup>

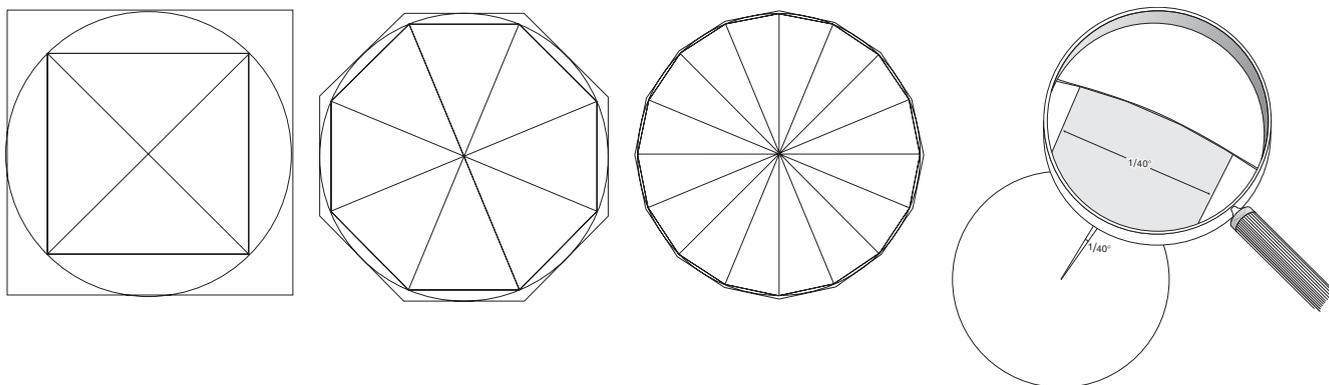
As to the narrowly defined subject of music itself, in looking at the surface of the matter, the solution for the riddle so posed, lies in the way in which the exquisitely exceptional Classical methods of composition of such Classical composers as Johann Sebastian Bach, Wolfgang A. Mozart, and Ludwig van Beethoven, address the essence of that specific principle of Classical artistic composition which distinguishes the human species, categorically, above the members of all other living species.<sup>4</sup> This essential

connection of competent science to Classical art, could not be considered a riddle, once the student had grasped the notion of a certain essential convergence of Johannes Kepler's harmonics of the Solar System, and Johann Sebastian Bach's related founding of the principles of well-tempered counterpoint attuned to the Classical, Florentine *bel canto* vocal principle.

3. It was Nicholas of Cusa's recognition of the fallacy of Archimedes' tactic, which has been the central discovery underlying all competent forms of modern science. This is the discovery echoed in Kepler's discoveries of the principle of both the Earth-orbit and gravitation, a discovery which was the basis for Kepler's instructing his successors to develop both an infinitesimal calculus (of Leibniz) and the generality of the physical principle of elliptical functions. This same conception is the crucial, ontological principle which underlies the entirety of my argument here.

4. For relevant musical references from the keyboard works of Bach, Mozart, and Beethoven, look at Beethoven's Promethean anticipation of Brahms in measures 60-86 of the *Adagio Sostenuto* movement of the Opus 106, and turn, then, to the *Coda* of the Opus 111, measures 21-49, but, most emphatically, Beethoven's own frequently referenced, Promethean reflection of Mozart's reflection of Bach's *Musical Offering*, as this aspect of Mozart's K. 475 serves as a crucial transition to the empyreal, in the measures 20-49 of Beethoven's 111, where Mozart is quoted to crucial effect, in Beethoven's measures 38-49. Here, freed from the obscenity of the Apollo-Dionysus cult, we find, typified, Beethoven's uniquely flavored experience of the discovery of the use of the prohibited power of the fire of the creative faculty of creation of true ideas! Compare this, as I have often done, with the notion of irony as presented implicitly in William Empson's *Seven Types of Ambiguity*. The importance of this role of the apparent discontinuities generated as expressions of the creative faculty, in both science and art, is virtually lost, largely as a result of the influence of positivism and existentialism, among both scientists and art critics of the presently hegemonic generations born after the close of World War II. The role of imitations of bird-songs in the work of Lucca's Boccherini, reinforces, rather than challenges that contrast.

FIGURE 1  
**Quadrature of the Circle**



*Nicholas of Cusa showed that Archimedes' attempt at "quadrature of the circle"—to approximate the value of pi—was ontologically incompetent. The first three drawings show the process of estimating the area of a square approximately equal to that of a given circle, as the average area of two regular polygons. In the last drawing, although the inscribed polygon of 216 may seem to closely approximate a circle in area, it actually contains a devastating paradox. There are slightly more than 182 angles of the inscribed polygon within each degree of circular arc.*

Thus, when we focus on the subject of a rigorous system of musical polyphony as such, we must discover the principled foundations which underlie the process of development leading from the sculpted Florentine *bel canto* voices of the children, which, when seen compassionately by the witting visitor, sing to our eyes still under Filippo Brunelleschi's great dome built upon Florence's Santa Maria del Fiore. This is continued through the surviving fragments of Leonardo da Vinci on music, through Kepler, into J.S. Bach's founding of the medium of Classical musical composition and its performance.

However, once we have situated the topic of music *per se* in those relevant ancient (e.g., Pythagorean) and also modern European Classical terms of reference, our attention is turned more emphatically to C.P. Snow's celebrated *Two Cultures* thesis, the merely customary dichotomy of science versus art. On this account, we must focus our attack on the essential silliness of a widespread, illiterates' silly superstition, respecting what is, allegedly, the merely imagined, categorical separation of the methods of a competent science from principles of composition of Classical modes in art. The anti-Romantic thinker Percy Shelley's *In Defence of Poetry*, is exemplary in the English language.<sup>5</sup>

5. The following point respecting today's customary misuse of the term "Romantic" is obligatory. "Classical," the antithesis of "Romantic," is a notion rooted for literate modern usage in the Classical Greek opposition, as by the Pythagoreans and Plato, to the Delphi Apollo-Dionysus cult and the latter's formal Sophistry. Strictly speaking, the Classical legacy was resuscitated in modern Europe by the A.D. 1439 Council of Florence, as typified by Nicholas of Cusa and such among his explicit followers as Luca Pacioli, Leonardo da Vinci, and Johannes Kepler. "Classical" is the characteristic of William Shakespeare, and of Gottfried Leibniz and his circle. "Romantic," as the term

In other words, Rotstein's view of the decadence of currently prevalent "musical taste," is an intrinsically—systemically—incompetent one, and clearly so if one is speaking in respect to the fact that he references only the sundry Romantic, or even more sordid existentialist fictions of recently popular, decadent customs, instead of the reality of the essential function of civilized music in modern civilized forms of life.

is employed appropriately in modern usage, coincides with the Liberalism of Paolo Sarpi and his followers, and with the avowedly insane views on political-economy by such followers of Sarpi and Galileo Galilei as Mandeville, Quesnay, Adam Smith, and Jeremy Bentham, as by the Paris-based Venetian Abbé Antonio Conti. Conti's followers, the Anglo-Dutch Liberals, dominate European culture from the accession of England's George I until the mid-Eighteenth-Century rise of the German Classic among the circles of Abraham Kästner, such as Gotthold Lessing, Moses Mendelssohn, Goethe (off and on), Friedrich Schiller, and such followers of Schiller as the famous Humboldt brothers. As Heinrich Heine, an avowed defender of the Classical tradition details this, the aftermath of the French Revolution, of Napoleon's reign, and the ultra-reactionary Congress of Vienna, unleashed what is properly defined, technically, as modern Romanticism. Thus, in music, Bach, Haydn, Mozart, Beethoven, and Schubert, and Schiller, are typical of a seamless expression of the development of the Classical mode in music and poetry, whereas Heine himself, like Schumann and his contemporaries, are defenders of the practice of the Classical legacy within the setting of a corrupted world of the form of Nineteenth-Century irrationalism called "the Romantic School." American Revolution advocate Shelley's work bridges the connection between Schiller and Heine. The U.S. Declaration of Independence and Constitution are examples of the Classical standpoint's echoes of the Classical Greek of the Pythagoreans, Socrates, Plato, et al. against the Sophist corruption spawned by the Delphi Apollo-Dionysus cult. President Franklin D. Roosevelt is an echo of the Classical tradition, against the typical Sophists associated with the names of Teddy Roosevelt, Woodrow Wilson, and Calvin Coolidge, as also against Harry S Truman, Nixon, et al. The Baby-Boomer generation as I have detailed its genesis and character clinically, provides examples of "The Romantic School."

He commits the typically immoral act of those modern philosophical Liberals who follow Venice's Paolo Sarpi, the Sarpi who rejects the very notion of the existence of truth, from his vantage-point within the form of the arbitrary authority of current popular opinion, the standpoint of the Sophist's form of popular lying termed a "consensus."

The outcome of that moral and also scientific error, as by Rotstein's piece, is his argument's lack of a sense of any true principle in Classical composition. His error should be classed, clinically, under the topical heading of "the games which silly children have chosen to play." This is not to propose that no actual principle lurks within the subject-matter which they appear to address; it is to insist that both author and reviewer have substituted their own, Sophists' opinions, as replacements for the actually substantive matter of Classical forms: forms which are common to both physical science and musical composition; forms, rooted in Florentine *bel canto* principles, which modern European civilization traces from their refreshed development in the wake of the 1439 sessions of the great ecumenical Council of Florence.

So, similarly, physical science has been crippled by its exclusion, often by hysterical denials, of Classical musical composition's role, which I identify in later parts of this present report, in Classical music's share in the domain of a true physical science. Classical musical composition has been relegated, by Sophists, to a special domain of fantasy, which places Classical art of all forms in a lunatic's domain, outside the world in which we actually exist, the world upon which, in fact, we act, and which acts upon us to shape our fate. Art is left, thus, outside the real world, as entertainments which have no real-universe content.

To restate this crucial observation. We have, thus, the currently widespread mental disorder of modern European cultures, as among many of those, including, notably, musicians and others, which the case of the *Times*' Rotstein illustrates; this disorder is of a type usually termed either the "Liberal," or "empiricist" doctrine of the Venetian revisionist Paolo Sarpi. The opinions on music which have been expressed by him in that *Times* review, typify this problem: the crux of the matter is, therefore, the substitution of a reigning, essentially irrational "consensus," for the quality of accountability to individual reason. These Sophists deny that principle of reason which must reign in any competent practice of physical science, and which should also be recognized as the standard of judgment for Classical artistic composition and its performance.

Therefore, what we must see in Rotstein's view, is a certain currently widespread form of a mental illness, a view called Sophistry, as expressed by Rotstein's locating artistic value in the lunatic, "Clockwork Orange" fantasy-world of a currently promoted notion of a "consensus." This is the root of his problem, a mental disorder which lies within the domain of belief in sense-certainty, which must be addressed as I do in the following pages here.

Then, once that ironical point respecting the follies of sense-certainty were grasped, the differences in opinions on the subject of musical principles, such as the difference in method separating Classical from Romantic modalities in both composition and performance, are not to be considered to be merely matters of taste adopted by some people; but, rather, they must be considered as matters of judging that moral quality of people, or lack of such quality, which is expressed, symptomatically, by the crudely hedonistic, chimpanzee-like preferences in contemporary, prevalent, so-called "artistic" tastes.

I explain. The essential issue with which to begin that exploration, is the following.

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## 1. Out of Both Sight and Sound

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It were long past time to free the present generations from those notorious assumptions which included man within the category of the apes, assumptions which were shared by T.H. Huxley, his witting contemporary, Frederick Engels, and their present-day follower, former U.S. Vice-President, and rabidly neo-malthusian "machine-breaker" Al Gore.

Therefore, I must emphasize once more, that whenever the subject of attention is specifically human behavior, we must focus upon the evidence pertaining to the functional difference between the manifest potential relative population-density of man, on the one side, and baboons, chimpanzees, gorillas, and their like, on the other side. Mankind must be contrasted, so, with the record of apes, or creatures like rabid malthusian and former U.S. Vice-President Al Gore, who might regard the increase of the potential relative population-density of mankind as *ostensibly unnatural*. In short, we must distinguish what is characteristically human behavior, qualitatively, from the behavior of both apes, and of people who seek to make virtual monkeys of themselves and their neighbors alike.

So, we, like Academician V.I. Vernadsky, must distinguish the human individual, a member of the *Noösphere*, from the lower forms of life found among other inhabitants of our *Biosphere*. This *systemic* difference is a result of exactly one crucial quality of the human individual which is absent in all lower forms of life. That quality of difference, is the principle of creativity typified by the work of such figures as the uniquely original discoverer of universal gravitation, Johannes Kepler, and by the greatest among the Classical composers who led the Classical school founded by Johann Sebastian Bach.

As I shall elaborate the crucial fact of the matter here, it is this power of creativity, which is typified by Kepler and Bach, which sets the human individual absolutely above lower forms of life such as the great apes. This difference is expressed *ontologically* (as distinct from merely formally) as that notion of the *ontological* actuality of the *infinitesimal*, whose discovery is traced to Nicholas of Cusa, which is the

central feature of Johannes Kepler's discoveries, and is also the expressed element of creativity central to the work of Gottfried Leibniz: a faculty of creativity which is not manifest among the mathematical schemes of hoaxsters such as Isaac Newton, or the empiricist doctrines of D'Alembert, Lagrange, Laplace, Cauchy, Clausius, and Grassmann, or the examples from the concluding, decadent decades of Euler's life.

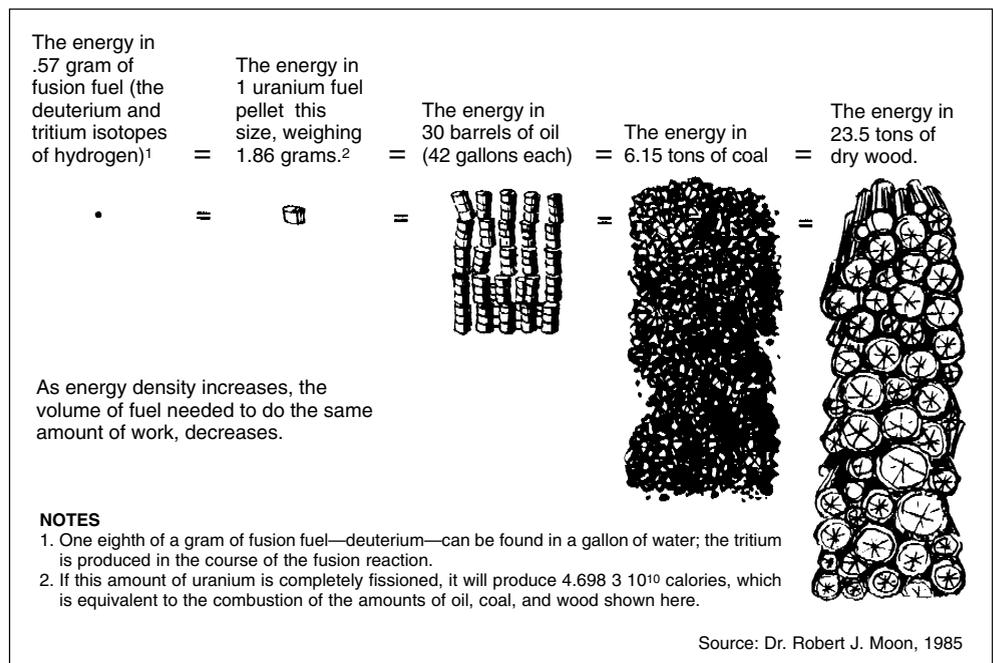
So, when our population is viewed at close range today, it often appears to that careless observer who overlooks what is, in fact, the *ontological infinitesimal*, that the difference of man from beast, is slight, and almost accidental, if it were to exist at all.

Yet, when we consider the increase of effective potential relative population-density, per capita and per square kilometer, we must observe that increase throughout the historical span of the post-1439 rise of modern European culture's civilization, and through the spread of the technological benefits of that culture to Asia and elsewhere. We see that the quality of difference between what Academician V.I. Vernadsky classed, respectively, as *Biosphere* and *Noösphere*, is an awesome, decimals order of magnitude, and, looking back further, truly qualitative.

The increase of *the potential relative population-density* of entire cultural groupings among us, expresses efficient principles which are, in and of themselves, invisible to what are assumed to be, impulsively, the merely biological form of the human sense-perceptual functions.<sup>6</sup> Yet, the increase of society's potential relative population-density from simple use of sunlight, and the wind and rain which sunlight produc-

6. The better choice of term were not "invisible," but rather "infinitesimal." The fraudulent attack on the infinitesimal calculus of Leibniz by de Moivre, D'Alembert, Euler, Lagrange, Cauchy, et al., depended upon the ontologically fraudulent assumption, by those reductionists, that Kepler and Leibniz intended "infinitesimal" to signify the smallness of a dot, rather than an action of an ordered, perfectly constant change of "vector" in a continuing process. See, Leonard Euler, *Letters to a German Princess* (1761). During the middle of the Eighteenth Century, Euler who had been a student of Jean Bernouilli, "went over to the other side" out of political opportunism. Euler, who was among the most skilled of the pack of scoundrels including D'Alembert, Voltaire, Lagrange, and their followers Laplace and Cauchy, committed what he could only have seen as a childish fraudulent trick in his attempt to lure the Princess into the neo-Cartesian camp.

FIGURE 2  
Fuel and Energy Comparisons



es, through the introductions of water-power, burning of wood, coal, coke, petroleum, and now nuclear fission, is expressed symptomatically in terms of functions of increase of the apparent energy-flux-density per square centimeter of cross-section of the relevant process. The development of those human choices of improvements in "energy-flux density," and, crucially important, the technologies by means of which those resources are developed by man, and may be effectively employed by man, exemplifies the role of those powers of the human mind which set what passes for our species' cognitive behavior, as apart from the category of the behavior of the beasts.

Such increases in *potential relative population-density* by man's societies, when they occur, have an ontological characteristic which does not exist as a measurable object in geometries of the type associated with either Euclidean traditions, or Cartesian-like forms of mechanistic-statistical systems. In other words, the most important feature of the existence of the human species, has a specific quality of efficiently expressed ontological character, a qualitative distinction which does not exist in formal reductionist forms of physical geometries; it is, rather, of the same character as that of the ontologically *efficient infinitesimal* cause in what Johannes Kepler, Gottfried Leibniz, Gauss, Riemann, et al. recognized as the physical-elliptical, functional orbit of planetary and comparable forms of astronomical and comparable cycles.

Insofar as we attempt to treat this crucially significant distinction of human behavior from that of any beast, even merely by viewing the subject from an axiomatic standpoint of

some assumedly self-evident authority in sense-perceptions, we were plunged, thus, into the kind of states of irrationalism typical of such Anglo-Dutch Liberal followers of Venice's Paolo Sarpi as Hooke, Locke, Mandeville, Quesnay, de Moivre, D'Alembert, Leonard Euler, Lagrange, Laplace, Cauchy, et al.

This means, in our reference to musical principles here, that, insofar as we attempt to locate the relevant sorts of required proof-of-principle experiment within the presumedly self-evident bounds of *either* sight *or* sound, for example, we are thrown back into the crude kinds of "indifferentist" methodological irrationalism which are shared among both the crudest materialist currents in history, and their modern empiricist apostles. If we tolerate such reductionist philosophical outlooks, we were, then, thrown, thus, into the "slough of despair," into the pits of a mystical principle of pure gambling, as Mandeville, Quesnay, Smith, and Merton-Scholes have typified this in their fraudulent, wild-eyed gamblers' misrepresentation of political-economy.

So, among empiricists such as Mandeville, Dr. François Quesnay, Adam Smith, and their credulous admirers still today, the regulation of those classes of human behavior which sometimes lead, mysteriously, to increases in the manifest productive powers of labor of societies as wholes, are falsely asserted by each of them, and their like, to be beyond the powers of comprehension of the human mind.<sup>7</sup> The root of those advantages is asserted to be something altogether magical, and also essentially evil, as if that were the work of the domain of red-eyed little green men under the floorboards of a Cartesian society, little green men casting dice as a way of their capricious free-trading-away of the fate of real persons and nations above.

This predicament is conveniently, and fairly compared to the roots of that intellectual degeneration, which brought ancient Greece's science down from the superior qualities of the Pythagoreans and Platonics, to the state of degeneracy epitomized by Euclid's sophisticated paraphrases of the earlier, valid discoveries of the Classical Greeks. The essential fraud underlying the aprioristic presumptions of *Euclid's Elements*, is the premising of the attempts of ideas of action in physical space, and in physical time, on the notions of a perverted form of what had been earlier, valid discoveries (as by the Pythagoreans, et al.). The reductionists thus employed notions of "self-evident" definitions, axioms, and postulates

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7. Take as an example, Adam Smith's crucial argument to this effect, as in his 1759 *The Theory of the Moral Sentiments*, or Bernard Mandeville's flagrant emphasis on gambling. The same conceit as theirs is the foundation of Dr. François Quesnay's Physiocratic dogma; he argues systematically that the farmers on the estate are merely a form of cattle, such that the profit of the estate is produced magically by the paper endowing the indolent landlord with the mysterious and miraculous powers of increase of output over input. The same conceit is central to that argument by Turgot, whom the virulently anti-American Adam Smith, in his *Wealth of Nations*, plagiarized most generously.

which were implicitly derived from a naive reading of the function of the sense of sight, from the brutish standpoint of sense-certainty.

As Bernhard Riemann states the relevant conception in the opening paragraphs of his 1854 habilitation dissertation, the "self-evident" presumptions of the reductionists would forbid us from breaking through the "floorboards." Belief in those aprioristic "floorboards," as seen among the dupes of Euclid and Descartes, confines the minds of the credulous, to the effect of making the believers in such superstitions the hapless victims of the imaginary, but evil demons controlling man's choice of self-inflicted fate, as if from underneath imaginary floorboards.<sup>8</sup>

Within the bounds of the known history of European civilization, man's most notable folly, has been typified by the craven submission of the mass of populations to the dogma attributed to the mythical Olympian Zeus, in refusing to accept the principle of the reshaping of the present, as the future, into the specific, creative powers of the human individual's creative potentials. Such men and women are, in no respect, acting as beings in the living likeness of their Creator. The "fire" which is the issue of Aeschylus' *Prometheus Bound*, is the spark of creativity which expresses itself as Kepler defined the motive of the planetary orbits, as the "infinitesimal," that spark of infinitesimal "fire," the crafting of that calculus which Kepler bequeathed, as a mission, to followers such as Gottfried Leibniz.

### The Human Senses as 'Instrumentation'

A comparable expression of that commonplace human failure identified here thus far, are those predicaments which are generated, if we attempt to substitute a naive view of hearing for assumedly self-evident notions of vision, or the reverse.

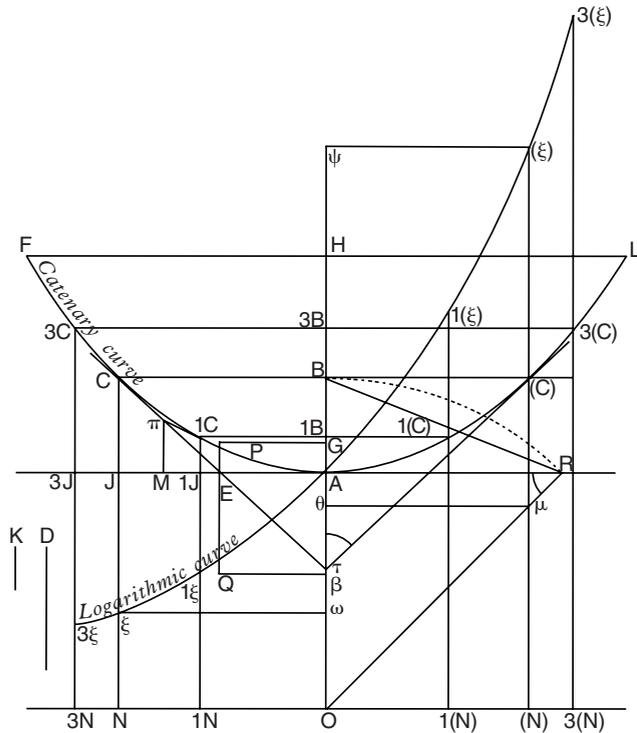
Therefore, the serious thinker will recognize the consequent urgency of defining an improved view of such a paradoxical situation. The needed, modern view of that issue is one based on that practice of modern instrumentation which lets us into the domain of the atomic, sub-atomic, and so on. This view encourages us, thus, to recognize that our biological sense-apparatus is to be treated virtually as a *biological form of instrumentation*, rather than a power affording us the assurances which might be foolishly assumed to inhere in expressions of a self-evident kind of ontological sense-certainty.

All of our senses have that kind of utility associated with the design of crucial experimental tests of principle;

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8. That "Satan principle" is illustrated by the cases of those credulous dupes of the Roman imperial tradition who argued, that were the Creator omnipotent, then the perfection of his Creation would have prohibited His interference with what might happen within the universe after that original Creation had been effected. As a beloved Rabbi, now recently deceased, supported Philo against the Aristotelians: The Messiah will come when the Creator decides to send Him.

FIGURE 3  
**Leibniz's Construction of the Catenary and Logarithmic Curves**



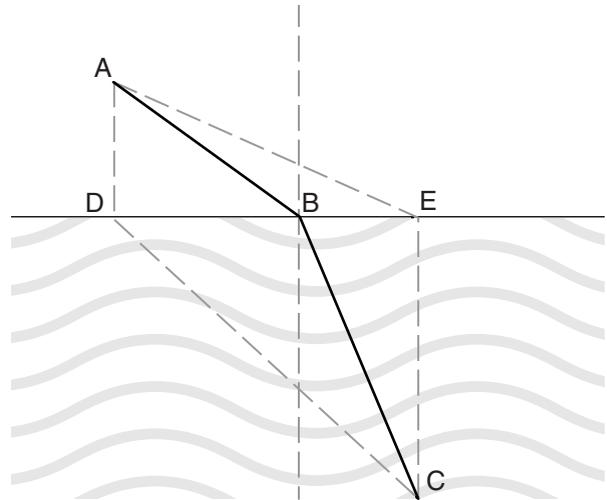
Source: *Fidelio*, Spring 2001

*Gottfried Leibniz's work, with Jean Bernouilli and others, on the elementarity of the catenary function, led to Leibniz's development of the calculus.*

but, they also call our attention to the imperfections inherent in the design of experiments. However, with that note of caution added, we are thus advised to replace naive sense-certainty, by experimental qualities of that often imperfect search for truthfulness which is presented to us only in the form of the paradoxes produced by giving up belief in sense-certainty. *We must replace brutish belief in sense-certainty, by treating mutually contradictory juxtapositions among our various sensory functions, such as sight versus hearing, as a matter of experimental methods, methods which treat differing, simultaneously applied, modes of both "natural" and "synthetic" instrumentation of the same subject-matter under study.*

To put that same point in another way: we should know, from experience, that when we accept sense-experience as what is called "sense-certainty," we are lying to ourselves. Each of our senses presents us with a certain, specific kind of image of the concurrent experience of the same event actually experienced by two or more senses, in terms which are qualitatively in contradiction to all among the other particular

FIGURE 4  
**Fermat's Least-Action Principle**



*Pierre de Fermat in 1661 discovered that the propagation of light follows a pathway of least time, rather than shortest distance. (The diagram shows a ray of light passing into water: AB is the ray in air, BC the new direction of the ray as it enters the water, a more dense medium.) Fermat's discovery was crucial for the work of Leibniz and Bernouilli.*

modes of sense-perception as such. *Therefore, truth is that which must be recognized as not the image of reality as presented as the evidence of any type of sense-perception as such.* Truth lies not in perception as such, but in ironical forms of changes within the whole of the lapsed physical space-time of that which we must discover, experimentally, is to be perceived as a relevant quality of change in state. It is the existence of a qualitative change of state, especially an inducible change of qualitative state, which reflects the kind of quality of experience to which the conception of perceptions must be subjugated.

It were sufficient for our purposes here, to apply such an approach to the paradoxical juxtaposition of the faculties of sight and hearing. Consider, for an example of what I have just stated, respecting perception, the most crucial examples of the experimental method of Kepler, such as his discovery of the planetary orbit, and his subsequent discovery of the harmonic principle governing gravitation within the organization of our Solar System. Kepler's discovery of the infinitesimal, the infinitesimal which defines Leibniz's uniquely original discovery of the calculus, and of the physical basis for the physical principle of universal least action (the "catenary principle"); consider the significance of Fermat's discovery of a physical principle of "least action" which was crucial for the Leibniz-Bernouilli discovery of the significance of the catenary function. Each such discovery corresponds to a quality of experimental state of knowledge, a state of knowledge to which simple empirical evidence is ab-

solutely subordinated by such validated discovery of a concept of principle.

For this purpose, take the work of Bernhard Riemann, from the time of his 1854 habilitation dissertation, onward, and take note of the implications of that dissertation for the way a competent physical science coherent with Riemann's argument treats man's sense-faculties. Take into account the crucial ontological implications of Kepler's discovery of the principle of gravitation, as a principle unifying the relations of actions within the Solar System. Take the crucially ironical relationship between vision and hearing (harmonics), from which Kepler's formulation for universal gravitation's role within the Solar System was derived experimentally.<sup>9</sup>

Compare Kepler's harmonic organization of the planetary orbits of our Solar System, with the function performed by the well-tempered organization of musical space-time in J.S. Bach's well-tempered system of composition—as a physical system.

Kepler, among others, has demonstrated, that neither vision nor sound were independently true; it is, and was, the contradiction between the "opinions" of the two "instrumentations" on the same subject-matter of experience, which created, in our mental process, a "third, *transcendental* sense," a cognitive sense, which was neither sight nor sound, nor any other quality of sense-perception: the sense of an efficiently universal principle. Kepler's recognition of the essential function of harmonics within the Solar System as defining the organization of the system of gravitation as a whole, is exemplary. Thus, on this account, Albert Einstein came, similarly, to recognize the work of Kepler and Riemann as benchmarks of a perfectly interconnected process of efficient discovery.<sup>10</sup>

*In each of the cases which prove to be, similarly, experimentally grounded in universal physical principles expressed between the cracks among sense-perceptions, and also experimental instrumentations which are an augmentation of the notion of sense-perceptions, a universal physical principle is expressed as the physically efficient presence of an "infinitesimal," as the transcendental expression of the willful-like motive which drives the orbital pathway.*

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9. Although it might be assumed that vision is linear, as the dogma of *Euclid's Elements* implies, Leonardo da Vinci demonstrated the falseness of that assumption for the case of landscape-painting, for example, and in other ways. Linearity of vision exists only in idealized visual projection, as for Euclid.

10. The delusion promoted as belief in Isaac Newton, has been largely responsible for the ignorance of Kepler's and related discoveries among otherwise prominent and qualified scientists, even from among leading representations of my own generation. The corrupting effects of radical empiricism (e.g., positivism) rampant in the German attacks on Max Planck (during the World War I interval) and the 1920s Solvay conferences, were a notably contributing factor in this decadence among otherwise leading scientists. The essential cause of the corruption in science education has remained the brain-washing of the student in Euclidean and Cartesian assumptions during childhood and adolescent indoctrination in radically reductionist assumptions convergent on the Sophistry of Euclidean apriorism.

The most crucial among the celebrated examples of this use of juxtapositions for all modern science, is Kepler's use of harmonics as an essential feature of perfecting his earlier, first-approximation discovery of the organization of our Solar System by the harmonics of its orbital organization. Insight into this specific feature of Kepler's founding of the practice of competent modern science in general, provides reviewers of Rotstein's rant with the key to understanding the intrinsic incompetence of Rotstein's argument respecting the influence of that Classical music which has been composed essentially as a cohering extension of the Bach tradition.

## The Case of J.S. Bach

The key to beginning to understand all of this presented here thus far, is provided by examining the work of Johann Sebastian Bach from the vantage-point of Kepler's insight into the harmonic composition of our Solar System. It is, therefore, no mere coincidence, that all competent modern physical science depends upon conceptions of universal principle which lie within the sequence of developments rooted in the discoveries of Kepler (and of Nicholas of Cusa before him), as continued through the work of amateur violinist Albert Einstein.

In retrospect, careful reflection on this process, as from Kepler through Leibniz, Riemann, and Einstein, shows that two steps are essential preparation for such a study.

First, we must put aside the nonsense of attempting to separate the work of J.S. Bach, categorically, from that of Joseph Haydn, Wolfgang Mozart, and Ludwig Beethoven. There is no significant aspect of the work of those later composers which is not an integral expression, and therefore a seamless continuation of the foundations laid by Bach. This was made especially clear through the meetings which occurred, more or less regularly, at the Vienna residence of retired ambassador Gottfried van Swieten, where Haydn, Mozart, and Beethoven, among others, honed their craft in the manuscripts of Handel and J.S. Bach, such as Bach's *Musical Offering*. The exemplary significance of that Bach composition, together with Bach's *The Art of the Fugue*, appears afresh, as a crucial, supremely powerful transition, in the closing argument of Beethoven's Opus 111, reappears with stubborn persistence in all great Classical and composers, from Mozart, through Schubert, into Brahms.

As typified by what I have identified as the "transcendental" principle of instrumentation, above: such music is not intrinsically (axiomatically) instrumental, but is essentially a broadened expression of the principles of both the human mind and our universe, principles which are also rooted in a Classical (e.g., Florentine *bel canto*) polyphony, as typified for general practice by the motets of J.S. Bach. It is the implicitly natural set ("chest") of voices composing a chorus of human types of *implicitly bel canto* singing voices, which define the finite, but unbounded (i.e., "self-bounded") universe of music of the human voice, and the proper range of the human



The sequence of developments rooted in the discoveries of Kepler was continued through the work of amateur violinist Albert Einstein.

singing voices projected upon the range of what András Schiff has recently emphasized to be the Beethoven conceptual keyboard.<sup>11</sup> Our attention must be focussed, primarily, on the functional relations within that universe of song so defined. The principle of development displayed in the Preludes and Fugues of J.S. Bach, are the primer in a science of musical art for all decent composition since J.S. Bach, and implicitly since no later than the visible chorus of the boys which may be seen singing still, at last viewing by me so far, in the Florence cathedral of Santa Maria del Fiore.

Does this signify that Kepler's harmonics of the Solar System is the exact model for Bach's well-tempered system of composition? Not exactly. The Solar System, taken in its generality, represents a certain quality of universal phase-space. Music belongs to the domain of the Noösphere. The geometries differ accordingly, but the common universal principle of harmonics, as such, persists, nonetheless: each, belonging to the same universality, must tend to parody one another in the way a Riemannian view of the including higher manifold must imply.

The needed sort of customary connection of Classical art to physical science otherwise, is located in a strict refinement in the properly "warmed up" refinement of the state of the well-placed human singing voices in the modality of Florentine *bel canto* at C=256, as preparation for singing of an exemplary training selection such as Bach's *Jesu, meine Freude* and Mozart's *Ave Verum Corpus*. This training requires focus on the objective of creating, within the willful mind of the chorus, a transcendently "seamless" unity of the perfor-

11. Beethoven's mind thus anticipates Einstein's description of the Kepler-Riemann universe, the universe within which we all actually exist, as finite, but unbounded. That concept is specifically Riemannian.

mance as a whole, a unity of motivating conception from a moment of functional silence at the outset, and also the close.<sup>12</sup> *The mission is completed, when this intention and a reasonable quality of accomplishment have been reached among persons also undergoing a kindred approach to the great discoveries of scientific principle from the standpoint represented from the Pythagoreans and Plato through Kepler, Fermat, Leibniz, Gauss, and Riemann. In that way, the inner sense of the unity of the underlying, transcendental unity of the set of principles of Classical science and those of Classical artistic composition and its performance, becomes something "recognized" by those with appropriate experience of both.*

This required quality of "boundedness" of the performance of any Classical musical composition worth hearing as "completed," is Riemannian in the same sense that our "self-bounded" universe is Riemannian, that in the same

sense identified by Albert Einstein. All true ideas are Riemannian in this same respect. It is this quality of "self-boundedness," which is implicit in Bach's method, is brilliantly and simply clear with Mozart's *Ave Verum Corpus*, and is the impassioned goal which we must recognize, more and more, throughout, as Beethoven progresses toward the concluding, qualitatively higher state of his "late" compositions. It is the ironies created by such more or less perfectly executed *self-boundedness*, a *self-boundedness like that of a universe*: the self-boundedness of a composition, of the performance's characteristic idea, which is the identity of any well-performed good work in Classical musical or other artistic composition. It is this quality of "self-boundedness" which distinguishes any valid form of development of a valid idea, in physical science, or Classical artistic composition and its performance. This is the characteristic form of what is also rightly regarded as a *Platonic Idea*.

Notably, the same principle is defined as to principle of practice in the later string quartets of Haydn, those of Mozart, and the late quartets of Beethoven (most notably). The attempt to produce that kind of unity of effect of counterpoint, that sense of transition, through a momentary breath of "infinity," which serves as a model of the performance objective which is typified in the smaller case, by the Bach motet, or

12. "Seamless" in a higher sense, but based on the non-linearity of a Mozart *Ave Verum Corpus* which is ordered by a series of Lydian intervals! In other words, "seamlessness of a higher order" of physical phase-space. It is the tension so created, which moves the process of development which is the unifying conception of the composition. The same quality of intention which should have controlled the performance of a true Classical drama (and the audience's attention), such as an appropriate selection from Classical Greek tragedy, or modern Shakespeare or Schiller, from the rise of the opening curtain, to the close.

that particular Mozart work.

The naive reading of such musical composition in terms of axiomatic blind faith in what might be assumed to be the self-evident verities of sight and sound (and, perhaps, occasionally, smell), is the popular form of silliness to which Rotstein's review subscribes. Music must be heard, and created, not by the brutish standard of pleasure in the sensations of sight, sound, and smell, but by a higher order of faculty, a peculiarly human faculty, the creative (e.g., *noëtic*) powers of a higher authority than sense-perception: the creative powers of the sovereignly individual human mind.

### 'Classical' versus 'Romantic'

On these accounts, there are two subsuming blunders of assumption permeating Rotstein's account as a whole.

First, although this fact is of secondary, but nonetheless relevant and essential significance, Rotstein, instead, promotes the quackery which divides the serious musical composition of the Eighteenth and Nineteenth centuries' span, essentially, among allegedly Baroque, Classical, and Romantic "periods." To get us quickly to that issue, Rotstein the Sophist says: "I also don't idealize the idolatry that once enshrined the long 19th century of music (roughly 1785-1915) that forms the heart of the Western art-music tradition."

Contrary to the view expressed by Rotstein, there: Johann Sebastian Bach has several facets, but, essentially, he, who died in 1750, embodies the continuing foundations of all of that Classical method of composition which also underlies the work of the mature Joseph Haydn, Wolfgang Mozart, Ludwig van Beethoven, Franz Schubert, and, most notably: the late Beethoven quartets such as the Opus 130, 131, 132, and the Opus 133-134 *Grosse Fuge*, 135, the late piano sonatas, 106, 109, 110, 111, and the mighty challenges of the Ninth Symphony and the *Missa Solemnis*. Beethoven is the pinnacle for all great musicians who follow him, such as Schumann, Verdi, and Brahms, and, contrary to all silly Nineteenth-Century Romantics, for Beethoven, Bach was the pinnacle to be climbed.

"Classical" and "Romantic" are essentially as much political categories, as they are scientific or artistic ones. Those two opposing currents coexisting as adversaries among composing artists of the period from the opposition of Bach to the foolishness of Rameau, and to the Fux of *Gradus ad Parnasum*, who best typify the opposition to competent Classical principles from the time of the followers of J.S. Bach, through



EIRNS/Stuart Lewis

*The LaRouche Youth Movement chorus performs Bach's motet Jesu, meine Freude, November 2006. Rigorous training in the bel canto singing of Bach's works provides a crucial connection to physical science, in the activities of the LYM.*

the death of Brahms. The spirit of Rameau, Fux, and worse, has continued to be expressed as typical of the categorical root of the moral corruption spread, in sundry, faddish varieties (including noise for "prepared piano") throughout the Twentieth Century.

The significant, political point to be appended to that view of Classical composition from Bach and Handel, through Brahms, is that when the Twentieth Century, with its two world wars, its Cold War, and its plunge into cultural and general moral decadence, is viewed against the background of the long sweep of European history since about 700 B.C., we must recognize that not only European civilization, but society as a whole, is presently on the brink of a sharp plunge, economically and otherwise, into the immediate threat of a prolonged new dark age, one threatening to be far worse, far more vicious even than that which dominated the latter half of Europe's Fourteenth Century. This, however, is also, otherwise, a presently menacing catastrophe rooted in the kind of modern degeneracy which dominated the preceding, medieval centuries of *ultramontane* tyrannies.

The same, subsuming principle, if to significantly different effect, in Classical musical composition, is expressed differently in modern Classical tragedy, such as that of Shakespeare and Schiller, most notably. Nonetheless, the category "Classical" remains true for both, still, not only meaningful in this domain, but essential.

First of all, a well-composed tragedy defines a relative "universe," which contains all of the development within it. The principle of action within it is *dynamic* in the sense of

“Riemannian,” not “Cartesian,” not “Euclidean.” It represents the physical space-time of developments within it. Such qualities of dynamics, as opposed to the Romanticism of Coleridge et al., are also those of Shakespeare’s English medieval history plays, covering the tragic course of developments within the Norman kingdom through the culmination in the fall of Richard III. Schiller’s tragedies continue that general principle of design.

The Classical actor may be one of heroic accomplishments in his, or her profession; but, there are no actual heroes within a Classical tragedy itself; the merely putative heroes among the characters within the drama, among the other principal characters of the action, express the control exerted upon them by the single tragic principle which defines—*dynamically*—the space within which they operate. Lear, Macbeth, and Hamlet are the same sort of “hopeless cases” on this account. Julius Caesar, the same. Schiller’s Don Carlos and Wallenstein, the same. The quality of tragedy, so defined, is the characteristic of the entirety of the domain which is placed on the stage of the intended audience’s mind, just as in any great composition by Mozart or Beethoven.<sup>13</sup> There are no actual heroes among the principal figures in tragedies; instead of heroes, there are contrasting, merely supplemental, if artistically necessary figures of the body or the periphery of the play, serving virtually as needed commentators on the action—ghostly voices, whispering, as if unseen, from the shadows; these latter are figures such as the Horatio of *Hamlet*, the Queen in *Don Carlos*, or the pair of children which Schiller creates for *Wallenstein*, or the historical Cicero off stage in *Julius Caesar*.<sup>14</sup> These figures, are as those serving



*A scene from Shakespeare’s Julius Caesar. There are no actual heroes in a Classical tragedy. Caesar, like Lear, Macbeth, and Hamlet, is a “hopeless case.” The creative genius who produces such drama, LaRouche writes, “creates a Riemannian space in which the reality of the tragedy is situated, as if it were an axiom of the universal system within which the action is confined....”*

13. To speak in the language of Euclidean geometry, the fatal error in the tragic false hero, such as a Prince Hamlet, his kingdom, Caesar’s Romans, and so on, is the subject’s obedience to a false choice of axiomatic physical space-time (e.g., the imagined ghost of vengeful Hamlet’s father), the characteristic dynamic feature of their entire culture, their society. They fail to be revolutionaries against the culture whose own characteristic, quasi-universal features, such as popular opinion, traditions, and so forth, control their choices of behavior, and thus, control them as the will wielding the puppeteer’s strings control the marionette.

14. *Julius Caesar*, Act I, Scene 3:

**Cassius:** “Did Cicero say anything?”

**Casca:** “Ay, he spoke Greek.”

**Cassius:** “To what effect?”

**Casca:** “Nay, an I tell you that, and I’ll ne’er look you in the face again: but those that understood him smiled at one another, and shook their heads; but, for my own part, it was Greek to me....”

as actual, or implied “commentators” in the ancient Classical stage; which are not themselves in the chain of the causal sequence of the principal pathway of the tragic action, but like ironical spirits to be seen and overheard by the audience.

The true creative genius, whether in physical science, great musical composition and its performance, or Classical drama, especially tragedy, creates a Riemannian space in which the reality of the tragedy is situated, as if it were an axiom of the universal system within which the action is confined; it is not only a place in which the action is situated, but serves as the shadowed, relevant principle of ancient Classical *dynamis* or modern, anti-Cartesian, Leibnizian *dynamics*. This is not a Euclidean stage on which actors might freely prance; it is a space which acts upon all the “moving parts” within it, whether they are conscious of their actual motives, or not, as from above, as in a major composition by Beethoven, a quality in Beethoven’s work which becomes increasingly pronounced in his later years, especially in the late string quartets. The drama as a whole reflects the Leibniz-Riemann, dynamic principle which shapes the effect of the action, and expresses the true form of interaction among the characters on stage.

Hamlet’s soliloquy closing Act II, is a brilliant expression of the relevant application of the principle of *dynamis/dynamics*, in controlling the wills governing the actions and interactions among the characters on stage. The same principle, the

axiomatic quality of moral failure expressed in one mode in that Act II soliloquy,<sup>15</sup> is affirmed in the famous Act III soliloquy.<sup>16</sup> The tragedy is twofold: it is expressed in the form of an *axiomatic* characteristic of the failed society of which they are a part, as the Democratic Party's failure to mobilize to end the tragedy of the United States represented by the succession of the failed Presidential candidacy of Al Gore and the Bush-Cheney Administration: whereby the leading political hegemons of our system have revealed the Hamlet-like moral degeneracy of the reigning "Baby Boomer" culture as such; it is the doom imposed on a society—as in the case of most leading figures in power in the apparently tragically self-doomed U.S.A., under its prevalent culture, top-down, today. It is that tragic impulse for self-inflicted doom, a trait of a decadent phase in European culture, which underlies the impassioned lurches for tragic failure exhibited by the leading pre-Presidential campaigns of the U.S.A., and the even far worse moral quality of performance of the governments of western and central Europe today.

"Och!" as Robbie Burns sang, "to see ourselves," our present leading political forces and their trends, "as others see us." Thus, Schiller emphasized the mission of the Classical playwright to be, to prompt the citizen attending the play, to leave the theater a better citizen than had entered. There are no heroes in true Classical tragedy; there is a ruling dynamic of that society, which is to be abhorred. The same effect is accomplished by Eugene O'Neill in his *The Iceman Cometh*: it's not Hickey himself, but the societal culture in which Hickey lives, the dynamic, which is the tragedy.

Just as the universe is governed by underlying, universal physical principles, so, every society, especially during certain phases in the aspect of its existence which represents the relevant historical process, is governed by principles of action of which the members of the society are usually not efficiently conscious, but which are a hidden force, unknown to them, which controls the way they select both their preferred opinions and their actions. This is *dynamis* in the sense of the term applied to physical science by the Pythagoreans and the circles of Socrates and Plato. This is, similarly, *dynamics*, as the use of the Classical Greek concept of *dynamis* was introduced to modern science by Leibniz, against the foolishness of Euclid and the scientifically wretched Descartes. This is the essence of the great work of Bernhard Riemann. Social processes, like physical processes generally, are ruled by the dy-

namics reigning within the current process as a whole, rather than the sum of the products of interaction of what the foolish individual, even in very high places at the moment, imagines to be his or her "free will." Only the most contemptibly suicidal stages of cultures would deny the existence of conspiracies in history: conspiracies which usually conspire against the witting perpetrators who will become chiefs among the victims of their own folly.

There is, in fact, no existent "free will," except as the power to willfully change the behavior of the society as a whole, at least implicitly, by intent and attempt: the will to break through those habits by which the otherwise prevalent, decadent social process as a whole imposes its will, as if by erected psychological fences, to panic the members of society, like the membership of the U.S. Congress, into a predetermined set of morally sterile, or worse reflexes. The function of great Classical drama, especially the greatest tragedies, is to show the audience the actuality of themselves in action, to present an unfolding picture of the hidden, all-embracing doctrinal assumptions by which the behavior of the audience as a whole is controlled, through the tragic control of the will of the audience's individual member.

Such is the essence of Hamlet's tragic soliloquy in the close of Act II, and the onset of Act III. The case of Hickey in the relevant scene from *The Iceman Cometh*, shows the controlling guilty principle of all the played parts, on and off stage, by Hickey's shocking confession. The behavior of the society is bounded by silent fences which keep the herd in its ultimately fatal course.

The function of great Classical drama is to afford the audiences a therapeutic peek into the interior of their own, or a different society's souls, to prompt a sudden, fearful chill within them, to prompt them to see the need to change themselves, as if axiomatically, by rising to a higher vantage-point in truth, a perch from which to look down upon their society, as if to a stage seen from the balcony of the theater, to see how foolish their entire people have been, and, above all, to provoke them into changing the choice of the dynamic which governs the way in which their own society is lurching, thus far, of its own will, into the now impending, tragic outcome of continuing to act according to what the individual member of the society generally believes.

In that role, Classical drama is that needed expression of the conscience of a people, such as the people of our U.S.A. today, by means of which that people may be induced to abandon its self-inflicted, compulsive, tragic lurch toward disaster, even at today's presently very late date.

So, we must view that behavior of the U.S. population generally, but especially the putative political leaders, the brutish folly of present leaders in permitting the lunacy of the long, tragically wasting, current Iraq war to begin, and to turn debate over that worsening catastrophe into a device for allowing that hopeless folly to continue, up to the point, soon, our nation itself might be destroyed by the continuation of that

15. "The play's the thing...."

16. "...thus, the native hue of resolution  
Is sicklied o'er with the pale cast of thought  
And enterprises of great pith and merit  
With this regard, their currents turn awry  
And lose the name of action...."

The play is over; death stalks the coward's will. How like the current existentialist folly of President George W. "Belshazzar" Bush's appointment for the U.S. forces in Samara.

lunatics' folly by our anointed political leaders, and kindred fools.

Here, in such tragic examples, lies the function of creativity in art. To see the Solar System which shapes the characteristics of life on our Earth, and to see the galaxy which contains and shapes the destiny of our Solar System, and so on. To cease being like rhesus monkeys doing what they do, while screeching, and stinking, like "rock stars," in their present ideological cages.

The point is to recognize the geometry of the virtual mental cage within which the popular mind is confined, and to burst that mind free of that cage, that it might rise to the higher truth of matters which must shape man's future existence, truth which shall become the keys to discovering the true destiny of our souls. In all this, let Euclid remain, as justly damned!

Euclidean geometry is such a tragic folly, a tragic principle, which, shaping the mind of its true believer, cripples a society of such believers, to tragic effect, for the society as a whole.

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## 2. What Is Creativity ... and Dynamics?

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*If you were to wish to know both where and when, in the universe, you are on our planet, today, ask Johannes Kepler, or those certain very ancient, transoceanic mariners, from whose work the legacy known to the Greeks as Sphaerics was derived.*

The actual creativity from which the principle of Classical composition springs, is a quality of activity which exists in no living creature other than human beings. The corollary is, that any form of behavior which can be imitated by an animal, is *not* an expression of *human* creativity. The most interesting, modern proof of this fact was provided, variously either explicitly, or implicitly, by Academician V.I. Vernadsky's discovery of the principle of what he named as the *Noösphere*.

I explain.

Those relevant great discoveries presented by Vernadsky, during the last decade of his life's work,<sup>17</sup> apportion the known universe, principally, among three interactive, but distinct phase-spaces: a.) the universe of ordinary physical chemistry; b.) *The Biosphere*: the physical phase-space of both living processes, and also materials produced specifically by the action of living processes; and, c.) *The Noösphere*: expressions of the creative powers specific to the human form of life.

Our planet Earth is composed of three, corresponding

classes of products, classes which are characteristically products of one or more of these three distinct classes of phase-spatial processes. In the known "history" of our planet, the composition of Earth has been changing, such that the percentile of the Earth mass attributable to living processes (i.e., the Biosphere) has been increasing, and the percentile of the mass attributable to the Noösphere has been increasing relative to the absolute and per-capita masses of the Biosphere.

Thus, conversely, we can define human creativity as the form of action which, among whatever its other products might be, is expressed by actions which increase the ratio of the Noösphere's mass relative to the Biosphere.

This set of distinctions of the function of the Noösphere, is the attributable cause of the bulk-effect of the combined absolute, per-square-kilometer, and per-capita increase of the Noösphere, relative to both the Biosphere and the planet as a whole.

Nonetheless, despite the experimental evidence, many people, even many who, for some curious reason, are called "scientists," cling still to a piece of gibberish called "the Second Law of Thermodynamics." Despite that curious reasoning, the evidence is that the Sun produced (quite lawfully) the planets and the new varieties of atomic elements associated with the thermonuclear-fusional generation of the Mendeleev table of the planetary system. That so-called "Second Law" is the common enemy of human creativity in the taught science of today's modern society.

The truth is, our Sun is, dynamically, part of a galaxy, whose internal functions are, in turn, part of the processes dynamically pervading a system of galaxies. Meanwhile, on Earth itself, there has been an evolved, upward development of new types of living species, a development traceable to upward-evolutionary developments from pre-biotic to higher living forms. On top of it all, as the case of so-called "cosmic rays" show, there is nothing which happens on Earth, or the relevant nests of galaxies, which is not strongly, even decisively affected by lawful interactions whose effects on Earthly affairs are rooted in, not only the functions occurring within the Sun, but also, as typified by cosmic-ray effects, within this and more distant galaxies, too.

This brings us to the matter of a great, pervasive fraud of the recent two centuries of history.

Why, therefore, would anyone who considered himself or herself a scientist, have ever accepted the obvious form of *apriori* dogma which underlies the concoction known as the so-called "Second Law of Thermodynamics"? The answer is found in the meaning of a technical term, "reductionism."<sup>18</sup>

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18. That so-called "Second Law" was a concoction which reflects two principal, apriorist presumptions. The first of these, underscored in the preceding chapter of this report, are the *apriori* assumptions of *Euclid's Elements*. The second is the principal assumption of the Cartesian, and Anglo-Dutch Liberal empiricist followers of Paolo Sarpi. The form of the Anglo-Dutch Lib-

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17. Lyndon H. LaRouche, Jr., "Vernadsky & Dirichlet's Principle," *EIR*, June 3, 2005.

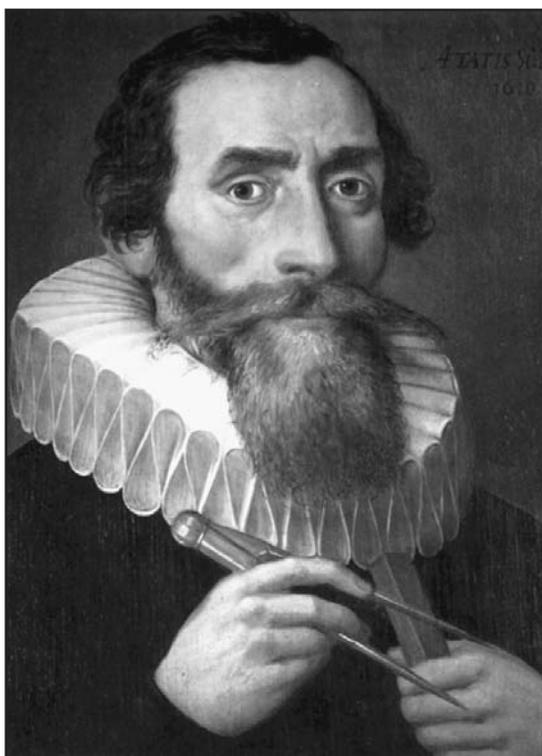
Contrary to that “Second Law,” the real universe of thermodynamics is Riemannian. A direct collision between competent physics and the circles of Clausius, Grassmann, Heinrich Weber, et al., erupted around the 1858 publication of Riemann’s “*Ein Beitrag zur Elektrodynamik*” by Prussia’s Royal Society.<sup>19</sup> The empiricists and their followers of the Cartesian school of de Moivre, D’Alembert, Voltaire, Euler, Lagrange, Laplace, Cauchy, et al., were each and all committed to denying the physically efficient presence of a principle of creativity in nature. Once the matter is situated within the dynamics of Leibniz, Riemann, et al., the fraudulent character of the fabled “law of entropy” is clearly exposed.

The point to be emphasized here, is that every known state of existence in our universe is subsumed under a principle of universal creativity. The universe is a process of continuing creation. The Solar System is part of such a process of creation. Life is an expression of a creative principle. The human mind is a higher order of quality of creative process than the preceding two.

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eral, empiricist system, is essentially Cartesian. That means an aprioristically Euclidean notion of space, time, and matter as respectively, ontologically distinct categories. It means, in the form which empiricism assumed during the course of the Eighteenth and Nineteenth centuries, not only a mechanistic method, but also a reliance on reductionist statistical assumptions. The “Second Law of Thermodynamics” was derived as a fraudulent treatment of the work on heat by the Ecole Polytechnique’s Sadi Carnot, in which Clausius, Grassmann, et al., presumed that physical space-time was intrinsically Cartesian, as opposed to the dynamic conception supplied to science by the ancient Pythagoreans and circles of Plato, and the founders of competent forms of modern European science such as Nicholas of Cusa, Luca Pacioli, Johannes Kepler, and Gottfried Leibniz. In the language of modern “positivist” dogma, the Second Law of Thermodynamics is an “hereditary” consequence of a radically false interpretation of the evidence according to arbitrary belief in a neo-Cartesian presumption respecting the nature of space, time, and matter.

19. C.f. *Riemanns Gesammelte Mathematische Werke*, H. Weber, ed., pp. 288-293. This Riemann paper was a reflection of original work, in association with Gauss’s associate Wilhelm Weber, proving the error of the official British line on electrodynamics. This demonstration has become a standard of competence over time. The attack on Riemann’s work was attributed, by Heinrich Weber, to Clausius. Other sources locate the origin of this attack on Riemann as the mathematician Grassmann.



*Johannes Kepler’s discovery of the principle of the organization of the planetary orbits, and of the harmonic characteristics of the Solar System, served as the foundation of all competent modern physical science.*

## Universal Laws

The most significant class of mankind’s creative discoveries, is named *Universal Physical Laws*. It should be recalled at this moment, that the subject of this report as a whole, is the fact of the existence of a form of universal physical laws called *Principles of Classical Artistic Composition*. The latter are Universal Physical Laws, but, as we are to have explained here, of a special class.

The mention of this subject of Universal Physical Laws, compels us to pay attention to a widespread incompetence in the way people ordinarily define the use of the word “truth.” The popular error is to suggest that a statement is true, or is not true. On the contrary, there are two aspects to an actually true statement: a.) The idea to which the words refer is true; or, b.) The assumption, that the words expressed are true, in and of themselves. To make the relevant point, consider the following illustration.

She says: “Yes, that is John!”

Is she telling the truth? Yes, and also no. The person is not John, but he is the actual person she had mistakenly believed, earlier, to be named “John.”

He says, “That is my opinion!”

He is right in saying that that is his opinion, but his opinion is absurd.

A variant on the later case, is: “I am sincere in what I say, and I have a right to my opinion: so you are wrong.”

He is wrong in his opinion, and, if he is honest, he must apologize for spreading false statements. If he insists on his opinion, he is being an immoral person. If he defends it as an allegedly “honest opinion,” he is to be condemned as a liar. If he argues, “I have a right to my sincere opinion,” when the opinion itself is factually false, then he is an immoral person, probably worse, a Sophist. He is the kind of liar who proceeds by insisting on strong assertions *out of reckless disregard for truth*.

People do not have a moral right to wrong opinions. They have no right to proceed in flagrant disregard for available truth; they have no right to speak falsely out of malice. I have the experience with lying prosecutors, wildly corrupt Federal judges, defense attorneys, and perjured witnesses to know this very well. However, I bring this matter up here only for reason

of its bearing on the subject of the body of this report as a whole.

Such are very simple sorts of illustrations of the point to which I turn your attention now.

The simplest modern example of the problems which I have just illustrated with those examples, is the case of that system of lying called variously empiricism, or Philosophical Liberalism. The classic case of that form of lying is typified by substituting a mathematical formula for the idea of a law of nature. This was the great issue which Carl F. Gauss attacked, in his doctoral dissertation's attacks on what were, in fact, the frauds of D'Alembert, Euler, Lagrange, et al. The targets of this attack by Gauss were empiricists who, accordingly, resorted to the form of nominalism in which they substituted misleading mathematical formulas for actual physical principles.

The story behind that case is, summarily, as follows.

The ancient Pythagoreans, who were the crucial founders of a valid stream of European science, based much of their science on an Egyptian form of astrophysical science, called "*Sphaerics*." In that *Sphaerics*, none of the rubbish associated, later, with Euclidean *a priori* definitions, axioms, and postulates, was tolerated. To derive a line, required a relevant physical action on a point; to derive a surface, a physical action on a line were required. The pivotal concept of Pythagorean geometry, was the physical action needed to generate a doubling of the cube solely by the acts of construction, a solution famously solved by Plato's Pythagorean friend, Archytas.

Later, come Europe's Sixteenth Century, a group of Italian mathematicians, including Girolamo Cardano, attacked these matters, of cubic and biquadratic equations, from an algebraic standpoint. These Sixteenth-Century issues of cubic and biquadratic algebraic roots were addressed later, during the course of the Eighteenth Century, by a set of fervent haters of Gottfried Leibniz, including Abraham de Moivre, D'Alembert, Euler, and Lagrange. *Credit was given to D'Alembert's accomplice de Moivre, for suggesting that the curious, infinitesimal values implied, algebraically, as part of algebraic solutions for cubic and biquadratic roots, were to be considered merely "imaginary." This fraudulent attack on the Leibniz calculus and the Leibniz-Bernouilli, catenary-cued, universal principle of physical least action, was rebutted by Carl F. Gauss in Gauss's 1799 doctoral dissertation, the first of a series of Gauss's writings on the subject of The Fundamental Theorem of Algebra.*

It is precisely those "infinitesimal" qualities, which Euler, Lagrange, Laplace, Cauchy, et al. name, fraudulently, "imaginary," which are the essence of reference for competent thinking about the mathematics of physical science. Here, as in Kepler's uniquely original discovery of the fundamental principles of modern physical science, we encounter the expression of actually existent universal physical principles. Here—precisely here—the truth of physical science, is to be found.

Thus, the essential fraud which Euler et al. committed in that way, was the crime against truth called nominalism: the substitution of a mere description for the crucial experimental event which defined the fruit of a relevant form of experiment.

In each of the crucial cases of empiricist crimes of that same type, the criminals denied the existence of what was termed "the infinitesimal." This same lie was repeated by Laplace and in the principal work of Cauchy on the calculus and otherwise. What each of those empiricist and positivist criminals was doing, was denying the existence of efficient universal physical principles.

This was also the same type of lying which pervaded *Euclid's Elements*. The form of the lying in all similar cases, is the substitution of the name of a sense-perception, or a mere formulation, where the truth lies in an actually existent physical event, or set of such events.

## Truth in Science

There are, chiefly, two, paradigmatic discoveries at the foundations of the work of the follower of Cardinal Nicholas of Cusa, Johannes Kepler, in the founding of the method underlying all competent modern physical science. The first, is the discovery of the principle of organization of the Earth orbit, with respect to the Sun and Mars. The second was the discovery of that harmonic organization of the Solar System which defined a fair estimate of the nature and measure of universal gravitation within the Solar System. This combination of discoveries, chiefly by Kepler, served as the foundation, as recognized by Albert Einstein, underlying all competent modern physical science, from Kepler, Fermat, and Leibniz, through Bernhard Riemann.

That set of combined ancient and modern discoveries, defines all competent modern physical science, and, also, decent artistic composition.

To say that all competent modern physical science is necessarily Riemannian, is not to belittle his predecessors. What Riemann wrote, in his revolutionary 1854 habilitation dissertation, is the essence of competent physical science today, but it does not discredit such Riemann predecessors as Kepler, Fermat, Leibniz, or Gauss. Under the "witch-hunt" setting of his work in science, from 1799 through to the end of his life, Carl F. Gauss was often as scrupulously deceptive as a target of a reductionists' Liberals' Inquisition might be permitted to be. The evidence of most, at least, of what Gauss really thought during his life in the Nineteenth Century, can be found by the diligent in a search of Gauss's own extant, related papers and correspondence through to the end of his life. Despite the fraudulent preface to a modern edition of Gauss's teacher Abraham Kästner's history of science, Gauss was a follower of Kästner, and those professionals who have deprecated Kästner were Leibniz-hating degenerates in the school of the followers of Lagrange, Laplace, Cauchy, et al. Einstein was right: modern science is a

process which emerges with the definition of modern science by the work of Kepler, and is brought to a fairly rounded-out form, where it lies, essentially today, as presented by the work of Riemann.

On this account: the most crucial accomplishment by Bernhard Riemann is his courage in defining the entirety of the Euclidean and related traditions as a fraud upon science. This statement by Riemann obliges him, and all competent thinkers in science after him, to discard any and all semblences of an aprioristic geometry of a Euclidean, or related reductionist type. Riemann thus obliges himself, and those who would follow him, to permit no axiomatic-like assumptions in science which are not crucially-experimentally proven concepts corresponding to universal physical principles. Kepler's discoveries, regarded as echoes of the ancient work of the Pythagoreans and other circles of Plato, are to be regarded as the foundation on which all competent fundamentals of modern science are premised.

The crucial feature of Kepler's contribution to this, is located in Kepler's use of the transcendental sense-organ to which I referred in the opening of the first chapter of this present report: the organ of sense which is neither sight, nor sound alone, but partakes of the ironical juxtaposition of both into the form of a single, transcendental quality of sense-perception.

The crucial feature of that correction in our view of truth in sense-perception, is that man views the social process governing man's action upon the universe as itself a subject of this higher, transcendental supersession of sense-perception. Science, thus, supersedes sense-certainty.

In this way, "science" is made, as it should be, into a view of social man as the subject under which man's development and use of so-called physical science must proceed. By acknowledging the role of harmonics in defining gravitation within the Solar System, we adopt the standpoint of a human science, the science of man's power, and related obligations, for man's actions within the universe.

This brings us back to man and woman as defined in *Genesis* 1: man and woman in the likeness of the Creator, and with the assigned obligations which that implies. Science becomes, then, a matter of the knowledge of what we must do within the universe, that for the benefit of the future condition of the universe in which the special role of man and woman is situated in immortality with respect to generations yet to appear. The capital sin of sense-certainty is banned, and the pagan's false gods, such as those of *Euclid's Elements*, are banned, and, thereby, destroyed.

The power which mankind represents, uniquely, among all existing living species, is the power of discovery of universal physical principles, as such principles are defined as subjects of the faculty which is neither sight nor sound.

Principles of that qualification enclose a finite, but unbounded universe, an efficient universe. Since these principles define the dimensions of that universe's self-bounding, they appear to experimental inquiries as infinite, and are

therefore expressed in particular as infinitesimal.

On this account, the most important, most fundamental aspect of competent physical science is that activity in which science is expressed as the ironies which occupy, unseen, the true meaning of Classical poetry, or poetry as in the form of the methods of J.S. Bach, or other masters of the poetic transcendental. Thus, science which is not Classical poetry is neither poetry nor music, nor science.

The moral obligation which these considerations bestow upon society, are expressed in the qualities of Classical artistic composition, as this is exemplified by the combined work of J.S. Bach and such of the collaborators in his cause as Mozart, Beethoven, Schubert, and the great Classical poet and playwright, Friedrich Schiller.

Rotstein should seek to refresh his membership in the human race.

### END NOTE

Note the functional similarity of my methods of investigation in that case from management consulting days, with the methods of Edgar Allan Poe. Poe, who inherited his claim to membership in the Society of the Cincinnati, performed U.S.A. military service as a sergeant, and left West Point Academy during the course of his first year, as a consequence of his life-long affliction with epilepsy. He entered service as a New York journalist, where he cracked a murder case with celebrated methods, and continued as a counterintelligence agent against British subversion of the U.S.A. He died as a casualty of that continuing mission. As a member of the Cincinnati, under the surviving head of the institution, the Marquis de Lafayette, Poe did significant service in Paris in association with fellow Cincinnatus spy, James Fenimore Cooper. I was attracted to that tradition's dedications and methods by my own lowly military service, notably in an India struggling for that independence which we followers of President Franklin Roosevelt were determined that they should have. Such has been my passion since, during, and immediately following World War II, and I have continued that informal service to what I recognize as my republic's interests whenever conscience mustered me to so.

While I have done a kindred quasi-official service to my nation's interests at some times past, I was never a member of any intelligence service, but only a patriot, and that, on reflection, in the spirit of the Cincinnatus legacy. The very choice of the name of Society of the Cincinnati, is a matter of relevance to the methods and devotion expressed by the present report. It were sufficient to read Chapter XXV, Book III of Machiavelli's *Discourses on the First Ten Books of Livy*, to recognize the aptness of the selection of the name of the Society of the Cincinnati by the veteran officers of our revolutionary war. It is crucial, that the intention and the method expressed, as Poe's "detective stories," reflecting his mastery of the creative principle, are congruent; they bear on the same method which I have presented in this writing. There is service to one's republic, but, then, service to the republic serves a higher calling, service to the mission for which this republic was created on behalf of future humanity as a whole. Compare the form of argument with which Machiavelli opens his *Discourses* with the argument with which James Fenimore Cooper opens with his own Introduction to his 1839 *The History of the Navy of the United States of America*.

# *Is Cheney Planning a New 9/11?*

In a statement issued July 17, to publicize his upcoming July 25 webcast, Lyndon LaRouche excoriated the nation's political leaders, especially the Democrats, for their failure to dump Vice President Cheney. Under the title "Party Leaders Are Faking," LaRouche wrote:

"As the news came, that the cruise ship was sinking, the Captain of the vessel jumped into bed with a passenger with whom he had been flirting.

"In replies to his First Officer's pleas to act to save the passengers, the Captain, snarling mercilessly from the bed which he had just occupied: 'Not now! Can't you see I'm busy?!'

"That is the way most of the leading Presidential pre-candidates and others are deserting the defense of our nation in the face of the enemy! They are like the Captain of our story, fleeing from a reality that they lack the guts to face, by occupying their minds with something else.

"'Get out of that bed, Captain! Get out now!' the First Officer ordered the cowardly captain.

"So, Franklin Roosevelt Democrat Lyndon LaRouche is ordering the so-called leading political figures of our nation, now.

"All that keeps the U.S. war in Iraq ongoing is the lack of the political courage needed among political leaders to stop the process of sending our troops to more needless, and utterly useless dying. All that stands in the way of the now onrushing explosion of the greatest Wall Street bubble in history, is the lack of the guts of political leaders who refuse to face the fact that the entire present world financial system is at the verge of blowing out, unless the U.S. returns to the kind of leadership that Franklin Roosevelt used to save the U.S. from the catastrophe brought on by the Coolidge and Hoover administrations.

"The time to act on the real issue is now!

"Dump Cheney right now! Organize a recovery from the world depression right now!"

LaRouche's attack on our leaders' gutlessness will resonate with the American population, which is already fed up to the gills, if not totally enraged, about the failure of the Congress, as well as the President, to get our na-

tion out of the war and depression that is burying us in gore. But the question remains: Will the population act effectively to force action in time?

There is every indication that "in time" means by the end of August, this year! The danger of expanded war is clear, as our leading strategic articles in this issue elaborate. But there is another looming danger closer to home, called dictatorship.

In a sense, our nation is coming closer to dictatorship every day we allow Dick Cheney to remain in power. Just think about it. Every time Congress takes any action to try to retard the war, or rein in Executive power, or expose corruption, the response is Cheney's well-known "f\*\*\* you." The message is clear: The Cheney-Bush Executive *is* the law, and there's nothing you can do about it. This behavior is precisely the Schmittlerian model from Adolf Hitler that LaRouche warned of in January 2001, and that this magazine has been warning of ever since. It doesn't matter what law you pass, Cheney says, because we'll redefine, or nullify it.

There are warnings that it could get worse—a lot worse. Former Reagan Administration official Paul Craig Roberts gave a radio interview to Thom Hartmann on July 19, in which he warned that the Cheneyacs in the Administration are orchestrating a new 9/11 type incident to consolidate power, and that Bush has already signed a new Executive Order expanding police powers to the government. Roberts, who has put himself on record calling for the impeachment of Cheney and Bush, lashed out at the cowards in Congress for refusing to act, at the peril of the Constitution and the nation.

Whether Roberts is right that Cheney is planning a new "Reichstag fire" or not, his overall point is correct. The only way to save this nation from expanded war, further economic devastation, and possible dictatorship taking hold *before* the 2008 elections, is to move *now* to impeach Dick Cheney.

August, the month of wars and coups and economic disasters, is fast approaching. Congress is coming home where you can find them. Demand that Congress take action to stop Cheney's fascism now.

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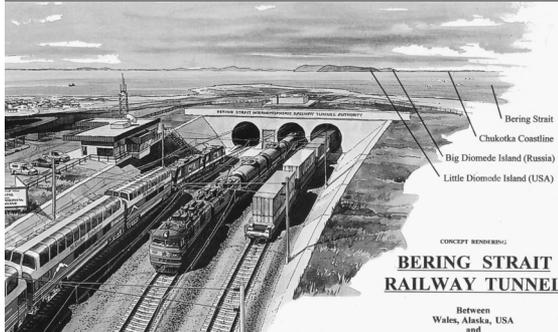
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May 11, 2007 Vol. 34 No. 19-20 www.larouche.com \$10.00

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