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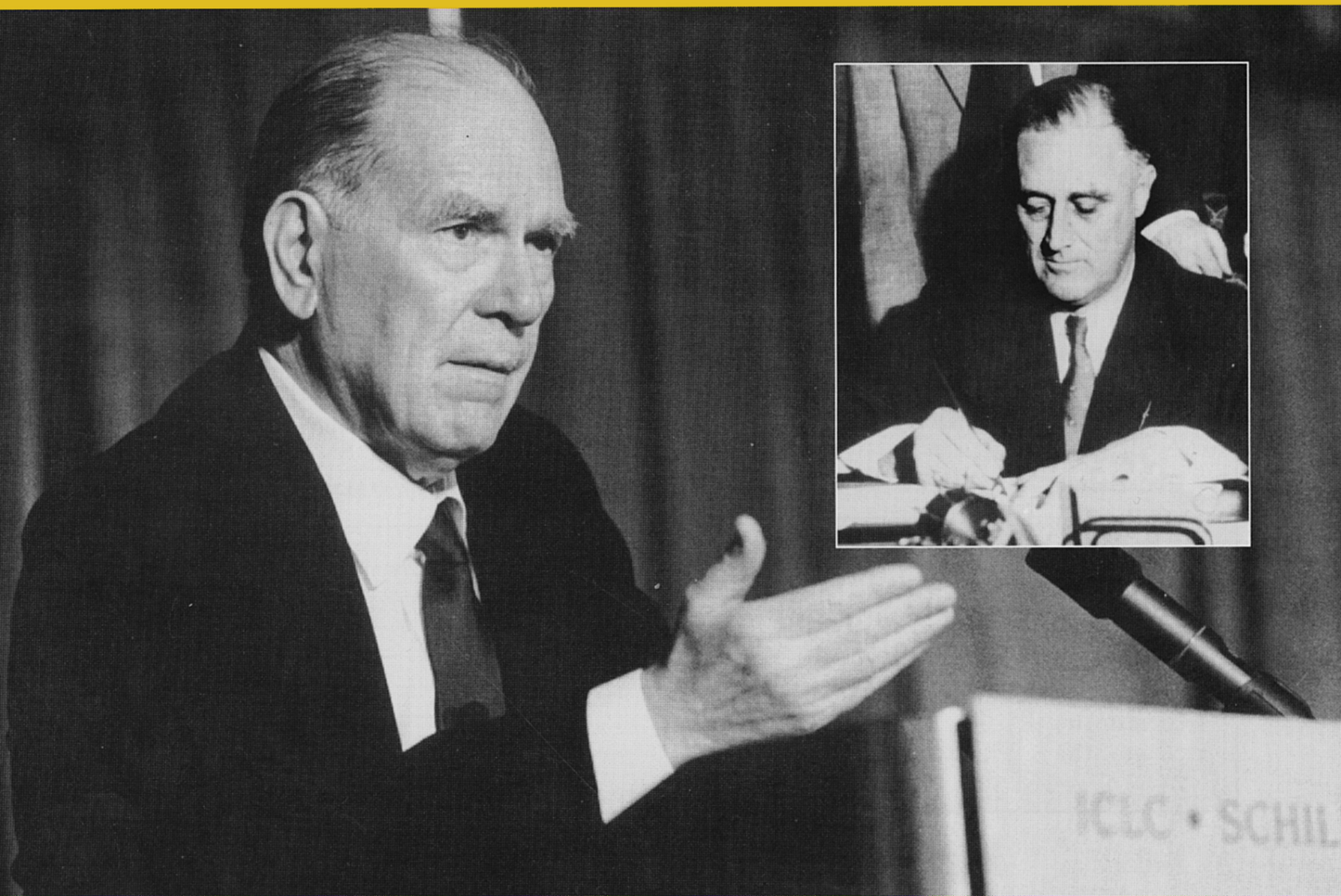
Executive Intelligence Review

January 12, 2001 Vol. 28 No. 2

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Stop Ashcroft Nomination as Attorney General  
How Alan Greenspan Vanished Down the Well  
U.S. Energy Crisis: Re-Regulate or Die

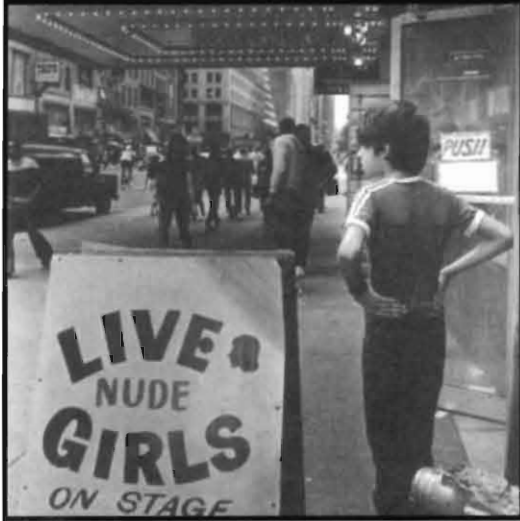
**LaRouche Declares for 2004:  
'Do for Today What FDR Did in '32'**



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## From the Associate Editor

‘**W**hat does Alan Greenspan know, that the rest of us don’t?’ all the financial so-called experts were asking, when the Federal Reserve chairman lowered interest rates, stocks continued to crash anyway, and the Bank of America denied rumors that it had suffered enormous losses.

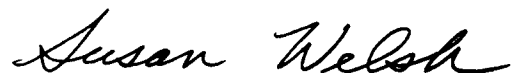
The answer is, “nothing.”

He doesn’t know anything. He doesn’t know why the system is bankrupt, why his usual tricks aren’t working, and what to do about it. In fact, as Lyndon H. LaRouche, Jr. writes in this issue (“How Alan Greenspan, the Wicked Witch of the West, Vanished Down the Well”), the man is likely to stamp his foot like Rumpelstiltskin, and simply disappear. Greenspan, on whom the clueless George W. Bush is relying to tell him what to do in a crisis, has no more idea what to do, than does Dubya.

That puts the burden on the rest of us, and, specifically, on LaRouche, the world’s most successful economic forecaster of nearly a half-century. In a Christmas Day statement, LaRouche wrote that “the Earth is being invaded by hordes of heavily armed veracities.” The lies of the 2000 election campaign are over. We can now be certain of two things, he said. “First, the Year 2001 will see the most radical changes in more than a century, and, second, those changes will be not be gradual. What those changes will be, is not yet decided. If my enemies succeed, everyone, including those enemies, will be made terribly unhappy. If you are fortunate, only a certain some people, will be terribly unhappy; all my friends and allies will be happy. Meanwhile, watch out for veracities; they are coming on fast.”

As for the incoming Bush Administration, it is already doomed, even before its inauguration. The task for American patriots, is to rebuild the Democratic Party, reconstituting the coalition of forces and policies, oriented toward the General Welfare, which President Franklin D. Roosevelt put together, in an earlier time of crisis.

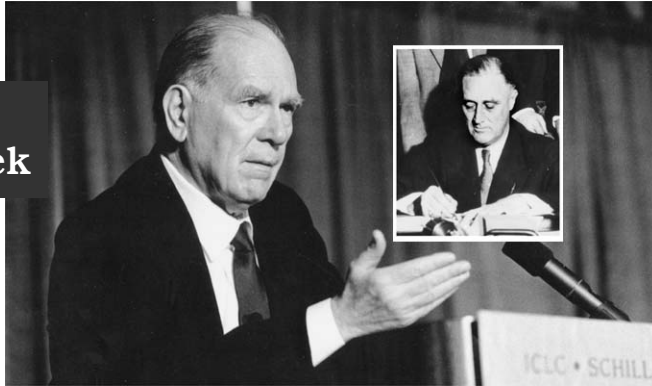
That is why LaRouche has “set his guidon at the top of the hill,” in declaring his intention to run for the Presidency in 2004. In his Jan. 3 webcast address, published in this issue, he explains how this will work, and what demands it places on you, the readers of *EIR*.



# EIR Contents

## Cover This Week

*Lyndon LaRouche.  
(Inset) President  
Franklin Roosevelt  
signing legislation  
to end the  
Depression.*



### **68 LaRouche Declares for 2004, Amid Crisis He Forecast**

American statesman and economist Lyndon H. LaRouche, Jr. declared himself, on Jan. 1, for the Presidency in 2004, in order to save the nation now. Days later, LaRouche told the international audience of his Washington, D.C. seminar, that we must revive the Democratic Party of Franklin Roosevelt and John F. Kennedy, to implement measures for economic recovery, just as FDR did in 1932.

### **69 LaRouche Announces: 'I Take My Stand'**

Lyndon LaRouche's statement announcing himself for President for 2004.

### **70 Ashcroft Nomination Called by LaRouche an Insult to Congress**

### **71 Revive the Democratic Party of FDR and JFK To Save the Nation**

## Economics

### **4 'Re-Regulate or Die': Energy Hyperinflation Grips U.S.**

The President-elect struck poses with the members of his proposed Cabinet, while U.S. manufacturing crashed, and Winter fuel and power bills jumped 50-100% for households nationwide; wholesale electricity prices are up thousands of percent from a year ago, shutting down production of aluminum, farm fertilizers, and other commodities. Now is the Winter of our discontent.

### **7 How Dereg Catastrophe Ruined California**

### **10 Electricity and the General Welfare**

**Documentation:** From Franklin Roosevelt, John Kennedy, and three Federal Acts.

### **11 Fed Panics, with U.S. Economy in the Abyss**

### **12 U.S. Collapse Threatens Asian Economies**

### **16 A True-Life Defective Story: How Alan Greenspan, the Wicked Witch of the West, Vanished Down the Well** By Lyndon H. LaRouche, Jr.

### **22 Global Human Life-Expectancy Fell, World's Population May Soon Follow**

### **24 Santa Did Not Come to Poland, Either**

### **26 Business Briefs**

## International

### 28 **Mideast War, Sooner Rather Than Later**

President Clinton must act now, before he leaves office, to to push through a U.S. position, saying there is no peace in the Middle East, unless there's a massive program of desalination, to ensure at least that there's the water and the energy needed, so that the children of the present inhabitants of the region have a peaceful future for their grandchildren.

### 31 **Another Kahane Dies by the Sword**

### 32 **London Role Exposed In Italian Terrorism**

### 35 **Terror Wave Hits ASEAN Nations**

### 36 **Germany Enters 2001 Without Leadership**

### 38 **French Assembly Leader Attacks IMF, World Bank**

### 39 **Conservative Think-Tanks Offer Bush the Wrong Policy Toward India**

### 41 **Scandal in Ukraine Has Strategic Dimension**

### 43 **LaRouche on Monterrey Radio: We Need Leaders Who Will Mobilize the People for a National Mission**

### 48 **Sudan Elections Deemed Fair, Amid Foreign-Backed Destabilizations**

### 54 **International Intelligence**

## National

### 79 **Privateers Profit on Flu Vaccine Shortage**

## Strategic Studies

### 56 **The Strategic Threat Faced by Ibero-America**

By Marivilia Carrasco, president of the Ibero-American Solidarity Movement of Mexico, the co-thinkers of Lyndon LaRouche in Ibero-America. An MSIA political statement issued in December 2000.

## Interviews

### 50 **Abdul-Monueim al-Zein al-Nahas**

Dr. al-Nahas is Chairman of Sudan's General Elections Commission.

## Departments

### 53 **Australia Dossier**

Racial Vilification Laws Set To Go.

### 80 **Editorial**

Millennium Decision for Human Beings.

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## ‘Re-Regulate or Die’: Energy Hyperinflation Grips U.S.

by Paul Gallagher

The biting sarcasm of Shakespeare’s lines for Richard III, were needed to describe the U.S. power and fuel crisis as the new year opened:

“Now is the Winter of our discontent  
Made glorious Summer by this son of Bush!”

The President-elect struck Summer poses with the members of his proposed Cabinet, while U.S. manufacturing crashed, and Winter fuel and power bills jumped 50-100% for households nationwide; wholesale electricity prices are up thousands of percent from a year ago, shutting down production of aluminum, farm fertilizers, and other commodities.

California’s two largest public power utilities may default during January, on billions of dollars of short-term debt. This would set off at least \$20 billion in “cross-defaults” on the utilities’ other debts, and possibly the loss of electrical power in the state. Southern California Edison and Pacific Gas & Electric (PG&E) have suddenly built up a short-term debt estimated at \$11 billion, borrowing from banks to pay wholesale electricity prices 100 times and more what they were a year ago. The companies have cash reserves of not much more than \$1 billion each, and so are bankrupt unless they can keep borrowing at this dizzying, “junk bond” pace. They are paying these hyperinflated rates to “electricity robber baron” conglomerates — Enron Corp., Reliant Energy, Dynergy Corp., and Duke Power — which bought up California’s power-generating plants under the insane deregulation act passed by the legislature in 1996. Southern California Edison has already announced it may go bankrupt.

Texas-based Enron, whose lobbyists wrote California’s deregulation law (and those of many other states), is a corporation very closely tied to President-elect Bush’s family interests, and a huge contributor to his campaigns. And it is leading the pack of speculative conglomerates now blackmailing utilities nationwide for power and natural gas.

California Gov. Gray Davis’s emergency meetings on Dec. 28-29, with President Clinton, Treasury Secretary Lawrence Summers, and Federal Reserve Chairman Alan Greenspan, made clear that a debt-collapse crisis is lying underneath the power and fuel crisis in the West Coast and New England states in particular. The financial Bloomberg News Service quoted a Chase Manhattan economist warning that with U.S. banks shutting off lending, “a credit issue can pose the potential to become a systemic threat.” But Greenspan was evidently too preoccupied with saving the stock markets with panicky interest-rate cuts. Although even Bloomberg drew the clear analogy between the Federal Reserve’s emergency bailout of the Long Term Capital Management hedge fund in Autumn 1998, to save the stock and derivatives markets, and the looming default of California’s utilities in 2001, Greenspan did nothing.

The financial crisis of the power utilities then triggered a natural gas crisis as well: Pipeline companies (which include the same Enron and other conglomerates) refused further sales of natural gas unless Southern California Edison and PG&E paid cash in advance for the deliveries; and also threatened to cut off electricity sales, “fearing” that the utilities would not pay for them. This situation, which sounds exactly like Russia or Ukraine during the last decade’s looting of those countries, will cause natural gas customers to be cut off, and intensify the threat of further blackouts in the state.

On Jan. 4, the State Public Utility Commission raised the electric rates for customers of Southern California Edison by 9%, continuing a national drumbeat of electric-rate inflation — but this will do the utility no good in keeping the short-term bank credit lines expanding, which are keeping it from bankruptcy. The utilities’ stocks immediately fell sharply, and Moody’s Investors Service is warning of a downgrade in their credit ratings.



*Playing White House.*

CELANI

### **No Fertilizer, No Aluminum**

Wisconsin-based national farm leader Greg Blaska told *EIR* on Dec. 29, that fertilizer production is now significantly halted by the extreme cost of natural gas as a feedstock for anhydrous ammonia. One big producer, Terra Corp., has halted fertilizer production in Texas and Arkansas, and is trying to make a killing selling the natural gas it has stored or on delivery. Blaska said that a big reduction in corn planting can be anticipated in the Plains States of the United States, because fertilizer is unaffordable, and may become unavailable at any price.

In the Northwest, aluminum production is shut down, due to the astronomic price of wholesale electricity, ranging to \$3,000 per megawatt-hour and more (compared to a normal price in recent years of \$25-30). First Kaiser Aluminum, and then Alcoa and smaller producers, shut down their aluminum production operations and sought to sell their contracted electrical power. For the same reason, production of liquid nitrogen, used for cooling in industry and science, has stopped.

In the Midwest, the big distributor Columbia Gas nearly doubled its billing rates during December to its customers in Ohio and Michigan. At the end of the year, natural gas wholesale prices hit an all-time high near \$10 per million btu, having started the year at about \$2. In Pennsylvania, whose governor has claimed that deregulation “worked” in his state, 500 customers of Philadelphia Gas Works found their gas deliveries suspended as of Dec. 20, in order to keep service

going to 500,000. In New York and Connecticut, citizens’ bills for Winter heating oil for their houses, ran as high as \$700 per month.

Across the southwestern U.S. border in Mexico, the Federal government on Dec. 29 attempted to intervene in the disasters caused by a tenfold increase in natural gas prices over three years in that country, by offering a temporary subsidy of the price. Because of the North American Free Trade Agreement stipulations for a completely deregulated free market, the government had to make the subsidies only three months in duration, and repayable at full cost in a year. It offered the affected companies help in buying derivatives contracts to cushion their losses! It did not work: By year’s end, all four of the iron-production plants of Mexico’s biggest steelmaker, Monterrey-based Hylsamex, were closed down. Some 1,350 workers were laid off, among thousands of others in Mexico’s industrial Northeast, and Hylsamex’s chief executive said that the plants would stay closed while the gas price remained above \$3 per million btu.

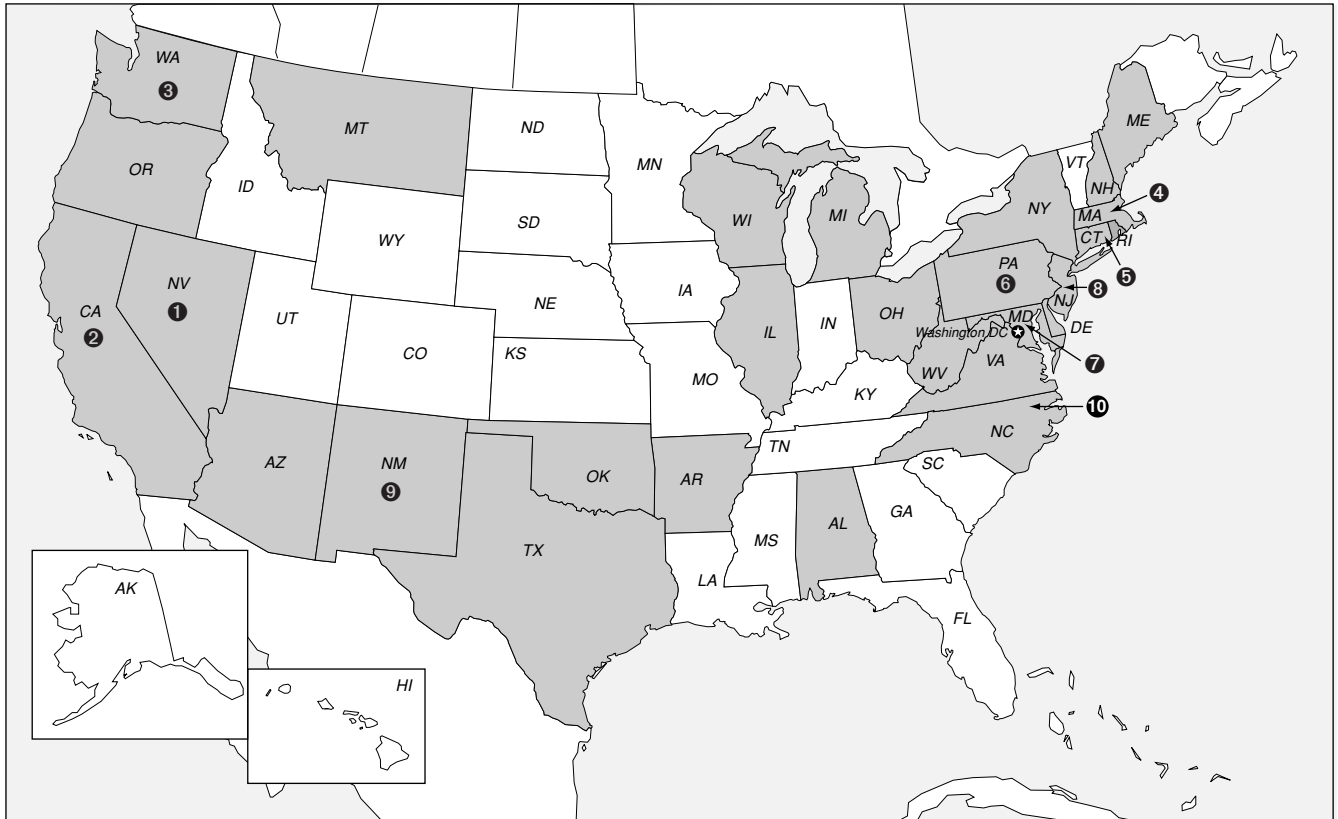
### **California, the Epicenter**

But the U.S. Federal authorities—including the Federal Energy Regulatory Commission (FERC), which is charged by the 1935 Federal Power Act with enforcing “reasonable” prices for wholesale interstate electricity sales—are refusing to intervene in the California debacle, which is the center of attention of the crisis across all North America. The California utilities have been forced to sue the FERC over its refusal to



FIGURE 1

**Demands for Re-Regulation Coming from States with Energy Deregulation, as of January 2001**



**1. Nevada:** Energy deregulation, approved and awaiting implementation, was set aside in September 2000.

**2. California:** The state legislature is in emergency session as of the week of Jan. 2. Legislation is being prepared to intervene in the power crisis. Demand for re-regulation made by Los Angeles County Democratic Committee.

**3. Washington:** Seattle Mayor Paul Schell, on Dec. 11, called on President Clinton to direct the Federal Energy Regulatory Commission to put a lid on power prices. He and City Councilwoman Heidi Wills held a press conference denouncing deregulation.

**4. Massachusetts:** In the Boston City Council on Nov. 1, Councilman Chuck Turner introduced a "Resolution on Emergency Governmental Action To Reduce Oil and Natural Gas Prices."

**5. Connecticut:** Legislation for re-regulation is being prepared by Sen. Thomas A. Bozek.

**6. Pennsylvania:** In October, House Resolution 618 was entered into the General Assembly: "Resolved, That the House of Representatives of the Commonwealth of Pennsyl-

vania memorialize the President and the Congress of the United States to take emergency action to reduce oil prices, including . . . bypassing the oil multinational corporations completely by negotiating government-to-government purchasing agreements directly with the oil-producing countries."

**7. Maryland:** When new "marketer" gas companies began giving notice to customers that they could not continue providing service, the Maryland Public Service Commission intervened, under a state provision, to reconnect stranded customers with other utilities.

**8. New Jersey:** In the Camden City Council, an action (Resolution 638) was introduced on Oct. 12, 2000, calling on the President, Congress, and the New Jersey Board of Public Utilities "to take emergency action."

**9. New Mexico:** State Attorney General Patricia Madrid's call for the state to put a hold on any planned power-industry deregulation, was reported in the press on Jan. 5.

**10. North Carolina:** On Jan. 24, the legislature stopped deregulation.

Source: Electric Power Supply Association.

act; the state's Public Utility Commission stated that "the law says the wholesale prices will be just and reasonable. If they're not . . . they're illegal" (see accompanying article). But Washington has taken no action, and George W. Bush has not even taken note of the crisis.

Lyndon LaRouche, speaking of the California crisis at his Jan. 3 webcast, demanded, "Immediately, through the Federal Government, create two steps: . . . Establish reregulation, emergency reregulation. Do it under Clinton. Don't wait for Bush. Do it now! . . . And then get some money in there . . .



get some power generation going in that area. We're going to ensure a safe and adequate supply of energy, to industry and to populations throughout the area." The West Coast power grids have not had any significant growth in capacity for years, as *EIR* showed in its Aug. 18, 2000 special issue warning against deregulation. No nuclear plants have been built since Washington State's Public Power System was forced in 1982, by environmentalist pressure and Federal Reserve Chairman Paul Volcker's high interest rates, to abandon four nuclear plants and to default on their bonds.

While outgoing U.S. Energy Secretary Bill Richardson, despite holding emergency meetings with state governors, cannot bring himself to say the word "reregulation," echoes of LaRouche's emergency reregulation demand are being heard now around the country (see **Figure 1**). LaRouche's movement is leading these forces in California, as it did during December in Boston, Massachusetts (see *EIR*, Dec. 15, 2000).

The California legislature is in special session on the power and fuel crisis as of Jan. 2, after intensive lobbying, and rallies outside Public Utility Commission meetings, by associates and supporters of LaRouche. Assembly Speaker Robert Hertzberg described himself as "totally open" to the idea of reregulating the electric grid. San Francisco-area TV and radio coverage of the PUC hearings prominently covered LaRouche supporters' demands for reregulation, and LaRouche spokesman Harley Schlanger warning of the financial collapse threat. The Resolutions Committee of the Los Angeles County Democratic Committee on Jan. 4 passed a resolution for reregulation supported by LaRouche forces, which "calls for the reregulation of the electric utility industry in the State of California, possibly by providing funding from the California budget surplus to the electricity providers which would allow buyback of generating facilities."

In Tacoma, Washington, all electricity customers' rates were raised by 30% at Christmas time; the computer-based employers in the area are facing a supply crisis, as did the aluminum producers before them. When the city council held hearings on 100% rate increases, and faced the threat of shutdown of the city's sewage treatment plant before Christmas, LaRouche spokesman Patrick Ruckert led the charge for "reregulation, Roosevelt style." He was followed up by the county utility workers union leader who also took up the cry of "Roosevelt" measures.

The U.S. "Winter of discontent" is not letting up, but getting worse. The Winter energy assistance programs of some states, such as New Hampshire and Rhode Island, are being overwhelmed with household aid requests, have long waiting lists, and are in danger of being halted. The threat of freezing deaths is real throughout much of the country. Reregulation and crash construction of new capacity—not yet mentioned by the outgoing Clinton "energy summiteers," and not even contemplated by the Bush-Enron crowd—must nonetheless be immediately carried out.

# How Dereg Catastrophe Ruined California

by Marsha Freeman

Electricity supply shortages in California, which began in Summer 2000, have now cascaded through the Western United States, forcing planners in the Northwest into emergency meetings to figure out how to meet demand, with fewer resources, in that region. Various proposals have been put forward to extricate California from the disaster that electricity deregulation has created. Most are either half-way measures, or would make the problem worse.

In fact, there is only one solution to the crisis, and that is to return to the policies that provided this nation with reliable, reasonably priced, and universally available electric power for fifty years. Those policies, codified in a series of laws signed by President Franklin Roosevelt in the mid-1930s, began from the understanding that adequate electricity infrastructure is needed to provide for the general welfare of every citizen of the nation.

Roosevelt's policies required that long-term, reasonably priced credit was available to maintain and expand the electricity infrastructure; that utilities had a requirement to provide universal service, at a reasonable price; that in return, they were assured a reasonable rate of return on their investment, allowing them to remain creditworthy, and attract investment; and that Federal and state governments had the power to intervene if the above conditions were not satisfied, to protect the citizens and the industry and commerce of the nation.

There are objections today that the deregulation genie cannot be put back into the bottle, that it is too late to reverse course. There were many who did not believe that President Roosevelt could rein in the Wall Street financial interests that controlled and were wrecking the infant electrical industry in the last Depression. It is only a matter of political will, and it is becoming a matter of survival.

## To the Brink of Bankruptcy

Shortages of supply and the doubling of electricity rates in California made national headlines last Summer. The 1996 state-mandated deregulation, requiring that utilities divest themselves of their generating capacity if they were to continue to distribute power, has given out-of-state mega-conglomerates which bought the plants, control of more than 40% of the state's power resources. When unusual heat battered California, starting last May, these power suppliers saw a chance to make a killing by ratcheting up the price of increas-

ingly precious power supplies.

Because the state of California had enacted so-called environmental legislation, which made it nearly impossible to build baseload coal or nuclear power plants over the last decade, and because the end of the Cold War had sent the defense- and aerospace-intensive state into an economic tailspin in the early 1990s, no new plants over 50 megawatts were built in the state. California seemed to be awash in “extra” generating capacity, as its economy declined. But the increase in population, and blossoming of “information age” and entertainment companies through the second half of the 1990s, began to eat away at this so-called surplus power, leading to an absolute shortage.

As the price of electricity soared from \$30 per megawatt-hour to more than \$1,400 last Summer, thanks to price gouging by suppliers, two problems were created. Of the state’s three large investor-owned utilities, San Diego Gas & Electric had sold off its generating capacity, qualifying it to charge unregulated rates to customers. Citizens in that city saw their rates double and triple by the middle of the Summer, as the utility’s cost of buying power zoomed.

While that caused an immediate financial burden on customers, and led to a public outcry, and eventually, to a minor rollback in rates, the state’s two other privately owned utilities—Pacific Gas & Electric and Southern California Edison—had not yet divested themselves of their generating capacity, and were still under a two-year rate freeze. They could not pass on the fivefold increase, charged by suppliers, to their customers, and recoup their costs. All they could do, was borrow money to keep buying power in order to keep the air conditioners running and the lights on.

To add insult to injury, these two utilities are not allowed to use power from the plants in California that they still own and have not sold off yet, but the power must be put up for auction along with the out-of-state supplies. The companies can end up paying more than five times for the power they themselves produce.

By the end of the Summer, the utilities knew they could not continue on this path indefinitely. As reported in the Jan. 4 *Wall Street Journal*, in August, PG&E hired lawyers to help the utility prepare for possible bankruptcy proceedings. Throughout the Fall, warnings from the utilities, which at times were losing \$1 million *an hour*—the gap between what they were paying suppliers and what they could charge customers—were going unheeded, as PG&E and SCE reported that they had accumulated more than \$6 billion in debt.

Meanwhile, the carpetbaggers who had bought the power plants the California utilities had built, and could charge whatever the “market” would bear for power, were raking in windfall profits. Houston-based Reliant Energy, which owns 17% of California’s electric capacity, reported in December that its income rose 37% in the third quarter. Reliant bought five power plants from Southern California Edison in 1998. Minneapolis-based NRG Energy posted a 221% increase. Char-

lotte-based Duke Energy saw its income rise 74% (it holds 14% of California’s capacity), and Arlington, Virginia-based AES walked away with third-quarter earnings 131% higher than the previous quarter (holding 19% of California’s power plant capacity).

With the Autumn, and cooler weather, utility executives expected prices to calm down to their pre-Summer levels, allowing their companies to raise new capital and catch their breath. To their amazement, prices remained artificially at levels still five times what they were the year before. They began to realize that speculators would never again offer power at non-inflated prices, no matter what the supply and demand. On Sept. 24, for example, prices reached \$150 per megawatt-hour, while demand was only two-thirds that seen on a Summer peak day.

### Federal Half-Way Measures

On Oct. 16, Southern California Edison filed a joint petition with PG&E with the Federal Energy Regulatory Commission (FERC) in Washington, asking the Commission to take immediate action in response to the unjust and unreasonable wholesale prices, by capping what the power suppliers could charge, and determining how the utilities could be refunded some of the money that suppliers had robbed. Ten days later, SCE filed a four-point “market reform and rate stabilization plan” with the state Public Utilities Commission.

FERC responded on Nov. 1 with a proposed order they said would “restore confidence that wholesale markets in California can produce just and reasonable prices and consumer benefits.” But FERC had no intention of rolling back deregulation—their goal was to “make it work better.” While FERC found that the wholesale market “produced wholesale prices for electricity that are unjust and unreasonable, and that remedies are necessary,” they claimed they did not have the authority to order retroactive refunds to the cash-strapped utilities for the \$8 billion they had paid out and not recovered.

On Nov. 8, Pacific Gas & Electric filed a suit in Federal District Court in San Francisco asking the court to declare that, as a short-term measure, the Federally approved wholesale power costs the utility has incurred to serve its customers be recoverable in its retail rates to customers.

A week later, an early cold spell hit California, and alerts had to be called as demand soared and reserve margins fell below what is prudent for the integrity of the electric grid. Because the entire West Coast felt the blast of cold air, power that California expected to import from Washington and Oregon, was cut by a third.

By mid-December, California’s Independent System Operator reported the threat of widespread blackouts of power, now not only because of physical shortages of electricity, but because a dozen out-of-state suppliers were unwilling to sell California’s utilities power, because they were unsure the utilities could pay for it.

On Dec. 13, Energy Secretary Bill Richardson, flanked

by Gov. Gray Davis and Sen. Dianne Feinstein (D-Calif.), announced in Washington that due to the emergency, he had ordered 70 Western region generators to sell power to California during the crisis. At the press conference, the California officials said that the state was about 15 minutes away from facing blackouts, had Richardson not stepped in. Southern California Edison released a statement that day stating: "For over 100 years, the people of Southern California Edison have been proud to provide the people of this state with reliable and affordable electricity. . . . Unfortunately, the ability to fulfill the electricity needs of California has never been more threatened."

CEO John Bryson reported that to fund the \$3.5 billion deficit the utility had for power above what it could recover, and "to finance the additional procurement of electricity, Edison has had to borrow huge sums of money in the commercial markets. This situation is not sustainable." It was no secret that the utilities were marching down the road to default.

In the coming days, FERC took further steps to free the power generated in California by the utilities for their direct use, but FERC made sure to stress that *none* of the measures were intended "to reintroduce command and control regulation that has helped to produce the current crisis" (sic). FERC has been of the opinion that the utilities in California have not tried hard enough to move into market competition, and the solution to the crisis is to give deregulation a chance.

The week of Dec. 15, with FERC's cap of \$150 per megawatt-hour in place, prices soared to \$1,400. Southern California Edison accused FERC of refusing to "carry out its responsibilities under the Federal Power Act," to ensure just and reasonable wholesale prices, and, for the first time, a utility executive stated that "where necessary," lawmakers should "re-regulate California's electric system if we are to avoid severe economic dislocation in the state and potentially the entire nation."

## Wall Street Weighs In

During a public conference call involving the financial community on Dec. 20, Standard & Poor's warned that the utilities will no longer be able to finance wholesale power purchases without clear and definitive action from decision-makers that ensures these costs can be repaid. Citing the threat of imminent default, S&P said it must see dramatic action within 24 to 48 hours in order to prevent a downgrade of Pacific Gas & Electric's credit rating to "deeply speculative."

The same day, Secretary Richardson extended for an additional week the emergency order requiring producers to supply power to California, as the electric grid tottered toward collapse. But now, the monster to be satisfied was not the profit- and speculation-driven power marketers, but the Wall Street financiers.

On Dec. 22, in order to restore "confidence" on Wall Street, Southern California Edison announced it was eliminating its fourth-quarter dividend. Unlike in other sectors, where

shareholders may be corporate moguls who receive million-dollar stock options as bonuses, SCE explained that 85,000 of its shareholders are individuals who bought utility stocks to conservatively invest their retirement income, hence it does not take eliminating dividends lightly.

Edison also announced that it was cutting \$100 million in system operations and maintenance investments, eliminating 400 jobs. "The reduction will affect needed investment in infrastructure, load growth, and system automation, as well as reducing substantially work done during overtime hours." The utility had put a freeze on new construction, and suspended equipment purchases and service contracts. Cutting operating and maintenance costs in the electric utility industry, where one fallen tree can black out an entire town, can only be described as a prescription for disaster.

On Dec. 26, Southern California Edison filed a writ of mandamus in the U.S. Court of Appeals in Washington, D.C., asking that the court *force* FERC to order power producers to set rates at a level that reflects the actual cost of electricity generation. On Jan. 2, 2001, at the request of the court, FERC issued a written reply that they opposed this course, again stating that the utilities have not yet given deregulation and the "free market" enough time to work.

On Dec. 28, the California Public Utilities Commission (PUC) filed in support of the utility's court petition. Governor Davis announced Jan. 2 that the state would file a friend-of-the-court brief on behalf of Edison, arguing that Federal law declares that the regulation of electricity is "necessary in the public interest." Davis termed FERC's inaction "contrary to public welfare."

After his meeting with Fed Chairman Greenspan and Treasury Secretary Lawrence Summers in December, Governor Davis stated on national television, "there are certain emergency powers I have. If I have to use them, I will." But to reestablish stability and foster growth in the utility sector will take more than emergency actions.

Just before the California PUC voted on Jan. 4 to eliminate its rate freeze—a hallmark of the deregulation policy—and grant a modest increase to near-bankrupt PG&E and SCE, Commissioner Carl Wood remarked, "We are voting the epitaph for deregulation in California today. Deregulation is dead."

Now the fight is to replace it with a policy based on the general welfare, which is where we started, fifty years ago.

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# Electricity and The General Welfare

**Franklin Delano Roosevelt**  
**September 21, 1932**

## **‘Prevent Extortion Against the Public’**

“Here you have four great Government power developments in the United States—the St. Lawrence River in the Northeast, Muscle Shoals [the Tennessee Valley Authority] in the Southeast, the Boulder Dam in the Southwest on the Colorado River, and finally, but by no means the least of them, the Columbia River in the Northwest [where the Grand Coulee and Bonneville Dams were built]. Each one of these, in each of the four quarters of the United States, will be forever a national yardstick to prevent extortion against the public and to encourage the wider use of that servant of the people—electric power.”

## **Federal Power Act of 1935**

The Act expanded the powers of the Federal Power Commission (now called the Federal Energy Regulatory Commission—FERC) to “regulate electric utilities’ wholesale rates and transactions.” It “establishes just and reasonable rates for the transmission and sale of wholesale electric power in interstate commerce. It also regulates permanent interconnections of electric utilities and promotes the adequacy of interstate electric power service.”

## **Public Utility Holding Company Act of 1935**

The Act compelled the electric power companies to dissolve those holding companies which were simply employed as middlemen to increase speculative profits in energy sales.

**Section 1:** “Public utility holding companies and their subsidiary companies are affected with a national public interest, in that . . . their activities extending over many States are not susceptible of effective control by any State, and make difficult, if not impossible, effective State regulation of public-utility companies.”

“The interest of consumers of electric energy and natural and manufactured gas, are, or may be adversely affected— . . .

- “When in any respect there is a lack of economy of management and operation of public-utility companies or lack of efficiency and adequacy of service rendered by such companies, or lack of effective public regulation. . . .

- “When abuses of the character above enumerated become persistent and widespread, the holding company be-

comes an agency which, unless regulated, is injurious to investors, consumers, and the general public; and it is hereby declared to be the policy of this title, in accordance with which policy all the provisions of this title shall be interpreted, to meet the problems and eliminate the evils as enumerated in this section, connected with public-utility holding companies which are engaged in interstate commerce or in activities which directly affect or burden interstate commerce; and for the purpose of effectuating such policy to compel the simplification of public-utility holding-company systems and the elimination therefrom of properties detrimental to the proper functioning of such systems, and to provide as soon as practicable for the elimination of public-utility holding companies except as otherwise expressly provided in this title.”

## **Atomic Energy Act of 1946**

### **‘Declaration of Policy’**

“Section 1. (a) Findings and Declaration—Research and experimentation in the field of nuclear fission have attained the stage at which the release of atomic energy on a large scale is practical. The significance of the atomic bomb for military purposes is evident. The effect of the use of atomic energy for civilian purposes upon the social, economic, and political structures of today cannot now be terminated. It is reasonable to anticipate, however, that tapping this new source of energy will cause profound changes in our present way of life. Accordingly, it is hereby declared to be the policy of the people of the United States that the development and utilization of atomic energy shall be directed toward improving the public welfare, increasing the standard of living, strengthening free competition among private enterprises so far as practicable, and cementing world peace.”

## **President John F. Kennedy**

**August 17, 1962**

### **‘We Will Build Infrastructure’**

“The facts of the matter are that this dam [Oahu, South Dakota] and many more like it, are as essential to the expansion and growth of the American economy as any measure that the Congress is now considering. And this dam and others like it are as essential to our national strength and security as any military alliance or missile complex. . . .

“I don’t want to see the United States second in space or in the development of its power resources. And I think it’s most appropriate in this great decade that we light the entire country. I think our commitment is expressed by a distinguished Senator from my own State of Massachusetts, whose words are hung behind the Speaker’s chair in the House of Representatives. He said: ‘Let us develop the resources of our land, call forth its power, build up all its great institutions, and see whether we, in our time and generation, may not perform something worthy to be remembered.’ ”

# Fed Panics, with U.S. Economy in the Abyss

by Lothar Komp

A traumatic year for stockholders has come to an end. And the new year seems to want to prove in its first days that it can be even more dramatic. But no one can doubt any longer the dynamic underlying all of the singularities that are popping up on the financial markets: The biggest credit and speculative bubble in history, one that is based on the myth of the “American economic boom” and the “New Economy,” can no longer be held together by desperate attempts at repair. Alan Greenspan, the chairman of the Federal Reserve, who has been feeding the bubble with plenty of liquidity, is at the end of his game. The bubble is exploding, and is threatening to pull the whole world economy into a new depression.

Beginning in March and April 2000, the value of technology stocks went into a worldwide plunge. The printing presses for the dollar, the yen, and the euro were set to working overtime. But, thanks to the many delusions caused by innumerable money magazines, small investors let hundreds of millions of dollars be pulled out of their pockets. In the process, millions of stockholders lost their last bit of sanity, and were led to believe that the current problem was only short term—the weak euro, the high price of oil, the current account balance for the third quarter is just a little off, the crisis in the Middle East, the mess-up in the U.S. elections, the increase in stocks sold at the end of the year because of tax breaks, and so on—and when all these small problems have been solved, everything will be back to normal. But, instead of the “Summer rally” and the “Fall rally,” we had a new crash in September. October was supposed to bring the turnaround, but everything just got worse. Everyone looked with hope to the U.S. election. But Nov. 7 only brought a further downturn on the markets. When the U.S. Supreme Court then made the final decision as to who would be the next U.S. President, there was no stopping the descent of the technology-heavy markets. The Nasdaq posted a 39% decline in the year 2000. The Nemax-50 Index, the “New Market” in Germany, fell from 9,600 in March to 2,800 at the end of the year!

## Greenspan Panics

After the first day of trading in the new year brought another massacre on the markets—the Nasdaq lost 7% and the Nemax-50 lost 12%, the most it has ever lost in one day—Greenspan went into a total panic. Pressured by the fact that the official economic data are showing signs of a dramatic downturn—for example, corporate profit margins—the mar-

ket started screaming for more liquidity. The markets warned that otherwise the fictitious financial obligations would collapse. And the head of the Federal Reserve saw only one way out. He went to the poison cabinet and gave the dying patient exactly what he was asking for: an overdose of what caused the sickness.

On Jan. 3, for the first time in the 12 years he has held his post, Greenspan called together an emergency telephone conference of the Fed governors. There it was decided to immediately lower the short-term interest rate by 0.5%. The last time the interest rates were lowered outside of the scheduled meetings of the Federal Reserve—the next meeting is scheduled for Jan. 30—was in the fall of 1998, when the Long Term Capital Management hedge fund blew up and nearly took the whole system down with it. But even then, the interest rate was lowered only by the usual 0.25%. This time, Greenspan gave the markets a double dose. And to make things worse, he indicated that, if necessary, he would give more of the same medicine.

This panic reaction was particularly dramatic for those who heard Lyndon LaRouche address a Washington seminar on Jan. 3. This talk was watched live via video by journalists and representatives of political institutions in Washington, and was broadcast simultaneously on the Internet. LaRouche emphasized that the global breakdown crisis of the financial and economic system is happening at the same time that a completely unprepared government is coming into office, and that this is the biggest crisis in the history of the American Presidency. Wall Street and its good friend Greenspan bear a lot of responsibility for this crisis, which is worse than a depression. For example, they ran the scam of the so-called Y2K computer bug, in order to inject huge amounts of money into the information sector of the economy. At the same time, the myth of the “New Economy” was spread, and a bubble was created, one that is now collapsing. Now, we are in an impossible situation.

Despite a short rally on the markets on Jan. 3, there will be no long-term improvement. Because, as fast as Greenspan can pump money into one end of the bubble, the money will escape out of the other side. And this is certainly not saving the American markets. Recent statistics prove that spending by both companies and private households has decreased dramatically in the last months of 2000. After the bankruptcy wave of Internet companies in the Spring, now large companies, especially in the automobile sector, are starting massive layoffs. Just around Christmas and New Year the following happened:

## Layoffs Mount

- On Jan. 3, the National Association of Purchase Managers stated that its most respected index for the industrial activity of the American economy fell in December 2000 to the lowest rate since April 1991. In November, the rate was 47.7; in December, it fell to 43.7. A rate under 50 means that a

contraction is under way. The special index for contract goods of the U.S. economy went down from 48.4 to 42.0.

- LTV Corp., in Cleveland Ohio, the fourth-largest producer of steel in the United States (with 18,000 employees), declared bankruptcy. After the financial crises in Russia, Asia, and Ibero-America, and the collapse of these countries' currencies, their imports of U.S. steel hit a record 20-year low. At the same time, because of rising energy prices, the cost of production is skyrocketing. In November, the amount of steel produced went down by 12.4%. LTV sold 40% less steel in the last month!

- Starting in October, sales in the automobile industry went down. This process accelerated in November and December. In November, Chrysler's sales fell 5%, Ford's 7%, and General Motors' 8%. In December, Ford's sales went down by 14.6%, Chrysler's 14.8%, and General Motors' 18.1%. General Motors wants to fire 15,000 people. Both Ford and DaimlerChrysler announced before Christmas that they would slow down production and at least temporarily close some factories. Also, foreign firms announced a fall in sales: Volvo 24.9%, Land Rover 16.1%, and even sales of Jaguars fell 11%. Overall, sales fell below the rates of November 1998.

- After 128 years, the department store Montgomery Ward closed its doors. About 32,000 employees will lose their jobs and 258 stores will close down. The department store chain Bradlees has also filed for bankruptcy. Its Christmas sales were lower than expected. Whirlpool will lay off 6,000 people, and American Standard (which also produces electronics) will fire 1,200 people. Gillette will fire 2,700, cellular phone-maker Motorola 2,900, health insurance company Aetna 5,000, and the chemical company Solutia 800. Union Pacific, the largest U.S. railroad company, cut 2,000 jobs. Lucent Technologies, formerly the Bell Laboratories division of AT&T, will probably lay off 10,000. And Outboard Marine Corp., the boat-maker that George Soros bought up three years ago, has gone belly up and will lay off 4,000 employees.

- The number of layoffs in the Internet section of the U.S. economy has increased 600% compared to the first half of the year, and that number is rising. In December, the layoffs increased 19% compared to November. For the entire year, 210 Internet companies went bankrupt, with 15,000 losing their jobs!

- The financial sector is also going to lay off a lot of people. The obvious reason being that, because the stock market is crashing, new emissions of credit are slowing and the takeovers of companies is going sour. Prudential Securities wants to separate itself from 175 investment banks. Bear Stearns wants to thin out its IT section. Chase Manhattan and J.P. Morgan are going to lay off 5,000 people when the two banks merge.

The only companies that have good prospects for the times ahead are those law firms specializing in bankruptcy.

## U.S. Collapse Threatens Asian Economies

by Mary Burdman

The cracks in the U.S.-centered world economic bubble are extending into Asian economies, shaking down what had been so laboriously built up in the past three years. The devastating 1997-99 crash in Asia left enormous bad debt and took down productive industry; in the Wall Street-dominated globalized "new economy," South Korea, Taiwan, China, and even industrial giant Japan, had to turn to exporting "information technology" to the U.S. market—the current version of Britain at the height of its Empire—in an attempt to avoid total collapse.

Now, the U.S. market is evaporating. There could be no clearer example of the urgent need to create a new world financial system, to reconstruct real industrial economies, than the renewed Asian crisis. The efforts of China, Japan, South Korea, and the nations of Southeast Asia, to form an "Asian Monetary Fund," must rapidly go beyond current efforts at cooperation. The whole "Washington consensus" system of International Monetary Fund (IMF) conditionalities has to go.

The alternative is already obvious in northeast Asia. South Korea's industrial capacity, of worldwide importance, is being shut down to maintain the pile of worthless debt left by the Asian debacle. Japan, whose public sector debt burden from the 1980s bubble is now 130% of its Gross Domestic Product, faces a similar crisis. China, despite the protection of its unconvertible currency and ongoing national construction, is endangering its national economic security with rapidly growing dependence upon the U.S. market.

The virus of the "New Economy" has pervaded not only Asian trade ties with the United States, but also Asian regional economic relations. Japan, China, Taiwan, and South Korea all export heavily to other Asian nations, but, more and more, this trade too has been shifted into the "information technology" sector, ultimately dependent upon the U.S. bubble.

Asia, the center of world population, urgently needs infrastructure, including transport, power, education, and health care. Most urgent, is the need to economically ensure the reunification of the Korean peninsula, with the construction of railroads and industry linking South and North, and the rest of Eurasia. Increasing economic cooperation would also ensure a peaceful reunification of China. The New Economy bubble is imploding; Asian nations must urgently rebuild their industrial capabilities, or implode with it.

## De-Industrialization of South Korea

Before Wall Street set off the crisis in 1997-98, South Korea was among the largest industrial economies in the world, a builder of ships, automobiles, and constructor of infrastructure projects all over the world. The Asian crisis forced Korea into the jaws of the IMF, and for the past three years, it has had to shift to madly exporting computer chips to the United States, in an effort to pay off its IMF obligations of \$58 billion. Its domestic economy remained in hock, and now, as the U.S. bubble implodes, Korea's own bad debt bomb is imploding likewise. Worst, this disaster is happening just months after the historic North-South accords, which embody the potential for one of the greatest expansions of infrastructure and industrial development in Asian history. It would be a great tragedy if South Korea's construction and industrial capacities were to be shut down at this time—due only to the rapacity of Wall Street.

On Nov. 3, 2000, Seoul announced the triage of national industry and financial institutions as part of its IMF "reform" program—even as Korea is completing repayment of its obligations! Despite the credit crunch, brought on by the stock market collapse, the government was not willing to let everything go under. In an effort to save essential enterprises and banks, "on Dec. 26, creditor banks discussed the way of giving help to cash-strapped firms. They will continue to buy their maturing bonds," a Ministry of Finance and Economy official said. The debt rollovers began in the new year.

On Jan. 2, the state-financed Korea Deposit Insurance Corp. announced that it had injected 4.13 trillion won (\$3.2 billion) into six banks bankrupted last year by the losses of Korean industry. Before the funds were transferred, striking bank unions agreed to end their action and accept restructuring programs, including job cuts and leaving the Korean Financial Industry Union. Another 3 trillion won will be injected into the banks by March 2001.

Since 1998, the government had spent 110 trillion won (about \$100 billion) to bail out Korea's banking and financial system, to pay off bad loans, cover customers' deposits, and increase capital. However, these efforts were insufficient to deal with the bad debt, which, per GDP, is higher even than Japan's.

Seoul plans to inject another 40 trillion won into the financial sector—but internal financial weakness makes this project tenuous. The total debt load of Korean companies stood at 790 trillion won as of September 2000, 164% of GDP of 1999.

On Jan. 3, another debt rollover was set in motion. The Korea Development Bank announced that it would be buying 300 billion won of the debt of Hyundai Electronics Industries, one of the important industrial firms the government had announced it would try to save. This year, the bank will buy 80% of HEI's maturing corporate bonds, to keep the world's second-largest computer memory chipmaker from debt default. The bank will also refinance the maturing bonds of

Hyundai Engineering and Construction and Ssangyong Cement Corp.—even as these enterprises will have to use the funds to repay other bonds coming due.

In addition, in a meeting with Seoul brokerages on Jan. 2, Finance and Economy Minister Jin Nyum said that 1.8 trillion won would be injected into the investment trust sector in January alone. "Because emergency measures could have the effect of causing volatility, policy measures will be based on mid- to long-term demand," Jin stated.

## 'The Day the Kosdaq Died'

Along with other Asian markets in the wake of Wall Street's Nasdaq disaster, Korea's markets plunged this Autumn. The main index, the Kospi, lost 50% of its value in 2000; the Kosdaq, Seoul's version of the Nasdaq, which had melted down 75%, unofficially died in December. Market capitalization shrank to 30.79 trillion won, just a third of the amount at the end of 1999.

The won has also taken a beating. By Jan. 2, despite indirect government intervention, the currency fell to 1,276 to the U.S. dollar, a 26-month low, sending up domestic prices for imported raw materials. The cost of oil imports was the highest since 1985, up 78.6% in 2000 from the previous year. Korea's two national airlines are among the victims.

On Dec. 28, Seoul's National Statistical Office reported that national industrial production had fallen to an 18-month low. Year-on-year, industrial output had been rising at double-digit rates through the Summer, but by November, industrial growth was just 6.4%, due to falls in the production of vehicles, office equipment, and computers. The average operating rate in the manufacturing sector was 75.8%, the lowest since May 1999.

Korea's important construction sector is also in serious trouble. Domestic construction orders fell 7.5% year-on-year, due to falls in railroad and home construction. Public sector construction orders were down 30.4%. International construction orders fell 41% in 2000.

On top of all this, the crash of the U.S. market is bringing down South Korean exports. The country has had a significant trade surplus for three consecutive years, with its last trade deficit in the disaster year of 1997. But on Jan. 1, the Commerce Ministry announced that in 2000, South Korea's trade surplus had fallen by almost half, to \$12.13 billion. "This year's trade conditions are expected to worsen due to a slowdown in the U.S. economy and falling chip prices," the Ministry said. Official export growth estimates are already down to 8.1%, from the estimated 20.7% growth in 2000. The global demand for semi-conductors, Korea's chief export, is going to slacken further, the Bank of Korea warned. Exports of machinery, automobiles, and chemicals are also expected to plunge—despite the fact that high-quality Korean cars are being sold abroad at half the price of other automobiles.

All this is hitting the population hard. Unemployment is officially projected to rise to 1 million in early 2001, but



economic research institutes are warning that the numbers could be as high as 1.2 million, a rate of 4.5%. More layoffs, including at Hyundai Engineering and Construction and Daewoo Motor, are being announced daily. Basic social infrastructure is endangered. On Jan. 3, Korea's Ministry of Health and Welfare announced that, after its inception just 13 years ago, Korea's regional medical insurance system is virtually bankrupt, and that the government, "in a desperate need to prop up the regional medical insurance system," had already injected funds and would pay out 70% of its 2001 budget early. Personal debt is rising fast, and, to add to the hardship, many of South Korea's 16 municipal governments are facing bankruptcy.

### **The Sharks Are Circling**

One of the worst results of the Asian crisis, has been the buy-out of Korea's national industry and banking system. Over the past three years, foreign firms have "taken over the leading role" in key Korean industries, including the chemical, paper, auto parts, and pharmaceuticals industries, and made big profits in the process, Seoul's *Chosun Ilbo* reported on Dec. 28. The Korean subsidiary of the world's leading cell-phone maker, Nokia of Finland, made a record 2.7 trillion won in sales—the level usually made by Korea's top 30 enterprises. While foreign direct investment into Korea, especially into manufacturing, was stagnant in 2000, the financial sharks are moving in. "Investment institutions"—man-eaters such as General Electric Capital, Merrill Lynch, Goldman Sachs, and Morgan Stanley, are buying up Korea's "distressed assets market," considered a "high-yield and high-return" market, for 40-60% of its nominal value.

### **Japan's Construction Industry**

Japan's economy, despite its huge industrial base, is in an existential struggle with its massive debt, estimated for the public sector alone at 666 trillion yen. Japan is far stronger than South Korea, and continues to build national infrastructure, but its capabilities for international as well as domestic construction, are endangered.

A case in point is the construction industry, which employs some 6.6 million people, a full 10% of its workforce. At the end of December, 15 Japanese banks agreed to the nation's biggest-ever debt waiver, to save a century-old construction firm. The banks agreed to waive the 450 billion yen loan burden of the middle-sized general contractor, Kumagai Gumi Co. Kumagai Gumi, founded in 1898 by the Kumagai family, specialized in large-scale civil engineering projects, including dams and tunnels, but fell into debt in the 1980s bubble.

The bailout had a price. Kumagai Gumi is to give its creditors a debt-equity swap, the current top management will resign, 2,000 of its 6,500 employees will be laid off, and it will cut its capital by 65 billion yen.

Mitsui Construction Co. also announced on Dec. 30 that it is seeking forgiveness on 163 billion yen in debts from ten

creditors. Its "restructuring" plan includes job cuts, capital reduction, and other cost-cutting measures.

The consolidated debt of Japan's top 73 construction firms, at 15 trillion yen, has been reduced by only 3% as of this September. Already, seven firms have been bailed out; more are facing the same fate.

Other vital economic sectors are being devoured by the debt burden. Minutes of the Nov. 17 Bank of Japan board meeting, warned that small and mid-sized businesses are being squeezed, "accelerating the bipolarization of the economy." As in Korea, health insurers, including the municipal health system, are facing bankruptcy.

Japan, forced into financing the Wall Street bubble by printing yen, has also been pushing more and more into the "New Economy" swindle. The long-drawn-out Japanese "recovery" has been focussed on capital investment into exporters in the semiconductor and other high-technology industries. In an interview with the *Asahi Evening News* published Jan. 3, Yasuo Morimoto, a Toshiba Corp. executive vice president for information technologies, warned that "the United States has literally been the locomotive of the world economy. Now that it is slowing down, we have to brace for a tremendous fallout."

It is not just Japanese direct exports to the United States which are affected. More and more of Japan's trade with Asia has been shifted to the high-tech sector. While, as the Japan Research Institute reports, 80% of Japan's microchip exports go to Asia, the majority of these are eventually built into U.S.-bound components and products. Japan's other alleged economic "motor," consumer spending, considered 60% of GDP, is stagnating—for good reason. Unlike Americans, Japanese refuse to give up their savings.

The situation is such, that even the highly discreet Governor of the Bank of Japan, Masaru Hayami, warned on Dec. 21 of the impending U.S. crash. In language most unusual for a central banker, Hayami said: "It is necessary to pay attention to whether a slowdown in the U.S. economy will have an adverse effect on the global economy." On the rest of Asia, he said, "Exports of info-tech products must be down. We have to see what [slowing exports] means. With changes in Asia, things will be changing in Japan, too."

### **Greater China**

There is no doubt that attention is being paid to these developments in Beijing. The Central Economic Working Conference, which met at the beginning of December, noted that "China's advantage lies in its huge domestic market. . . . Basing growth on an increase in domestic demand will . . . enhance the ability to face intensifying competition in the international market and changes in the world economy." China is relatively protected by its unconvertible currency, and other financial controls, and the focus on developing its vast internal market based on great infrastructure construction.

But, China has serious weaknesses. One, is its huge and

impoverished agriculture sector—80% of 1.26 billion population—which has stagnated since 1995. Any illusions that export-based production will provide the means to bring the hundreds of millions of surplus rural labor into other work, will soon vanish in the U.S. crash. In addition, prices of oil and steel products are rising sharply, giving rise to warnings of the danger of the “ripple effect” of international inflation, despite the prolonged deflation of prices in China. Two recent disasters—the collapse of a shopping center in Dongguan, and a dance hall fire on Christmas Day—have become national issues in China. Both were due to “rotten tofu” construction—the underside of China’s development policy.

China is also vulnerable to the implosion of the high-tech bubble. Already last year, foreign direct investment into China, while still the highest among developing countries, fell 2.3% from 1999, to \$36.24 billion. Contracted investment is rising—but has yet to materialize. Telecommunications and electronics equipment have become the biggest sector for foreign investment, with output at about \$5 billion in 1999, nearly three times the size of the second-largest foreign-funded sector, transport equipment. In December, the National Bureau of Statistics proclaimed “information technology” a “driving force”—for the moment.

Reality is striking, however. Export growth, while overall at record levels, up 30.1% in the first 11 months of 2000, slowed significantly. By November, growth was a much more

modest 13.8%. Another casualty is the “dot.com winter”: Chinese dot.com firms, which had been lavishly funded by U.S. and Hong Kong investors, and used to buy up talented young people—including leaders of the anti-U.S. protests after the bombing of China’s Belgrade Embassy—are falling fast.

The economy of Taiwan is also facing full-blown economic and financial crisis. Bad debt has ballooned as property prices fell and the stock market crashed, despite repeated government bailouts. The Taiex fell 44% in 2000, and market capitalization contracted 31%, despite urgent “liberalizing” measures introduced in November. The government is urgently trying to reorganize its banks, in an effort to cut down bad loans, which are at 8.4% of total lending.

The Taiwan dollar fell 6% against the U.S. dollar in just the past three months. On Dec. 28, anticipating Alan Greenspan’s desperate move, Taiwan’s Central Bank of China cut its rediscount rate for the first time in two years by 0.125%. “The rate cuts are due to a slower economy, a rising unemployment rate, and manageable inflation,” stated bank Governor Perng Fai-Nan. In November, unemployment was at a near-15-year high of 3.23%.

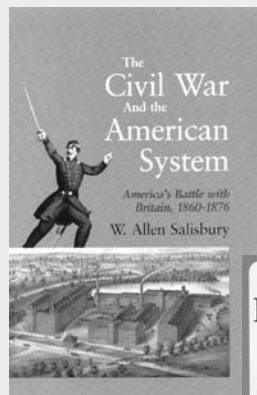
Amidst this situation, Taipei is cautiously extending a hand toward the mainland. The initiation of direct ferries from the offshore islands on Jan. 1, although a tiny and reluctant step, is an example of the only direction that can be taken. A journey of 1,000 *li* begins with one step.

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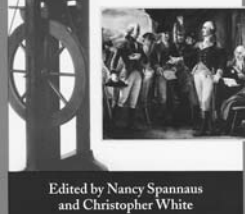


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# How Alan Greenspan, the Wicked Witch Of the West, Vanished Down the Well

by Lyndon H. LaRouche, Jr.

*This statement was released on Jan. 1, two days before Greenspan lowered interest rates by half a percentage point.*

For most Americans, the vanishing of Alan Greenspan, precisely at the moment that President-elect George Bush needed him the least, will contain, perhaps forever, a certain element of mystery. Those who should know, either do not know, or would not wish to know. It is not that there should have been any actual mystery about the affair. The departed Fed Chairman, once famed as the Rumpelstiltskin of Wall Street, was, intellectually, an essentially simple, if morally complicated man, whose true-life tragedy could have been made readily clear on the Classical stage, were it not that Greenspan was such a disgusting specimen personally, that no professional dramatist has been willing, so far, to touch that subject, hide nor hair.

Women writers, for example, have turned the subject down instantly, snarling “Eckkk!” while spinning their wrist as if to shake something unusually repulsive and sticky from their fingertips. Scholars have added, that Greenspan occupies an even more disgusting place in the pits of modern European history’s past, than that repulsive old lecher whom the composer Felix Mendelssohn quietly identified for an exasperated young lady at his table, “the man seated next to you, is the famous philosopher Hegel.” The vanishing of the Fed Chairman left behind the impression of his having been extraordinarily unpalatable in every sense of the term.

From as much as we do know presently, we should call his disappearance a case of “The Rumpelstiltskin Principle” in history. He, having built himself up into a towering state of rage, with one final, hard stamp of his foot, vanished suddenly, as if he were being pulled down by some terrible source of suction from somewhere far, far below. Those witnessing the event, preferred to walk away quietly, pretending that they had neither seen, heard, nor smelled anything that happened that afternoon; otherwise, there should have been no continuing air of mystery about the affair.

The crucial background was summed up, under cloak of anonymity, by one knowledgeable observer, as follows.

“The way to understand Alan Greenspan, is to take into

account his long relationship to Ayn Rand’s crowd. . . . He was the type of person who is never really all there. . . . Whether he actually considered himself some kind of all-powerful magician, would be hard to tell; whether he did or not, he made a profession of appearing to believe he was. That, in the end, proved to be his downfall. . . . No, I would not suggest that he was actually very clever. The key to understanding the way he operated, is to recognize that his essential motive was the perversity I have thought typical of any true follower of Miss Rand; his leading quality, was malice for the sake of being malicious. . . .

“You have to remember, that much of his fame was due to the fact that he came into the Chairmanship of the Fed as a second string for Paul Volcker. He never supplied any important ideas of his own; he simply followed his script. Obviously, he relished playing the part handed to him; some of us imagined him a dirty and smelly parody of the Marquis de Sade, who enjoyed tremendously lording it over everyone, relishing the pain his role allowed him to inflict on those who were helpless to resist the effects of his abuse of the powers conferred upon him. . . .

“From where I sat, I do not believe that he was controlled by any real-world goal, at least, not in the sense of following some rational objective. I saw him as like an addicted gambler, for whom staying in the game is everything; when the game went out of business, there was simply no sense of purpose left within him. When it finally happened, I thought I could understand why a man like that would disappear the way he did; when his fantasy evaporated, so did he.”

All the evidence available indicates that the truth of the matter lies in that general direction. Whatever might have happened to the Fed Chairman on that particular day, is not important in itself. What is important about the case, involves some little understood, but presently extremely important lessons in statecraft, lessons which even Greenspan’s survivors have not yet learned, as they must, if they are not to end up pretty much as he did before them.

Look at it all as a Classical tragedy, requiring both the best quality of composition, and also, admittedly, the worst taste in choice of leading character, to be presented on stage. Think

of Chairman Greenspan as such a character on that stage. As distasteful a personality as he may have been, like Shakespeare's true-to-life tale of England's bestial King Richard III, the point of the drama is a tale which must now be told.

## How The Stage Works

Look at the Classical stage, whether that of ancient Greece, the Greco-Roman ruin at Sicily's Taormina, Shakespeare's stage, the operas of Mozart, Beethoven, and Verdi, or the stage of Friedrich Schiller's tragedies. How is it possible to present a story, within such seemingly artificial confines as such a stage affords, which tells the truth about history with that combined profundity and economy of space and time, which, as Friedrich Schiller insisted, only the Classical stage can accomplish? What has life to learn from the Classical stage, especially from Classical tragedy?

The secret of all truly great theater is to be found in Plato's dialogues. The pivot on which to turn, to understand the way in which reality is brought to life on stage, is the allegory of Plato's Cave. That is to emphasize Plato's point, that the world as assumed to be what mere sense-impressions seem to represent it, is not the real world, but, rather, the shadows which the real world casts upon sense-certainty.

Thus, when real-world history is put on the Classical stage, two, comparable, reflected images of the same reality, are projected upon our senses. One is the world shown to us by our senses, as existing outside the theater; a second world, also presented to the senses, appears on stage. Both worlds, being assumed to represent the same reality, are each but shadow-worlds, seen as if as shadows projected upon the wall of a cave.

So, what defines a Classical tragedian, or a Classical repertory company of performers, as exhibiting genius, is the capacity to project on the shadow-world of the stage, that same essence of unseen reality otherwise to be seen as lurking behind the shadow-world of sense-experiences occurring outside the theater. When the two sense-worlds, are thus brought into conformity, as shadows, on a common subject with a single, unseen, but known and felt reality, we are confronted by the sharing of artistic genius between the playwright and the players. So, Shakespeare's tragedies; so, the presentation of the essence of real history, on Schiller's stage.

So, Shakespeare's player, assuming the part of Chorus,

introduces *Henry V* as precisely such a conformal mapping of the external world's sense-experience to that of the Classical stage. So, we have the "play within the play," in Shakespeare's *Hamlet*. The ability to achieve such an agreement, in the reality of the audience's mind, a reality lying between the events encapsulated on stage, and those events for which appearances on stage are surrogate, requires achievement of artistic truthfulness, as Plato's dialogue defines a principle of truth.

Think thus of an unseen reality, an *idea*. Let us now interrupt our account of the principle of Classical theater, for a moment, to be reasonably certain that the reader recognizes what is meant by that use of the term *idea*. What is to be recognized, as the quality of *idea* which corresponds, not to a mere fiction, mere theater, but to an *unseen reality*?



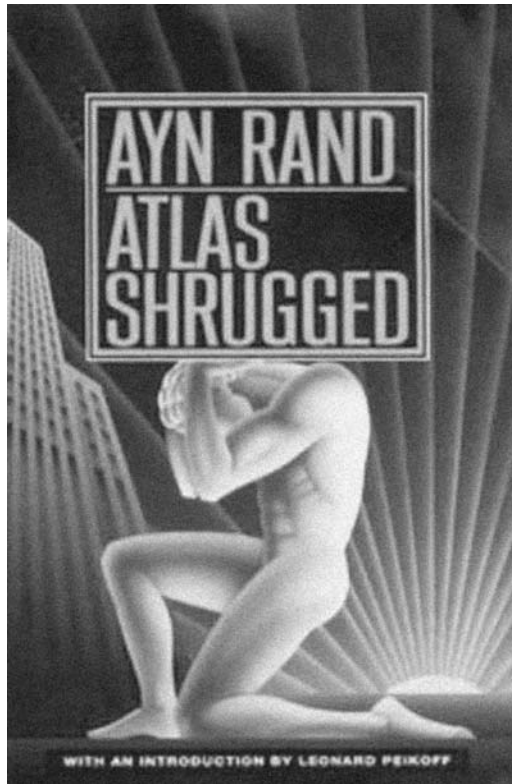
Take as an example of such an *idea*, the universal physical principle of *gravitation*. One can not *see* gravitation, but only its *effects* upon the shadow-world of our senses. The Classical example, to which my associates and I have made relatively most frequent reference, is the example of Johannes Kepler's detailing of his original discovery of the universal principle of gravitation, in his *The New Astronomy*.

The way in which Kepler discovered this universal principle, began with his recognition that the orbit of Mars was not an orbit of constant curvature, but of *constantly changing* curvature. Kepler had, then, to discover what mere so-called "mathematical modelling" could never show: what efficient principle would cause a planet to

follow such a pathway exactly, from one moment to the next? Gravitation, so originally discovered by Kepler, in that published location, is an adequate example of what is to be understood as something which is both a universal physical principle, but also an efficient reality which can not itself be detected *directly* by the senses.

Thus, those effects of gravitation, which can be experienced by our senses, are the shadows which reality casts upon the imaginary world of our senses, like the shadows which reality casts upon the wall of a firelit cave.

All important ideas, as Plato defines ideas through the many demonstrations supplied in his dialogues, are of the same quality as Kepler's discovery of a universal physical principle of gravitation. This includes Classical forms of artistic ideas, as much as the ideas associated with experimentally



*Greenspan, like his mentor Ayn Rand, is "the type of person who is never really all there."*

validatable universal physical principles.

Such use of the term *idea*, signifies a principle which can generate its shadowed effects in a universal way. To illustrate that point, imagine an object you can not see directly, but only as the shadow it casts. Now, using different sources of light, generate shadows of that object on different kinds of surfaces. If it can be shown that all those different shadows, although projected on difference kinds of surfaces, in different ways, can be shown as corresponding to the same object they reflect, we may conclude that our mental image of that unseen object, is probably an image of the same real, but unseeable object, in all the various relevant cases. Such is the experimental notion of universality. Such are the elementary principles of practice of all valid endeavors in experimental physical science.

The projection of this reality, in the shadow-form of sense-perception, in one case, gives us the actual experience to which the stage makes reference. The same reality, is also projected in the form presented to the senses on stage. The functional conformity of the adumbrated reality of the subject presented on stage, to the adumbrated same reality presented as the relevant sense-experience of the actual events referenced, represents the achievement of a condition of artistic truthfulness, no mere fiction.

The projection on the sense-world of the theater, and the projection on the sense-world outside the theater, are of the

same object; in this case, not an object of the senses, but of an *idea*, that in the same sense that gravitation is an *idea*.

The achievement of such truthfulness in that medium, is among the most convenient ways of coming to an understanding of the way in which an embodiment of consummate untruthfulness, such as the vanishing of Mr. Greenspan, was brought about in the course of those very events in which he had tarried, in a bit-player's role on history's stage, as Federal Reserve Chairman.

Now, if we attempt to put the Mr. Greenspan of our mystery-story on the Classical stage, any of us, filling in with our temporary role as a Classical playwright, have two primary projections to consider. What are the effects of Greenspan's actions on the world portrayed, as reflected, to the audience from that stage, and what were the effects of the events, merely reflected on stage, upon the real-life existence of Mr. Greenspan? Where lies the equivalence, the reality behind the shadows, of the two opposite sets of apparent developments?

This proposition compels us to introduce another consideration at this point. We must define a *principle of action* governing the way in which each of the two indicated, opposing qualities of effects are reflected upon the stage.

### **What Is Dramatic Action?**

On the Classical stage, such as that of Shakespeare, characteristic action of the drama is *never* typified by a fist pound-

ing on a face. Action always signifies a development akin in quality to Kepler's discovery of a physical principle of universal gravitation. In the Classical theater, the quality of *action* has the same form as validatable discoveries of universal physical principle, but that in a different quality of immediate content and effect.

Here sense-certainty falls by the wayside. This is a quality of action, a quality of reality, which is exhibited solely by one species, the mind of the individual human being. This is a higher quality of action than is known to the beasts, although with effects experienced by them, but actually knowable only to human nature.

The discovery of a validatable universal physical principle, so generated within the bounds of the sovereign powers of the individual human mind, is the characteristic type of all significant actions by either individual persons, or by entire societies. This form of action includes not only what are to be recognized as universal physical principles, but also as universal principles of the form of Classical artistic composition. The first, physical principles, pertain to man's relationship to nature; the second, Classical artistic principles, pertain to the efficient form of the relationships among the minds of persons. It is through the latter, that society is enabled to cooperate in successful expression of the former.

This brings us to the branch of science best suited for treating phenomena of such specificity as the curious departure of Mr. Greenspan. This is the branch in which I am presently the world's leading authority, the science of physical economy, a technical authority which requires my improvised role as playwright, on this occasion.

Before my original discoveries in this field, it was known among all qualified in physical science and closely related matters, that the only means by which a real, as distinct from merely fictitious profit, can be generated by an economy considered as a whole, is through the transformation of the mode of production through application of valid discoveries of universal physical principles. My unique authority, in this respect, is that of situating the role of universal principles of Classical artistic composition, as co-essential for generating a non-fictitious profit in a national or world economy as a whole.<sup>1</sup>

The introduction of those combined principles signifies, that if we intend to establish and maintain a durably healthy

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1. For purposes of reference, reality is to be represented in terms of the multiply-connected manifold of three sets of universal physical principles: 1.) Ordinary universal physical principles, as we associate those with non-living processes; 2.) The efficient physical principle of life as such, which is not locatable within ordinary non-living processes as such; and, 3.) The efficient physical principle represented by the cognitive powers of the sovereign individual human mind. Each and all of these are universal physical principles, since they act efficiently to change the universe considered as a whole. The model for such a system of principle, is Riemannian: a multiply-connected manifold of such principles.

economy, we are not to be permitted to impose arbitrary rules of behavior upon society, but only rules which are coherent with scientific knowledge of the way in which universal physical principles and universal Classical-artistic principles must be combined in effect, if a durable sort of physical-economic growth is to be achieved.

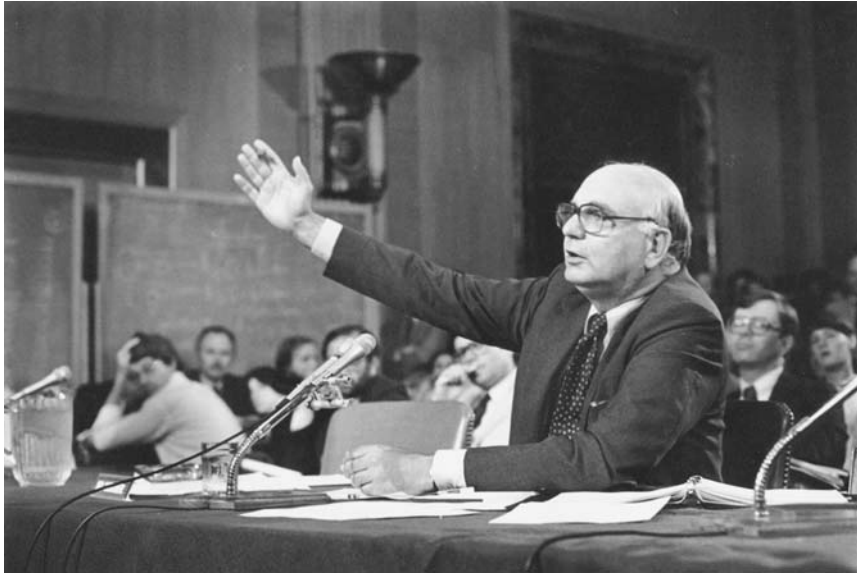
It happens that the only form of economy ever achieved, which met even a minimum degree of that rational standard of behavior, is the economy of that form of modern sovereign nation-state first introduced to humanity by the Fifteenth-Century, Italy-pivotted Renaissance. Of all types of economy produced by such forms of the modern sovereign nation-state, the best model is that of the U.S. economy of 1861-1876, as set into motion under the leadership of both Henry C. Carey and President Abraham Lincoln. What Treasury Secretary Alexander Hamilton, the Careys, and Friedrich List, defined as the highly protectionist, well-regulated, American System of political-economy, is, by far, the best performer of all economies known in human existence.

Unfortunately, because of a combination of hateful foreign interventions, chiefly from the British monarchy, and from treasonous forces of Wall Street and the slaveholder interest within, that American System has been followed in national practice, even in the U.S.A, itself, only during certain relatively exceptional, scattered periods of never more than a few decades in duration. Nonetheless, during those latter periods, our nation's economy with a spectacular brilliance never matched by any other nation, as this specifically American economic genius, was revived during 1933-1945 under President Franklin Roosevelt.

Most notably, as in the examination of the Greenspan case, during the recent thirty-five years, since approximately the time of the introduction of the so-called Republican Southern Strategy of Richard Nixon, and the adoption of the same strategy under President Jimmy Carter, the U.S. economy has been ruined to a relative degree unmatched during any previous period. Federal Reserve Chairman Greenspan and his predecessor, Paul Volcker, reflecting the anti-American ideology of the Southern Strategy, have represented the essence of that wild-eyed, monetarist policy of practice which has not only ruined our nation, but has carried the world as a whole to the verge of the first genuinely global economic-breakdown crisis in modern European history, the first such threat since the 1648 Treaty of Westphalia ended nearly a century and a half of religious warfare in Europe.

It is this presently onrushing threat, not of a mere economic depression, but a global economic-breakdown crisis, which brought matters to the point that Mr. Greenspan's fantasy came to its close, and, apparently, him with it.

This self-destruction of the U.S. economy, has been the inevitable consequence of revolutionary down-shifts in not only U.S. policy, but the way of thinking about policy-making, during, most notably, the recent thirty-five years. The



*Greenspan's predecessor as Federal Reserve chairman, Paul Volcker, at Senate hearings in 1981. Volcker and Greenspan have represented the essence of that wild-eyed, monetarist policy of practice which has ruined our nation.*

toleration of Mr. Greenspan's selection, and re-selection, as Federal Reserve Chairman, and his occupancy of the position during the recent more than a dozen years, were only possible in the degree that his lunacy was more or less congruent with that prevalent in leading financier and political circles as well.

Those points taken into account, what is the form of action, to be set afoot on the Classical stage, by means of which a modern nation-state economy is elevated to prosperity, or plunged into self-imposed ruin?

That notion of action, is best introduced to the attentions of laymen, by pointing to what used to be called "a commitment to progress." In rational circles, the notion of a "principle of progress," was never defined by anyone's arbitrary opinion respecting what might be a desirable effect, or not. In all rational uses of that term, the standard of measure of progress was essentially a physical standard. It was to be measured in growth of the population, as conditioned by the requirement of a correlated improvement of the demographic characteristics of households generally, and an increase in man's power in and over nature, as measurable in physical terms, per capita, and per square kilometer.

Once those physical standards of measurement of performance were recognized, first and foremost, we were then enabled to discuss rationally the nature of the means in social policies, such as education, regulation of economic and financial affairs, and so on, which were an essential basis for the improvements in physical performance and the benefits of that performance.

During the recent period of approximately thirty-five years to date, under the impact of such characteristic lunacies

of the so-called Southern Strategy, as the utopian fantasies of the Nashville Agrarians, the Agrarians' intrinsically pro-racist, unreconstructed love for the fallen Confederacy's way of life, sought to define cozy village forms of living, in which the materialism of the hated Yankee form of agro-industrial technological progress could be brought to an end. During the recent thirty-five years, under the increasing influence of the pro-racist Southern Strategy, the controlling leadership circles of both the Republican and Democratic parties and the National Endowment for Democracy (NED), have placed increasing emphasis on terminating the impact of scientific and technological progress in production and infrastructure, in favor of Agrarian and kindred utopian goals, such as the lunatic cult of what became known variously as "The Third Wave," "cybernation," "systems analysis," and "information economy."

This recent thirty-five years, radical reversal of the American patriotic tradition in economy, has been associated with the same methods by which the world's then most powerful and advanced economy, that of Eighteenth-Century France, was ruined, under so-called "free trade" doctrines, over the interval 1782-1789. Instead of investment in development of the productive skills of the population, of the quality of basic economic infrastructure, and of capital-intensive investment in scientific and technological improvements in the average physical productive powers of labor, wildly utopian fads in "information society" and unbridled monetarism took over, and ruined, more and more, what had been, at the start, the world's most powerful, most rapidly progressing national economy.

This downward turn in national policy-shaping, accomplished, chiefly, during the recent thirty-five years of the rise of the Southern Strategy, represents a reversal of the principle of action characteristic of our nation prior to the mid-1960s, to bring about the long-term ruin which has been the characteristic political and related action of the decades since. The greatest calamities to this effect, have been embodied in the Nixon and Carter administrations' deliberate ruin of our nation.

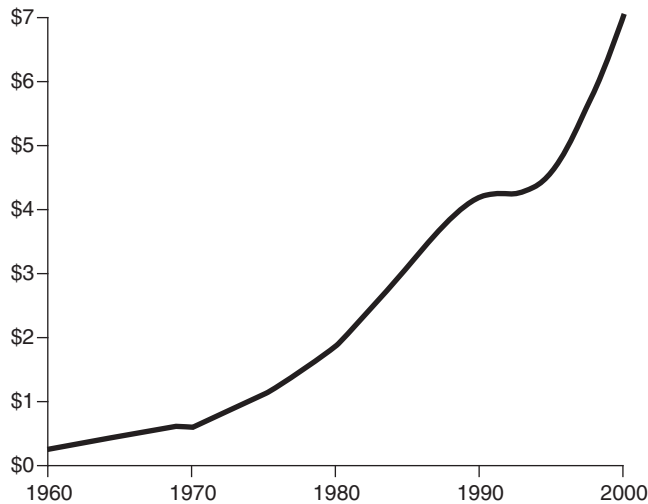
The fact that approximately thirty-five years have been required, to degrade our nation to its presently desperate state of affairs, does not permit us to seek the cause of present economic maladies in something which occurred only recently, as, for example, only with the Bush and Clinton administrations. Former President George Bush's administration merely carried forward the next step in an onrushing evolution



FIGURE 1

## Chairman Greenspan's Money Supply

(M3 money supply, monthly, trillions \$)



of national policy dating from the mid-1960s. The heavily beleaguered Clinton administration, faced with a continuous, murderous neo-Jacobin insurrection from the radical right forces within the U.S. Congress and the Republican Party, either lacked the will to reverse these trends, or did not perceive itself able to change the direction from that set by preceding Presidencies and Congresses.

In this circumstance, we can not cure our nation's peril by seeking out this or that particular set of individual scapegoats. Most citizens, especially the majority, have been guilty in participating in the promotion of those downward-seeking trends in policy-shaping, away from what used to be the imperative of progress, to the utopian fantasies which rule and ruin our nation today.

It is that change in direction, from progress to the "new age" utopianism typified by the Nashville Agrarians, which has been the form of continuing action by which our nation has been destroying itself during a period of not less than about thirty-five years. That is the action to be seen reflected on stage, and in life outside the theater, too.

### What Is Human?

For the Classical dramatist, the utility of the case of Mr. Greenspan, would include the point that he is intrinsically such a repulsive personality. To make the point more concrete; he exhibits a lack of that quality, called in the Classical Greek of Plato and the *New Testament*, *agapē*, which sets the human personality morally and intellectually, apart from, and above the baboons. This is no idle epithet; this is what he, as a long-standing, proud representative of the Ayn Rand cult,

professes himself to be: intrinsically asocial, anti-social man.

This was apparent to anyone who cared to think about the matter. The fact, that persons, of high and low political rank alike, could put on their sincerity-mask to offer their support for the Chairman's renomination, shows a streak of genuine depravity in our leading political class, like that of the ruling caste and rotten culture of doomed Babylon earlier.

In history, as in all great Classical tragedies composed for the stage, this kind of pervasive depravity among the leading institutions of a nation, a culture, when combined with the complicity of the culture's population at large, is the typical forewarning that that culture may have lost the moral fitness to continue to survive. We are at precisely such a point today. This is the reason Greenspan was foredoomed to leave the stage in the manner indicated.

It is not our deeds, as such, which doom us. The prospective doom lies not in what we think, but the way we think. This means: what standards do we use, to assess the relative morality, or immorality of the way in which we are thinking about mankind and ourselves alike? What do we mean, by "human"? What do we mean by "human rights"? What do we mean by "justice"? How do we define progress?

Those foregoing points of self-examination, and others like them, constitute the equivalent, in morality, of what definitions, axioms, and postulates signify in classroom geometry. It is not the statements we adopt, which destroy us. What destroys a culture, is the faulty axiomatic assumptions it accepts about defining the practical meaning of progress. It was the axioms adopted by Greenspan and his like, which have carried the United States, and perhaps the rest of the world, too, to the present brink of the greatest financial collapse in modern history, a planetary, general breakdown-crisis, which is now already in progress as these lines are written.

It is in the reality which appearances merely reflect, not the shadows reflected, that the solution to the mystery of the threatened doom of both Chairman Greenspan and our nation, may be found.

There are certain changes in policy, which, like the changes made by President Franklin Roosevelt, could save the U.S.A. even now. The danger lies, therefore, essentially in the prevailing present unwillingness, to mobilize our nation for the kinds of sudden, radical changes in policy which FDR would have done. Whatever excuse you make, to others, or to yourself, for failing to follow me in this course of action, your excuses can have no effect, but to doom the person and the society which continues to cling to them.

Thus, essentially, as God is good, there is essentially no mystery in the ruin of former Fed Chairman Greenspan. So, the Creator's laws suffice to purge humanity of those cultures, such as that typified by the Southern Strategy, which have lost, perhaps irreparably, the moral fitness to continue to survive.

Will you survive? As it is said, the ball is in your court.

# Global Human Life-Expectancy Fell, World's Population May Soon Follow

by Paul Gallagher

Buried in the United Nations' report on the population of the world's nations for 2000, is a shocking signal of what the era of "globalization" and post-industrialism has done to the world's physical economies. The average life span of the entire human race fell between 1998 and 2000. Though the drop was very small—two-tenths of one year for men, and one-tenth of a year for women—it is the first fall in global life-expectancy, for as long as worldwide statistics for this measure of human well-being have been reported.

The development is a sign of devastation of the Third World economies, as a whole, since the ongoing financial collapse struck, first in Asia, in 1997. For all the nations combined, of what the United Nations report calls "the underdeveloped sector," the human life span fell, between 1998 and 2000, by three-tenths of a year for men, and two-tenths for women. And for the "least developed countries" (note that this category has grown from 24 nations in the 1980s, when it was first used, to 41 nations today), average life-expectancy fell by 1.3 years for men, and 1.5 years for women.

Nor was this average drop caused, solely, by the sickening declines in the length of human life in Sub-Saharan Africa, down to 40 years and less during the 1990s decade of globalization; nor by the infamous collapse in Russia's life-expectancy during the same decade. In fact, according to the UN Fund for Population Activities report, life-expectancy in Russia did *not* fall further in the past two years. No, the human life span declined in no fewer than 58 of the roughly 150 nations which the UN reports, and increased in only 30 nations. Most of these 58 nations also showed increases in infant mortality from 1998-2000. More than half of them had declines in energy use per capita, per year, one of the most critical and sensitive measures of human living conditions—as even the American population is now being painfully reminded.

The countries in which human life is getting shorter, included 31 in Africa, 8 in Asia, 9 in Europe, 6 in Ibero-America, and 3 in Oceania—including that wondrous model of globalization and free-trade economics, New Zealand.

It must be remembered that the population counts for many nations in the world—whether reported by the UN or

by the U.S. Bureau of Census, which also publishes world population reports—are only approximately accurate. In some famous cases, especially in Africa, they have been worse than approximate. Thus, it is not the absolute numbers of human beings reported, but rather the changes over years, and the changes in other demographic indicators such as life span, infant and child mortality, etc., which indicate what is impacting human populations.

## End to Population Growth

The increased worldwide mortality from disease and war, shown by these reports, combined with the well-known global drop in human fertility since 1970-75, is causing the rate of growth in human numbers to fall sharply; if the fall in average human life span continues and accelerates, it is a certainty of demography that the whole human population will be declining within less than ten years. Not surprisingly, the UN's annual "State of the World Population" reports no longer contain forecasts of future population growth, except in the very small print of the data charts at the back of the book. Rather, the reports, like the newsletters of the Malthusian anti-population groups, now consist entirely of articles about "the equal rights of women to make reproductive decisions."

Though the UN no longer gives any emphasis to population-growth projections, it still makes them. How wrong they have been rendered—how completely the demographic experts of the UN Population Division have been surprised and passed by—by the ongoing collapse of physical economy worldwide, can be seen by a glance at **Figure 1**. There, the actual growth of the human population as a whole is taken from 1950 up to 1992; from that point on, the forecast for the future which the UN published in 1992, is compared to what has actually happened, and is happening, to human population growth through the year 2000 and beyond.

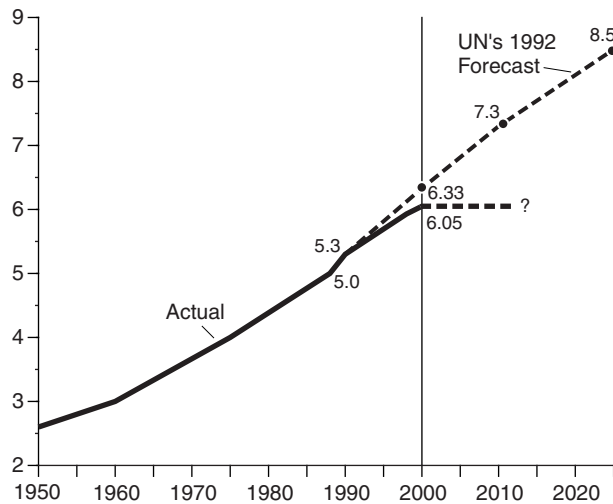
This forecast, the dotted line in Figure 1, was what the UN in 1992 published as its "medium variant," explaining that of the high, medium, and low variants of its projection, the medium variant was "the most likely to occur."

But in just eight years, the human population has actually

FIGURE 1

## World Population Far Below Projections Made Only Ten Years Ago

(Billions of People)

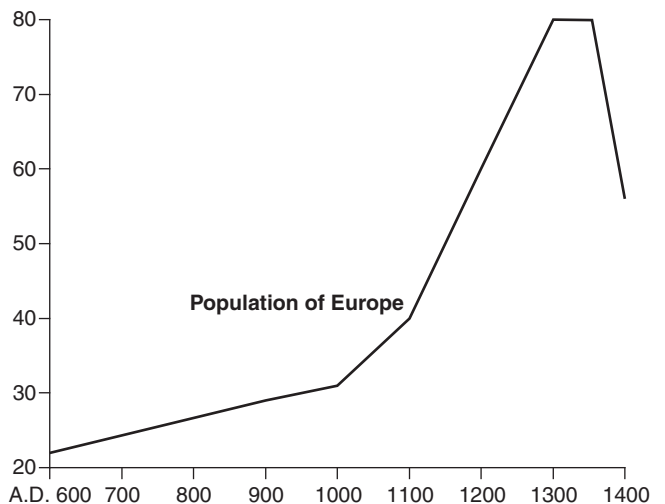


Source: *State of World Population*, 1992 and 2000, UN Fund For Population Activities.

FIGURE 2

## 50-Year 'Pause' in Europe's Growth Followed by Black Death

(Millions of People)



Source: *Atlas of World Population History*.

fallen 300 million souls below that “most likely” projection. The rate of growth annually, which was about 85 million people in 1992, was below 80 million by 1996-97, and then appears to have dropped suddenly, in 1998-2000, to less than a 65 million increase per year (from 5,930,000,000 people in mid-1998 to 6,055,000,000 in mid-2000). See that annual increase as a percentage of the whole, and the sharpness of the fall becomes clear: 1.7% annual growth as of 1992; 1.4% as of 1997; 1.3% average for the years 1995-2000 taken together; but only 1.05% annual growth as of now.

It can not be escaped, that this apparently sharp demographic deterioration of the human race has occurred since the onset, in 1997, of what Wall Street and London financiers instructed the media to call “the Asian crisis,” but what has now become clear as a global financial blowout of the system run by Wall Street and London. The crippling of most of the leading economies of Asia, then Ibero-America, has been overlain upon the devastation already wrought on Russia and the Commonwealth of Independent States (CIS) countries by the International Monetary Fund and international financial speculators, and the genocide of millions in continual slaughters, malaria, AIDS, and other pandemics in Sub-Saharan Africa. We have reached the point where one-third of the 150 countries reported by the UN have stagnant or falling populations, in absolute numbers. That number is increasing with each annual report. The population of the CIS countries,

as a whole, is falling; the same thing is true of Europe, East and West; and the total population growth rate of all of Africa has fallen well under 1%. One clear common denominator of all these nations, is the serious collapse of public health systems of protection of the populations from epidemic disease; the casualty of 1990s globalization and unregulated free trade.

### What Is Coming?

The year 2025 has, for 30 years, been the “horizon” commonly aimed at by demographers making projections, whether “expert” or simply ideological, of the future growth of the human race. Though now in very small print, the UN Population Division still publishes a forecast for 2025. It has reduced that forecast by 700 million people since 1992; by 215 million people just since 1998 (from 8.039 billion to 7.823 billion).

But unless there is a new Bretton Woods agreement established—along principles set forth by Lyndon LaRouche, operating to foster physical-economic *reconstruction* of infrastructure, public health, education systems—these rapidly shrinking demographic projections will still be as wrong as that in Figure 1. The current “levelling off” of the human population is anything but an equilibrium—on the contrary, human history shows it to be a completely unstable condition, the uneasy prelude to a collapse to far lower levels of human life and population density.

The clearest example of this phenomenon over a large part

of the human race—Europe before the 14th-Century Black Death—is shown in **Figure 2**, which foreshadows the actual current direction of population in Figure 1. The population of Europe had been undergoing a slowly accelerating growth for more than 600 years—since the final collapse of the Roman Empire—when at the end of the 13th Century, economic “globalization” was imposed. The imperial financial center then was not London or New York, but Venice, which used its maritime empire to gain control of currencies, and domination of production of the most important commodities, over all Europe and even over the murderous Mongol Empire to the East. Venetian oligarchs pumped money into the banks of Florence, making them banking conglomerates on a world scale never seen before. As this globalization intensified, food production per capita declined; by 1300, the healthy European population growth levelled off and gave way to an eerie “equilibrium” that lasted almost 50 years. This was the prelude to complete collapse: of banks, of trade, of productive economic activity, of human health, and of population.

This financial and economic disintegration—finally reversed by the launching of the 15th-Century European Renaissance—is, as Lyndon LaRouche has insisted in many articles on the current crisis, the only model history offers us for the economic collapse we face today. This is true demographically, as well as for economy.

### **The U.S. ‘Exception’**

There has been great fanfare surrounding the apparent exception of the United States; the U.S. Commerce Department released on Dec. 29, 2000 its decennial census count, as required by the U.S. Constitution, and announced that the population of the United States had grown by 13.3% from 1990 to 2000. This represents an annual rate of growth of about 1.25%, much higher than the rate for the world as a whole, if it is still continuing. And in fact, the indications are that the rate of population increase in the United States, was actually itself increasing in the last years of the decade: The American population as counted by the Census Bureau, was more than 2 million higher than the United Nations thought it would be.

While the Census Bureau has not yet broken down the increase, a sizable part of this increase, perhaps a third of it, has been caused by immigration. Just as the American economy has been living on vast imports of capital from the rest of the world, and on massive imports of cheap products shown by its huge trade deficits, so labor has been following that capital into the United States, to be cheaply employed in most cases.

But this entire process is now coming to an end, with the dollar blowout which has begun to be revealed so suddenly since the November U.S. Presidential elections. The large immigration, and the higher-than-average U.S. population growth, is set to end with it.

## **Santa Did Not Come To Poland, Either**

by Anna Kaczor Wei

Usually a festive time, this past Christmas in Poland was dominated by the news about a nationwide protest action by nurses, hundreds of whom spent Christmas Eve occupying the Health Ministry building in Warsaw, far away from their families. The protest had been going on for weeks, and it involved not only appeals to the government, picket lines, and threats to abandon patients, but also blockades of roads, border crossings, railroad links, and bridges.

All this did not bring the expected results. The National Nurses and Midwives’ Union (OZZPP) demanded an increase in their shamefully low wages: 500 zlotys more per month added to the current 600-900 zlotys average monthly wage (\$140-210).

The government claims that nurses’ wages are no longer its responsibility, because after the 1999 reform of the health-care system, public hospitals and clinics (private ones hardly exist) are run and owned by local governments. These governments, in turn, claim that there is simply no money for wage increases, because many facilities face bankruptcy anyway. A few days before Christmas, however, the government suggested allocating some money in the 2001 year budget to increase nurses’ wages by 200 zlotys (\$48) monthly. The Sejm (Parliament) passed the bill, but some deputies suggested that the only way to get the money for this purpose is to increase taxes. The union decided to continue their protest since there was no guarantee that even this modest proposal would be actually realized.

According to the OZZPP statement from Dec. 30, some 162 hospitals and clinics all over the country announced readiness to go on strike, 35 were occupied by nurses, and in 25 there was a hunger strike going on. Nurses in over 100 health institutions were planning to leave patients for a few hours. In some locations—for example, Lublin and Gdansk—nurses were occupying local government buildings and insurance headquarters. A day before, 1,500 nurses from all over the country marched through downtown Warsaw to the Office of Ministers’ Council. They were joined by a group of miners who tried to storm the building and became involved in a brawl with the police.

In an interview with the daily *Gazeta Wyborcza*, Longina Kaczmarek, chairwoman of the Mazowiecki chapter of the

OZZPP said provocatively that desperate nurses were getting even worse and more aggressive than Lepper (referring to farm leader Andrzej Lepper, whose trade union paralyzed the country with road blockades in 1998).

As of Jan. 2, the protest was continuing. The bill proposing wage increases for nurses was waiting to be confirmed by the President, but Bozena Banachowicz, the OZZPP chairwoman, expressed little hope that the money would ever reach them.

### **It's the Whole Economy, Stupid**

This was not the first protest organized by Polish nurses. Since free market reforms were launched in 1990, there is no branch of the Polish economy that has not suffered a setback. Like everything else, the health system has been subjugated to shock therapy. It was not perfect in the past, but under a new regulation, it is supposed to be financed solely through health-care insurance fees paid by the impoverished population. As a result, there is no money for anything.

At the beginning of December, for example, a trade union weekly, *Kurier Zwiaskowy*, reported that Warsaw hospital administrators announced that they were not able to admit children to intensive care units, because insurance agencies were refusing to reimburse the cost of treatment. According to *Kurier*, most Warsaw hospitals are so indebted, that they face closure. Other press reported on a group of Warsaw doctors who started to issue "health services coupons" as a sort of black humor joke, to remind people of the food shortages and food coupons in the early 1980s. At that time, people had to line up at night to storm shops in the morning to buy whatever basic food products their coupons allowed. Today, getting into a hospital often requires putting your name on a long waiting list.

Whatever maneuvers the government will engage in, it does not really matter, as long as it sticks to free-market ideology. There will be no money for the health-care system, if there is no production and real economic growth. And change does not seem to be likely, given that the infamous free-market reformer, Leszek Balcerowicz, is back in business.

In mid-December, Balcerowicz was confirmed by the Sejm as a new chairman of the Polish National Bank, despite the fact that his name has become a synonym for creative destruction and International Monetary Fund economic liberalization. He had to resign as Finance Minister in 2000 (that was the second time he held this office, after a 1990 debut in which he implemented George Soros's plan for Poland). Then he was invited to go to Georgia to advise the government of this former Soviet republic on economic matters, but, unfortunately, did not settle in the Caucasus. His reappearance as head of the Polish central bank certainly justifies one more Polish joke: How many Poles does it take

to destroy the economy of a nation of 40 million? 236—1 Balcerowicz and 235 Deputies to keep putting him back in office.

Jokes aside, the situation is becoming worse and worse for all Poles, not just health-care workers. One can sympathize with protesting nurses, but the truth is that all professions are affected by the crisis; even once-prosperous bank employees have gloomy prospects, more than 8,000 of whom will lose their jobs this year. The price of gasoline is going up like everywhere else, and in February the price of natural gas, imported mainly from Russia, will go up by 20%. According to an independent economic think-tank, Nicom Consulting, in 2001 unemployment may even reach 18%, and the collapse of real wages is expressed, among other things, by the 22% fall of car sales in comparison with 1999. This, of course, means trouble for car producers (all of them foreigners, anyway, since Polish car factories have been bought out on the free market). The South Korean Daewoo factory in Lublin (DMP), for example, did not pay wages in December, and already in November, announced that 1,200 employees out of 4,200 would be laid off, while production of DMP cars would most likely drop by 35% during the first six months of this year in comparison with 2000.

Additionally, Polish foreign debt continues to grow, and according to the Polish National Bank, it is now \$65 billion, \$6 billion more than in 1999.

The free-market school has one solution for all these problems: Let's join the European Union as soon as possible, and then we will flood Europe with our cheap goods. This, of course, is an illusion. If the present trend continues, there will be no production to talk about, by the time Poland joins the EU, and secondly, conditions imposed on potential new members by the European Commission seem to have just one purpose: to open new markets for goods and services from Western Europe. For example, the latest debate between the Polish government and the EC concentrates on the deregulation of the natural gas market. The EC praised Poland for fast privatization and deregulation of the energy sector, but the resistance to do the same with natural gas is now slowing down negotiations over Polish membership in the EU, the which has been used for ten years now as a big carrot to convince Poles to adopt suicidal economic policies.

Mrs. Banachowicz is right. Most likely, nurses will not see any real money any time soon. The only solution for nations like Poland, in the face of a global financial crisis, is a regional agreement, like the one in Asia around ASEAN-Plus-3, and eventually a New Bretton Woods system.

At the end of November, a Schiller Institute delegation discussed this matter again in Poland with the Parliamentary opposition, economic experts, and university circles (see *EIR*, Dec. 15, 2000). And all of them agreed that single issues do not matter any more. The economy as a whole needs to be rebuilt.

# Business Briefs

## *Economic Policy*

### **Go with List, Not Free Trade, Says Hankel**

Friedrich List, not free trade "radicalism," should be the basis of a successful economic policy for developing countries, stated Economics Prof. Wilhelm Hankel, former chief economist of Germany's Kreditanstalt für Wiederaufbau (Credit Institution for Reconstruction), in an interview with the Catholic daily *Deutsche Tagespost* on Dec. 12. Hankel attacked the "fanatic" and "lethal" policies of the International Monetary Fund, such as its insistence on "absolute currency stability" and fighting inflation "by forcing through rigorous austerity programs," regardless of the consequences, such as the collapse of personal income.

Asked about global free trade, which, according to a new study by the Organization for Economic Cooperation and Development, is the basis for economic development, Hankel denounced it as "just another form of radicalism." These people, he says, should read List, "the single world-economist Germany ever produced." Free trade might be nice, however, as List emphasized, only under the precondition that all economies are at the same level of production technology. If free trade is implemented without this precondition being met, the damage to industries from free trade is much greater than any alleged advantages. Therefore, Hankel said, "we have to de facto rewrite every textbook on globalization."

Hankel is identified as economic adviser to South Korea, Jordan, Saudi Arabia, Yemen, several Ibero-American countries, and as an educator of economists at Chinese economic planning agencies.

## *Precious Metals*

### **Gold Group Files Suit Against BIS, Fed, Banks**

Reginald Howe of the Gold Anti-Trust Action Committee (GATA) filed suit in Federal court in Boston, Massachusetts on Dec. 7, against the Bank for International Settlements (BIS), the Federal Reserve's Alan Greenspan and William McDonough, Treasury Secretary Lawrence Summers, J.P. Morgan, Chase Manhattan, Citigroup, Goldman Sachs, and Deutsche Bank, charging them with illegally manipulating the gold market from 1994 to present. According to GATA, the "gold cartel," of which the defendants are key players, has acted illegally to depress the price of gold, and has used the gold carry trade as a vehicle to fund interventions into the U.S. stock market, keeping the speculative bubble afloat.

GATA says that the cartel uses gold derivatives to keep the price of gold down, as a way of bolstering the dollar, heading off the panic which could come from rising gold prices, and protecting the gold banks, which have leased so much gold that they would be destroyed, were they to have to pay back the borrowed gold at sharply higher prices. GATA notes that the BIS reported \$243 billion in gold derivatives outstanding at the end of 1999, which equals about ten times annual new mine production, and which approaches the \$300 billion in official gold reserves.

## *Thailand*

### **Petition Drive Targets IMF's '11 Economic Laws'**

A group of Thai Senators and academics met in Phuket on Dec. 9-10, to map out a campaign to gather 50,000 petition signatures, asking the next government to amend the so-called "11 economic laws," which were dictated by the International Monetary Fund (IMF) after the Royal Thai government sought an IMF bailout in August 1997. They charge that the laws favor foreign investors over Thais.

The president of the Institute of Social and Economic Policy, Phusana Preemanoch, told the meeting that the 11 laws were flawed, because the government at the time had rushed to meet the IMF's conditions without consulting those at home who would be most affected by them. He charged that the laws were copied from abroad and were designed to "appease foreign businessmen and foreign creditors, because the govern-

ment assumed that the country's economic survival depended on foreign capital."

The president of the Lawyers Association, Sak Korsaeung, said that the laws have failed to revive the economy. Local firms are still unable to raise new loans, while the bankruptcy law only helped foreign creditors, not Thai lenders. Foreigners who were brought in as planners or administrators to rehabilitate firms, he said, were not held accountable for miscalculations. He urged that laws that give foreigners the right to purchase prime land and to liquidate small local firms be amended.

Meanwhile, the Bank of Thailand announced on Dec. 19 that the third-quarter growth rate of the Thai economy was only 2.6%, rather than the expected 4%, and that the final quarter would be flat for the first time since the beginning of 1999. Contributing to the collapse were the high oil prices, severe floods, sagging farm prices, the collapsing stock market, and political instability. The Thai economy is producing at only 56% of capacity. This is the main reason that steel and cement, for example, are being sold cheaply overseas, to keep the companies afloat. The country's cement makers have the capacity to produce about three times more than the 18 million tons of cement Thailand consumes annually.

## *Southeast Europe*

### **Intra-Balkans Trade Must Be Quickly Expanded**

Trade within the Balkans region must be increased as quickly as possible, a Serbian think-tanker told *EIR* on Dec. 19, and building infrastructure is key to making this possible.

Because relations historically between Yugoslavia and the Warsaw Pact were strained, there is an infrastructural divide between the western and the eastern Balkans area. From Belgrade to Zagreb, there is a six-lane highway, while from Nis, Serbia to Sofia, Bulgaria, there are no good roads. Trade between Yugoslavia and Bulgaria or Romania accounts for about only 1% of overall national foreign trade volume. Therefore, he recommended building a high-

way from Nis to Sofia, as soon as possible, a project which is going to be the subject of discussions between Yugoslav President Vojislav Kostunica and Bulgarian President Petar Stoyanov.

There are similar infrastructure proposals in relation to Hungary, but Hungary's aspirations to join the European Union will rather lead in the other direction, because Hungary would be forced to implement stiffer border controls, he said. He agreed with a proposal by Albanian Minister for Trade and Economic Cooperation Ermelinda Meksi, to eliminate all customs tariffs in the region.

In Yugoslavia, he emphasized three infrastructure corridors: the Danube River, along the Morava-Vardar rivers (Belgrade-Saloniki), and from Belgrade to the Adriatic Sea. He also emphasized a corridor running from Albania through Macedonia to the Bulgarian coast at the Black Sea.

## Europe

### Lafontaine Urges New Bretton Woods System

Former German Finance Minister Oskar Lafontaine called for a new Bretton Woods system, in the Swiss journal *Facts* in December. After the old Bretton Woods system collapsed, he said, the founding fathers of Europe's self-asserting impulse were German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing, with their European Monetary System in the late 1970s, the seed crystal of what later was to become the euro. Today, Europe is stuck half-way in that process, having only a single currency and a single European Central Bank, whereas any in-depth economic coordination, as called for by French Finance Minister Laurent Fabius, is opposed by U.S. Treasury Secretary Larry Summers and Federal Reserve Chairman Alan Greenspan.

Lafontaine wrote: "The European states must develop a proposal for a new world financial architecture, a new Bretton Woods. They must push through this concept, in order to allow a more stable growth of the world economy. Currency rates are not a prize, which, in the way commodities and

services are, that can be left at the disposition of the market. It is already a mistake to speak of the financial market. The term gambling casino, fits better. An initiative cannot be expected to come from the U.S.A., where policies are determined on Wall Street, nor from Great Britain, where policies are determined by the City of London. They are rather putting up resistance. The Wall Street bankers earn a lot of money from currency speculation. The Americans do not want any controls imposed on the infamous hedge funds."

Europe must not deteriorate into a free trade zone, nor must it continue to follow the IMF, he said. "The Mexico crisis, the East Asian crisis, and the Russia crisis, have shown that the United States tends to deploy the IMF for the defense of its own national interest. . . . But the money of the international taxpayers is not meant to guarantee payments to the big Wall Street firms. If it is used, it should promote wealth and social stability in the world."

## China

### Military Technologies Improve Civilian Economy

China has made "remarkable" progress in transferring military technologies for the development of the civilian industrial economy, and this process will be stepped up in the coming years, according to the Second Conference on the Peaceful Use of Military Technology, which concluded on Dec. 18, 2000, *People's Daily* reported.

China has made considerable achievements in transferring the technologies of the five main military industries—nuclear, space flight, aviation, shipping, and weaponry—to the civilian economy, the conference reported. China now has two functioning nuclear power plants, its rockets are used for satellite launches, and military shipbuilding now contributes 70% of China's ship exports. China's aviation manufacturing industry is also a producer for domestic use and for export of civilian airplanes.

Liu Jibin, Minister of the Commission of Science, Technology, and Industry for National Defense, said that civilian products make up 80% of the national defense sector's total output.

**MYANMAR'S** chamber of commerce on Dec. 18 started its first major joint project since 1988 with its Indian counterpart. The two bodies will cooperate in development of small and medium-size enterprises. Improving ties between India and Myanmar are key to building the southern route of the Eurasian Land-Bridge.

**XEROX** says, cut back on . . . xeroxes. Citing some indicators of the slowdown in the U.S. economy, the Dec. 24 *New York Times* reported that "Xerox, of all companies, reportedly asked its employees not to make so many photocopies."

**A THAI** committee has decided to support continued work on the Thai-Malaysia gas pipeline, despite strong local opposition to the project, the Thai daily *The Nation* reported on Dec. 13.

**SCIENTISTS** at Germany's Frankfurt University warn that pneumococci, which cause respiratory infections, are becoming increasingly resistant to antibiotics. Last Winter, 4% of cases in Germany were resistant to penicillin, 14.4% to erythromycin, and 15.5% to doxycyclin. In the U.S., 30% are said to be resistant to penicillin.

**ISRAELI** poverty increased by 9.8% in 1999, to 1.134 million persons, according to a report by the Israeli National Insurance Institute. The number of children living in poverty increased by 16% to 510,000. The average income of the poor is 26% below the poverty line. Arab Israelis have a rate of poverty three times higher than Jewish Israelis.

**GERMAN** astronaut Ulrich Walter, a former crew member on the Russian Mir space station, said that he is confident that mankind will colonize space, in an article in the January 2001 German edition of *National Geographic*. He forecast that 500 years from now, man will be able to live and move as freely on Mars as on Earth today.



## Mideast War, Sooner Rather Than Later

by Dean Andromidas

Absent a political miracle, Ariel Sharon may well be the next Prime Minister of Israel. American statesman Lyndon H. LaRouche, Jr. recently commented that a Sharon government would become a key part of a plan to launch general religious war in the Middle East and Asia over the coming year. LaRouche stressed that this is not an Israeli-Palestinian issue, but a strategic geopolitical issue, in which the Israeli-Palestinian conflict would serve as the cockpit for implementing the “clash of civilizations” doctrine of Harvard’s Samuel Huntington and the Anglo-American policy circles he represents.

The ascendancy of the Bush Administration, backed by the “Southern Strategy” right wing and the Christian fundamentalist Armageddon cults which are the American backers of Sharon, puts this war danger on the shortest of fuses.

It was Sharon, whose provocative march onto the Al Haram Al Sharif/Temple Mount area of Jerusalem on Sept. 28, ignited the conflagration that has engulfed the Israeli-occupied West Bank and Gaza Strip, and which now threatens the entire region with religious war. In the last three months, nearly 400 people, among them more than 350 Palestinians, have been killed, and thousands wounded in the low-intensity war now raging in West Bank and Gaza Strip.

### Failure of Clinton’s ‘Bridging Proposals’

The much-vaunted “window of opportunity” for a peace agreement during the last weeks of the Clinton Administration is proving to be a complete illusion. The conditional “yes” by both Palestinian Chairman Yasser Arafat and Israeli Prime Minister Ehud Barak, to President Clinton’s bridging proposals only serves to postpone the funeral of the already-dead peace process. These proposals, aimed at concluding a framework agreement for negotiations between Israel and the

Palestinians, are proving to be totally inadequate. In fact, according to details released in the press, these proposals not only failed to go beyond those presented and rejected at the failed Camp David summits, but contained the very same deep flaws. These include putting the holy sites of the Al Haram Al Sharif/Temple Mount again on the “chopping block” of the negotiating table. It was precisely this issue which set the stage for Sharon to carry out his provocative march onto the Al Haram Al Sharif/Temple Mount, which transformed the politically charged and tense atmosphere between Israelis and Palestinians, after the failed Camp David summits, into a religious war.

Most importantly, the Clinton proposals, as far as is known, were completely devoid of any initiatives for establishing and funding programs to promote regional cooperation in development of water resources, so desperately needed in the region. Nor was there any American initiative for ensuring regional economic development, the absence of which will doom any agreement even before it is signed. As *EIR* has emphasized, nuclear desalination of seawater, in order to provide abundant fresh water to all the peoples of the region, is the essential precondition for any peace agreement to succeed.

Political observers both in Israel and the Arab world agree that it would have been impossible for Arafat to accept the proposals offered by Clinton, because of Palestinian and broader Arab opposition. Such an agreement would have ignited mass protests throughout the Arab world.

### The Political Shift in Israel

The failure of the Clinton Administration has set the stage for Ariel Sharon to win the elections for Israeli Prime Minister



*President William Clinton and Palestinian Authority President Yasser Arafat, at Camp David in July 2000. The current talks are doomed, if Clinton fails to do what he did not do previously: place the issue of economic development, especially water development, at the top of the agenda.*

on Feb. 6. While all sane Israelis know that a policy of confrontation, intransigence, and war will lead to massive bloodshed, which will only bring the warring parties back to the same negotiating table eventually, the Israeli policy establishment refuses to come to its senses. Witness the fact that former Israel President and leading Labor Party figure Ezer Weizman, has made public his intention to vote for Sharon, Likud party chairman, over Labor's Prime Minister Barak. This is the same Weizman who almost two decades ago resigned from the Likud, and from the government of Menachem Begin, because he disagreed with Sharon's disastrous decision to go to war with Lebanon in 1982.

With the polls showing Sharon having a 20-point lead over Barak, Sharon is trying to recast himself as a "moderate," and never fails to announce that the first thing he would do as Prime Minister is to invite Barak into his government. Even worse, is the fact that Barak would be inclined to accept, and, if the Labor Party refused to join him, some observers have said that he would leave the party and become Sharon's defense minister, as an independent.

Furthermore, Barak's failure to come to a peace agreement has alienated the peace camp and the important Israeli-Arab vote. It is widely believed that this section of the electorate will just not vote. In fact, the peace camp appears to be so demoralized, that even the specter of Sharon, known as the Butcher of Lebanon, in the Prime Minister's office, is not enough to bring them out into the streets in protest, let alone to the polls.

The shift of Israeli politics to the right has brought forward a new generation of radical Zionists into the national leadership. Although Sharon has been their mentor and controller,

these are religious Zionists, whose views fit right in with the plans for religious war, envisioned by the likes of Samuel Huntington and Zbigniew Brzezinski.

This was dramatically demonstrated by the resignation on Dec. 27 of Brig. Gen. Efi Eitam from the Israel Defense Forces (IDF), following a decision by the General Staff not to promote him to full general. On the day before his resignation, Eitam gave a lecture at Bar-Ilan University, in which he called Arafat "a murderer who five years ago didn't have a place to lay his head." He then declared, "The IDF can tomorrow . . . conquer Judea, Samaria, and the Gaza Strip and expel the population there overnight. It's not a problem to do this. We have a problem of having the will to do this. As a nation, we are inhibited. . . ."

The 48-year-old Eitam, who was described by a former IDF officer as a "fascist," is a "born-again Jew" and a right-wing religious Zionist. Living in a religious Zionist settlement on the Israeli-occupied Golan Heights, he is one of the few IDF senior officers to wear the skull cap, the *yar mulke*. In 1988, during the first *Intifada*, he was accused of ordering his soldiers to use clubs to break the bones of Palestinian demonstrators. Several of his soldiers were subsequently convicted of murder, after one Palestinian demonstrator died from these beatings. Although Eitam, who was a colonel at the time, was not convicted, the judge ruled that he was unfit for promotion. But, in 1992, the outgoing Chief of Staff, Gen. Ehud Barak, promoted him to brigadier general. Some Israeli observers have described this promotion as an attempt by the politically ambitious Barak to court the right wing.

Eitam is expected to become leader of the National Religious Party, the party that sees itself as the representative of

the religious Zionist movement in Israel. The NRP is the most influential party in the Jewish settlements, and despite its small size, has been in almost every Israeli government in the past two decades. Furthermore, it is a party that enjoys the closest ties to the right-wing religious Zionists in the United States, who are the biggest financial supporters of the settlements.

### **The Killing of Kahane**

The killing of Binyamin Kahane, the son of the slain Rabbi Meir Kahane, the founder of the terrorist Jewish Defense League, has provided these right-wing fanatics with a martyr (see accompanying article). Ten days before his slaying, the younger Kahane raised \$80,000 in Brooklyn, New York, in order to finance a “private military body” to protect the Jewish settlements. This is extraordinary, since Kahane’s Kach and Kahane Chai organizations have been on the U.S. State Department’s list of terrorist organizations since 1995, making it illegal for them to raise funds in the United States. They were put on that list, following the assassination of Israeli Prime Minister Yitzhak Rabin. Also Baruch Marzei, the head of the Kach Party, was fundraising in the United States at the same time. The donations they solicited were put into the New York-based Kahane Memorial Foundation, which has been given tax-free status by the U.S. Internal Revenue Service.

Neither the U.S. State Department nor the FBI have answered inquiries on how it is possible for them to openly operate in this way. But now that Kahane has been killed, there is a mobilization to have these organizations taken off the terrorist list, which could very well happen under the Bush Administration. In any case, on Jan. 4, the FBI raided the offices of Kach’s U.S. headquarters, the Hatikva Jewish Identity Center, in Brooklyn.

Although Israeli authorities attribute the young Kahane’s slaying to Palestinian gunmen who did not know whom they were killing, some Israeli intelligence sources question this contention. These sources point to the fact that Kahane’s father’s assassination in 1990, occurred during the crisis that led to Sir George Bush’s Gulf War. They also point to the fact that following his death, the younger Kahane, who is considered a fringe fanatic, was raised to almost the status of a national leader.

Prime Minister Barak promised to bring Kahane’s murderers to justice, and apparently ordered the killing of Dr. Thabet Thabet, the director of the Palestinian National Authority’s Ministry of Health, in retaliation. This is despite the fact that the Kahane organization’s website hosts computer games with titles like “The Escape of the Oslo Criminals” and “Whack Barak,” targetting Barak, as well as Labor Party peace architects Shimon Peres and Yossi Beilin.

Kahane’s killing has served as a focal point for mass actions by the settlers. These include pilgrimages from various West Bank settlements converging on Jerusalem, expected to

culminate in a mass demonstration at the gates of the Al Haram Al Sharif/Temple Mount later this month. General Eitam is playing a leading role in these marches.

Kahane’s death was already the occasion for violent demonstrations by his followers, and supported by hundreds of others who were members of the National Religious Party in the Old City of Jerusalem. These demonstrators even tried to storm the Al Haram Al Sharif. In addition, Israeli police fear that the mosques on top of the Al Haram Al Sharif could be targetted by rocket launchers deployed from the hilltops that surround the Old City.

### **War Now, or in a Year**

One senior Israeli intelligence source said that the question is not whether a war will occur, but whether there is a war in the immediate period ahead, or a postponement for a year. And whether it is an all-out war against the Palestinian National Authority, or includes Syria, Iraq, and Iran.

In any case, the *Jerusalem Post* on Jan. 3 reported that the Israeli government will ask the incoming Bush Administration for \$350 million, in addition to the \$2 billion in military aid it receives annually from the United States, in order to fund “its preparations for war.”

Speaking on Jan. 1, at the weekly IDF General Staff forum, Barak told his generals to “bear in mind” that the security situation could deteriorate rapidly and lead to war. Although Barak did not order the covers to be taken off the tanks, nor a general call-up of reserves, he ordered preparations to be taken, in terms of accumulating necessary war supplies and training personnel. Extra reservists have been called up to replace full-time combat units that have been deployed in the Occupied Territories, allowing full-time troops to return to regular combat training.

The IDF General Staff is planning for the possibility that the expansion of the conflict with the Palestinians could lead to war with Egypt, Jordan, and Iraq. Meanwhile, they are prepared for an increase in tensions along the Lebanese-Israeli border that could lead to war with Syria and Iran.

### **Are There Prospects for Peace?**

Speaking at a seminar in Washington, D.C. on Jan. 3, Lyndon LaRouche called on President Clinton to move *now*, to announce a policy on Mideast water development: “What we need—and everybody who’s intelligent in Israel will agree—the only way we’re going to avoid a war from breaking out very soon in the Middle East, spreading throughout much of the rest of the world, is to push through *now—right now*, while Clinton is still President—to push through a U.S. position, saying there is no peace in the Middle East, unless there’s a massive program of desalination, to ensure *at least* that there’s the water and the energy needed, so that the children of the present inhabitants of the region have a *peaceful future for their grandchildren*. That should be the policy of the United States.”

# Another Kahane Dies by the Sword

by Michele Steinberg

The Dec. 31 assassination of Binyamin Zeev Kahane, son of the late Rabbi Meir Kahane, who was gunned down in New York City in 1990, is the most publicized incident in a secret war of assassinations that is raging in the Israeli Occupied Territories. Binyamin Kahane was one of the leaders of an inner core of so-called religious leaders who have organized “death squads” from the Israeli settlements in the Occupied Territories, and whose main purpose is the physical elimination of all Arabs from Israel and the Occupied Territories. This movement is a network of fanatically racist and mystical Jewish sects that calls for the extermination of all “Arab dogs.”

Binyamin Kahane’s settlement in Kfar Tapuah, just south of Nablus, includes a so-called yeshiva (religious school), the Yeshiva of the Jewish Idea, where recruits study the racist rantings of his father. The older Kahane had a long career as an *agent provocateur* and informant for U.S. Air Force Intelligence, and for the FBI in the 1960s before founding the Jewish Defense League, the U.S.-based terrorist group that

serves as a source of recruits and cover for the U.S. activities of the Kach Movement and Kahane Chai, the two organizations that Binyamin and other followers created after the assassination of his father. They are the source of some of the worst anti-Arab violence in the 1990s.

Ian Lustick, author of *For the Land and the Lord*, a book about Israel’s Jewish right-wing terrorists, describes some of the incidents in his 1994 preface: “In May, 1990, [Ami] Popper put on his army uniform and asked men waiting at a bus stop in a Southern Israeli town for their identity cards. After confirming they were Arabs, he lined them up and opened fire, killing seven.”

Lustick notes that then-Likud Prime Minister Yitzhak Shamir was quick to say that Popper was just a “deranged individual,” with no political connections. Lustick reports that Popper was found sane, stood trial, and was convicted. While serving his long prison term, Popper married the adopted daughter of “Rabbi” Benyamin Kahane.

It is reported in the Israeli press that Baruch Goldstein, the American Jewish doctor who emigrated to Israel to join the Kahane movement, had come from Benyamin’s settlement. Lustick describes the massacre of Muslims by Baruch Goldstein on Feb. 28, 1994: “Dr. Baruch Goldstein woke up early in Kiryat Arba, an Israeli settlement on the West Bank . . . near Hebron. . . . He donned his army uniform, picked up his assault rifle and several clips of ammunition, and went to the Tomb of the Patriarchs in the center of Hebron where Abraham [Ibrahim to Muslims] is believed buried.” Goldstein opened fire in the area of the site reserved



*Kach Party settlers on the march, after the killing of Binyamin Kahane. Kahane’s death has been the occasion for violent demonstrations by his followers, feeding into the British-Freemasonic scenario for religious war.*

as a mosque. “The room was packed with Muslims reciting their prayers for the holy month of Ramadan. Goldstein pointed his gun and began killing the kneeling men and boys.” Goldstein killed 29 and injured about 200 others, before being killed himself.

Lustick reports that, again, Israeli officials tried to call this a “non-political act,” but Goldstein’s widow protested, “Don’t let anyone say he was a psychopath. He planned to do this in order to stop the peace talks. He did this for the sake of Israel.”

### Sharon’s Shock Troops

As a forthcoming *EIR Special Report* entitled “Who Is Sparking a Religious War in the Middle East? — And How To Stop It,” documents, the Israeli settlers movement around Kahane and a network of yeshivas, known as Merkaz Harav, is in the middle of an extensive plot to blow up the Muslim holy places on Jerusalem’s Temple Mount/Haram al-Sharif, in order to rebuild the Jewish “Third Temple.” Binyamin’s uncle, Dr. Naham Kahane, runs the “Temple Institute,” which keeps a list of all the Jewish “cozens” (rabbis) who could qualify to be priests at the rebuilt temple.

The activities of this lunatic element have already unleashed a holy war that has drowned the Arab-Israeli peace process in blood. The *EIR* report also demonstrates that the operation of escalating violence was triggered when Ariel Sharon, now the Likud candidate for Prime Minister in the February 2001 elections, ran a virtual invasion of the Temple Mount during Muslim Friday prayer services on Sept. 28, bringing in 3-4,000 troops as “protection.” Sharon and other advocates of “Eretz Israel” (Greater Israel) are the protectors of the illegal settlements, run by Binyamin Kahane and other religious fanatics as paramilitary centers.

The website of Binyamin’s organization, [www.kahane.org](http://www.kahane.org), carries a background article praising Sharon’s exploits as founder of “Brigade 101,” a section of the Israeli military that ran the “hunter/killer” teams that wiped out Palestinians and any other so-called “enemies of Israel” after the 1967 war.

Some Israeli sources report that the Brigade 101 methods are back in full force. On Dec. 22, the *New York Times* reported that Israeli radio interviewer, Carmine Guy, had been told by Ephraim Sneh, the Israeli Deputy Defense Minister, that Israel was engaged in the systematic campaign to “pinpoint” and eliminate leaders of the Palestinian *Intifada* (uprising). Sneh said, “You can’t beat terror at symposiums at the university. The most effective and just way to deal with terror is the elimination or incarceration of the people who lead these organizations.” Since November, when an Israeli helicopter gunship fired missiles on the car of Hussein Obaiyat, a Palestinian leader, killing him and some innocent Palestinian bystanders, more than 20 such “pinpointed” assassinations have been carried out.

## London Role Exposed In Italian Terrorism

by Claudio Celani

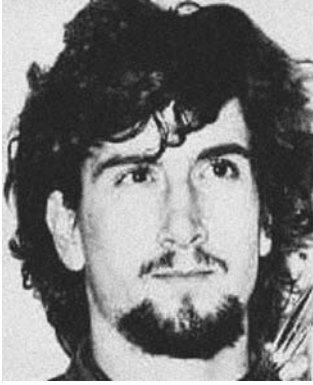
A failed bombing attempt against a newspaper in Rome has brought to the limelight the role of London in fostering international terrorism, confirming what *EIR* has often written. Now, Italian researchers and the Parliament are demanding an investigation, to find out whether a neo-fascist organization, called Forza Nuova, has enjoyed protection by Her Majesty’s intelligence services, and whether there could be a political strategy behind the escalating pattern of terrorist activities over the last year in Italy.

On Dec. 22, Andrea Insabato, a psychologically unstable, radical right-winger, was severely injured by a crude bomb which exploded at his feet, in the central office of the Rome daily *Il Manifesto*. Although Insabato (who survived his severe injuries) and his lawyers keep insisting that he was there only by chance, the police have no doubt that he was himself the perpetrator.

Insabato is an old acquaintance of the police: In the early 1980s, he spent three years in jail, in the aftermath of the famous Bologna train station bombing, in which 86 people died. Insabato was a member of a neo-fascist organization called Terza Posizione, whose leaders, Roberto Fiore and Massimo Morsello, were supposed to end up in jail as well, but instead escaped to London, where they enjoyed protection from Italian justice. All Italian requests for the extradition of Fiore and Morsello were systematically turned down by the British Foreign Office, until the statute of limitations ran out, and, after almost 20 years, the two were able to go back to Italy.

During those years in London, Fiore and Morsello ran a series of political and lucrative financial activities, including two charities, which investigators suspect to be the cover for a European-wide buildup of neo-Nazi activities. Fiore reportedly lived in a flat on the same block as Margaret Thatcher’s Transport Minister Nicholas Ridley, the man who launched the famous “Fourth Reich” campaign against German reunification in 1989. Instead of looking for Nazis in the Chancellor’s office in Bonn, Ridley had better watch his own backyard!

After some media published allegations that Fiore and Morsello had been recruited by Britain’s MI6 foreign intelligence service, and that the two charities they ran, “St. George”



*Terrorist Andrea Insabato: His stringpullers are in London.*      *British-based terrorist leader Roberto Fiore.*

and “St. Michael the Archangel,” were covers for neo-Nazi training camps in Spain, the British Charity Commission started a public investigation, but reached the strange conclusion last year, that the charges were not true.

In the meantime, Fiore and Morsello have continued running their political operations in Italy, as part of the International Third Position umbrella organization, whose center is in London (this organization includes also U.S. “Southern patriotic” zombie groups), and raised money with their charities, their second-hand shops, their travel and hostel services in London, and especially their financial investment service.

### **Fiore’s High-Level Connections**

Recent statements by Fiore point to the possibility that his organization managed financial investments for high-level Italian investors, who might now withdraw their money, in fear of bad publicity. An Italian newspaper has mentioned the well-known Italian liquor producer Antonio Molinari, as a supporter of Fiore. Now, according to a report sent by the London police to Italian investigators a few months ago, money was constantly channelled by Fiore and Morsello, out of London, to their Italian comrades; part of the money went for the legal defense of neo-fascist leaders (such as the notorious Franco Freda), and part to accounts run by private individuals, who were just front-men for Fiore and Morsello’s new organization in Italy, Forza Nuova (FN). One of the accounts was run by Andrea Insabato, the report allegedly says, according to press leaks.

Fiore denies very aggressively any official connections to Insabato—what else could he do? Indeed, Insabato was not formally a member of Forza Nuova, having formed his own group, called “Christian Rebirth” (he converted to Christian fundamentalism after coming out of prison and spending some time in a psychiatric facility). But Insabato was a frequent visitor at FN’s offices, and he joined the group’s public activities, such as a demonstration in support of Austrian pop-

ulist Jörg Haider, who was visiting the Vatican in December. Also, Insabato’s lawyer is Fiore’s brother.

In the context of the connections between Insabato and Fiore, Italian media reported that some British media had accused Fiore of being an MI6 agent, and that even the head of the Italian anti-terrorist police, Ansoino Andreassi, did not exclude that proposition, in a report on terrorism given before the Parliamentary Committee to Investigate Terrorism, on Dec. 1, 1999. In that hearing, the following dialogue took place between Andreassi and Committee member Bielli:

**Bielli:** “When you talked about Fiore and Morsello . . . they were in London and made money. One asks, how could they find such a welcome environment in that city, to allow them to become such personalities? How is it possible that people who flee our country in such conditions, with such allegations [of terrorism], not only are tolerated in London, but are even promoted? Do we have information of possible relationships of the British government, of British secret services, with these persons?”

**Andreassi:** “. . . On their possible—as the media wrote—suspected contiguity with, at least, the British secret services (it has been said that they could be informants of those secret services), we did not find out much. They will never tell us, especially if it is the secret service. Sure, we tried every way with the British police to have them extradited, but we did not succeed.”

**Bielli:** “Protected—they have been protected.”

**Andreassi:** “De facto, they have not been extradited.”

**Bielli:** “In exchange for what?”

**Andreassi:** “I cannot tell you.”

Forza Nuova’s British intelligence connections also run through a group called Combat 18. According to investigative journalist Gianni Cipriani, FN is connected, through its goon squads, with Combat 18. This is a splinter group from the British National Party, which has claimed responsibility for several terrorist bombings, among which was the one against a homosexual pub in London’s Soho district in Summer 1999. Combat 18 (a numerological reference to Adolf Hitler’s initials) has been repeatedly accused of being controlled by British Intelligence’s Special Branch, which admitted in 1995 to having recruited C18’s head, Charlie Sargent. Notwithstanding the Special Branch’s excuses, that they used C18 to spy on Loyalist paramilitaries in Northern Ireland, in 1999 the Loyalist Volunteer Army was still working together with C18—which says something about who controls insurgency and counterinsurgency in Northern Ireland!

### **A New ‘Strategy of Tension’?**

Had everything proceeded according to plan, Insabato would have placed his bomb and left. The bomb would have

exploded, causing serious damage and possible human injury to a well-known leftist newspaper. Even more worrying than the bomb itself, however, is the pattern: A few days earlier, another explosive device had been found on top of the Milan Cathedral. This was the second attack on a church. Last Summer, a crude explosive device was found behind the main altar at St. Ambrose, also in Milan. The Milan bombs were claimed by an “anarchist” group called Solidarity International (Solidarietà Internazionale).

Although the “right-wing” Forza Nuova and the “left-wing” anarchists appear to be antagonists, in reality they are not. Both are members of the larger insurgency movement called “the Seattle people,” whose paralimetary units now regularly clash with police at international summits. What they all have in common is the ideology of “devolution,” the replacement of national government with local community control. This is a “made in Britain” modern variant of anarchism.

One fringe of the “Seattle people” is led by retooled “red” terrorist Oreste Scalzone, who is still wanted by the Italian police for his activities as leader of the terrorist organization Potere Operaio in the 1970s. Scalzone lives in Paris and, similar to Fiore’s case, he is not disturbed by the Italian government’s efforts to have him extradited, seemingly enjoying high protection. Now, prosecutors have a renewed interest in Scalzone, because he is suspected of connections with alleged members of the terrorist commando squad that killed government adviser Massimo D’Antona, in May 1999. D’Antona was killed in Rome, by a group claiming to be the old “Red Brigades.” Suspicions that this group could be really formed of veterans of the group which was disbanded in the 1980s, were confirmed, when police arrested Giorgio Panizzari, a veteran of the Red Brigades, during a bank robbery in Todi. Together with Panizzari, police arrested a “former” anarchist terrorist, Roberto Viganò.

This convergence of “left” and “right” insurgency should not surprise *EIR* readers: It was always there—except now, it is public. Therefore, the Milan and Rome bombings must be seen as part of the same picture, pointing to a buildup of terrorist activities, where several zombie organizations are used by intelligence agencies as vehicles to hit a target for purposes of political destabilization.

Historically, as the assassination of Enrico Mattei in 1962 and of Aldo Moro in 1978 show, terrorism against Italy has been used against any political impulse to assert Italy’s natural function of stabilizing economic and political power in the Mediterranean basin (North Africa and the Middle East) and in the Balkans, regions which, according to Anglo-American geopolitical schemes, should be plagued by conflicts and underdevelopment. All major terrorist outbreaks must be seen in this context. Thus, it was not by chance that the “new” Red Brigades killed government adviser D’Antona, right in the middle of the NATO war against Serbia, whose conduct would have been unthinkable, with-

out the total submission of the Italian government to the strategies of British Prime Minister Tony Blair. It is also not by chance, that a new escalation of terrorist insurgency is taking place now, in the vacuum left by the change in the U.S. administration.

### **Shades of the 1960s and 1970s**

The current buildup reminds one of the famous “Strategy of Tension” of the early 1970s, when low-intensity terrorist activities preceded the first major bombing attack on Dec. 12, 1969, at the Banca Nazionale dell’Agricoltura in Milan, killing 16 and injuring dozens of innocent victims. That was the beginning of similar large-scale atrocities. The attack was claimed by an anarchist organization, but it was eventually discovered that the bomb had been placed by a group of neo-fascists belonging to the Ordine Nuovo organization. However, the Ordine Nuovo zombies were manipulated by British and U.S. intelligence circles operating out of the NATO center in Verona.

Are new terrorist capabilities being built up again on a mass scale? One should take seriously what one “expert” says: Francesco Alberoni, a sociologist who was the teacher of the founding meeting of the Red Brigades, in 1968, at Trento University. Alberoni, who was exposed as a terrorist brainwasher by the European Labor Party and *EIR* in 1978, was interviewed by the Catholic daily *Avvenire* on Dec. 20, 2000, in the aftermath of the discovery of the bomb at the Milan Cathedral. Alberoni drew a parallel between the current situation and the birth of the Red Brigades terrorism. “I am thinking exactly of those years,” he said. “I remember in Trento, where Marco Boato and Rostagno used words to hit the system. They fought with words, but nobody realized that a faction was being formed, that later gave birth to the Red Brigades. . . . I do not know whether this is an analogous phenomenon, but within ten years, I guarantee you that terrorism will be here again.” Alberoni then referred to the “Seattle people,” among whom “there are real paramilitary groups.” But, “I do not necessarily mean from those groups, but it will come out from someplace. . . . When you move from the demonstration to attacking the symbol (which can be McDonald’s or a public office), to building militias, the next step—which will certainly involve a minimal number of persons—will bring about the birth of a terrorist group. We do not know who they will be, but we do know that they will come.” With what label? “It does not matter. Violent mentality goes quickly from left to right; that was so even 150 years ago,” said Alberoni, who then cited the examples of Giuseppe Mazzini’s followers, and added that “the Austrian henchmen are the same face of a violent character.”

What Alberoni does not say, of course, is how the “violent character” was developed and manipulated by sociology made in Britain. Exactly as with Mazzini’s followers, and the Red Brigades zombies that Alberoni himself helped to fabricate.



# Terror Wave Hits ASEAN Nations

by Michael and Gail Billington

Eighteen bombs exploded almost simultaneously in eight cities across Indonesia on Christmas Eve, killing 14 and injuring more than 100. All the bombs had been delivered to Christian churches or to the homes of priests, and timed to explode during the Christmas Eve services. Islamic terrorism?

A week later, in Manila, capital of the Philippines, five bombs exploded, also timed to explode simultaneously, on a train, a bus, at the central business district, and near the American Embassy. Two days earlier, two leaders of the Islamic terrorist organization Abu Sayyaf, including Hector Janjalani, the brother of the group's leader, Kaddafy Janjalani, were arrested in Manila, with explosives and diagrams believed to be bombing targets. More Islamic terrorism?

Both Indonesia and the Philippines have suffered severe economic dislocation since the speculative financial assault on the Asian economies in 1997-98, and the austerity conditions subsequently imposed by the International Monetary Fund (IMF) in exchange for "bailout" packages (primarily bailing out foreign creditors at the expense of the domestic economies). Both nations are also faced with renewed separatist movements, threatening their territorial integrity, movements which enjoy open support from foreign-based and -financed non-governmental organizations (NGOs) and other public and private institutions. Both nations are also experiencing efforts to impeach their elected Presidents—in the case of the Philippines, the impeachment has reached the stage of a trial in the nation's Senate.

In terms of population, these are the two largest nations in the Association of Southeast Asian Nations (ASEAN), which has recently acted in league with China, Japan, and South Korea (see "ASEAN-Plus-3 Summit Opens Door to New Leadership," *EIR*, Dec. 8, 2000) to initiate a new Asian financial and economic alliance, to defend against the unfolding collapse of the dollar-based financial system, revive the physical economies of the region, and potentially provide the seed-crystal for a new world financial system to replace the bankrupt IMF. We must ask: Who benefits from the destabilization of these nations?

The last time a President of the Philippines was overthrown, by essentially the same coalition—comprised of the financial elite, the church, and the left—which is active in the current effort to bring down President Joseph Estrada, was the successful 1986 "People's Power" coup against Ferdinand

Marcos. The ultimate result of that campaign was the takeover of the Philippines economy by the IMF, a "cure" from which the country has yet to recover. Although President Estrada has generally allowed the IMF-beholden financial elite to determine government policy, he has maintained ties to nationalist interests (denigrated as "cronies" by the Western press) who could, in the coming crisis, lead the country in the direction of an ASEAN-Plus-3 break from the IMF.

The bombings came two days after the leader of the Communist Party of the Philippines, Jose Maria Sison, through a cutout, announced that "more repressive acts by Estrada to keep himself in power will not only incite the people to wage larger and more intense mass actions, but will also justify the people's army to undertake punitive actions." Sison, who operates from a safe exile haven in the Netherlands, has taken credit for earlier bombings in Manila, "in solidarity" with the Abu Sayyaf terrorists, based in the Sulu Archipelago in the southern Philippines.

In April 2000, Abu Sayyaf "went international" with its kidnapping operations, seizing nearly two dozen European tourists and Asians from the Sipadan resort in Malaysia, and reportedly raking in \$20 million in ransom from Western governments and mediator Libya.

In Indonesia, the church bombings follow two years of Christian-Muslim rioting in the island provinces of the Malukus, which have left an estimated 5,000 dead. Before the destruction of the nation's economy in 1997-98, the Malukus, and the capital, Ambon, in particular, were the model of religious peace and tolerance. Now, the obvious intent of the bombers is to spread the terror throughout the country. To the great credit of the Indonesian people and institutions, there has been a united denunciation of the Christmas Eve bombings, and a nearly universal denial that they were in any way "Islamic" in nature, but, rather, they are seen as a provocation by political interests, intent on provoking religious warfare. Senior Muslim leader Kyai Haji Zainuddin, addressing the festivities on the final day of Ramadan, which followed the Christmas Eve bombings by two days, said that the Muslim community had "failed to protect our brothers," the Christians, and that the atrocity would not provoke religious war, but "bind us closer together." Indonesia's Catholic Cardinal Julius Darmaatmadja said: "Even if we know who is behind the bombings, I urge all Christians to forgive." Pope John Paul II's message condemning the bombing and calling for peace was broadcast on television nationwide.

Here again, the political setting in which the bombings took place raises the question: *Cui bono?* In the weeks preceding the bombings, London's Christian Solidarity Worldwide, the latest mutation of the British intelligence front run by Baroness Caroline Cox, escalated calls for international intervention into the Malukus to "save Christians" (with not a word about the Muslim dead), while on Dec. 23, one day before the bombings, the Bishop of Ambon

called on UN Secretary General Kofi Annan to send “international security forces” to Ambon, a blatant threat to Indonesian sovereignty. Simultaneously, the independence movement in Irian Jaya (West Papua), with well-documented support from the British Commonwealth nations of Australia and New Zealand, including, notably, through the mining interests of Rio Tinto, which works the world’s largest gold and copper deposits in Irian Jaya, has called on the UN to send “international forces” to the province, threatening another East Timor-style intervention and the further disintegration of Indonesia.

Historically, these separatist movements enjoy protected status in the former European colonial powers, notably, Britain, the Netherlands, and Portugal. In the case of Indonesia, Lord Avebury’s NGO “Tapol” (the term for “political detainee”), which was set up, ostensibly, to counter oppression under the regime of General Suharto, has continued sponsoring separatism since the democratic elections of 1999. Tapol functions as a central clearinghouse and support network for all of the Indonesian separatist movements, from Aceh in northern Sumatra, to Irian Jaya (West Papua), and East Timor. Britain and the Netherlands also provide safe haven to unrepentant participants in the failed attempt in the late 1950s, armed and supported by the Anglophile Dulles brothers in the Eisenhower Administration, to set up an Independent Republic of South Molucca.

As for Abu Sayyaf in the Philippines, it is a direct spin-off of former U.S. National Security Adviser Zbigniew Brzezinski’s and Britain’s Afghansi school for terrorism, with strong links to the accused mastermind of the World Trade Center bombing, Sheikh Abdel Rahman’s Harakat al-Islamiya, and the Gamma-at-Islamiya (Muslim Brotherhood) in Egypt, which has enjoyed liberal protection under Britain’s “safe haven” law. Furthermore, the Indonesian separatists, the Muslim separatists in the Philippines, and Filipino Communist leader Jose Maria Sison are linked through the Unrecognized Nations and Peoples Organization, based in the former colonial power, the Netherlands.

In both countries, no one has claimed responsibility for the bombings, nor have any suspects revealed their sponsors. In the Philippines, the coordinated bombings may well have had input from individual military or other professional layers, and some leaders of the opposition to President Estrada claim that the bombings were provocations to distract from the ongoing impeachment trial, possibly carried out by military-linked interests to justify martial law or a return to military rule. But any investigation must proceed from the combination of two facts well documented in the pages of *EIR* over the years: first, the manner in which the international financial oligarchy promotes the violent destabilization of nation-states in order to assert its will; and second, the fact that international terror has historically and continuously been based in London, as a self-professed tool of British colonial and neo-colonial policy (see “Put Britain on the List of States Sponsoring Terrorism,” *EIR*, Jan. 21, 2000).

# Germany Enters 2001 Without Leadership

by Rainer Apel

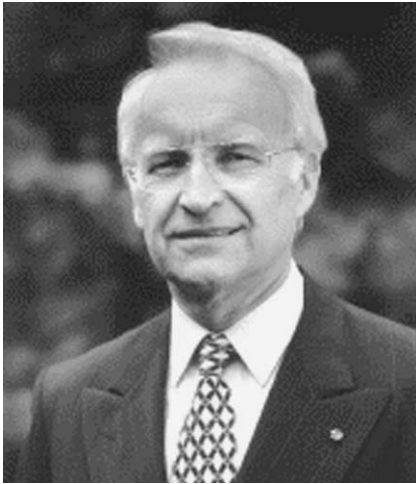
With the exception of its recent policy of trade of economic infrastructure for energy with Russia, the German government enters the new year without a foreign policy guided by clear principles. It has a leadership crisis which may make German citizens turn instead to the leader of the Christian Social Union (CSU).

There is a tendency to *be present* in some interesting places, such as China, Malaysia, India, and possibly Brazil and Mexico, but this never comes close to yielding any economic or political activity worth noting. With the exception of Russia, no potential for breakthroughs in economic relations can be monitored, in Germany.

For a nation without raw materials that lives on its revenues from exports, this general inaction is a disastrous, short-sighted approach to global policy. What’s more, the government is not interested in initiatives for substantial changes in monetary and world economic affairs: It believes in the International Monetary Fund and its conditionalities, in the basic values of Federal Reserve Chairman Alan Greenspan’s Wall Street bubble economy, in the alleged benefits of the free market and the New Economy, and it also holds onto the suicidal balanced-budget criteria of the European Union. Whatever the government does in labor and investment politics, is borrowed from the textbook of neo-liberalism: tax cuts, cuts in state subsidies, privatization, and deregulation.

The Socialist-Green (“red-green”) government of Chancellor Gerhard Schröder, which has been in power since late October 1998, is dwelling in this environment of inaction, because it is not challenged by the opposition Christian Democrats (CDU). The CDU, the bigger of the two German conservative parties, is still caught in deep paralysis, after the loss of government in the 1998 elections, and the reshuffle of its party leadership in the wake of the “party funding” scandals which began in November 1999. The new leadership of the CDU is no longer guided by the principles of Christian values, which were already much weakened during the era of longtime party chairman (1973-98) Helmut Kohl, but were still there.

The new party leader, chairwoman Angela Merkel, believes that the transformation of the traditional industrial economy of Germany into a predominantly New Economy orienting toward the chimera of the “information society,” is possible. Friedrich Merz, the new chairman of the CDU group in the national legislature, is advertising himself as a post-1968 baby-boomer, who relaxes by listening to the



*Edmund Stoiber, chairman of the Christian Social Union and possible challenger for the German Chancellorship.*

culturally pessimistic rock music of late 1960s rock groups such as the Doors. And Laurenz Meyer, the new national party manager of the CDU, has just kicked off a public debate over forming a future coalition government with the Greens, who are completely discredited since the oil- and energy-price hyperinflation hit Europe.

Making things worse, Merkel has even endorsed present Public Health Minister Andrea Fischer, a leading Green Party member who has become the most-hated cabinet minister because of her disastrous project of “health sector reform” on the American example of the so-called health maintenance organizations (HMOs). In a Dec. 31 interview with *Welt am Sonntag*, Germany’s second-largest national Sunday tabloid, Merkel said that Fischer was a “value conservative” like herself. The statement was more revealing about Merkel than Fischer, naturally.

### **Challenge From the CSU**

And, the new CDU leaders show little if any interest in affairs that reach beyond the requirements of the protracted power struggles among the post-Kohl generation of CDU party politicians. European and international policies do not exist for the new CDU leadership—the party is no challenge to the present government. A certain exception on the Christian Democratic side is Edmund Stoiber, the chairman of the Bavarian CSU, who also is Governor of Bavaria, Germany’s second-largest state in terms of population and economic potential. Stoiber, who maintains many of the conservative values that have been sacrificed by the executive of the sister party, the CDU, is seen by many CDU members and supporters as a viable alternative.

This does not imply that CDU members will join the CSU, but it does have implications for the upcoming decision: Who will challenge Chancellor Schröder in the next national elections. Recent opinion polls show that Stoiber has overtaken Merkel in terms of popularity, trustworthiness, and voters’ expectations. The margin over Merkel is still small, not bigger than 2 or 3%, but it is already big enough to secure a Stoiber

victory in an inner-CDU nomination vote. The vast majority of the CSU is firmly behind Stoiber.

But the main obstacle to Stoiber’s potential candidacy is not the views of the Christian Democrats—it is the unwritten law of postwar German politics that says that no Catholic from Bavaria must ever be allowed to become Chancellor and run Germany. The last Bavarian to try to break through that barrier was CSU party chairman and Bavarian State Governor Franz Josef Strauss, who managed to get the CDU nomination for Chancellor candidate in 1980, but lost in the national election the same year, against incumbent Chancellor Helmut Schmidt (Social Democrat). But, in 1980, Schmidt was still at the peak of his power, and the negative effects of the German government’s adoption of the high-interest-rate policy of the governments and central banks of the United States and of Britain were not yet fully felt. It was more difficult to “dethrone” Schmidt in 1980, than to dethrone Schröder in 2001 or 2002 (the year of the next, scheduled national elections).

### **Schröder Government on the Rails**

The Schröder government already is as unpopular as the government of Kohl, when it lost the elections of 1998, and the Schröder government is decomposing: The near-default of German Railways led to the resignation of Transport Minister Reinhard Klimmt several weeks ago, and two other cabinet ministers, Walter Riester (labor and social affairs) and Andrea Fischer (public health), only survived the end of the year, because the Chancellor decreed an end to the debate about cabinet reshuffles. The debate died down, then, because of the Christmas recess, not because of Schröder’s decree. Now, the debate is back, and so are the increasing public calls for the dismissal of the two ministers.

A third cabinet minister, Karl-Heinz Funke (agricultural affairs), has come under public attack during the last two weeks, for his attempt to suppress a public debate about the scope of “Mad Cow” disease and what measures are needed to counter it. Since that is a matter reaching into the domains of the Public Health Ministry, Fischer has come under additional public attack over the “Mad Cow” issue. Chancellor Schröder is very much absorbed by the attempt to keep the cabinet together and these three ministers in place. There is little maneuvering space left for real policymaking, therefore.

Thus it were important, that the opposition Christian Democrats confront the paralyzed government on crucial policy issues. The present CDU leadership has so far failed to do so. Therefore, the next moves by Stoiber, who has signaled his interest in international political and economic issues with visits abroad, to China and to the United States (where he met with Deputy Governor of the Federal Reserve William MacDonohue, for example), should be watched carefully. Should Stoiber proclaim his commitment to become Chancellor candidate, and should he be nominated, a politician who could seriously challenge incumbent Chancellor Schröder would enter the stage. The next weeks will tell more about that.

# French Assembly Leader Attacks IMF, World Bank

by Christine Bierre

On the night of Aug. 4, 1789, the first French National Assembly celebrated measures taken that day to abolish feudal aristocratic privileges. The republican head of that Assembly, Jean-Sylvain Bailly, described those measures as “the destruction of feudalism, and the creation of the people’s happiness.”

Thus it was provocative of the current French national Deputy, Yves Tavernier, to hold a press conference on Dec. 14 and announce his committee’s official critique of the International Monetary Fund (IMF) as follows: “World Bank, IMF—Toward the Night of August 4?” The IMF’s international *ancien régime* is finished, and it is useful that some in the French National Assembly are waking up to that reality.

Deputy Tavernier is in charge of the foreign affairs budget for the National Assembly Finance Committee. He underlined that this was the first time that a Deputy had crossed swords with the government by issuing a report against one of its reports on international finance. In 1999, at the demand of both the Reporter General and Tavernier, the government had issued a preliminary report on the subject. But, this one being, to quote the Deputy, “without scent, taste, and color,” Tavernier was entrusted to prepare a Finance Committee report, to make proposals permitting Parliament to better control these supranational financial institutions.

The undertaking was considerable, the report underlined. France makes major contributions to the Bretton Woods institutions. For just the IMF, its quota is 103 billion French francs (\$15 billion), and it recently agreed to open a new, FF 25 billion (\$3.5 billion) emergency credit line. Furthermore, France makes available an additional FF 28 billion (\$4 billion) for the fight against poverty within the framework of trust funds for the Highly Indebted Poor Countries (HIPC), a contribution which alone is greater than its foreign affairs budget.

For the World Bank, Paris contributes FF 63 billion (\$9 billion). With respect to these two institutions, France is the fourth-largest contributor, after the United States, Japan, and Germany. The latest rise in countries’ quotas was justified in the name of IMF interventions in Russia, Asia, and Ibero-America, without any discussion whatsoever concerning the content of these institutions’ policies.

In the rarest of acts in French official circles, Tavernier blasted IMF/World Bank policies. For 55 years, the IMF and the World Bank have played a major role in the problems of

development. Yet, what are the results of their policies, asked the Deputy? The gap between the rich and poor continues to grow. Three billion human beings live on less than \$2 a day. The poor are crushed beneath the weight of the debt. Tavernier was astonished that, under these conditions and while international aid for cooperation was in free-fall, the UN Millennium Summit should have claimed the commitment to reduce by half the number of the world’s poor.

Tavernier also opposed the fact that France puts its imprimatur on IMF policies that it refuses to adopt at home. In 1999, the IMF recommended that France reduce its public expenditures, spending in the health sector, that it do away with the civil service, and even reduce the minimum wage for the least-skilled workers! Fortunately, France does not need to borrow from these institutions, and hence, is not obligated to apply their bitter potions. But, such is not the case with developing countries, which are forced to adopt these policies in exchange for a bit of capital. The Deputy did not have words harsh enough to describe the “catastrophic” consequences of applying the IMF’s structural adjustment programs in these countries, policies which favor corruption and weaken the state in order to benefit the multinationals.

Tavernier pointed out that the UN Development Program has confirmed that 20 years of these policies has led to a plunge in growth, a drop in the standard of living, to where debt repayment is soaking up 25-30% of public expenditures.

## The Case of Argentina

Tavernier dilated at length on the case of Argentina, which has been, over the last few years, the IMF’s star pupil, and which, anew, is plunged into a crisis. Argentina followed all the IMF’s recipes: It privatized its public sector, laid off “redundant” civil servants, reduced its budget deficit. But, the moment it is, again, in crisis, the IMF comes back with the same remedies, and, moreover, demands that the social security system disappear, that the retirement age for women rise to 65 years from 60—a whole series of measures designed to save the banks and private investors!

Given this situation, Tavernier made a score of proposals, all aimed at permitting Parliament to have better control and establish transparency over France’s role with respect to these institutions. Among his proposals, the Deputy insists on breaking the “Washington Consensus,” which makes the ideology of neo-liberalism, with its three war-horses—globalization, deregulation, and privatization—the only possible economic model. The Bretton Woods organizations, he also insists, must be made to respect the labor legislation defined by the International Labor Organization, which is absolutely not the case currently.

Tavernier demands greater transparency from these institutions and hopes thereby to increase political control over them. He has subscribed to the reforms proposed by former Finance Minister Dominique Strauss-Kahn, who wished to turn the Monetary Committee of the IMF into a political instrument under the control of the Finance Ministers.

# Conservative Think-Tanks Offer Bush the Wrong Policy Toward India

by Ramtanu Maitra

Washington's conservative and neo-conservative think-tanks are busy peddling their version of geopolitics to the incoming Bush Administration. Their recommendations, vis-à-vis the Indian subcontinent, range from reiterating shop-worn views to outright re-adoption of Cold War postures. One thing, however, is evident: None of the thinking is adequate; nor does it take into account the economic crisis now hitting the United States.

In a paper on how the Bush Administration must deal with New Delhi, "India as a World Power: Changing Washington's Myopic Policy," Cato Institute policy analyst Victor M. Gobarev urges the United States to forget India's Third World poverty. Gobarev claims that Washington ignores the fact that "India has a nuclear arsenal, a large military budget, a sophisticated space program, and a booming high-tech sector." Gobarev argues that the "U.S. clumsiness has led India to pursue a Russia-China-India nexus aimed at preventing the U.S. global domination."

Chinese parliament chairman Li Peng is going to India to prepare for an early visit of Chinese Prime Minister Zhu Rongji, essentially a summit of the leaders of the world's two most populous nations. But Gobarev falsely asserts that the backbone of India-China-Russia relations is *military collaboration and alliance*. Consequently, claims the Cato Institute, "if the United States wants to have India as a friend, Washington must accept India into the club of nuclear states and enthusiastically endorse New Delhi's bid for permanent membership in the UN Security Council."

While Gobarev's advice will be lauded in certain circles in India, these are mere trimmings which may enhance India's "prestige," but would do little else otherwise. The fact remains that India, with its 1 billion people and its geopolitical importance, should not only become a member of various world fora. It must also be allowed to have its say on such important issues as the international monetary system, the World Trade Organization, global nuclear disarmament, regional security, and measures to facilitate maritime trade, among others.

The Cato Institute instructs Bush, without providing a shred of evidence, that India is forming a military nexus with Russia and China. It is evident that Gobarev has little understanding of the Indian economy, in which the "booming high-tech sector" he referred to in his paper, plays only an insig-

nificant part. The fact remains that about 300 million Indians—or about 60 million households—live below the poverty line, and about 65% of India's workforce are tied to the agriculture sector. India still harbors about 300 million illiterates, although that number is receding faster than ever before.

The Cato Institute's thinkers fail to recognize that Washington struck up vacuous friendship with many nations during the Cold War years. In some cases, as with Pakistan, friendship was forged entirely for geostrategic reasons. The Pakistani establishment allowed the country to be "used" by the Western countries fighting the Russian communists. This client-customer relationship, which formed the basis of the U.S.-Pakistan friendship, did not work, and Pakistan remained a weak nation. This became clear to many, only with the end of the Cold War.

During the same period, however, Washington successfully cultivated friendly relations with a number of Asian nations, such as South Korea, Japan, and Taiwan (Washington then considered Taiwan an independent nation). The United States had responded effectively to these countries' economic, social, and security needs, and as a result, these nations benefitted immensely from their friendship with the United States.

## Poor Observation

The neo-conservative view presented by the Heritage Foundation to the incoming Administration, is downright nasty. Penned by Larry Wortzel and Dana R. Dillon, the report, "Improving Relations with India without Compromising U.S. Security," says that although an improving Indian economy and increasing U.S. business opportunities is good foreign policy, Washington must not, for its own good, provide India with space-based or high-quality technologies. Heritage recirculates the claim, spectacularly discredited by such as the Wen Ho Lee case, that by providing such technologies to China earlier, Washington has helped Beijing to develop its ICBM capability, which may pose a threat to the United States in the future. Thus, the report directs President Bush to take note of this "mistake" and avoid its repetition—by refusing India technologies which might help build up its ICBM capabilities.

On the Indian economy, the Heritage "thinkers" assert that the manufacturing processes on which the Indians rely, are obsolete and poorly managed. They caution President Bush not to push the American investors into trading or investing in India, until it dismantles its centrally planned sectors and reduces barriers to trade.

In addition, the Heritage report implicitly pitches the concept of "regional rivals," i.e., India and China. The objective of this part of the report is self-evident. It says that while China is involved in spreading its hegemony in the region by supplying Pakistan with nuclear weapons, India needs support. However, India must remain a junior partner to the United States in their joint effort to contain China. If India is given the technology it seeks, Wortzel and Dillon caution



*Chinese Prime Minister Zhu Rongji, who is expected to visit India soon. India's options to protect its economy by cooperating with the "Survivors' Club," may throw all think-tank scenarios out the window.*

President Bush, India may turn out to be *another* China, ready to threaten the United States.

### **RAND Corp. Weighs In**

Another conservative group, the Rand Corp., has a foreign policy paper which touches upon the South Asian scene. The 14-page introduction to the report is written by Zalmay Khalilzad, a former Assistant Secretary of Defense in Sir G.H.W. Bush's Presidency (1988-92) and now a member of the Bush-Cheney transition team. Khalilzad, in the introduction, makes the point that, with India's economy growing at a respectable rate, and with its nuclear capability, it would be wise for Washington to develop a strong relationship with New Delhi. He points out that both India and China are emerging as major regional powers seeking their places on the global scene. For this reason, claims Khalilzad, Asia has the potential to pose serious problems to President Bush's administration.

The shortcomings in these type of reports, which are often dictated by the think-tanks' profit motives and ideological underpinnings rather than U.S. national interest, are inherently obvious. The reports touch upon too briefly, or ignore, the areas where interactions between the United States and India are an absolute necessity. The most urgent and immediate areas of such fruitful cooperation, are the current Indian peace initiative aimed at stabilizing the India-Pakistan border in Kashmir for the first time in decades, and the recent Indian attempt to open to the nations of Southeast Asia, by coopera-

tion in building large-scale water-management and transportation corridors — the Eurasian Land-Bridge idea.

Too many words have already been written on the kind of relationship these think-tanks proposed. The test of time proves that a stable and fruitful relationship between two large nations can develop only when there exists an environment of total trust. Providing military protection, or using one nation against another through enticements of military hardware or cash, can only build up a level of friendship which does not survive strenuous circumstances. The issue, then, for the United States as well as Indian Prime Minister Atal Behari Vajpayee, is how to earn each other's trust.

The prevailing circumstances that bind India-U.S. relations are somewhat tenuous, simply because the conditions are so very different. India is a populous nation with a very high percentage of illiteracy. India has a weak physical infrastructure, and an industry which still depends heavily on low-wage manual labor. Most Indian manufacturers, bereft of advanced technologies, cater to the domestic market, while New Delhi actively seeks foreign exchange — dollars — in order to pay for its imports, the most urgent of which are petroleum and petroleum products. India has a small tax base, hence low budgetary allocations and large budgetary deficits. While a large section of India's population is mired in illiteracy and poverty, there exists a significant section of the population that is highly skilled and relatively wealthy. In addition to the developmental requirements, reduction of economic disparity within the population is a major preoccupation of New Delhi. These issues are politically and economically volatile.

It is evident to New Delhi that India cannot prosper, or even attain any of the desirable plateaus of economic success, as long as 40% of its workforce remain tied to marginal or semi-marginal agriculture. At the same time, this economically weaker section of the population, along with a vast number of people working in the low-margin small-scale sector, must be protected. Ways must be found to provide the productive weaker section of the population, or their next generation, an adequate skill-set to make them more productive. The impact of globalization on the poor of India, and throughout the subcontinent, will continue to be negative. Minimal societal protection that the poor presently get, will be destroyed.

These conditions addressed above are quite different from the conditions that worry or disturb the American people. It is evident that President Bush does not have a clue about these Indian realities. It is also true that the so-called thinkers are also clueless about India, which is powerful, and yet weak; self-confident, and yet vulnerable; illiterate, but it also possesses many millions of highly skilled people. A lot of India's past failures, and future successes, are premised on India's geographical and historical realities.

It is certain that the Indo-U.S. relationship will be an empty one if it is based upon narrowly conceived "mutual benefit." While mutual benefits are important in the short term, a lasting relationship must be built on helping to remove the obstacles that each nation faces.

# Scandal in Ukraine Has Strategic Dimension

by Rachel Douglas

Ukraine has suffered “palpable losses” during the nearly nine years since independence, President Leonid Kuchma acknowledged on Nov. 16, 2000. The man who has been the Ukrainian head of state for the past seven of those years, cited the halving of the nation’s economic capacity, the fall of living standards, and “serious demographic problems”—a delicate reference to the reduction of the population by nearly 3 million persons—as the price paid for “democracy and a market economy.”

Kuchma’s actions during the last quarter of 2000 suggested that he might have decided the price paid has been high enough. He shifted his personal diplomacy in the direction of new economic and other agreements with Russia, which do not bode well for the geopolitical vision, nurtured in some London and Washington quarters, of Ukraine as ever closer to NATO and more hostile to Russia. Some Ukrainian observers began to talk in terms of Kuchma’s becoming a “second Lukashenka” (referring to the President of Belarus), dropping liberal reforms and the orientation toward NATO, and moving much closer to Russia instead.

At this branching point for Ukraine, a major scandal broke over Kuchma’s head. Its timing is reminiscent of the wave of scandals in France, which surged this past Summer and Autumn after France attacked the Anglo-American routine of using demands for “democratization” as a means to blackmail countries, and challenged British-American-Commonwealth hegemony in other areas.

## Foul Play

Alexander Moroz, leader of the Ukrainian Socialist Party, announced at the end of November that he was in possession of an audio tape, in which Kuchma was heard discussing the need to eliminate the editor of the web publication *Ukrainskaya Pravda*, named Heorhy Gongadze. The tape’s transcript was posted on the Internet by the same *Ukrainskaya Pravda* on Nov. 26. In a conversation laced with swearing and obscenities, the voice allegedly belonging to Kuchma is heard saying that “this Georgian [Gongadze] should be sent to the Chechens”—meaning the often brutal rebel bands in southern Russia.

Gongadze went missing in mid-September. A decapitated body, located by *Ukrainskaya Pravda* journalists in a morgue in Tarashcha, Kiev Region, in November, was

identified as his, under circumstances that remain opaque. After the journalists left town, the body was said to have disappeared from the Tarashcha morgue, then turned up at a forensic facility in Kiev some days later.

The scandal quickly escalated, with Moroz’s call on Dec. 5 for Kuchma to resign. It became even more lurid, with the Dec. 12 showing in Parliament of a videotaped interview with the alleged producer of the audiotapes, former secret service bodyguard Mykola Melnychenko. Said to be speaking from a hiding place abroad, Melnychenko additionally accused Kuchma of having organized the bomb attack on Presidential candidate and Progressive Social Party leader Natalia Vitrenko in October 1999. Members of Parliament Hryhoriy Omelchenko and Anatoli Yermak muddied the waters still more, demanding the release to Parliament of other, allegedly suppressed videotapes, including one with “information” that the Ukrainian Interior Ministry ordered the assassination of Rukh Movement leader, Member of Parliament Vyacheslav Chornovil.

Kuchma, who said Dec. 6 that he had not ordered the elimination of Gongadze and had “nothing to explain,” charged in a Dec. 21 press conference that “big money and professionals” were driving the destabilization.

## The Yushchenko Option

Whatever might ultimately prove to be behind the Moroz tapes, the scandal drew attention to the figure of Prime Minister Viktor Yushchenko, who would, according to the Constitution, replace Kuchma as President in the event of the latter’s resignation. Former chief of the Central Bank, Yushchenko is known for his close ties to the United States, especially Republican Party circles, including through his wife’s employment in the Reagan Administration.

Yushchenko is also associated with the members of Ukraine’s energy lobby in the government, some of whom may be less than pleased with Kuchma’s recent negotiations with Moscow. As recently as Nov. 2, Yushchenko threatened to resign over suggestions by Council of National Security and Defense chief Yevhen Marchuk that he and Deputy Prime Minister Yuliya Tymoshenko (formerly an energy executive) had falsified data on the energy and fuel sector, with respect both to the fuel available for this Winter, and to the level of cash receipts within the sector.

Anders Åslund, a great promoter of “shock therapy” for the East European economies in the 1990s, shed some light on the interest that his type of foreign financial circles would have, just now, in Yushchenko’s heading Ukraine rather than Kuchma. His *Washington Post* commentary praised Yushchenko as a “highly respected prime minister,” responsible for an “economic breakthrough” in Ukraine (he should have written “breakdown”). He spun two scenarios for the unfolding of the scandal. One would be the impeachment of Kuchma, which would make Yushchenko acting President and the likely winner of Presidential elections. In the other script, Kuchma dismisses the Parliament, which would



Ukraine President Leonid Kuchma. As soon as he indicated that the economic destruction caused by nine years of a “market economy” might have been high enough a price to pay, he was engulfed in scandals.

“make Ukraine as isolated from the West as Belarus is.”

Kuchma would have been on Åslund’s list of heroic “reformers,” until recently.

### A Diplomatic Turn

At the end of September 2000, Kuchma signalled a turn in Kiev’s diplomatic posture, replacing Borys Tarasyuk as foreign minister by the appointment of Anatoli Zlenko, a former foreign minister who most recently has been Ukrainian Ambassador to France. Tarasyuk was associated with the policy of integrating Ukraine into the European Union (EU) and “Euroatlantic structures,” as one parliamentarian put it—meaning NATO. Kuchma, stating Oct. 2 that Ukraine’s foreign policy would not change, also called for improving relations with Russia, through, “not confrontation, but mutually beneficial cooperation.”

During a visit to Portugal with Kuchma at the end of October, Zlenko told the newspaper *Publico* that while membership in the European Union is a major long-term objective for Ukraine, the issue of Ukrainian membership in NATO is not under discussion at present. The Moscow daily *Nezavisimaya Gazeta*, among others, pointed out that previous foreign ministers Hennadi Udovenko and Borys Tarasyuk had spoken in terms of membership in both organizations.

The same month, Zlenko visited Moscow, where he stated, “The time of those politicians who would like to undermine the relations between [Ukraine and Russia] has passed.”

On Oct. 11, Kuchma issued a “categorical” ban on the

siphoning off of Russian natural gas during its transit across Ukraine. This move, which did make Kuchma a target of the criminal interests involved in the theft, opened the door to new agreements between Moscow and Kiev. These were reached in a series of personal consultations between Kuchma and Russian President Vladimir Putin, beginning on Oct. 16 at the Russian resort town of Sochi. Putin said then, that Kuchma’s guarantees against the continued theft of natural gas meant that the problems of Ukraine’s energy shortage and inability to pay for imports could be solved with Russian participation. They began to discuss the modalities for possible Russian investment in building and upgrading pipelines in Ukraine, which defused a recent scenario for Russian-Ukrainian conflict,

one which would have been based on Ukrainian objections to being bypassed by a new pipeline to carry Russian natural gas to Germany and other European customers, across Poland.

At the beginning of December, the two Presidents met again, during the Minsk summit of Commonwealth of Independent States members. The result was an agreement that Kuchma called a “breakthrough,” whereby Ukraine’s debt to Russia for natural gas is postponed ten years at low interest, while new purchases are paid for half in cash, and the illegal siphoning stops. The deal was formalized in two agreements, signed by Putin and Kuchma in Moscow, later in December.

The Russian and Ukrainian Presidents explicitly situated their agreements in the broader context of the energy partnership being negotiated between Russia and the EU. “We understand that in the near future, European countries will require a sharp increase of gas supplies,” Kuchma said. With Russian investment to upgrade it, he added, the Ukrainian gas pipeline grid will be an efficient and low-cost component of the system to deliver the Russian natural gas to customers.

According to the Russian publication *Vedomosti*, Putin and Kuchma also signed an agreement on cooperation between Russian and Ukrainian military industrial facilities. The agreement contains a list of some 200 Russian and Ukrainian enterprises, undertaking joint military production, in areas ranging from machine design to aircraft, engine production, and space technologies. Putin welcomed “the qualitative change for the better in relations between Russia and Ukraine, in the past months.”



# We Need Leaders Who Will Mobilize The People for a National Mission

*Lyndon LaRouche was interviewed by telephone on Dec. 20, 2000 by Jorge Lerdo de Tejada and Benjamin Castro, for Radio Acir of Monterrey, Mexico. The full transcript of the exchange follows.*

**Q:** Mr. LaRouche, welcome to our program, thanks for the interview, and greetings from Monterrey, Mexico.

**LaRouche:** Good to be there, even in this form.

**Q:** We'd like opening remarks from you, Mr. LaRouche, in response to a two-part question. First of all, what has happened in the United States? With the election of Bush, you have a new President. What's coming next? This is of some importance in Mexico, because we remember very well the [former U.S. President George] Bush-[former Mexican President Carlos] Salinas team-up.

Second, you have a major role and influence within the Democratic Party in the United States. We'd like to know what the relationship of that is to the current situation, especially in light of what's happening economically in the United States. A lot of people here are talking about an economic slowdown, and people are using this to scare people in Mexico, to say that this is the cause of the crisis in Mexico. Can you lay out the situation for us?

**LaRouche:** Well, first of all, I think that sixty days from now, if you look back at what people think they were going to do, in the U.S. government in particular, and what they are actually doing, will be two different things. During the past two to three days in particular, there's been, not a slowdown in the United States, but a process of ongoing serious financial and economic collapse. It is not impossible that there might be a temporary reversal in this present days' rate of collapse, but if you look at the fundamentals of the present policy in the United States and elsewhere, there is no chance of stopping the collapse. And also, there are big changes going on in the world as a whole. So, to the extent that, in Mexico, you rely upon what you get as the general news from the U.S. and so forth, you will have a very poor indication of what is about to happen.

What is clear, is that this is already the worst crisis in more than a century. The crisis of 1929-1931 is a minor crisis compared to what is happening right now. I could, if I were President, stop this crisis. But there is no one in a position of

power in the United States, who is going to do that at this time. Therefore, the crisis is going to come on fast, and nothing that the future Bush Administration is saying right now, would indicate they have any sense of what to do about it. Therefore, we could say, in general, that it's going to be the shock of the financial crisis, which will shake things up and force people to consider a fundamental change from any policies they think they have now.

While one should not exaggerate the fact, in terms of the Democratic Party, my influence is actually growing tremendously. I wouldn't exaggerate it, but it is really a very significant development. What that's going to mean, is that forces in the Democratic Party either align with me, or take into account my role. Since neither of the major political parties actually control the overall national situation, national policy-making, then, obviously, what I have to say within the Democratic Party will have some significant influence, which will define to a large degree what the possibilities are facing a Bush administration.

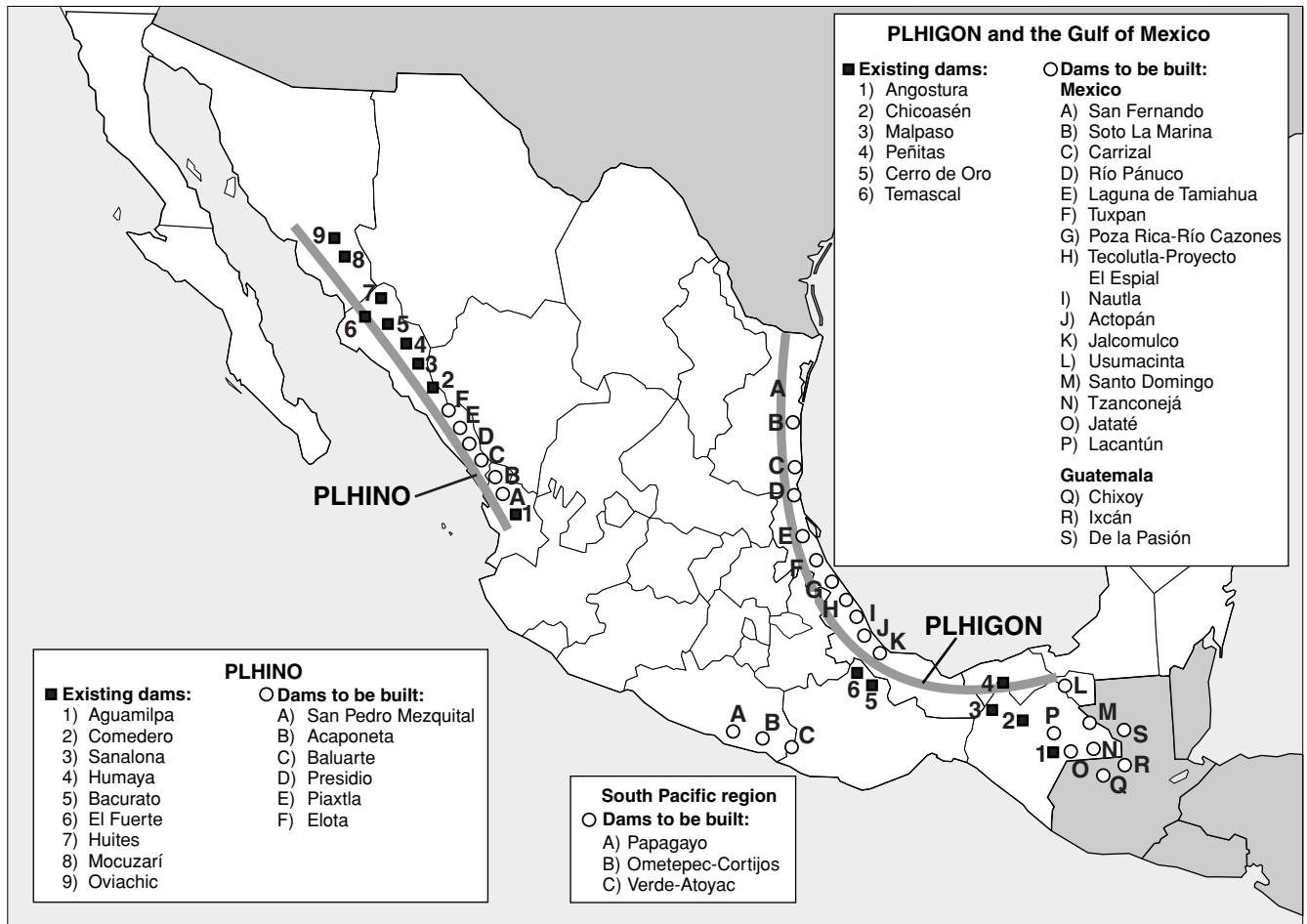
That doesn't mean that Bush will accept my proposals. That does mean that he's going to have to consider them, and that if he doesn't, he's going to have a lot of trouble. Not because I'm threatening him, but simply because if he doesn't want to accept some of my proposals, he's got no chance of running his own government. And as some Chinese philosopher would say, that makes the situation presently "very interesting." No one can say exactly what will happen, but we know it's going to be "very interesting."

**Q:** Mr. LaRouche, I was very taken by a phrase that you used in one of your recent articles or interviews, where you said that if bamboo is not flexible, it breaks. How should ordinary citizens, and governments as well, think, in Mexico, and in all of Ibero-America, in terms of the onrushing crisis?

**LaRouche:** The problem is—and this is probably a shift in Mexican thinking from, say, 1982—with all the problems Mexico had formerly, you had a strong group of citizens and constituencies, who thought they could make national policy. But, today, you have a different situation than you had 20 years ago. If you look at the populations of, say, Western Europe, or, especially, the United States and countries of the Americas, the people have been reduced largely to a political condition like human cattle. People are just trying to survive.

FIGURE 1

**Mexico: the PLHINO and the PLHIGON**



“We need internationally now—in the entire hemisphere from the Arctic Ocean to the Antarctic—we need infrastructure building now, as the primary front for dealing with the global financial-economic crisis,” says Lyndon LaRouche. Figures 1 and 2 show some of the infrastructure projects proposed for Mexico.

Even to the degree they were 20 years ago, they are not trying to shape national policy. And we’ve come to a situation where the upper income brackets of populations, are mostly incompetent politically, terribly incompetent, because they are dominated politically and economically by financial-monetary thinking, not in terms of production, real economic thinking. And therefore, you have a dominant portion of the population, which is more politically active, which is actually incompetent to even think about the nature of the present crisis. At the same time, the great mass of the population is either totally disoriented, or feels impotent to try to deal with the situation themselves.

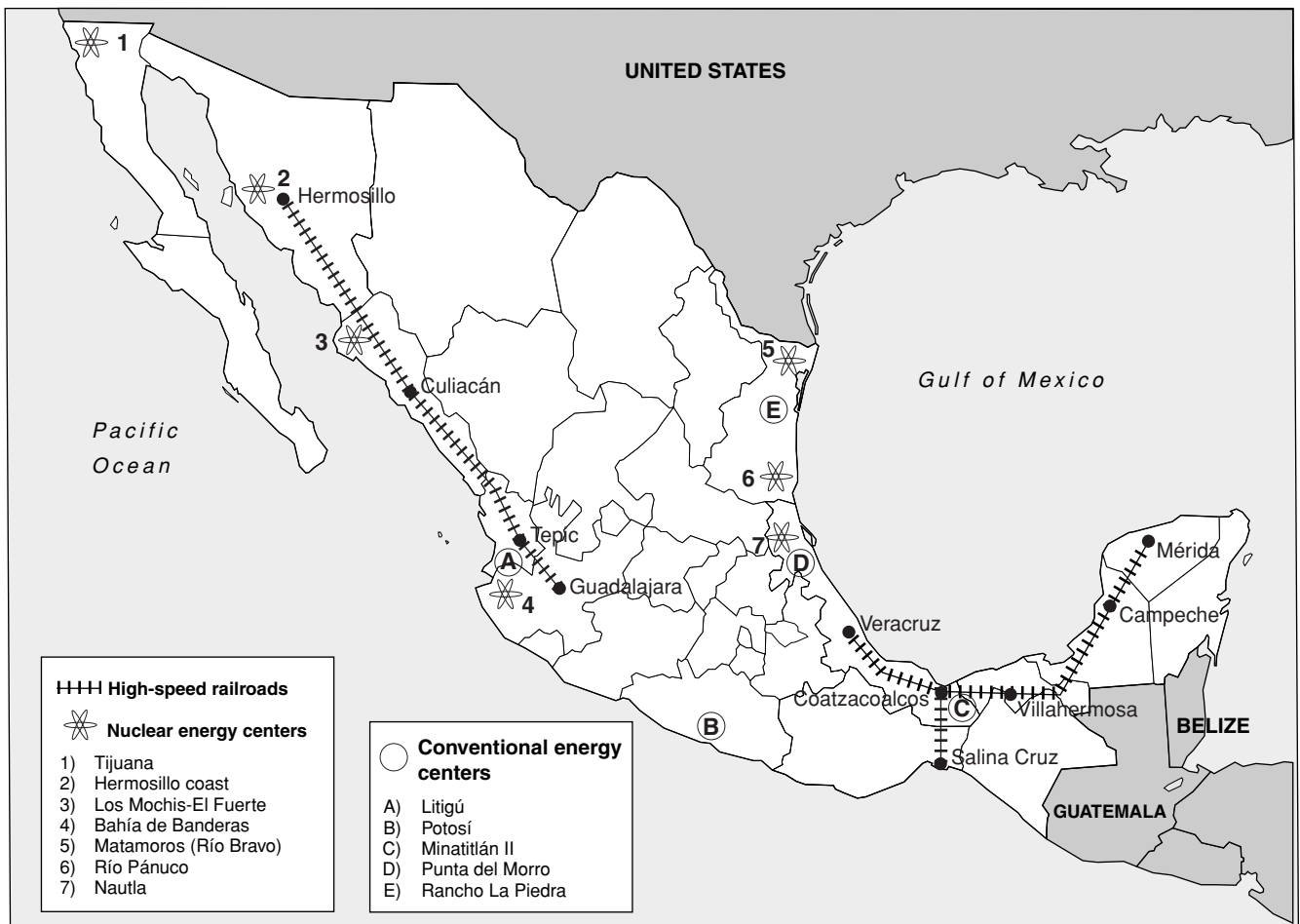
In a period of crisis like this, the way you save civilization is by mobilizing the people, the poorer people, into playing a more conscious political role, in terms of what they understand to be their objective national and personal interests.

What we need is political and related leaders who can bring the mass of the people onto the political stage, as an active force. And that kind of change in the character of politics, will give us the possibility of doing something about this situation.

I know the people fairly well in most countries, including, of course, the United States, and there are a lot of good people out there who will think rationally, but they don’t see themselves in the kind of influential political role that they must be, to do that kind of thinking. That’s what we need. We need leaders at all levels, who will bring the people back onto the stage of politics. Not a Jacobin mob, but just ordinary rational people, who will say: “Here’s the problem, explain the problem to us, what do we do about the problem?” Everything is going to depend upon the degree to which we can bring people, in that way, back onto the political stage.

FIGURE 2

## Mexico: Energy Centers and High-Speed Railroads



**Q:** On this issue of the population as a whole taking responsibility for national policy, one of the matters that has been very much in the fore in Mexico, is the issue of corruption. For example, the [Mexican President Vicente] Fox campaign has asserted that they're going to get rid of the corruption that reigned under the PRI [Institutional Revolutionary Party] and under other groups, and that everything after that is going to be fine. That this will solve all problems. I would like you to discuss why this is in fact not the case, and how we should address it.

**LaRouche:** If you look at the recent election campaign in the United States, especially the Presidential campaign, the leading campaigns of both candidates were the most corrupt campaigns we've ever seen. The machines that are dominant in both parties, are those machines. They dominate the Congress. So far, they dominate the Executive Branch of the government. Now, how does anyone expect that anybody, say, from the leadership in the United States, under the present situation, is going to help anybody to clean up the corruption

in any other part of the world?

Any campaign against corruption in history, generally in itself turns out to be a worse corruption, than the corruption it pretends to clean up. As a matter of fact, you have this operation from Britain, from Prince Philip, the consort of the Queen of England, who runs Transparency International. It's one of the most corrupt organizations in the world! The corruption campaign it ran in Italy, for example, from 1992 on to the present day, is one of the most corrupt operations you ever saw.

I think that we should get rid of the word corruption, and use some other words instead, because this one is much mis-used.

What is needed, really, is a population, and a political process, which responds to the reality of the needs of the nation and its people. The way you get that in history, in modern history in particular, is by adopting a mission, by defining a mission which actually benefits the general welfare of all of the people. You'll get a result which may have some

elements of corruption in it, and it will be corrupt because the people themselves are corrupt. If you want to totally eliminate corruption, you have to eliminate the people, and that's not a good idea. At this stage of society, some societies are very corrupt and the people are corrupt too.

You have to apply the equivalent of warfare. You adopt a mission for the national interest, you set policies which are in the interest of the general welfare of nations, and you reach those goals. Then, nobody will have any reason to complain about corruption. You need a sewer system, a sanitary system,

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*Any national economy depends upon long-term goals in terms of investment. The leadership for this comes from long-term investments and improvements in infrastructure.*

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and corruption is a sanitary problem. But you need an economy, a nation that functions, first of all.

Look at Mexico, first of all. Looking across the border from the United States into Mexico, there are a lot of problems. And there's a threat of bigger problems, which need to be resolved. There are also practical solutions for these kinds of problems. Some coming from inside Mexico, and some coming from its friends on the outside. What we need to define are missions, are projects, are goals of solving some of these acute problems, and not get trapped into the side-show of promising to clean up corruption.

All the most corrupt people in the world, come into Mexico, come to the governments of countries like Mexico, and say: "You've got to clean up corruption!" So naturally, any new President of Mexico is going to say, "Well, I'm going to clean up the corruption," because the foreign powers demand that he say it, and he has to deal with that. But what will essentially decide whether he succeeds or not, will be whether he's able to fulfill some national mission, in which the people say, "Ah, we are making progress." And that is the best thing we can do.

**Q:** We have a mission in Mexico, one important one at least, which is to save our economy, to save the republic. And one of the crucial issues in that regard, is the issue of cheap energy. Here, in this area, gas is now selling for over \$9. If this continues, it's going to destroy industry. So, this is one mission we have to carry out. We'd like to know what your recommendations are in this regard?

**LaRouche:** We have a crisis in the United States beyond belief. I call this the Carter disaster. If you kiss Carter in the 1970s, you die of pneumonia in the year 2000. What Carter did was introduce deregulation and breakdown of the development of infrastructure. Now, if you go back to the 1970s

and early 1980s, Mexico did have an energy policy. It was a policy based largely on petroleum, plus nuclear. And the Mexican state had all kinds of plans, which were perfectly good plans. The crisis of 1982 destroyed the effort in that direction. But in the meantime, the United States' energy situation internally has become a catastrophe. And what's happening in Mexico with the energy crisis, is largely a spill-over of the crisis inside the United States, especially in northern Mexico leading directly to Monterrey, naturally.

But the thing to do in Mexico is look at what's happening in California, for example, in this energy crisis. Then you look at the rising price of petroleum internationally. Some people, including the major oil-exporting countries, have intervened to try to ameliorate that problem, but you're now in a situation where you have a deflationary economic situation, but an inflationary energy situation.

What we're going to have to do, if any sensible solution is to be found, is re-regulate in categories such as energy. And we're going to have to, at the same time, increase the investment in production of energy. The infrastructure for doing that kind of rebuilding exists. It's an emergency, but with cooperation, say, between the United States and Mexico—take specifically, the area of the west and southwest of the United States and the north of Mexico—if we can get regulation restored and have some cross-border cooperation on the flow of energy, together with some energy production projects, we can manage this problem. But we have to recognize the nature of the problem, and then determine what kind of immediate practical steps we can take to ameliorate the problem. It's a matter of political will.

**Q:** Another area of real emergency, besides this energy regulation, is unemployment in Mexico, where the actual level—not the official level—is about 50%. Fox has proposed to address this problem by bringing more *maquiladoras* into Mexico, and to generally strengthen NAFTA [the North American Free Trade Agreement], and the Free Trade Agreement of the Americas. Many people believe that this will provide a solution. What other options are there? How do you actually address this problem of terrible poverty and unemployment?

**LaRouche:** The problem is that you've got international pressures on Mexico, particularly through the NAFTA agreement, to proceed with globalization. Now, globalization means no protection for industry, and it means really no investment in infrastructure development. Now, this is not going to work, because—for example, let's take the *maquiladoras* issue. This involves a very large—what is it, 40% of Mexico's production for export is already involved in *maquiladora* exports to the United States? Something like that.

Now, while it's true that under a Bush Presidency, Bush will tend to try to follow the line of his father's relationship with President Salinas, in which there will be certain Texas-Mexico relations involving *maquiladoras*, which they will try to protect for the sake of their local Texas base. But, you're

having a situation now, in which the United States has been the importer of last resort for most of the world. Now, if you look at the figures in the United States for the third and fourth quarters so far, in retail sales, for example, and if you look at the recent 50% or greater collapse in the so-called New Economy area, there is going to be a collapse of the market inside the United States, for the *maquiladoras*' products. So, the hope of expanding the *maquiladoras*, will be wiped away by the actual reality of the financial and related collapse in the United States.

What that means, is that governments will be forced to turn back to infrastructure development, as the basic way of maintaining employment levels. And when the political forces in the United States take the pressure off Mexico on this issue, then I think that President Fox will find that he has some new options as possibilities. But we need internationally now, in the entire hemisphere from the Arctic Ocean to the Antarctic, we need infrastructure building now, as the primary front for dealing with the global financial-economic crisis. In the areas of transportation, mass transportation in particular, power generation and distribution, water management—which is a big project for Mexico. Most of the future of Mexico does involve large-scale water management projects.

We also have a terrible situation in public health. Internationally, we have pandemics and epidemics growing rapidly. We also have an educational problem in developing an adequate labor force, and on top of that, we have all these urban development improvements to make. What will be required, if we're going to have a recovery, throughout the hemisphere, is an emphasis on infrastructure projects of that type, as a stimulant for general economic growth, employment, and so forth. And then, add to that some type of national goals like [President Charles] de Gaulle did in France, when he set up the Fifth Republic.

An example: Any national economy depends upon long-term goals in terms of investment. The leadership for this comes from long-term investments and improvements in infrastructure. But then you also have the example from the Monterrey area itself, from the past, in how Monterrey in its happier days developed a very effective kind of economic program. That was because of the decision to provoke this kind of development. The same is true on the national level.

Nations must decide what is in their interest for the next 10, 15, 20, 25 years, and take these as goals for building up the national economy. These are things which are right, whether there's a crisis or not. The problem is, recently, the United States and other countries don't want Mexico and other countries to have that kind of policy. We've seen that since the late 1970s and the early 1980s. Now, the United States, the big power, is in a great crisis, perhaps the worst crisis of its existence. So, maybe the United States will change its mind, and allow Mexico and other countries to do what they should. I shall certainly do what I can to make that possible.

**Q:** One final question. Another issue is the need for an educational revolution. A lot of parents, a lot of teachers, listen to this radio station. Fox also has promised a revolution in education. But what kind of revolution is actually required to bring about the sort of society which you're describing?

**LaRouche:** What you need to have is a Classical humanist education program. What that means is—well, let's start, for example, with physical science, which is one aspect of education. What is science? Science is the young person re-living the experience of an original scientific discovery. What this

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*Nations must decide what is in their interest for the next 10, 15, 20, 25 years, and take these as goals for building up the national economy. These are things which are right, whether there's a crisis or not.*

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also means, apart from science, is the kind of classroom in which you have a lot of Cervantes, in a country like Mexico, as an integral part of the general education policy, and other classics of European civilization. So that you develop an individual at the age of 20 or 25, who has personally experienced the discovery of many of the important ideas from history.

A graduate of such an experience, has a heightened degree of creative potential, and is, on the average, morally superior because of that education, to someone who has not had that kind of educational development. By moral, I mean that the individual is able to locate their identity in terms of their relationship to people from the past, and look ahead to the future in the same way, instead of the person who lives from moment to moment, with very little knowledge of the past and no prospect of the future.

In European experience generally, this kind of education is what built the strongest leadership of nations. The unrealized objective is to give that kind of education to every child in the world. The map is there. What a Classical humanist education is, is well documented. We simply have to be determined to revive it. Build strong people out of young people. All the other cheap kinds of "improvements," are not improvements. And I think everybody in the Monterrey area who has a decent education, knows exactly what I'm talking about, because I've talked to some of the young people there. They know what this is all about. I wish we had more of it, for more people.

**Q:** Mr. LaRouche, thank you so much for this interview. We certainly hope that your influence continues to grow around the world.

**LaRouche:** Thank you very much.

# Sudan Elections Deemed Fair, Amid Foreign-Backed Destabilizations

by Muriel Mirak-Weissbach

In mid-December, while Americans were still wondering who had been elected in the Presidential elections, the population of Sudan went to the polls, to elect its President and a Parliament. As some election officials joked, their system is nowhere as modern as that used in the United States, with its voting machines, butterfly ballots, and stylus punches. The Sudanese system is based on paper ballots, marked with names and symbols of candidates. Ballot boxes for different offices, are distinguished by color.

Another major difference in the two systems, is money: Whereas in the United States, billions of dollars were poured into the campaigns, to rig the primaries, and top-down establishment control ensures that no candidate outside the mainstream may even have access to national media, in Sudan, money is no issue, and media have been opened to all, on an equal-time basis.

The mechanism of the elections is very different as well: As the chairman of the General Elections Commission, Abdul-Monueim Al-Zein al-Nahas, explained in an interview with *EIR*, part of the parliament (National Assembly) is elected directly, and the rest, through associations (see interview below). The President is elected by direct popular vote.

As the results were released on Dec. 29, it appeared that incumbent President Gen. Omar Hassan al-Bashir had been reelected by a wide margin, over his leading competitor, Ga'afar Mohamed Numeiri, also a former President, who ruled from 1969 to 1985. Bashir received 86.5%, and Numeiri, 9.6%. The remaining three candidates, Dr. Malik Hus-sain, Dr. Al-Samual Hussein Osman, and Mahmoud Ahmed Juha, received between 1 and 1.6% each. According to official results, over 8 million of 12 million eligible voters participated in the elections. Opposition parties challenged the figures, both for the turnout, which they said was much lower, and for the vote tallies. Despite such protests, the Organization of African Unity (OAU) and the Arab League, which monitored the elections nationally, both certified them as fair.

## Elections in a State of Conflict

Although the elections went smoothly, over the ten-day period from Dec. 13-23, they were not "normal." First, because of the continuing war in the south, waged against the government by the insurgent Sudanese People's Liberation

Army (SPLA) of rebel John Garang, voting could not be held in three of the 26 federal states. The SPLA boycotted the vote.

In addition, three opposition parties did not participate: the Democratic Unionist Party (DUP), the Umma Party, and the Popular National Congress (PNC), a split-off from the ruling National Congress.

Hassan al-Turabi, leader of the PNC, had raised a challenge to President Bashir, in December 1999. Turabi, as Speaker of the National Assembly, had presented legislation changing the manner of electing state governors, as well as altering the structure of the Presidential republic. The move, which came after a series of other political challenges, led to the creation of a dual-power situation, which President Bashir denounced as a threat to the unity of the nation. The session of the National Assembly was disbanded, and Turabi deprived of his powers, both in the Assembly and the National Congress. In response, he founded his own splinter group, the PNC.

The political crisis leading to the early dissolution of the National Assembly meant that elections would have to be held, to reestablish that body. These were the elections just completed.

As for the other two parties, DUP and Umma, both were members of the National Democratic Alliance (NDA), an umbrella group in exile, which includes the SPLA. The NDA has worked closely with British intelligence and related U.S. agencies, to overthrow the Bashir government.

For its part, the Bashir government has been conducting negotiations with leading figures of the NDA, in an effort to establish national reconciliation among opposition and government forces. Its dialogue with the political parties, was the second phase of its peace policy, which had begun with government negotiations with various rebel movements engaged in the war in the south; since 1996, when an initial agreement was struck with several groups, the process has led to a peace treaty, and the creation of institutions for its implementation. However, the continuing insurgency of the SPLA, and the parallel operations by the NDA, have undermined its rapid progress.

The DUP split more than a year ago, and one of its historic leaders, Sharif Hussein al-Hindi, returned to Sudan to take part in the national reconciliation process. As Dr. al-Nahas explained to *EIR*, although al-Hindi did not take part in the



Election posters filled the streets of the capital. Here, a poster for the campaign of incumbent President Omar al-Bashir. Left, a sample ballot.

elections, he supported the candidacy of Bashir, and is expected to assume political responsibility in the future. The remaining DUP leader, Mohammad Osman al-Mirghani, refused to take part in elections.

The situation with the Umma Party, led by Sadiq al-Mahdi, is more complex. Mahdi, who was ousted in 1989 by a coup led by General Bashir, had been living in exile until he struck an agreement, the Nation's Appeal, to start a reconciliation process with the Bashir government, in November 1999. In March 2000, his party left the NDA umbrella, and the militias associated with his group declared a cease-fire. In November 2000, he returned to Sudan, committed to completing the process of national reconciliation, in the interests of preserving national unity, and ending the war in the south. "We started dialogue with the government," he said on his return, and "will carry on this dialogue until the end, because we are people of responsibility and sincerity, and fear disintegration of our country and internationalization of its problems." He also denounced the idea, held by "some" southerners, and broadly spread by the international media, that there is "an Arab-Islamic hegemony" in the north "that should be counteracted by an African hegemony."

Mahdi's decision to leave his self-imposed exile, marked a turning point in the political life of Sudan. It not only broke the foreign-controlled NDA operation, utterly discrediting it, but established the precedent for a political solution to the country's conflicts, including the military confrontation in the south. Following his return, Mahdi engaged in talks with President Bashir, and they reportedly discussed the opposition leader's reintegration into ruling institutions. Shortly after Mahdi's return, Bashir declared, "We are ready to go along with Sadiq al-Mahdi till the end of the road. I mean he

will fully participate in power." Bashir said that negotiations with the Umma Party were proceeding, and that the two sides aimed at reaching an agreement on power-sharing by the time the elections were completed. It is widely believed that, in the new government to be composed following the elections, Mahdi will play a role. His contention has been that the process of national reconciliation must be carried out, before general elections should be held. Thus, Mahdi's decision not to participate in the vote was the logical consequence of his plan to first reach a comprehensive political settlement with the government.

### Enter Susan Rice

The positive shift in Sudanese internal relations, triggered by Mahdi's return to the country, was not looked upon with favor by those foreign forces which have been in league with the political and military opposition, in attempts to overthrow Bashir. It is not coincidence, therefore, that once the NDA had been undermined by Mahdi's defection, and particularly after he had entered into negotiations with the government in Khartoum, those foreign forces would move.

It was in the same week as Mahdi's return, that Susan Rice, Assistant Secretary of State in the outgoing Clinton Administration, illegally entered Sudan, from the south. Rice was following the script of British intelligence asset Baroness Caroline Cox, who for years had campaigned against the Bashir government, and sided with the SPLA forces in the south. Cox, who was the international controller of the NDA, repeatedly entered Sudan illegally, and claimed to find children sold into slavery, whom she and her Christian Solidarity International "bought back to freedom." (CSI was expelled in late 1999 from the United Nations as a non-governmental



*A Sudanese citizen casts his vote for President and for Parliament, in a polling booth in Khartoum.*

organization, after it tried to present rebel leader Garang as its spokesman at a session of the UN Human Rights Commission in Geneva.)

Rice did the exact same thing as Cox had done for years, though without buying any slaves. She visited the SPLA-held areas, denounced the Bashir government for “slavery,” charged that government forces were bombing civilians, and so forth. Rice was reportedly accompanied by Harry Johnston, the U.S. Special Envoy to Sudan, who also travelled without a permit.

As *EIR* has shown, the charges of slavery are unfounded. See, for example, “Fact vs. Fiction about Slavery in Sudan,” *EIR*, May 3, 1996.

The Sudanese government had already warned, that the planned visit would be considered a hostile act. In a harshly worded statement, Foreign Minister Dr. Mustafa Osman Ismail said that the visit was a “violation of international laws and norms.” On Nov. 21, the Sudanese government cancelled multiple entry visits for U.S. Chargé d’Affaires Raymond Brown, to protest Rice’s visit. Brown is one of the rotating personnel who travel to Khartoum from Nairobi, to keep a minimum of activity in the U.S. Embassy, whose full staff was withdrawn in 1996, in protest over alleged Sudanese support for terrorism.

On Dec. 7, just days before the elections were to begin, another U.S. diplomat broke the law, by collaborating secretly with the NDA forces. Glenn Warren, a political officer at the embassy, took part in a meeting of opposition figures from the NDA, who were plotting subversion. In announcing Warren’s

expulsion, the Foreign Minister said, “The American diplomat was caught in a meeting with leaders of non-registered political organizations and was discussing with them issues related to Sudanese security and stability.” Seven Sudanese involved were arrested and held in custody. Furthermore, he said, “The security authorities seized documents with the persons arrested, and they go in line with the current American policies that target the Sudanese government and seek to undermine it.” The meeting attended by the American diplomat, was found to have been involved in a sabotage scheme. According to the Foreign Minister, the seven people, members of the NDA, with whom Warren met, were plotting a “popular uprising backed by a military action and passing information over to the rebel movement to help it occupy cities and destroy installations with assistance by the United States.”

Thus, while Sudan was preparing to go to the polls to elect its political leadership, members of the U.S. government were engaging in subversive activities, aimed at overthrowing the government, not by elections, but by other means. And, at the same time, militias of the NDA were attacking eastern Sudanese sites, from their bases in Eritrea.

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Interview: Abdul-Monueim al-Zein al-Nahas

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## We Gave All Candidates Equal Treatment

*The following interview with Dr. al-Nahas, Chairman of the General Elections Commission, was conducted in Khartoum, the capital of Sudan, on Dec. 13, 2000, by Muriel Mirak-Weissbach and Uwe Friesecke.*

**EIR:** Who are the candidates in the Presidential elections?

**Al-Nahas:** There are five: Leading them is President [Omar Hassan al-] Bashir, the incumbent; [Ga’afar Mohamed] Numeiri, a former President of the Republic. Then there are three of the new generation; two of them, Dr. Al-Samual Osman and Dr. Malik Hussain, are economists, and the third is Mahmoud Ahmed Jaha. The three are all businessmen, with private companies. The last was a member of the former Parliament, and Dr. Hussain was a prominent figure at the time of Numeiri. All of them are in their fifties.

Bashir and Numeiri have similarities: both are career military officers who graduated from the military academy, and both had training abroad—Bashir in the U.S. and Egypt, Numeiri in Russia. Bashir is young, of course; in fact, he was a bodyguard of Numeiri when Numeiri was President, so he’s younger than Numeiri. He’s in his early fifties, Numeiri is in his late sixties.



**EIR:** What are the main issues, the main differences in their platforms?

**Al-Nahas:** I think there is no world of difference between Numeiri and Bashir. I think the philosophy of the Numeiri regime is to a far extent dominating now the present regime, except for this: what they call the centralization scheme. But these three young chaps, they have a different outlook.

For the first time, in this election campaign, we managed to put our hands on the national mass media, and to make it available to all of them, including Bashir, equally; we gave them equal time on television, in the last ten days. That is the duration of the election campaign, and we put it in the timetable of the elections. The campaign ended yesterday [Dec. 12]. For those ten days, we put the national mass media at the disposal of the Presidential candidates, and in the states, we put it at the disposal of the candidates in their geographical constituencies. This was observed by everyone, and it gave the candidates a fair chance. That's why they are praising the efforts of the Elections Commission. And we even asked the President himself, to show a low profile, even for his official functions, for this period of time, to give equal access to all candidates. We managed to organize debates for some of them, either the candidates personally, or their representatives, on television. Yesterday, there was a sort of chat between Numeiri and the other three, and a representative of Bashir.

As you can see in the public gatherings, they arranged their own activities, here and in the other cities. And everyone had a chance to go wherever he wanted, to speak freely, to have access to the public, to have publications, put up posters, place ads in newspapers—we allowed all this.

Of course, it is very expensive. But one of the authorities of the Elections Commission, according to the Constitution, is to introduce the candidates to the public, to enable them to campaign, and to utilize all the official mass media that are available, whether for the Presidential or the parliamentary elections.

**EIR:** The parliamentary elections take place at the same time. How many members of Parliament will be elected?

**Al-Nahas:** There will be 360—270 in direct elections, and the remaining 90 seats by special, or indirect, elections. There are about 35 seats allotted to women, 26 to scientific and intellectual cadres, and the remaining to trade unions, farmers, herdsmen, and businessmen.

So, we have direct elections in the constituencies [i.e., election districts], and indirect elections for the categories of professionals. These are elected through the general assemblies of the categories. So, the general assembly of the trade unions is about 350, and they come together to elect 11; the general assembly of the farmers, about 550, come and elect 10; the same for the herdsmen, about 150, who elect 5 of their number; and the businessmen elect 3 from a college of 25, representing all the trades of the businessmen's federation.



*Muriel Mirak-Weissbach interviews Dr. Abdul-Monueim al-Zein al-Nahas, chairman of the General Elections Commission, in his office in Khartoum.*

We finished with the indirect elections in the colleges last week. Now we are holding the direct elections, so in each polling center we are going to put different boxes: one, green, for the President; one for the direct constituency, which is white.

**EIR:** How will the new government be formed, and in what timeframe?

**Al-Nahas:** After the completion of the election, the new National Assembly [parliament] should be convened immediately. You know, the membership of the Sudan in the Inter-Parliamentary Union had been suspended, due to the absence of the previous National Assembly, and so we invited them to come. They said that they do not observe elections, but they are very keen to know the results, and they will come after the announcement of the results, because at that time, they are going to consider lifting the [suspension of Sudan's membership].

**EIR:** Will there be a new government by January?

**Al-Nahas:** By the end of this month [December], we are going to have a new government. After the completion of the elections, the new National Assembly should appoint a new Speaker, and elect heads of the specialized committees. After that, they will sit, for the newly elected President to come and take his oath. The new President has the authority to present the new government, and the Parliament should confirm his proposal.

So, first, the National Assembly should be there, so that the new President may be sworn in, in front of them. And, you know, we were supposed to arrange a referendum, for constitutional amendments, and we started preparations for

it, but at the last moment, they reconsidered the whole matter, and decided to adjourn it, until after the formation of the National Assembly. This referendum would deal with amendments concerning the appointment and removal of governors, for instance, which was the main point which had led to the quarrel between the former Speaker [Dr. Hassan al-Turabi] and the President. Up to now, they haven't reached a clear-cut opinion on the whole thing, so I think they want to leave it to the National Assembly.

**EIR:** What are the major issues?

**Al-Nahas:** Of course, now the environment is different from the past. We have supervised over five elections in the last ten years, all of them under one political system. Now, the environment is different: There is a multi-party system, although some of the parties are refraining from taking part in these elections, and some are running as independents, because they do not want to state their party affiliation.

**EIR:** From the Umma Party, for example?

**Al-Nahas:** Yes, and for Sharif [al-Hindi]. We expected it for the local council elections, which took place over the last few weeks, before we started these elections. A lot of political elements of opposition parties took part in the local council elections, as independents.

But the other parties, which refrained from taking part in

the elections, did participate in the nomination of the President. Such as the Umma Party, of Sadiq al-Mahdi; and the Islamic Umma Party, set up by the cousin of Sadiq al-Mahdi, which is in a coalition with another party, made up of the grandchildren of the Khalifa, called the Ansar: They are supporting this regime, and that is why they support the nomination of the President.

**EIR:** How does the nomination of the President work?

**Al-Nahas:** Whether for the candidacy for the Presidency or for candidacy to the parliament, you do not introduce yourself, you are nominated. For parliament, 20 people must come together, fill out a form, pay a nominal fee, and then the nominee has to say, "I agree to the nomination, I abide by the Constitution, my political color is independent—or Umma, or whatever."

A Presidential candidate has to be nominated by 1,300 people, from all over the Sudan, by registered voters from at least half the states of the Sudan. It should not be from one state. So, in the nomination of Bashir, 1,300 registered voters took part, they came here and confirmed their nomination. The two opposition parties I mentioned—the Islamic Umma Party and the Alliance Party, founded by the grandson of the Khalifa—which were originally part of the Umma Party of Sadiq al-Mahdi, split away; they are cooperating with the present regime, and may in the future take part in government.

**EIR:** Sadiq al-Mahdi, himself, who has returned from self-imposed exile, has, however, decided not to be a candidate for these elections, is that true?

**Al-Nahas:** Yes, he decided not to run. But he is in a dialogue with the current regime; he is not attacking the government. He appears not to be confident of the support he has in the population, because ten years is quite a long time [since he was replaced by the Bashir government]. A lot of water has gone under the bridge, so you can't tell. So, I think he didn't want to risk it. He waited to see. But at the same time, he is conducting a serious dialogue with the government, he's waiting for the new President. Of course, he prefers Bashir. He hates Numeiri, and Numeiri hates him. That's why Numeiri stated that if he were to win, the first thing he would do, is exclude Sadiq al-Mahdi from political life completely. Sadiq al-Mahdi is sympathetic to this regime and supports Bashir, though he does not want to declare it at this point. He will wait and see.

**EIR:** Are there also candidates from the Democratic Unionist Party (DUP)?

**Al-Nahas:** [Osman al-] Mirghani's party, the DUP, also split into three factions. The leading faction is the one of Sharif Hussein al-Hindi, and he is going along with the Umma Party split-offs, and is actively supporting the government. And they also participated in the nomination of Bashir. Of course, in any future government, they are going to take part.

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## Racial Vilification Laws Set To Go

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*Right-wing Zionist extremists are pushing racist laws to silence LaRouche in Australia.*

On Dec. 14, state of Victoria Premier Steve Bracks released a document outlining his government's intent to introduce draconian new laws, under which individuals could be jailed for six months and/or fined \$6,000, and organizations fined \$30,000, for "vilifying individuals on the basis of race or religion."

The extraordinarily broad law would allow for the prosecution of virtually anything, including name-calling, verbal or written statements, gestures, the wearing of symbols or uniforms, or anything else which a "reasonable observer" could interpret as an offense to a "racial or religious group." It would cover statements or activities even in private homes, and the burden of proof would be on the accused, to prove that he or she were innocent. And, accusations could be made by a "third party," not even the person who was "offended."

The legislation is itself *prima facie* racist, presuming, as it does, that there are many "races," instead of one human race, all of whose members are created in the image of God. In fact, the law has nothing to do with vilification, but is designed to silence political discussion, as Australia and the world hurtle into the worst financial collapse in centuries. It is a complement to the "shoot-to-kill" laws passed by the federal government late last year, and its proponents are the most fanatical right-wing Zionist extremists in Australia, grouped around Melbourne tax lawyer Mark Leibler, who are associated with the West Bank settlers movement in Israel and the drive for a religious war in the Middle East. For much of the last decade, Leibler has

been on a crusade to silence, by whatever means necessary, the Citizens Electoral Council (CEC), the Australian wing of the international political movement associated with Lyndon LaRouche, which has become the only viable policy alternative in the country to the establishment-controlled Labor and Liberal/National parties and their shared policy agenda of free trade, de-regulation, and privatization.

Leibler, the head of the Australian Israel Jewish Affairs Council, and the former longtime head of the Zionist Federation of Australia, has been the publicly acknowledged chief driver behind "racial vilification" laws ever since 1992. His hodcarrier for the present effort in Victoria, is the Anti-Defamation Commission of B'nai B'rith (ADC), the Australian wing of the notoriously corrupt U.S. Anti-Defamation League, whose espionage and infiltration activities in the United States were exposed in a police investigation in 1992-93. In its submission on the proposed bill, the ADC claims that the bill is required because it has allegedly discovered "over 14 extremist racist groups based in Victoria," a ludicrous list of mostly postage stamp-sized grouplets and intelligence agency fronts such as the Ku Klux Klan, into which list it has inserted the CEC.

In addition to silencing LaRouche's associates, Leibler and his pals want to shut down any public discussion of their own activities, either of their extremist actions in the Middle East, or of their financial wheeling and dealing. For instance, two members of the Melbourne Football Club recently held a high-profile

press conference to call for the bill's passage. Their club is owned by mining magnate and Lubavitcher leader Joseph Gutnick, who finances settlements on the West Bank, and who was reportedly the single-largest financier of former Israeli Prime Minister Benjamin Netanyahu's notoriously racist election campaign in 1996, on the slogan, "Netanyahu Is Good for the Jews." Leibler's brother Isi, the leader of Australia's Jewish community until he moved to Israel a couple of years ago, openly sided with the fanatical settlers movement against then-Prime Minister Yitzhak Rabin, shortly before Rabin was assassinated in November 1995. Still another Leibler crony, Rabbi John Levi, recently caused an uproar when he denounced the Uniting Church (Australia's largest) as "anti-Semitic" because it supported the Palestinians; under the new law, Levi could presumably have had the church prosecuted.

The Leibler crowd also wields charges of "anti-Semitism" to shut down any scrutiny of their dubious financial dealings. Federal parliamentary hearings in 1992, for example, questioned Leibler's activities as Australia's foremost tax lawyer, which one leading tax specialist charged had cost the Australian government at least \$30 billion in tax evasion. Leibler screamed that the inquiry was "anti-Semitic," though the light shed on himself and his clients, such as Gutnick, forced Leibler's resignation from several tax advisory bodies. Gutnick is currently under suspicion for possible involvement in a long-running scheme to launder hundreds of millions of dollars out of Australia and into Israel, using Australia's dirty ANZ bank. When faced with similar allegations in 1992, Gutnick's accusers were charged by Leibler with being—what else?—"anti-Semitic."

# International Intelligence

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## ***U.S.-Singapore Model Free-Trade Deal Scuttled***

A Singapore official confirmed to *EIR* on Jan. 1, that the free-trade deal with the United States, intended to be a model to impose conditions on nations such as Chile, is a now a dead letter. Negotiations went on from Dec. 4-21, led by U.S. Trade Representative Charlene Barshefsky, with the Singapore team basically ready to accept certain labor and environmental conditions, over anticipated objections of the other nine members of the Association of Southeast Asian Nations (ASEAN).

But, Singapore drew the line, when conditions were added having nothing to do with U.S.-Singapore trade. For instance, the U.S. aluminum industry started demanding certain conditions in the agreement. "We don't produce aluminum, and we don't import aluminum, since we have no industries which require it," the official told *EIR*. "So why are they concerned? It's only because they want to use us, or the trade deal, as a lever." As a result, there is no chance that a deal will be signed during the Clinton Administration, as originally planned, and the Bush Administration will probably want to start all over. By then, the trade situation will likely be very different indeed.

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## ***Pakistan To Withdraw a Few Troops from Kashmir***

Pakistan Chief Executive Gen. Pervez Musharraf announced on Dec. 27 that he was withdrawing some troops from the Line of Control in the disputed region of Kashmir. This is in response to India's unilateral cease-fire, originally announced to span the celebration of the Muslim holy month of Ramadan, and extended for another month to the end of January. India's Prime Minister Atal Behar Vajpayee had hoped the cease-fire would facilitate talks leading to the resolution of the dispute and bring peace to war-torn Kashmir.

By withdrawing troops from the Line of Control, General Musharraf wants to achieve a number of objectives. To begin

with, keeping a large force in the middle of Winter in Kashmir is extremely expensive and demoralizing, particularly at a time when Pakistan is in a serious financial crisis. Second, the religious fanatics in Pakistan have now joined with the Afghansi guerrilla networks to scuttle the Kashmir peace process, and have declared war against the Musharraf government. As a result, the Musharraf government expects that violence in the streets of Pakistan's major cities will increase rapidly in the coming months. Musharraf anticipates using the military to quell the agitators.

Finally, by withdrawing some troops from the Line of Control, Musharraf is exercising some pressure on the Indian fanatics who are highly suspicious of Pakistan. At the international level, this will bring some kudos to Musharraf, and some international press have praised his action.

In related news, on Dec. 24, a suicide bomber killed ten people in a car-bomb attack against an Indian Army barracks in Srinagar, in the state of Jammu and Kashmir. The perpetrator is Mohammed Bilal, a former college student in England, reportedly recruited by the London-based terrorist group al-Muhajiroun, led by Sheikh Omar Bakri Mohammed.

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## ***Ghana Elects Kufuor As Next President***

Ghana Vice President John Atta Mills conceded the Presidential election to opposition figure John Kufuor on Dec. 29, officially ending the 19-year rule of President Jerry Rawlings. Unofficial results in the run-off election gave Kufuor 57.42% of the votes against 42.58% for the ruling party's candidate, Mills. In the run-off election, Kufuor received the backing from all five opposition party leaders, who had been eliminated during the first round of elections.

Rawlings has sat at the helm for 19 years of rule that largely favored the country's international creditors. There has been a construction boom in the banking and manufacturing sectors of Accra, the country's capital, but in general, manufacturing and farming are down throughout Ghana. The

unofficial jobless rate is estimated at 50%, and half of the population of 19 million is illiterate.

Frequently, Ghanaians are able to stay alive only because they receive money from family members who have gone abroad to find work. In the Northern Virginia suburbs of Washington, D.C., for instance, many Ghanaians work in the hospitals, taking 16-hour shifts, in order to remit money to their families back home.

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## ***Mitterrand's Son Under Arrest in Weapons Scandal***

Jean-Christophe Mitterrand, the son of the late French President François Mitterrand, was arrested on Dec. 22, in a dirty-money/arms-running scandal that is rocking the networks built up by Socialist President Mitterrand and his Interior Minister Charles Pasqua, of the "neo-Gaullist" UDF party.

Jean-Christophe Mitterrand was arrested in connection with the illegal sale of \$500 million worth of Russian arms to Angola, in 1993. Under the arrangement, brokered by Pasqua, Russia provided the weapons, for which arms dealer Pierre Falcone bought Angola's debt to Russia at a discount, against the mortgage of Angola's oil earnings. Young Mitterrand allegedly received \$1.6 million for his role in facilitating the sales. Pierre Falcone has been in French custody since early December.

In the course of the investigation, the offices of leading figures in the Mitterrand government have been searched, including those of banker Jacques Attali, former head of the European Bank for Reconstruction and Development (EBRD), a close adviser to the late President, and offices of Pasqua. Also searched were the offices of Pasqua's underling at the Interior Ministry, Jean-Charles Marchiani, a shadowy figure who carried out "offline" intelligence operations on Pasqua's behalf, earning Marchiani the nickname of "France's Oliver North." Reportedly, French police are investigating payments transferred from Falcone, to Pasqua and Marchiani, in order to finance Pasqua's 1999 election campaign for the European Parliament.

**AUSTRALIA'S** former Deputy Prime Minister Tim Fischer, who had repeatedly attacked Lyndon LaRouche in 1996, is expected to become Secretary General of the Commonwealth Parliamentary Association. The CPA, which has 134 member countries, is "charged with promoting and maintaining the Westminster system of parliamentary democracy."

**LI PENG**, head of the Chinese National People's Congress, is to visit India on Jan. 9-16, at the invitation of India's Parliament.

**VIETNAMESE** President Tran Duc Luong began a week-long visit to China on Dec. 28. The two sides signed agreements on border demarcation for the Beibu Bay, the large bay between northern Vietnam and southern China and Hainan, and a fishing agreement. Luong, who met with China's top leaders, also signed with them a joint statement for all-around cooperation in the new century.

**THIRTEEN PATRIARCHS** of the Orthodox Churches met in Istanbul—the old Constantinople—in late December, to celebrate two millennia of Christianity. Patriarch Alexei II of Moscow did not attend, because the Russian Orthodox Church maintains that Moscow is the Third Rome, and thus, it is the Moscow Patriarch's prerogative to call a Patriarchs' "Synaxis"; the other Orthodox Patriarchs of the former Socialist bloc did attend. The Orthodox churches have been very active in Balkans diplomacy recently, and were believed to be using the occasion to coordinate activities.

**MALAYSIAN** Prime Minister Mahathir bin Mohamad celebrated Eid-ul-Fitre, the end of the Muslim holy month of Ramadan, by publicly breaking fast with opposition leader Datuk Fadzil Noor, the head of the fundamentalist Parti Islam (PAS). Mahathir called for talks on Malay unity between his own party, UMNO, and PAS and Keadilan, the party founded to support Anwar Ibrahim.

This entire network is very much involved in arms trafficking and other dirty operations throughout Africa, working both sides of the bloody conflicts, stage-managed by Anglo-American intelligence networks. As Interior Minister, Pasqua kept the "files" for many former French African colonies, particularly Algeria, where he was linked to the so-called "Eradicators" in the Algerian military, during that country's 1990s' civil war.

Meanwhile, the London *Times* of Dec. 31 speculated that the Mitterrand investigative trail could lead to U.S. Vice President-elect Dick Cheney: French authorities are scrutinizing the activities of several oil companies which provide Angola with most of its foreign revenues, including the Halliburton oil services company, which until recently was headed by Cheney.

## ***Thai Candidate Thaksin Indicted for Corruption***

Thailand's leading Presidential candidate, Thaksin Shinawatra, was formally indicted on Dec. 26. The Counter-Corruption Commission upheld the recommendation of the investigative committee to indict him, for hiding a portion of his income from the reports he filed when he served in previous governments in the mid-1990s, by using his maid and chauffeur as unwitting nominees for some of his stock holdings. The trial will be held in the Constitutional Court, and could take several months.

If Thaksin is elected on Jan. 6, and then convicted, he will be forced to resign and remain out of politics for five years. Although he recently pledged that he would accept the verdict, and not appeal a conviction, he insists that he will proceed as the candidate for the Thai Rak Thai Party, which he founded two years ago. At this point, Thaksin is leading in the polls by 40% to 25% for the Democratic Party of current Prime Minister Chuan Leekpai.

Thaksin made a fortune through his Shin Corp. telecommunications conglomerate, with investments across Asia and with bank accounts in the Cayman Islands, among other locations. Thaksin serves on the board

of the Carlyle Group, with his friend, former U.S. President Sir George Bush.

## ***Glazyev: Russia Must Preserve Its Science***

The past year was a "year of unrealized opportunities," because the Russian government "did not manage to organize the financing of investment projects in the sectors capable of ensuring the acceleration of economic growth," said Sergei Glazyev, chairman of the Russian State Duma (lower house of Parliament) committee for economic policy. Glazyev was interviewed in issue #18 of *Nezavisimaya Gazeta*.

Asked about the refusal of the Club of Paris creditors to restructure Russia's foreign debt, Glazyev said that it would be a mistake for Russia to repay the debts in full amount this year, because this would eat up 40% of the state budget. "True, we could repay debts," Glazyev explained, "but in that case we could also lose the main thing—scientific-industrial and human potential. Then we shall have no other way out but to make debts again. I am convinced that today's priorities must be investments in economic restructuring based on novel technologies, as well as investments aimed at preserving and developing the national industrial potential."

"Our further progress depends not so much on foreign investments, as on the preservation and activation of the national scientific and technical potential," Glazyev emphasized. "All our efforts and resources should be pooled for this purpose, i.e., for realizing our competitive advantages in the sphere of science-intensive technologies, for starting up 'locomotives' of economic growth, including the aerospace and aircraft-building industries, nuclear power engineering, gas-processing industry, etc. And only then can we repay our debts."

Glazyev concluded by pointing to the Russian Federation's recent agreements with Germany and France, that they will start negotiations on debt repayment through the joint financing of investment projects in Russia, which, he said, raises hopes for the future.

## The Strategic Threat Faced by Ibero-America

by Marivilia Carrasco

*Marivilia Carrasco is president of the Ibero-American Solidarity Movement of Mexico (MSIA), the co-thinkers of Lyndon LaRouche in Ibero-America. The following is an MSIA political statement issued in December 2000.*

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### 1. The U.S. Presidential Election Crisis

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The U.S. Presidential elections of November 7th turned that center of world power into the laughingstock of the world. Today's self-described "champion of democracy" found itself mired in what, at the very least, threatens to become the greatest scandal of its history, the election-crisis which erupted around the massive irregularities which occurred throughout the campaign, and also on November 7th.

Sooner or later, the United States itself might overcome that presently crippling political burden, but, whether that happens, or not, the role of the United States in the world, will soon suddenly change, to either much better than it has been, or, in the alternative, far worse. If former Democratic Presidential candidate Lyndon LaRouche, the only actually qualified candidate for President at this crisis-juncture, is able to influence U.S. response to this crisis, the outcome will probably be a good one; otherwise, the fate of the United States for the coming period will be unpleasant. The inevitability of the onrushing greatest world financial crisis in history, ensures that those are the only alternatives available to be considered by any of us in Ibero-America.

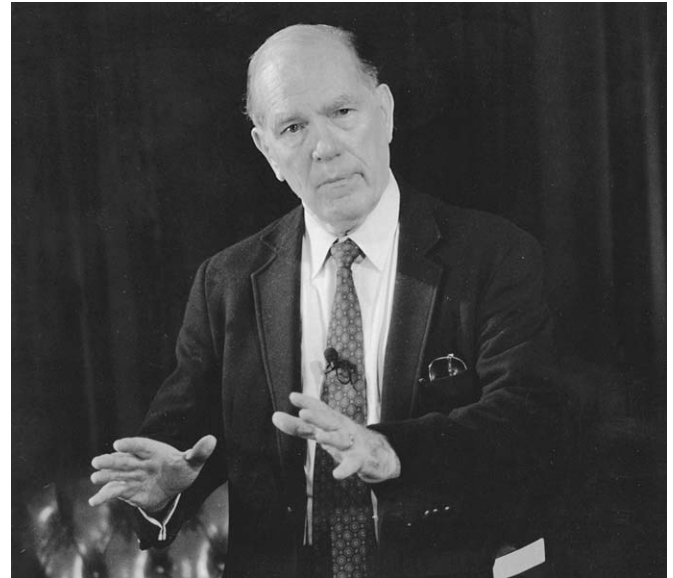
In the eyes of many among informed circles around the world, it must appear that, with this election crisis, the U.S. financier oligarchy shot itself in the foot, when it permitted

the dirtiest tricks against the candidacy of Lyndon H. LaRouche, all done in an openly stated, hysterical intent to keep the population from following him and taking up his policies. Now, with the discrediting of both of the formerly leading candidates, those LaRouche policies will emerge as in the forefront of U.S. decision-making at this time, when the inevitable and onrushing world financial crisis is poised to strike with full force.

Thus, it must already appear to many influential circles in Ibero-America, that the issue of LaRouche has been pivotal in that sense, and that his policies are being studied, by more and more influential circles around the world, as policies which might solve the ongoing global financial and economic crisis.

The election crisis appeared to have occurred almost by accident, but the stench released by the events, was, most essentially, the result of the fact, that neither political party had been willing to allow any politically qualified candidates to be selected by either the Republican or Democratic party. The election crisis showed the rottenness of not only the two candidacies, but, more important, the entirety of the process by which all serious candidacies but those two, had been eliminated from consideration.

The virtual inevitability of such an uncertain election-outcome was becoming clear to all those not hypnotized by the U.S. mass-media propaganda which had dominated the entire election-campaign. Neither candidate posed a single idea of actual relevance to the actual interest of the majority of the potential electorate. Even among those considered as likely to vote in the elections, the bulk of the formal support for either candidate was, predominantly, of a purely negative character, a debate over which candidate was the lesser evil, and which the greater evil. The chief source of support for



*Left to right: Former Mexican President José López Portillo; Marivilia Carrasco, president of the Ibero-American Solidarity Movement of Mexico; and Helga Zepp-LaRouche, at a conference in Mexico City in 1998. Above: Lyndon H. LaRouche, Jr.*

Gore was fear and hatred of a son-of-a-Bush becoming a President again, and the chief support for Bush was of the form of a passion to keep that terrible Gore out of the White House.

So, for all of us in Ibero-America, the most significant thing about the U.S. election crisis, is what that crisis reveals about the state of corruption and other destructive forces at work inside those political processes of the United States. The result of such reflection, must be, inevitably, a spreading fear, throughout the Americas, that the crisis inside the United States itself will spill over into the area of U.S. foreign policy, especially policy toward the other states of the Hemisphere.

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## 2. Hitler, Gore, and Bush

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The result of the electoral process in the U.S.A. is not identical with, but is somewhat like the phenomenon of the initial phases of the rise of the Nazi movement within 1923-1935 Germany. When a ruling financier oligarchy, such as the London-Wall Street financier circles which put Hitler into power in Germany, calls into being a fascist or similar kind of mass-based populist movement as its political fist, the creator of the populist monster may become more or less a political captive of the monster it has created, as was the case with Hitler's dictatorship by no later than 1936.

As LaRouche emphasized in his November 14th interna-

tional webcast, the crux of the present world crisis-situation should be better understood, by comparing the way in which international bankers, especially of London and New York, financed the putting of the Nazi Adolf Hitler into power in January 1933. To understand what that meant then, and what it should warn us against today, we have to compare what happened during the period November 1932 through March 1933 in both the U.S.A. and Germany. Had the combination of London and Wall Street bankers not overthrown the German government of Kurt von Schleicher, in favor of their choice, Hitler, the Roosevelt inaugurated in March 1933, would have had a German partner, Chancellor von Schleicher, committed to the same type of Hamilton-List economic-recovery program which Roosevelt unleashed inside the U.S.A.

What is happening among that combination of Wall Street financiers and their associated New York and Washington, D.C. law-firms, which control the so-called "Establishment" of the United States today, is an echo of their pro-fascist reactions as expressed as the anti-Roosevelt and anti-von Schleicher actions of London and Wall Street during 1931-1934, up to the time that Hitler successfully re-militarized Germany's Rhineland, a point at which Hitler was beyond the control of those Wall Street and London financial crowds which had brought him into power during the 1933-1934 interval. A parallel kind of pro-fascist reflex can be seen clearly inside the United States today. The political machine built up, in both the Republican and Democratic parties, around the

themes of the Southern Strategy and “shareholder value,” may not be dressed like Mussolini or Hitler, and may use different slogans, but they are nonetheless the functional equivalent, in the United States today, of the Hitler movement in 1933-1934 Germany.

Thus, only what are sometimes called “Yahoos,” in memory of Jonathan Swift’s *Gulliver’s Travels*, such as Gore and Bush, were acceptable to either of the two leading parties. We must recognize their reliance upon fantastic ideological rhetoric, with no mention of reality, as typical of the political campaigning of fascist and proto-fascist populist movements such as those of Mussolini and Hitler in the past.

The expressions of horror which more and more of the leading press of Western Europe have expressed, in describing those two candidates, reflects the intimate knowledge of Wall Street establishment circles among leading trans-Atlantic circles of power. Europeans are disgusted and terrified by the degree to which a mob of irrational populist fanatics has taken over the machinery of the leading political parties, an expedition of tyranny conducted under the banner of “democracy.” Those Europeans see those whom they had considered their usual, powerful friends in New York and Washington as, at least for the moment, the virtual prisoners of the populist political monster which Wall Street itself called into existence with its support for both Nixon’s Southern Strategy of 1966-1968, and, later, of the Zbigniew Brzezinski-managed creation of the Democratic Party’s version of Nixon’s Southern Strategy, the Presidency of Jimmy Carter.<sup>1</sup>

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1. That change was the “Southern Strategy,” in which Nixon made alliances with the racist Ku Klux Klan and like-minded political circles from within the Democratic Party of the southeastern United States and Texas. Nixon’s intent was to use his pro-racist alliance, to capture a decisive margin of control of U.S. national elections for his Republican Party.

At the same time, Nixon’s “Southern Strategy” outlook adopted the radical “free trade” ideology of such small-minded ideologues as the notorious Prof. Milton Friedman, seeking out the emerging post-industrial new white-collar middle class of the suburban U.S.A. as the Northern partner of his coalition with the Southern racists. The extreme modesty of Friedman’s intellectual powers, made him all the more appealing to those simple-minded political zealots whose “I want it, therefore it’s mine” variety of zeal for profit, tends to blind them to the methods—such as technologically progressive investment in modern farming, industrial production, and so on—by which profits are honestly earned.

Later, during the middle of the 1970s, this same degeneration within the Republican Party took over the Democratic Party. The Trilateral Commission’s choice for President, Jimmy Carter, served as the wedge-end of a process of turning control of the Democratic Party over to the same kind of alliance between “slaveholder” and “shareholder” populism which was already taking over more and more of the Republican Party. Typical of this trend was the rising influence of Vice-President George Bush, one-time Republican National Chairman for Nixon’s rebuilding the GOP around the Southern Strategy’s pro-racist orientation toward pro-racist currents among the U.S. Southern states’ wild-eyed varieties of so-called “religious fundamentalists.”

Today, the Presidential candidacy of Democratic Vice-President Al Gore, stands for the pro-racist shareholder-alliance faction within the leading circles of the Democratic Party apparatus, whereas the Nixon Strategy legacy within the Republican Party is presently assembled around the figurehead

So, as the influence of “post-industrial” ideologies and matching policies was spread, so, the productive class of farmers, small entrepreneurs, and science-oriented professionals was weakened, economically and politically, by the savagery of the irrationalism unleashed by the 1977-1981 Carter Administration. A large ration of the younger generation of the suburbanite middle class of the United States, those born after 1945, tended to be transformed into wild-eyed fanatics for the cause of “shareholder values” of the type which dominate the upper twenty-percentile of U.S. family-income brackets today.

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### 3. The End of a World System

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This institutional and political crisis in the United States is a manifestation of the characteristic trend in what many nations across the five continents have been suffering increasingly, as a result of twisted economic dogmas dictated by the City of London and Wall Street, during the past thirty-five years, and among us since, most emphatically, 1982. . . .

In Ibero-America, Argentina hangs by a slender thread, only inches away from general disintegration. Nothing can stop the devaluation of the Argentine peso, after the 12-year rule of a currency board which completely ruined Argentine industry and agriculture, and which in turn will lead to a general default on its financial obligations. After its early 2000 dollarization, Ecuador is coming apart, under the genocidal conditions of such an economic policy. Similar conditions have spread throughout Bolivia, Colombia, and Venezuela. Peru’s future looks no better, especially after the vicious campaign by the U.S. State Department to overthrow the Fujimori government. Industrial giant Brazil is the South American prize most coveted by the oligarchs from Wall Street and the City of London. The fall of the U.S. economy, which will have a predictable global effect, will hurt Mexico more than any other country, by causing the bankruptcy of thousands of businesses, at the same time that millions of Mexicans will be forced to return home when they are thrown out of work in the United States.

The Anglo-Americans are also escalating their efforts to force the region into political submission. Not satisfied with their successful campaign to destroy the Peruvian government of Fujimori and to turn power over to the drug legalizers there, they have launched a renewed offensive to immediately coopt Chile, and thereafter Argentina, into the sphere of the Free Trade Agreement of the Americas, thereby isolating Brazil and defeating the recent efforts toward integration which were discussed at the end of August at the South American Summit. Under the new government of Vicente Fox, Mexico has been assigned the role of scabbing on the South American efforts to bring about unity among them-

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Presidential candidate and Texas Governor George W. Bush. See “Southern Strategy: Assault on the American Republic,” *EIR*, Jan. 1, 2001.





*Former Peruvian President Alberto Fujimori was ousted by the Anglo-American oligarchy, in order to turn power over to the drug legalizers there.*

selves, and to eventually link up with the nations of Asia against the hegemony of the international forces of globalization. Vicente Fox, who assumed the Presidency on Dec. 1, intends to be the leading promoter of a Latin American Free Trade Agreement, which would eliminate what remains of the national patrimony and sovereignty of the nations of the region.

But the onrushing next phase of disintegration, will not leave any government of the region standing for long. Each one of these nations, institutionally and politically weakened, is under Jacobin assault by truly fascist hordes — as controlled by the financial oligarchy as the neo-liberal economic policies that they claim to oppose — whose only purpose is to tear down, and eradicate permanently, the existence of the institution of the sovereign nation-state, not only in Ibero-America, but throughout the world.

There are no middle-of-the-road solutions.

We have already reached the threshold condition, throughout virtually all of the world, including the United States itself, that most of the world's leading private banks, and also related financial institutions, are hopelessly bankrupt, and that, therefore, the central banking systems of most of the world, including the G-7 IMF member nations, are so desperately bankrupt, that they could not continue to exist without the takeover of those private banking systems by the sovereign governments of those nations. The world has already reached the limit: Now, all of the fundamental changes of recent decades, from a regulated, fixed-rate-of-

exchange monetary system, to a floating-exchange-rate system, must be totally reversed. There will be no economic recovery from the presently onrushing global financial collapse, without a resort to measures such as those used by the U.S.A. and Western Europe during the 1945-1965 interval of post-depression, post-war reconstruction. The essential difference is, that this time it must not be limited to the United States and Western Europe, but must be extended to the world as a whole.

Holding fast to the dictatorship of the IMF, the World Bank, and the financial oligarchy which controls them, even as they vanish, is akin to lashing oneself to a sinking ship, expecting somehow to survive.

Without certain changes, the insane dynamics of the crisis will submerge all of civilization into a new Dark Age of famine, epidemics, and wars of every kind and size — as we are already seeing in the Middle East, Central Asia, and Colombia, among other places.

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## 4. The Strategic Options

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The present world financial crisis is not a mere repetition of the 1929-1931 collapse into a Great Depression; this present crisis is far worse. It is of a scope and depth beyond anything imagined in the earlier period. The only comparable event in the past seven centuries of the history of European civilization, is the collapse of mid-Fourteenth-Century Europe in the famous New Dark Age of that time. There is no time available for half-measures, or delay. So-called gradual reforms, would be suicidal for any nation adopting such policies. A rapid solution is a precondition for national survival, even in the relatively short term.

The precedent most likely to bring success, is that presented by the case of U.S. President Franklin Roosevelt. The leaders of Ibero-America must look carefully at the truth about Franklin Roosevelt's role, and not be misled by the lies on that subject spread by a wide variety of sources today. Without the use of a credibly successful precedent from recent world history, it would be impossible to bring agreement among a sufficiently powerful combination of nations, to impose the urgently needed quality and form of sweeping financial, monetary, and economic reforms, returning to a fixed-rate monetary system. Without such a choice of successful precedent, it would be impossible for any power to prevent the now onrushing collapse of the world's present financial system from bringing global conditions akin to the desperate situation suffered by Europe during the middle of the Fourteenth Century.

To be capable of both acceptance and success, any solution must be based on the evidence of sound precedents. Consider the precedent of U.S. President Franklin Roosevelt's leadership in organizing a recovery from the great economic depression created by the policies of U.S. President Coolidge and Andrew Mellon, the mobilization for victory in war, and

laying the foundations upon which the reconstruction of the post-war U.S.A. and Western Europe depended absolutely. It was Franklin Roosevelt, who returned the United States to John Quincy Adams's principle of defense of the sovereignty of the republics of the Americas from European interference, thus reversing the evil policies of Theodore Roosevelt, Woodrow Wilson, and Calvin Coolidge.

Franklin Roosevelt's only significant error, was to die prematurely, thus allowing his opponent, Winston Churchill, to induce the U.S.A. to support the British monarchy in forcibly reimposing colonial status on those Portuguese, Dutch, British, and French colonies which Franklin Roosevelt was committed to freeing, and which he intended should enjoy the technological assistance needed for their true and durable independence.

There were faults in some of the included features of cooperation between the U.S.A. and Western Europe during the 1945-1965 interval. Nonetheless, the conditions of life in those cooperating nations was greatly improved during that period, an improvement which could not have occurred without the kind of cooperation which Roosevelt had envisaged for this purpose. No one could desire anything less than a resumption of those kinds of policies and their benefits, rather than the ruined conditions into which virtually all nations have been plunged, some more severely than others, today.

It is urgent that the leaders of Ibero-America and its culture, whether as officials of government, or leaders influential in other ways, must quickly develop foresight into the actual conditions which shall confront us all during the relatively short-term period immediately ahead. We require convergence among us, upon some clear image of the kind of situation which will confront us. We require that image, if we are to form those clear and valid ideas of our intentions to act at the critical moments soon to confront us.

We must ask ourselves, what will be the general condition in the world which will be presented to us by the radiated effects of a general collapse of the now monstrously inflated nominal financial assets which are presently denominated in U.S. dollars. For example, economist LaRouche, the most successful long-range forecaster of recent decades, has warned that we must be prepared for an initial shock of as much as a 40% collapse, over a relatively short time, of the nominal financial assets of the U.S. dollar. Such a collapse, he warns, as many other leading authorities in Europe have offered similar estimates, would be the most likely kind of blow to the system which would bring down the world's present financial system as a whole.

This means, that under present rules of the present IMF-dominated system, a general collapse of trade would occur, combined with even virtual total collapse of normal forms of economic life in the entirety of some nations, and in large regions of many nations. Moreover, such a collapse would reveal what is generally known among relevant inside circles: The leading banks of the United States and other nations are already hopelessly bankrupt in fact, and will be exposed as

such by any significant chain-reaction collapse in relevant financial markets whose nominal assets are being counted among bank assets. In fact, the central banking system of virtually every nation in the world today, is already implicitly bankrupt in just that way.

Such a situation will confront us with two sets of economic considerations. On the one side, there is a mountain of financial paper of all kinds. On the other side, there are real values, physical and human values, on which our ability to organize and maintain the necessary conditions of life, depends absolutely. In that situation, the crucial political issue will be: Which do we act to rescue, the paper or the real values? Do we loot the real values to the point of destruction, in a futile attempt to hold up shareholder values? Or, do we say of paper, "It's only paper," declare it to be in bankruptcy, and act to ensure that real values are defended against the desperate demands of paper turned more or less worthless by the greatest financial collapse in world history?

Then, if financial systems are as bankrupt as that, how do we create the credit and issues of currency needed to keep the real values in motion?

The basic feasible solution for all of these problems combined, will be the strengthening of the sovereignty of the modern form of nation-state. It is the sovereign nation-state, which must order and effect the reorganizations in bankruptcy. It is the sovereign nation-state, which must organize official protection for the maintenance of fair prices, of trade, and so on. It is the same state which must intervene to ensure that chaos and physical ruin are not permitted to occur. It is through the mechanisms of credit and regulation that the state must act to keep the essentials of life and economy in motion, and to act, in concert with other sovereign states, to arrange the continuity and expansion of essential elements of world trade.

This means the immediate cessation of rule over nations by the dogmas of neo-liberalism, privatization, globalization, and deregulation. It requires a return to fixed exchange-rates among currencies. It requires the restoration of the kinds of protectionist measures used for the post-war recovery of the U.S.A. and Western Europe. It requires a return to the most essential features under the Bretton Woods System of the 1945-1965 interval.

The principal fault with the 1945-1965 Bretton Woods System, was that Roosevelt's successors bowed to Churchill's and kindred demands for restoring colonialism, either in its customary form, or as what became ill-disguised neo-colonialism. If we put to one side the issue of the so-called Cold War, the principal global problems of the post-war period, 1945-2000, are:

1. The exclusion of most of the world from equal participation in the benefits of the Bretton Woods system, including a lack of appropriate participation of governments of nations from outside the privileged trans-Atlantic sphere. The revival of that Bretton Woods policy must correct that error.



*The Bretton Woods International Monetary Conference in 1944. "The principal fault with the 1945-1965 Bretton Woods System, was that Roosevelt's successors bowed to Churchill's and kindred demands for restoring colonialism, either in its customary form, or as what became ill-disguised neo-colonialism."*

2. The corrosive effects of the introduction of forms of neo-liberalism, as under the government of President Dwight Eisenhower. Those neo-liberal policies, for example, caused the severe U.S. economic recession of 1957-1958, a recession whose ill effects persisted until the election of President John F. Kennedy. Neo-liberalism has proven itself a terrible error.
3. The savage and lunatic reversal of the successful U.S. economic recovery policies of the 1933-1965 interval, by the launching of the Nixon Southern Strategy during 1966-1968, and the subsequent aggravation of the disaster unleashed by President Nixon, under President Carter. This pattern, as accelerated under the post-1971 floating-exchange-rate monetary system, has brought civilization as a whole to the brink of destruction.

If we understand those necessary corrections from past practices of the 1945-2000 interval, the lessons to be learned from the policy-outlook of President Franklin Roosevelt, represent the only existing, competent precedent upon which a significant number of nations are likely to come to early agreement, given the conditions of shock induced by the open outbreak of the general financial collapse now overripe for effects worse than most living could imagine. That "model," with the indicated types of corrections as noted, should be considered as the only available precedent upon which the urgently wanted, axiomatic terms of general agreement to a

new monetary system might be accomplished.

Such actions represent a dramatically sudden reversal of every prevailing trend in international relations during the recent thirty-five years. It must be recognized, that it is nothing other than those trends which have ruined us, and to which we must return that favor, if we are now to survive.

Let us shift our attention for a moment. Let us take a broader view of the world as a whole, and see ourselves, in the crisis just described, as each representing a nation, within our region, and our region within the world as a whole.

For example, a twenty-year agreement was recently reached between the Germany of Chancellor Gerhard Schröder and the Russia of President Vladimir Putin. This was an oil-for-technology agreement, an agreement similar to what Japan and Mexico had intended to implement once, back during the 1970s, before Brzezinski intervened menacingly to break it up. The Germany-Russia agreement now, is one piece in a large framework of agreement, involving much of Western Europe. Similar kinds of agreements exist, or are being developed in many parts of the world, including the so-called ASEAN-Plus-Three group of the Association of Southeast Asian Nations, China, Korea, and Japan. The European Union has the potential of functioning as a well-integrated regional arrangement, for more efficiently organized large-scale cooperation among various regions of the world.

Back during 1982, while José López Portillo was still President of Mexico, Lyndon LaRouche composed and published a special report, entitled *Operation Juárez*, addressing the need to build a regional system of monetary and trade cooperation among the states of Ibero-America. The concep-

tions set forth there, are still valid guides for addressing the situation today.

When the inevitable, presently ongoing collapse of the present world financial system strikes with full force, we shall require the convening of the representatives of such regional associations, thus to give a needed structuring to the founding and subsequent functioning of a new world monetary system. This will not mean a dilution of the sovereignty of the individual nations, but rather a way of expressing the interests of those states more effectively, through the medium of the greater influence and effectiveness of regional groupings in ensuring the kind of participation needed on behalf of the individual state.

This system of regional groupings within a global monetary order, is a natural state of affairs. It simply reflects the relatively great weight of regional trade and regional divisions of labor with respect to the weight of trade among regions as regions.

This is precisely what we could never accomplish, except under the condition that the policies which had been institutionalized during the recent thirty-five years, especially since 1971, had become generally hated among the nations. Therefore, we must prepare for the moment when those innovations of the recent decades are in such a state of disgrace. That will be our moment of opportunity to rally the people and institutions to a sudden return to those precedents, from more than thirty-five years ago, which, with all their included faults, served us well.

Once we have returned to the fork in the road, where the road to the present Hell was chosen, we must proceed promptly and briskly in the alternative direction. We must overtake the best we did in the past, and move onward to the things we should have done as well.

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## 5. The Mindless Movement

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The presently ruling international financial oligarchy has acknowledged the evidence that the 1971-2000 world system is now disintegrating. Under the included influence of the fascist or quasi-fascist political and social movements typified by the U.S. Southern Strategy's increasing grip on the political parties of that nation, and similar quasi-fascist trends among the mass-based political movements of other nations, the world has been subjected to a growing epidemic of what are fairly called mindless movements, movements with more of the characteristics of a lynch-mob, or roving pack of predators, than political organizations in the conventional sense of the term. The pattern of such trends in the Americas, especially since 1988, is typical of the direction of affairs worldwide. The genocide spreading ever more widely in Sub-Saharan Africa, typifies the most extreme expression of such mindless movements.

Among what might be justly called "The Mindless Movement" rampant in more and more regions of Ibero-America



*Prisoners held in concentration-camp conditions by the narco-terrorist FARC in Colombia.*

today, we should include the case of the FARC International and its spreading role in the new Opium War being conducted against the region as a whole.

For those who recall the history of the struggles for sovereign nation-states in Ibero-America, the use of mindless movements is not a new tactic of the forces which have crushed Ibero-American republics in one way or another, in times past, as presently.

That danger is one against which Simón Bolívar, writing from his personal experience in the struggle, warned the leaders of Colombia during his own lifetime. Bolívar warned specifically of the methods used by the chief controller of that time, Jeremy Bentham, the same Bentham whose methods were used by his most famous successor, Lord Palmerston, in deploying Giuseppe Mazzini's "Young Europe" and "Young America" organizations, as "Trojan horses," as instruments of British subversive warfare against the struggling republics of Europe and the Americas as a whole. Notably, it was Mazzini's "Young America" which organized the creation of the British monarchy's Confederacy puppet in the U.S.A., the same Confederacy whose leading conspirators were leading agents conducting filibusters against the peoples of Cuba, Mexico, and other parts of the Caribbean.

It was that same Lord Palmerston who organized the French, Spanish, and British military forces which invaded Mexico in 1861 and then pushed the miserable Napoleon III to impose Maximilian of Habsburg as emperor of Mexico. The same forces in 1865 carried out the bloody "War of the Triple Alliance" against Paraguay, even as they were orchestrating the Opium Wars against China.

Include the struggle for the independence and defense of the young United States of America, as an exemplary initial target, in the still continuing pattern of efforts to eliminate the sovereignty of nations of the Americas. As Bolívar warned, this pattern has been set through use of a combination of



*South American revolutionary leader Simón Bolívar (1783-1830) warned of the combination of subversion and external force, used by the British monarchy to destroy the nations of the continent.*

subversion and external force, all directed chiefly by the relevant institutions of the British monarchy and its accomplices inside the United States and elsewhere. From this standpoint, the character and danger represented by today's "mindless movements" should become clear.

Throughout Ibero-America, there is much confusion and misjudgment, still today, on the history and nature of the development and use of such movements, that over a period of more than two centuries to date. To correct that confusion, we must stress the fact, that these methods were initially developed, as Bolívar reported his experience, under Britain's sometime Prime Minister Lord Shelburne, whom Bentham served as a lackey in all matters for as long as Shelburne lived. This was begun and continued by Bentham beginning 1782, when he first gained the post of head of the "secret committee" in the British Foreign Office. Unless that origin and nature and functioning of such mindless movements is understood, governments of Ibero-America will continue to find themselves repeatedly outflanked by such tactics, even in their own republics.

The model for all such mindless movements is the way in which Jeremy Bentham, then the head of the equivalent of the United Kingdom's MI6, the so-called "secret committee" of the British Foreign Office, orchestrated and directed the Jacobin Terror of 1789-1794 in France. Using a top-ranking British agent, the Swiss Jacques Necker who led the beginning of that Terror, on July 14, 1789, Bentham-trained and

-directed British agents, including Danton and Marat, destroyed the possibility of rallying those in France allied to the American Revolution of 1776-1783. These targeted circles, closely associated with the international leadership then held by Benjamin Franklin, had been rallied to the purpose of bringing forth in France a republic based on the same principles as the U.S. Declaration of Independence and Constitution.

Thus, despite the role of the military and scientific genius, Lazare Carnot, in defeating all of the invading armies during his command of the period 1792-1794, the effects of the Terror had been so devastating, that the belated toppling of Robespierre and Saint-Just became the pathway to power for, first, the notorious Barras. This was followed by Barras protégé Napoleon Bonaparte's rise to establish the first modern fascist movement, and Bonaparte's imperial power as the monster who proceeded to consuming all of continental Europe and its wealth within his insatiable maw, France itself included. It is the methods developed in the British Foreign Office, under Bentham's leadership, against which Simón Bolívar warned. The deployment of the dupes of Palmerston's Mazzini, was a continuation of the same creation and use of mindless movements used by Palmerston's teacher and predecessor Bentham.

These methods of Shelburne, Bentham, and Palmerston were set into motion during 1782, during the period of Shelburne's role as Prime Minister of England. The strategic issue on which Shelburne, and his lackey Bentham, focussed, was how both to destroy the young United States, and to prevent the spread of the success of that 1776-1783 American Revolution into Europe, and later, to Ibero-America. This had been a principal obsession of Shelburne's since the year 1763, when Shelburne hired and deployed Adam Smith to develop economic policies to be used to destroy from within, both France and the growing economic power within the North American English colonies. Smith's *Wealth of Nations*, featuring the now-notorious "free trade" dogma, was the published report on that project assigned to him by Shelburne in 1763.

In 1782, Shelburne used his position as Prime Minister, to conduct preliminary negotiations of a future peace-treaty with both the United States and France. Into these negotiations with France, Shelburne insinuated the proposed conditionality of France's adoption of Smith's doctrine of "free trade" as the policy of the French monarchy. For this purpose, the principal assets of Shelburne within France included the Duke of Orléans, the Physiocrat Turgot, and a long-standing personal agent of Shelburne's from Lausanne, Switzerland, Jacques Necker, the infamous father of the notorious figure of Nineteenth-Century Romanticism, Madame de Staël. In the course of subsequent negotiations, the French monarch not only submitted to the "free trade" conditionalities, but appointed British (Shelburne) agent Necker as the Finance Minister of France. Under these arrangements, France was soon bankrupt, and the French Revolution was on.

When the circles of Lafayette acted to present Louis XVI



*The infamous “Grasso Abrazo”:* Richard Grasso (left), president of the New York Stock Exchange, embraces Raúl Reyes, head of finances for the narco-terrorist FARC, during a June 1999 visit to Colombia.

with the option of a constitutional monarchy of a republic, silly Louis refused, and, instead, authorized the military preparations which led to the coup d'état of July 14, 1789, through which the Duke of Orléans and Jacques Necker induced the silly King to make Necker, the man who had just bankrupted France, the Prime Minister of France! One might wonder exactly what is being celebrated, and by whom, on July 14, since that time. The launching of a generalized Terror began that day. That Terror has served as the model of reference for mindless movements since that time.

The subject of the nature and use of such mindless movements as instruments of warfare against targetted nations and governments, is a special branch of military science and related strategic studies, a study too rich and extensive to be undertaken in this memorandum. However, four leading points need to be emphasized, as a warning against the general nature of the threat to the continent represented by varieties of such mindless movements today.

First, that the methods applied to create and guide such movements, are based upon imitations of lessons from the pagan Roman Empire, for which the generic name today is Romanticism. This was a specialty of the Shelburne, who coopted figures including Bentham, Adam Smith, and many others as his personal agents, including that historian Gibbon, closely associated with the family of Lausanne's Necker. The idea of using *vox populi*, in the sense of pagan Rome's use of “bread and circuses,” for example, is typical of such varieties of modern mindless movements as fascism and so-called left varieties. The rallying of a predatory, manipulated mass as

a battering-ram, managed by mindless public opinion, as a destructive force mobilized against a nation from within, is the essence of all mindless movements of the form associated with Bentham, Palmerston, Mazzini, et al.

Second, the way in which the impact of the Jacobin Terror evolved into the first explicit manifestation of modern fascism, that under Napoleon Bonaparte (the first Benito Mussolini, but with military skills).

Third, the fact that such mindless movements often turn about to destroy the very agencies which have sponsored and deployed them.

Fourth, that the origin of this method, was the intent to destroy not only the young U.S. Republic, as such a mindless movement, “Young America,” was used to organize the creation of the Confederacy against the U.S.A., has been a determination to eradicate every current of cultural and political influence in Europe which has sympathized with the 1776-1783 American War of Independence. Such was the policy of Castlereagh and Metternich at the Vienna Congress, and the fascist-like Carlsbad Decrees of Metternich in 1819.

To appreciate the modernity of that definition of the quality of purpose of mindless movements, such as those being sponsored, often openly from the outside, in Ibero-America today—as in the case of the notorious “Shining Path” terrorists backed from high-level U.S. circles, in Peru; Colombia's FARC; or Mexico's EZLN—one must appreciate the irony of the fact that the Southern Strategy dominating the leading electoral machines of the United States today, is, in fact, destroying the United States from within, just as it has supplied,

as under Vice-President and President Richard Nixon, the impetus for the most savage attacks upon the sovereignty of Ibero-American republics.

To find the consistency in that apparent paradox, we have but to remind ourselves that the target of such operations today, is essentially the same strategic goal of Lord Shelburne's sponsorship of Adam Smith, Gibbon, Bentham, Necker, and the operations of Bentham denounced by Bolívar: the destruction of that principled notion of the perfectly sovereign nation-state dedicated to the general welfare of all of its people, which the U.S. War of Independence of 1776-1783 represented in its time.

Thus, consider the following examples.

The abusive and lying campaign by Wall Street and the U.S. State Department against the government of Alberto Fujimori in Peru, is one of the ominous symbols of that new Opium War against the entire hemisphere, including the United States itself. Over the last decade, Fujimori saved Peru from the scourge of the Shining Path narco-terrorists, who were about to seize power in 1992. He showed that it was possible to implement an efficient and successful strategy in the war against drugs and terrorism.

In sharp contrast to the patriotic actions of the governmental institutions of Peru, the policies demanded by the State Department of the Colombian government of Andrés Pastrana—of negotiations and dialogue with the FARC and ELN narco-terrorists—are handing power, and half the national territory, to these gangs of politicized drug-runners. That is the policy which was emblazoned in the photograph showing Richard Grasso, the president of the New York Stock Exchange, in a deep embrace with Raúl Reyes, the head of finances of the FARC. The policy is to legalize drugs, and to put the FARC and the ELN in power—a policy which already has the open complicity of Venezuelan President Hugo Chávez, and Fidel Castro.

Fidel Castro's triumphal visit to Venezuela during Oct. 26-30, shows the speed with which a new, more radical offensive is being launched by the narco-terrorist organizations gathered in the São Paulo Forum, the association founded in 1990 by Castro's Cuban Communist Party and the Brazilian Workers Party of Luís Inácio "Lula" Da Silva, of which Mexico's EZLN is also a member. Castro chose the occasion of his visit to Venezuela to anoint Jacobin President Hugo Chávez, as his successor and the "leader" of the coming "Latin American revolution," which is to be based explicitly on the fascist slogan of the Roman Empire, *vox populi*, the irrational voice of the enraged masses.

The true face of *vox populi* is the unstoppable predatory force of desperate masses led only by their passions. For Raúl Reyes or Hugo Chávez, man is no different than the instinctive beast governed by such passions. They embody an absolutely bestial concept of man, a man without mind, without a soul, a decorticated man—the same degrading idea that the oligarchy has, and which views man as in no way superior to a trained ape, open to being manipulated and controlled; or that



Venezuelan President Hugo Chávez's Jacobin revolution is based explicitly on the fascist slogan of the Roman Empire, "*Vox Populi*," the irrational voice of the enraged masses.

of the creator of the doctrine of free trade, Bernard Mandeville, who would have us believe that private vices—the truly cardinal sins—are transformed into public virtues.

It is for that reason that the name of the principal instrument in Brazil of these oligarchical forces—the Landless Movement (MST)—should, by all rights, be changed into the "Mindless Movement," and made extensive to all of their Jacobin colleagues across the continent.

One of the main targets of that demented Jacobin movement, are the armed forces of the nations of Ibero-America, one of the few institutions where there are still pockets of resistance to the drive to destroy the sovereign nation-state. In fact, over the last decade, the lie has been spread that, with the end of the Cold War, the main remaining threat to democracy is the armed forces of the region.

The nations and its institutions, like the military, are thus faced with an irregular warfare, on two fronts simultaneously. On the one hand, they are subjected to brutal austerity measures dictated by the IMF, which is downsizing them and reducing their resources. On the other hand, narco-terrorist groups and a true "army" of non-governmental organizations (NGOs) have targetted the military, with the intent of weakening and splintering the institution, purging its ranks of patriotic officers, and so forth. This plot has gone so far that the armed forces are close to disappearing in a number of nations, which in turns threatens the very existence of the nation itself.

However, although we should know that we must prevent the ruin of civilization by the impulses inhering in such mindless movements, we know that merely opposing such movements will not be a successful policy. Knowing what is hate-



ful, is no substitute for loving that which is good. The business of civilization was always rightly understood to be uplifting people to a nobler condition of mind and health, not destroying those who fall short of what they should be. What is required, are political and related kinds of movements which combat the dark forces of cultural pessimism, on which mindless movements always feed, with the power of well-founded optimism.

The worst thing that can be done, however, is to concede to their irrational schemes, as has already begun to happen with the new Vicente Fox government in Mexico which, in order to cool out the mindless EZLN, has decided to cut off its own head. Fox has proposed a reform of the Constitution which not only weakens the national institutions, but undermines the very idea of the nation-state, by promoting a form of radical cultural relativism, which will help create the conditions for the dissolution of the Republic itself.

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## 6. Bestialization or Humanist Republics

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If we are to save our people and nations, if we are to save the nation-state itself, then we must reestablish the primacy of the concept of the nature of man that created that nation-state. The sovereign nation-state, which was born with the European Renaissance of the Fifteenth Century, and which conceives of man and woman as made in the living image of God, is the necessary instrument to bring the world away from imminent destruction.

The humanist republic is founded on the conception that what is superior in man, is his creative capacity, his reason and ability to elevate his understanding and knowledge above the level of mere sense perception.

No one has expressed this concept better than the great Fifteenth-Century philosopher and scientist, Cardinal Nicholas of Cusa:

“Mind is the power in us which embraces conceptually the exemplars of all things. . . . Mind is a living substance. . . . Its function in this body is to give it life, and because of this it is called soul. Mind is a substantial form or power. Our mind is the image of that infinite being. . . . Knowledge of God, his ‘face,’ is accessible only in mental reality whose object is truth. . . . It is not further accessible except through mind, so that mind may be the image of God.”

It was the European Renaissance, identified with the ideas of Cusa, which made it possible to build on the great legacy of the Greek Classical period of Socrates and Plato, and establish it once again as the foundation of the best of universal Judeo-Christian civilization. Only in that way was the Fourteenth-Century Dark Age defeated; only so shall we defeat the Dark Age threatening humanity today.

The creation of the institution of the sovereign form of nation-state, and the establishment of the notion of a commu-



*Christopher Columbus's exploration of the New World was directly inspired by the policies formulated by Cardinal Nicholas of Cusa.*

nity of principle among sovereign states, reflected the influence of Nicholas of Cusa's *Concordantia Catholica*. This was a revolution in the human political condition. For the first time, the universality of man and woman as made in the image of God was given expression in the notion, that no government has the moral authority to rule, except as it is efficiently dedicated to serving as an instrument for the realization of the general welfare of the entire population and its posterity.

It is of special significance for the nations of the Americas, that the colonization of the Americas was the fruit of a policy formulated and set into motion by the same Nicholas of Cusa. Out of that came, directly, the inspiration for Christopher Columbus's voyage of discovery, and, subsequently, for the intent to establish true republics based on the principle of the sovereign nation-state, in the Americas, most notably in the supporters of the colonization in what became Ibero-America, in Quebec, and in certain among the colonies of English-speaking North America. It is that history of the origin of the states of the Americas, which distinguishes the new, relatively younger nations emerging in this hemisphere, from the nation-states growing up on old foundations existing in Europe. To old Europe, we owe much of the language and ideas upon which the existence and development of the nations of the Americas depended; but that we carried this heritage as newly developed states created in the form of modern society, gave us all that common heritage which bound all true patriots of the Americas to one another, as implicitly allies in a common cause, even at the same time that we were each jealous of the rights of sovereignty of each of those states.

We are bound together, not by flesh, but by ideas, by the



qualities of ideas which set mankind apart from and above the beasts. Chief of these ideas, is the idea of man and woman as made equally in the image of the Creator, a creature uniquely qualified, through our creative powers, to rule in and over this universe, and to develop ourselves in a direction consistent with the image we thus reflect.

This same concept of man was at the core of the creation of the United States at the close of the Eighteenth Century, and in the establishment of the American System of Political Economy in that country. That system — which is protectionist, promotes science and technology, and is premised on the General Welfare of the population — was a historical advance which the United States should, and can, return to, under the leadership of Lyndon LaRouche.

Today, Pope John Paul II, like his predecessor Leo XIII in 1891, encourages the faithful to work for the fulfillment of natural law, and to ensure that their Christian concept of man contributes to changes in the real social and economic world of today. Speaking before an inter-parliamentary meeting gathering at the Vatican on Nov. 4-5 on the occasion of Jubilee 2000, His Holiness Pope John Paul II evoked the grave responsibility of politicians to “bring about the common good of society,” noting: “In a globalized world, in which the markets are in general disconnected from any moral consideration, Christians who have been called by God to enter politics have the obligation, as difficult as it is necessary, to bend the laws of the savage market in order to ensure that our world has a peaceful future, destroying the cause of conflicts and wars at the root, since peace is the fruit of justice.” John Paul II also stated that poverty and inequality resulting from globalism constitute “the worst sin of injustice in the modern world and should profoundly disturb the conscience of Christians.”

This Christian concept of public service is the cornerstone of the sovereign nation-state.

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## 7. Ibero-American Integration and Great Infrastructure Projects

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The Ibero-American Solidarity Movement (MSIA), Lyndon LaRouche’s movement in Ibero-America, calls on all patriotic forces in the continent to rally around LaRouche’s initiative for a New Bretton Woods, and to rapidly distance themselves from the financial debacle of globalization. We have to stop the looting of our nations through a usurious and unpayable foreign debt, through privatizations, and through austerity imposed by the IMF.

The survival of entire nations depends upon actions based on the recognition that recent policy-trends in these governments must not continue, if the very existence of those nations is to be assured for much longer. Governments must abandon the delusions that they, or their nations, could survive the kinds of increasingly rapacious demands being placed upon

them. They must recognize that the onrush of the present world financial crisis is a unique moment of opportunity for survival. They must recognize that this is their moment to prepare to seize the precious opportunity now onrushing. They must not delude themselves that there will be a later opportunity to dramatically change the prevailing economic criteria, to successfully distance themselves from the crushing effects of the present system’s breakdown.

As a part of and within this new international financial system, we have to rebuild the physical economies of our nations, especially through the development of great infrastructure projects, designed to physically integrate our economies. The five basic sectors of such infrastructure development are:

1. The development of both water and land transportation and communication systems;
2. Water management, such as for agriculture and the supply of potable water in cities and the countryside;
3. Electricity generation, especially through advanced technologies such as thermonuclear fusion;
4. Health; and, of primary importance,
5. Universal Classical education.

Of great importance was the South American Summit, held in Brasilia, Brazil on Aug. 31 and Sept. 1, when the development of mega-projects was discussed, designed as a land-bridge to link the industrial zone of São Paulo, on the Atlantic coast, with the Pacific coast of northern Peru, among others, as well as the building of canals to link the great rivers systems of the Orinoco, the Amazon, and the De la Plata. Such projects would economically and efficiently resolve the problem of intracontinental communication and transportation. The speech delivered by Peruvian President Alberto Fujimori at that summit was of particular importance in calling for “the United States of South America” to follow alternative economic policies based on development and integration.

The development of these projects in the Western Hemisphere should simultaneously link up with similar efforts in other regions, such as the Eurasian Land-Bridge, promoted by China and increasingly adopted by more and more of the nations of Eurasia, which are looking for a way to develop their own economic capabilities. The efforts of the ASEAN-Plus-Three nations are also moving in this direction, as was shown in the meeting last May in Chiang Mai, Thailand, and most recently at the meeting in Brunei in November, where the formation of an Asian Monetary Fund was discussed, which would not only move to isolate these nations from the current global financial disaster, but also pave the way for an independent credit and monetary policy centered on their own development.

The MSIA calls on all patriotic forces of the continent to unite around the grand design of transforming Ibero-America into a global economic and moral power, and to contribute to the renaissance of our civilization in the millennium which has just begun. That task begins with the establishment of the New Bretton Woods proposed by Lyndon LaRouche.

## LaRouche Declares for 2004, Amid Crisis He Forecast

American statesman and economist Lyndon H. LaRouche, Jr. declared himself, on Jan. 1, for the Presidency in 2004, as the economic collapse he had forecast hit the United States with a force which, LaRouche warned, will intensify in coming months. Just days after LaRouche “set his guidon on top of the hill” to provide the leadership needed against the crisis, Federal Reserve Board Chairman Alan Greenspan signalled desperation in the world of finance by a sudden, emergency interest-rate cut to “save” the Wall Street markets. LaRouche told the international audience of his Washington, D.C. seminar, also webcast on the Internet on Jan. 3, that such desperate “crisis-management” moves would make the collapse worse, that Greenspan was finished, and that the President and Congress had to use directed government credit to reconstruct the ruined economy.

LaRouche, in announcing, addressed himself above all to the Democratic Party, which he described as a “spectacle of confusion” following the disastrous campaign of anointed loser Al Gore. Though Bill Clinton will be the rallying figure for the party, LaRouche focussed on a more urgent problem: Both parties’ 2000 campaigns were dominated by the racist and anti-industrial “Southern Strategy” (see *EIR*, Jan. 1, 2001); therefore, both parties’ policy axioms make them capable only of making an economic blowout worse. LaRouche put forward his flag of leadership to “do what is equivalent, for today, to what Franklin Roosevelt did in his campaign of 1932.”

There was an immediate indication of this in the action of Kentucky Democratic state legislator Perry Clark. Clark sent a letter to all his colleagues on Jan. 3, pointing to the pre-election “prosperity” hype having been replaced by financial and economic decline, and saying that “our first question should be, were there any economists or political leaders who warned us of this? . . . The only person . . . is Lyndon LaRouche.” A few days earlier, Pennsylvania state legislator and Black Caucus chairman Harold James had sent an open

letter to members of the Congressional Black Caucus, asking them to challenge Florida’s Electors and to act on the lines of LaRouche’s call for an immediate Congressional investigation of voting irregularities and fraud in the 2000 Presidential election campaign. LaRouche’s call, which was being brought to all members of the new Congress, was signed by 125 state elected officials across the United States, by former members of Congress, and many other active Democrats.

### International Turnout for Webcast

At LaRouche’s Washington, D.C. seminar on Jan. 3, the candidate responded to a question from the Congressional Black Caucus: what to do about George W. Bush’s nomination of open Confederate sympathizer John Ashcroft as U.S. Attorney General? He advised the members of Congress to “jam the works up on this one”: Tell Bush to pull back the Ashcroft nomination before they agree to certify the Electoral College votes.

The seminar was attended by 125 people at the Washington location, including the one Democratic Elector who had chosen not to cast her ballot for Al Gore, and many civil and labor rights activists, representatives from six press outlets, and diplomats of 11 foreign countries. A second gathering near the United Nations in New York, included representatives of 14 nations to the international body, and a half-dozen international press agencies.

Other press, including the *Detroit News*, called in, asking LaRouche’s assessment of Bush Energy Secretary nominee, former Michigan Sen. Spencer Abraham. Other meetings in the United States and in South America, and thousands of individuals and small groups, were listening on the Internet.

The larger and broader attendance, relative to the series of webcasts LaRouche addressed during the election deadlock crisis of November and December, was a clear sign of the impact of the economic and energy emergencies which have so “suddenly” hit the United States. LaRouche had insisted

throughout his 18-month campaign for the Presidential election of 2000, that as soon as the false “booming prosperity” election hype was over, Americans would see the bottom fall out of the economy. The “prosperity” propaganda allowed Bush and Gore to never seriously mention the economy during the campaign.

LaRouche told the broadcast, “In talking about 2004, my

immediate concern is not what’s going to happen in the year 2004. My concern is what’s going to happen *now*, and whether we shall ever *get* to 2004 as a nation, or not. . . . The problem today is that, from everything you can see about what this team—not only Mr. Bush, but the entire team, his team—has said about policy, the incoming President promises to be the greatest catastrophe in American Presidential history.”

## LaRouche Announces: ‘I Take My Stand’

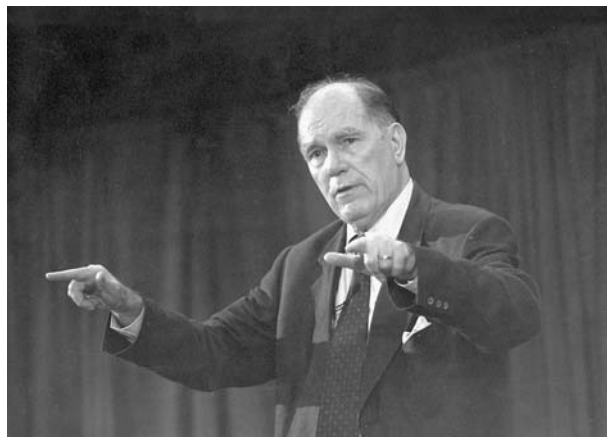
January 1, 2001

I herewith set my guidon at the top of the hill; those supporters of the Democratic Party, and others, who recognize the need to return to that quality of leadership out of a great financial crisis which President Franklin Roosevelt represents, must have a rallying-point around which to transform the efforts into an effective, mission-oriented mobilization, a mobilization to save this republic from what appears, presently, to be our assured ruin.

Although the outgoing President Bill Clinton will be, still, the leading institutional figure around which the Democratic Party will continue to be rallied as a party, that is not sufficient. The world is gripped by a great moral crisis, which is also a great economic crisis. The great need, is to return this nation, from the past 35 years direction in policy-making, by which the nation has ruled and ruined itself, to those successful principles of policy-shaping by means of which the nation survived the great crises of 1933-1945. The fate of this nation depends upon our ability to choose, now, a kind of leadership qualified to lead our republic out of the great catastrophe which 35 years of national folly have dumped upon us now.

Look at the spectacle of confusion raging throughout the Democratic Party today. I am reminded of a once-famous play by a Sicilian author, *Six Characters in Search of an Author*, an hysterical search for a consensus, which is reminiscent of panicked cockroaches in a New York City apartment’s kitchen, or of hungry prostitutes after a nuclear holocaust, each and all competing for the last surviving prospective customer. Typical is the virtual application for Republican Party membership, as might have been expected, as submitted on a recent CNN television broadcast by the Rev. Jesse Jackson. In short, the images of the Party’s reaction to the Supreme Court decision, are each only more disgusting than the next.

The immediate, urgent practical importance of presenting my candidacy now, is not the November 2004 vote;



the issue is whether this nation reaches November 2004 intact. Someone, a person actually qualified for this role, must place the guidon on the top of the hill, to rally the forces into order of battle, around urgent, fundamental changes in economic policy, for the days and months immediately ahead. At the moment, I am the only living person both situated and qualified to supply that quality of leadership.

The follies of the Gore candidacy, including the follies of those who relied upon that candidacy, are not clarified by the results obtained. The Democratic Party’s campaign for the year 2000 election-campaign, was a terrible mistake, a terrible error of substituting unprincipled political opportunism, in place of judgments based upon honest principle. To resume its proper role, the Party need not resort to public *mea culpas*; it will be sufficient to signal the turn, by doing the right thing, for a change.

This means a return to the principles set forth in the 1776 Declaration of Independence and the Preamble to the 1789 Federal Constitution. This means, once again, a repudiation of the legacy of Theodore Roosevelt, of Ku Klux Klan enthusiast Woodrow Wilson, of Coolidge, and of Nixon and Carter, too. It means to do what is equivalent, for today, to what Franklin Roosevelt did in his campaign of 1932. Our nation’s survival, and also that of your family, depends upon making that kind of change, now.

I take my stand. We shall sort out the succession in the leadership as the fight develops over the weeks and months to come.

# Ashcroft Nomination Called by LaRouche An Insult To Congress

*The following press release was issued on Jan. 4 by the political action committee, FDR-PAC:*

Speaking today before an audience that included diplomats and journalists from six continents, Lyndon LaRouche called on the United States Congress to hold up President-elect Bush's certification, currently scheduled for Jan. 6, until he pulls back his nomination of Missouri Senator John Ashcroft as Attorney General of the United States.

LaRouche was responding to a question from a representative of the Congressional Black Caucus, who questioned Ashcroft's ability to uphold the principles of the U.S. Constitution, given his ardent support of Jefferson Davis and the Confederacy. The questioner asked what could be done from the House of Representatives, given that no member of the Senate Judiciary Committee has so far indicated a willingness to mount a serious challenge to Ashcroft's certification.

LaRouche responded, "The Ashcroft nomination was an insult to the Congress. If the Democrats in Congress, capitulate to the Ashcroft nomination, the Congress is finished."

LaRouche compared the situation to that which existed in Germany on Feb. 28, 1933, when the famous *Notverordnung* (emergency rule) was established. Operating on the basis of rulings by Carl Schmitt, a famous pro-Nazi German jurist, the emergency act gave the state power to designate which part of its own population were "enemies," and to imprison and/or execute them, freely. "This," LaRouche said, "was the dictatorship."

Calling the Ashcroft nomination a deliberate provocation, LaRouche said, "If the Democratic Party and decent Republicans do not combine to throw that nomination back in the face of the nominator, this Congress isn't worth anything. That is, because it will have surrendered its dignity.

"If you give those kinds of powers, of a Justice Department, to that Ashcroft, and what he represents, under that [Confederate] flag, you don't have any justice left in the United States. And, any Senator who disagrees with me, shouldn't be a Senator. It's going to be up to the people to make sure. . . .

"Members of the House of Representatives, do have some powers. They may not be the formal powers of the Senate Judiciary Committee, but they have some powers. And if the Congress makes it clear, and gets some of the Senators, the Democratic Senators, also to make it clear, that we are not

going to put up with this Ashcroft provocation, we can stop it. But little protest movements are not going to do. You are going to have to jam the works up on this one. You're going to have to make it impossible for Bush to get his nominations through, as long as that Ashcroft nomination is not eliminated. He'll pull back. You get the determination to make him pull it back; he'll pull it back. You've got the strength to do it."

LaRouche went on to remind the questioner, "Remember, the Congress has not yet certified the President-Elect! I think that the question of certifying the President-Elect is also a question, this Ashcroft question, to be thrown on the table, on the question of certifying President-Elect Bush, so-called, as President. It's an act that has to be done by the Congress. I would pull every string in the book that's serious, as a legislative string, to make sure that Ashcroft is not made the Attorney General. And, I think that members of the Congress, members of the Democratic Party, should act on that point, as if their life might depend upon it. Because the lives of many of them might just depend upon that."

On Dec. 28, LaRouche had declared, "Unless John Ashcroft can lead the U.S. Senate to evidence proving that the purported interview with him in the *Southern Partisan* magazine was a hoax, the United States Senate must reject the nomination of John Ashcroft for Attorney General of the United States."

LaRouche explained that the Confederate Constitution of 1861, on which the Confederacy was grounded, was an explicit repudiation of the Constitution of the United States, and its commitment to promote the General Welfare. "An Attorney General of the United States must be sworn to uphold and defend the U.S. Constitution," LaRouche said, adding that "it would be folly for the incoming administration to insist upon a person with such a glaring moral defect as the *Southern Partisan* expresses."

In an 1998 interview with the pro-Confederate *Southern Partisan* magazine, Senator Ashcroft is quoted as praising the magazine for "setting the record straight" by defending leaders of the Confederacy who fought against the United States of America.

The interview was entitled, "Senator Ashcroft: Missouri's Champion of States' Rights and Traditional Southern Values." The lead-in to the interview stated: "In his short time in Washington, Senator Ashcroft has already become known as a champion of states' rights and traditional values." It is beyond dispute, that what the *Southern Partisan* means by "traditional values," is the pro-slavery culture and policies of the Confederacy.

During the interview, Ashcroft lauded the magazine for "defending Southern Patriots like Lee, Jackson, and Davis." He went on: "Traditionalists must do more. I've got to do more. We've all got to stand up and speak in this respect, or else we'll be taught that these people were giving their lives, subscribing their sacred fortunes and their honor to some perverted agenda."

# Revive the Democratic Party of FDR and JFK To Save the Nation

by Lyndon H. LaRouche, Jr.

*Lyndon LaRouche, who recently announced his candidacy for the 2004 Presidential elections, gave the following address to an EIR Seminar on Jan. 3, which was webcast simultaneously. The address was entitled, "Now the Incoming President: The Third, But Not Final Report by Lyndon LaRouche on the Next Presidency."*

Well, obviously, in talking about 2004, my immediate concern is not what's going to happen in the year 2004. My concern is what's going to happen *now*, and whether we shall ever *get* to 2004 as a nation, or not.

There's presently a meeting, I understand, occurring in Austin, Texas, among the party reporting to the President-elect, or putative President-elect, down there. The problem today is, that, from everything you can see, about what this team—not only Mr. Bush, but the entire team, his team—has said about policy, the incoming President promises to be the greatest catastrophe in American Presidential history, not some years down the line, but in the next weeks and months immediately ahead.

The problem which I shall outline today, and also indicate what my role in this business is, is that we are not only in the worst financial crisis in modern history, the biggest one; we're also in, globally, a potential global economic breakdown crisis—that is, something qualitatively worse than a depression. If the Bush team occupies the Presidency, and sticks to the policies which it has stated it's firmly committed to, the United States will very soon be destroyed as a nation, not years down the line, but perhaps in a very short period of time.

Why?

What you see, recently, is the collapse of one of the greatest financial swindles in modern history; it was called the Y2K swindle. Now, knowing about 1996, what they planned to do, Wall Street, typified by our dear friend Greenspan—who's about to go down like the famous Rumpelstiltskin, who disappeared, and Greenspan is going to be doubling for Rumpelstiltskin when he goes down some hole someplace, and disappears, which will be fairly soon. Because his end is nigh. Not his mortal end, but at least his identity as a leading figure of the United States.

What happened with Y2K, was that the United States government, in collaboration with Wall Street, created one of

the biggest swindles in the world, in world history. The swindle was based on the argument that, come the year Jan. 1, 2000, the danger would be that the world's computers, which were operating on the basis of a final two-digit symbol for date, year-date, would crash, when '99 became '00. And that this was the thing that could blow out the entire system.

So, what happened over these years, was, a vast amount of money was poured in, on the basis of the panic, of fear of a Y2K blowout. It was poured into software rewriting. It was poured into financing new computer systems, which otherwise would not have been bought the way they were. It was also to create a vast amount, a pool of money, of financial power, ready to stand ready on Jan. 1, 2000, to assure that the system didn't go belly-up, when the computers failed to report the accounting figures for Jan. 1, 2000, on.

Now, of course, that never happened. There never was any danger of that. The problem was being fixed in the meantime.

## Y2K and the 'New Economy'

Well, what happened was, that through this swindle called the Y2K swindle, they built up a fake industry, using the image of the so-called New Economy, and Internet-related industries, to build up a vast bubble, where you saw people who were worth nothing, becoming billionaires, based on stock appreciation. And now they've gone back to being non-billionaires, because their stock went back toward zero, and they're out in the streets, saying, "I was a billionaire," and they look like a bum, and they *were* a bum, beforehand.

But these things have collapsed. The dot.com crisis. We see the Internet collapse, the Nasdaq stocks collapsing, around the world. What they did is, they fought like the devil, throughout the year 2000, to try to keep this so-called New Economy, or Y2K bubble, alive. They were determined to keep it alive until *after* the Nov. 7 general Presidential elections. Which is what they did. But the election came, and it was a bummer. Nobody was really elected, so the Supreme Court got in and decided who was elected, when nobody really knew. We still don't know.

So, at that point, the system, for various reasons, crashed. And the will to keep the system going, also crashed. Now, why?

Well, in the meantime, what had happened to the U.S.



Alan Greenspan's "New Economy" bubble has come to an end.

economy, was something similar to what happened to Germany, in the year 1923. Now, some people who are old enough to recall, or read about it, that when the French troops occupied the Rhineland, after World War I, in order to collect the so-called war reparations debt, the German government got the French troops out of Germany, by promising to pay this reparations debt. Which they tried to do, by printing money — Reichsmarks. This went on until the year 1923, when they were still printing Reichsmarks.

In the Spring and Summer, a change occurred. The amount of money that was spent to roll over the war reparations debt, by the German banking system, in printing money, was greater than the amount of the total debt. At that point, the inflation in currency exploded as price inflation in commodities, and you had the famous German hyperinflation of July through November 1923, at which point the German Reichsmark disappeared. It vanished. It exploded.

Now, during the year 2000, we came to a similar point; at which the vast amounts of money which Greenspan and company were printing, in various ways, to pump up the U.S. markets, had reached the point that the amount of money being poured in, to subsidize the U.S. debt, accumulated debt, was *greater* than the debt it was trying to roll over. And you began to see, in the course of the year 2000, a commodity-price inflation, of a type similar to what happened in Germany in 1923. You saw it in petroleum prices. You're seeing it now in the California energy crisis, of Southern California Edison, and PG&E. You're going to see it all over the country. You're going to see a blowout of entire systems, of utility systems, electrical utility systems, and others, as a result of this. You

already are seeing a hyper-inflationary process in home acquisition. That is, in some areas of the country, it costs 200-300% more than a few years ago, simply to find a place in which to put your family.

You're seeing a rise in prices on the order of magnitude of 20-30% in the commodities which people buy, that is, manufacturers buy, to produce products. So, you're seeing a general tendency toward commodity-price inflation, of the same type, in general, which you saw in Germany in 1923.

Now, that began to hit strong over the Summer of this past year, and into the Fall. The figures are there.

Despite the lies from Wall Street, despite the lies from the government, there is a hyperinflationary tendency in commodity prices, in major categories, inside the United States today.

Now, obviously, the attempt to keep pumping the system up, the way they pumped up the Y2K bubble before, was no longer tolerable. Nov. 7 had come; the election was over. They didn't want to have a financial crisis before the Presidential election, so they kept the system floating until then, and then they began to back off.

You now have an impossible situation: If Alan Greenspan the idiot, for example — and I say "idiot," because people are calling him a genius; he's not a genius, he's an idiot. He's a fool, operating according to script. And he's going to be disappearing very soon. Because he's going to come to the point, very soon, with this depression running on fast, people are going to start demanding that he drop interest rates. They're going to demand that he inflate the economy still further, after he's already hyperinflated it. And Alan Greenspan is just going to find himself in the position, where he wants to disappear. And like the famous Rumpelstiltskin of the fairy story, he's going to stamp his feet in the ground one day, and just plain disappear — for his own good.

This thing is finished; it's over.

### A Global Breakdown Crisis

Now, on top of that. We have another crisis, which is a global crisis. When I talk about a breakdown crisis, I'm not exaggerating.

Over the past period, the United States, which ceased to be

a major exporter, beginning with the Carter Administration — remember, Carter shut down infrastructure. He shut down the savings and loan banks, and similar kinds of things. He destroyed the kind of industry — that is, the small, high-tech industries — on which productivity depends. Began to gut the farmers, gut the small producers, the small entrepreneurs, who were the gut of productivity, and growth of an economy. Not the big corporations. The big corporations sometimes used to produce a decent product. But they were able to produce a decent product because they relied upon vendors, largely in the machine-tool category, who produced a high-technology product, which you saw reflected in automobiles, and other parts.

These people were put out of business, by Carter, and by Volcker, and by what followed during the early 1980s.

So, the United States went from a position of being, formerly, the most successful economy in the world, over the period of Roosevelt's recovery, from 1933 to 1945, and into 1965. Despite all our mistakes, and we made a lot of them, we were still the model economy of the world in 1965. We began to destroy that, when Nixon started to revive racism in America, with his "Southern Strategy" campaign in 1966. And Carter took over, and continued the racist Southern Strategy, when he became President during the late 1970s.

Under these conditions, the traditional policies, under which the United States had become the world's model success, were torn down, step by step. Whole sections of industry, small businesses, farms, and so forth, were destroyed. Infrastructure was gutted, as you see in the shortage of electricity today. The economy was destroyed.

### The Importer of Last Resort

What happened was, that, over the course of the 1980s, especially beginning 1989 and 1990, the United States became a net importer! We used to be the high-tech export leader of the world. We have become an importer. Worse, we have become the importer of last resort, for the world.

In Mexico, other parts of South America, in Asia, Japan, Korea, China, Southeast Asia, we are the importer of last resort. We are running a current account deficit, recently estimated at about \$600 billion a year. A current account deficit. A large part of that is simply our import-export deficit. We're importing most of our goods from the world, especially from the areas where cheap labor is abundant — China, and so forth. From the yen carry-trade area, from the euro carry-trade area, we have been importing. And we've been going into hock to do it.

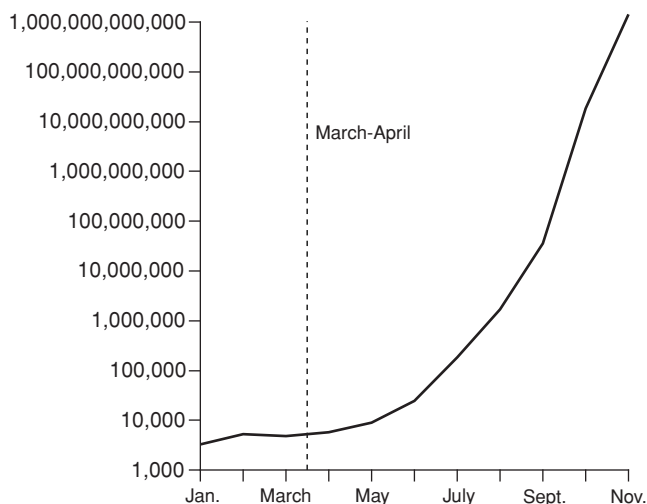
But the world has depended upon the United States — that is, China, Japan, Korea, others, have — to continue to buy our products, from them, to keep *their* economies alive.

Now, we've reached the point, with this crisis, that that's not going to happen any more. You're going to see a tragedy. It's going to occur in Mexico. Mexico will be the country the worst hit by this. There'll be a collapse in the *maquiladoras*

FIGURE 1

### Weimar Hyperinflation, Wholesale Price Index (1913 = 1), March-November 1923

Logarithmic scale



and other export industry, and Mexico has become highly U.S. import-dependent — export dependent, for our imports. You're going to see it in Asia, hard crashes throughout Asia. You're going to see a hard crash of a whole section of the economy of China, as a result of this process. Because the United States can no longer *afford* to finance this flood of imports, from cheap-labor markets in other parts of the world. Which means that those parts of the world which have been counting on selling into the U.S. market, are going to face tremendous cutbacks in their export levels. Cutbacks which will throw them into a bankruptcy-deficit position.

This means that the collapse of the U.S. market, as an importer of last resort for the world, is going to set a chain reaction of collapse loose around the world as a whole.

### The Speculative Bubble

Now, how did we maintain this position?

We maintained the position because it was a speculative bubble. That foreigners who had money in the United States, or had money they could invest in the United States, could get a high yield on short term, by investing in these short-term markets, such as the Internet market. Therefore, they kept their money parked in the United States, and moving into the United States, thus pumping up the U.S. financial bubble.

The fictitious profits generated by this speculation, inside the United States, were keeping the United States going. And as long as this bubble continued, the United States thought it could continue to support this level of imports, as the importer of last resort. Other nations of the world continued this policy,

and supported the United States, not because they liked what we're doing, but because they wanted to export their products to us! We were the importer of last resort. Other nations, the euro bloc, the euro carry-trade bloc, the yen carry-trade bloc, others, supported the United States for fear, that, if they didn't, their exports would collapse, because the U.S., as the importer of last resort, would collapse.

What's happened now, is that since the collapse which has occurred at the year-end, and is occurring this week, because of this collapse, this means that that game has come to a screeching halt. We can expect major percentile collapses, immediately, in the U.S. economy. The fact that Bush plans an arms-spending binge, of at least modest proportions, through Donald Rumsfeld, his designated Secretary of Defense, does not mean that arms spending, or arms expenditures, are going to bail the U.S. economy out. They're not going to.

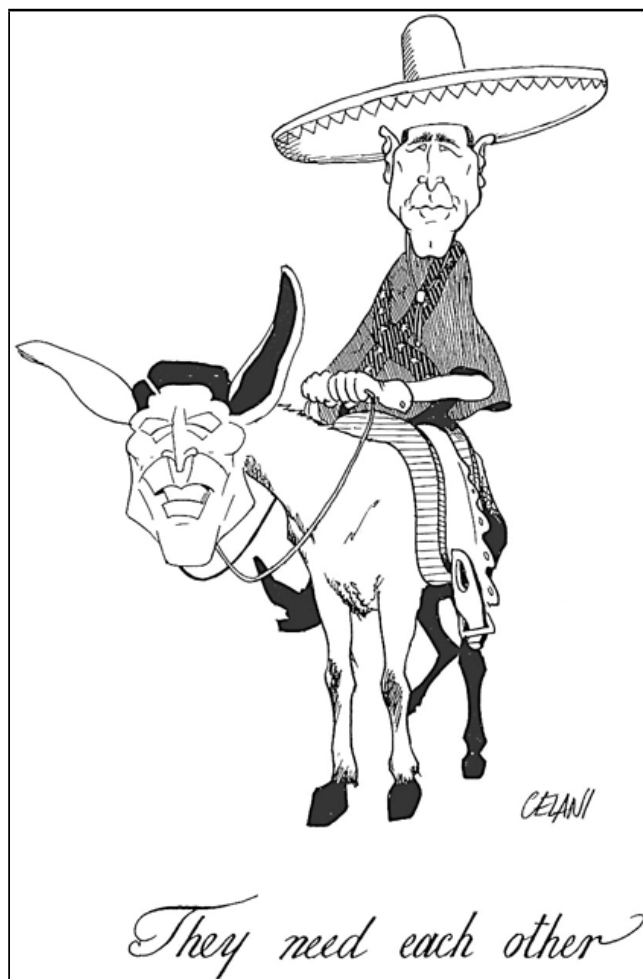
Then, the chain-reaction effect, of the United States no longer being the importer of last resort, is going to have a chain-reaction effect on other parts of the world: South America, Central America; Africa's already suffering; Europe, Asia, are all going to collapse. This collapse of these parts of the world economy, is going to, again, come back and hit the United States in a new way. This is all coming on fast.

Now, technically, we are bankrupt as a nation. The entire banking system of the United States, as a collective unit, is bankrupt. The Federal Reserve System is bankrupt. The European central banking systems are bankrupt. The central banking systems, or the equivalent, of Central and South America, are bankrupt. Africa is totally bankrupt. The Middle East is on the edge of a potential war, which can become a religious war, spreading throughout the Muslim and other parts of the world. There are explosions, potentially, in South Asia, crises of these types. There's a crisis in Europe. Europe is bankrupt. England is bankrupt. Continental Europe, Western Europe, depends upon the German economy, and the German economy is operating at a loss, under these conditions. They destroyed their export market, though they're thinking of getting another one.

These are the conditions that we face.

Now, what's George Bush going to do about it? What can he do about it with that team he's got? What can he do about it with the number of Democrats on the Democratic side of the aisle who think like Bush? And the Gore people, where you had trouble finding the difference between a Gore supporter and a Bush supporter, when it came to policy. That's the problem we face now. What are we going to do about it?

Well, it's obvious. This didn't start yesterday. We didn't get into this mess yesterday. From 1933-1965, the U.S. was rebuilt from a depression caused by the policies caused by Teddy Roosevelt, Woodrow Wilson, and Calvin Coolidge—was saved by [Franklin] Roosevelt, who understood the nature of the problem. Roosevelt carried the United States



through the Depression, without setting up any kind of dictatorship which would upset our Constitution. Roosevelt got us through World War II, and the programs of Roosevelt, even though they were chopped down after his death, nonetheless, continued to support the United States and Western Europe in recovery from the wartime and Depression conditions.

So that, over the period 1933-1965, despite all the mistakes we made, *we were the model economy of the world*. So that, if we take away all of the bad things we did between 1933 and '65—there were lots of them—we still were, in net effect, a nation dedicated to improvement, the general improvement of the conditions of life, improvement in productivity, improvement of all of these things together. So, if we look back then, what we did between 1933 and 1965, in net effect, was successful. We were still a successful economy, despite all our mistakes. Since 1965, since Nixon started with his pro-racist Southern Strategy, and his wild free-trade policies, the United States has been going downhill.

Take the points: We collapsed in 1971, with the drop into



a floating-exchange-rate world monetary system. That was the first catastrophe. As a result of Henry Kissinger's, and similar efforts in causing a Middle East war, and some other crises, we were in worse condition by 1975. In 1976, the Southern Strategy took over the Democratic Party, the same racist policies that were behind Nixon, took over Carter. Carter did more damage to the U.S. economy in one term in office, than all other Presidents combined since 1965. He deregulated; he destroyed infrastructure; and he unleashed what he called, or what his Administration called "controlled disintegration" of the U.S. economy. And the U.S. economy has disintegrated.

Nineteen eighty-two, under Bush/Reagan, we had Garn-St Germain, which picked the bones of the banking system that Carter had bankrupted. We had Kemp-Roth, which told Wall Street to steal, not to invest in real industry. We had junk bonds, a form of theft, a form of swindle. We had derivatives, which took off in the 1990s, but were already there in the 1980s. Then, in 1989, 1990, Margaret Thatcher, George Bush, and François Mitterrand pulled the biggest swindle, in the wake of the process of disintegration of the Soviet system, and moved to set up a world empire based in financial speculation, not production, and to eliminate the powers of the sovereign nation-state *in the United States*, as well as every other nation. It was called "globalization." It was a return to the Roman Empire. And to the slavery that that implies.

So, over this period, the period from 1966 to the present time, the United States, which was once the world's leading economy, is now become one of the worst—the biggest failure among economies. We are now at the point, the whole shebang is about to collapse.

### The Party of the 'Great Mistake'

Now, what's the problem?

The problem is, not only George Bush, because I don't think George Bush knows anything, or could understand anything of this, but he's got a bunch of people around him, who do have some intelligence, and they do understand some things. But they, as a machine, are committed to the policies which were built up, step by step, under Nixon with the Southern Strategy, under Kissinger, under Carter, under Brzezinski, under George Bush as Vice President and President, and so on, down to the present time.

So, the Republican Party, in the majority, and a good deal of the Democratic Party as well, at the top, is the party of the "Great Mistake." Thirty-five years of a bad mistake. These are parties, which in their present policies, are committed to making their mistakes *bigger and better*. More mistakes. George Bush is committed to defending the Great Mistake of the past 35 years, and making it bigger and better. Gore was committed to continuing the bad mistake of the past 35 years; making it bigger and better. He and Newt Gingrich and Al Toffler, back during the Carter days in Georgia, were working

together to push off this Third Wave thing, which is part of this present insanity.

So, the problem is not that we don't have solutions. We do have solutions. We could go back to things that worked. We could agree with other nations, because there's a depression, we could agree to convene a new international monetary conference, to establish again, the kind of fixed-exchange-rate system that got us out of the Depression in the postwar period; establish capital controls, exchange controls, regulation, reinstall regulation of our industries, such as the power industry, which is now in a crisis, to make sure we get power again. To restore our health-care system; to restore our educational system. We did these things before, under depression and depression-like conditions, and we can do them again. Other nations would agree with this. So, why don't we do it?

There are solutions. Yes, the crisis is much bigger than Roosevelt faced. But, the lessons we learned from the success of Roosevelt and his legacy, shows us how we should approach these problems today. Now then, ask yourself: Where do people stand on the question of Roosevelt versus Coolidge? Where do they stand on Kennedy versus Nixon? Where do they stand in the parties? Do they propose the policies of Coolidge? The policies of Bush? The policies of Nixon? Or do they propose the policies of Roosevelt and Kennedy? Which?

### 'This Is What Worked'

Now, if we had the party of Roosevelt or Kennedy back in power, we'd know exactly what to do. We would look back to the lessons of our past, and say, this is what worked in the past, and we're going to do it this way. Why? Because it's not some cockeyed idea that's unproven. It's something that worked in the past. And when something doesn't work, you *fix it!* By going back to before you made your mistake, because you can get agreement on it. Now, if you want to make some improvements beyond that, make them. But, it may take more time. The first thing to do, is to use the lessons of the past, and *fix what needs fixing!* Then get your improvements. What we need to do, is to go back to the system that worked for us, between 1933 and 1965. It worked for us, and it worked for much of the world. But this time we have to extend it to other parts of the world we didn't, in the postwar period. The so-called developing countries. We're going to have to bring nations together around the idea, of saving this planet from the worst depression in recent history, recent centuries.

Most of these countries will agree. There are many countries who will follow the United States still today, on a project like this. You tell the world, you tell Europe, you tell Asia, that the United States of Roosevelt and Kennedy is back: They'll cheer. You tell them, we want to work together with them to solve these problems on the basis of things that worked before: They'll cheer!

The United States still has great moral authority because of the record of its past. Not its recent past, but its past. The

past that was typified by Roosevelt and Kennedy. The past which, admittedly, Clinton wanted to revive, when he became President. He wasn't able to, but at least he recognized the intention: We have to go back to the legacies of the Roosevelt-Kennedy era, to solve these kinds of problems.

So, we could! So, what's our problem?

## A General-Welfare Coalition

The problem is elementary. We have a political system, and an incoming Presidency, which is opposed to those things that will solve our problem. What's the result? The worst catastrophe you can imagine.

It's doubtful that the United States, as a nation, could long outlive a Bush Presidency, unless something changed fundamentally. Now, that's where I come in with this campaign of mine. What's my job?

Look, the Democratic Party's a shambles. We've got a lot of good people, a lot of good constituencies. We've got labor, we've got African-Americans, Hispanic-Americans, groups that are interested in the general welfare. The constituencies of Roosevelt. We have also, in the Republican Party, some people who are honest and decent people.

You could put together in this nation, a coalition of forces, which would accept the idea of the Roosevelt-Kennedy legacy, for this kind of crisis. It can be done. How do we do it?

Well, we do it in two ways. First thing that's required, you require a sense of the crisis. You may not have it fully today, but I guarantee you, that two weeks, or three weeks from now, you're going to have a good sense of what this crisis is. It's much worse than anything any of you will imagine. I'm an expert, and therefore, I know how bad it is. You're not yet an expert, so you don't know how bad it is. That's the difference.

So, you're going to have a sense of crisis, that something has to be done, which is not a continuation of the present junk.

Now, the second thing that's required, is: *Who* is going to change it? Now obviously, *you're* going to have to change it. Who's you? You is the general welfare, the people who represent that, who can rally in the Democratic Party, reach out to sane Republicans, who would recognize the problem under conditions of crisis, and insist on no program which is not simply an affirmation of things that worked, between 1933 and 1965. Things that people can *agree* worked. It's not speculative, it's not really debatable. They *worked!* And this ain't working.

So, it's not too hard to settle that question, as a matter of practice.

Now, my concern, is to find a rallying point, within the Democratic Party ranks, and the people who should be in that party, if it's rebuilt properly; to reach out to sane Republicans, and say, "We're going to save this nation. We're going to save this nation on the fact, the authority, that what we've got now, doesn't work, and couldn't work, and isn't going to

work. What did work before, will work again. And we're a constituency that demands that that be done."

We've got to get ourselves *together* around that idea.

So, the reason I *have* to run: First of all, I'm the best economist in the world, and the printed record proves that. So, you need a good economist, for leadership in this time of crisis. Somebody who understands this business—and I do. Unfortunately, I do.

Then, you've got to pull the Democratic leadership together. The base: Labor, African-Americans, and others, must be pulled together, around the issue of the general welfare, the fundamental pillar of our Constitutional system, the principle of the general welfare. *We must unite to defend the general welfare, against the Tories*, as Roosevelt put it in his Second Inaugural. That's what we must do. And we must say, the Democratic Party must be taken over, and reorganized, on behalf of the Roosevelt-Kennedy tradition of defense and promotion of the general welfare, of all of the people and their posterity. Reach out to as many Republicans as possible, to join us in that common national effort. That's what we must do, and that's what my role will be: to attempt to catalyze that kind of unity, among the people who share the belief, that the promotion of the general welfare is the only legitimate basis for the authority of government, as opposed to some kind of dictatorship, of the type they had in Germany, when they didn't follow the Roosevelt track, in that crisis.

That's what the situation is. And that's what I'm doing.

## Developing the Clout

Now, we'll try to do what we can with Mr. George Bush and company, but we're not going to try to find a consensus with him. Because, to have a consensus, the other guy has to have sense. Otherwise, it doesn't work.

But, there are people around him, who are not unintelligent, and if we get together the muscle and the troops—and we have them: If you look on the state legislator level, the leadership there; you look at the trade union and state level, of trade union leadership. You look at people that are concerned. You look at senior citizens that are threatened with *death* by this present policy. You look at the poor of this country, who are threatened. The homeless. You pull these people together, and say, we're going to fight for the general welfare. Don't make wild promises; we're just going to follow these policies, and make things work again.

We've got a tremendous political force. And it's up to people like you, to work with me, to pull those kind of forces together, to save this nation.

We won't save George Bush much by educating him; I don't think he's educable. But I think we can develop enough clout, so he thinks it's smart enough to go along with us. But to do that, it's going to take a lot of clout, and the clout will come in two forms: It's going to be facing a crisis, where he calls up Alan Greenspan, and Alan Greenspan is hiding

someplace — won't answer the phone. Because Alan Greenspan can't fix it any more. You're going to face a situation where nothing is working.

We know how to make things work. Let me tell you what we do have, internationally.

We have, in Eurasia — and if you look carefully at Europe, as I look at it, from the inside of it, and look at what Germans and others are trying to do, to save their skins, while the United States is going down — they're looking for long-term, 20-, 25-year trading agreements, with countries in Asia, and elsewhere, as the markets for exporting their technology to countries that need that technology. For cooperation with Japan, for cooperation with China, for cooperation with India, for cooperation with Southeast Asia, for building up Central Asia. These kinds of things are what the smart Europeans are talking about right now, and some of them — very senior figures, who really know what they're talking about.

If the United States takes the view, that we must join with such people in Europe, Japan, and so forth, and join with them, to build up, over the next 20- to 25-year period, a great drive in technology, to increase the standard of living, throughout the world, to increase the productive powers of labor in countries that are poor, because they have low productivity: If we do that, we can build something which reminds us of what Roosevelt accomplished, during his lifetime, and after his death, in the policies he set into motion, between 1933 and 1965.

If we have the courage and imagination and devotion, we can make this world a decent place to live in. Not a perfect place, but a decent one. And right now, that looks pretty good.

Okay, thank you very much.

## The Ashcroft Appointment

*The following exchange took place during the question and answer session.*

**Question from a Member of the Congressional Black Caucus:** Mr. LaRouche, during your last seminar, you talked to us about the Southern Strategy of Richard Nixon. Now, since that seminar occurred, we have a nominee for Attorney General of the United States, who's an inveterate Confederate, and a professed supporter of Jefferson Davis. We do not see how he can possibly uphold the Constitution, that he clearly rejects. However, we are not represented on the Senate Judiciary Committee. How do you think we should proceed?

**LaRouche:** Two things: First of all, when Bush put Ashcroft in, as a nomination for the Justice Department, he made it clear: The Ku Klux Klan was riding again. That's clear.

Now, Bush — maybe Bush didn't know what he was doing, but somebody in the Bush team did, and a lot of them had the voice to say something about it.

Ashcroft was an insult to the Congress. If the Democrats in the Congress capitulate to the Ashcroft nomination, the Congress is finished.

This is pretty much like the same thing that Germany did, on Feb. 28, 1933, when the famous *Notverordnung* [emergency rule] was established. Just remember, that after the Reichstag fire, Goering, who commanded at that time — he was the Minister-President of Prussia at the time — set into motion an operation. As part of this, operating under rules of Carl Schmitt, a famous pro-Nazi jurist of Germany, they passed this act, called the *Notverordnung*, the emergency act, which gave the state the power, according to Schmitt's doctrine, to designate which part of its own population were enemies, and to imprison them, freely. And to eliminate them. This was the dictatorship.

Now, remember, that Hitler had come into power on Jan. 30 of that same year, less than two months earlier. He'd come in as a minority party, which had been discredited in the previous election. He was put in by bankers, including the father of President George Bush, the former President, Prescott Bush. Prescott Bush, as agent for Harriman of New York, worked with the British banks, to put Adolf Hitler into power in January of 1933. At that time Hitler was discredited, and about to be bombed out. He was stuck into power, because that was the last chance to get him in power.

Everyone said, no, Hitler's not going to make it, because the majority of the population is against him. Then, on Feb.

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28, 1933, the *Notverordnung* act was passed, on the pretext of the Reichstag fire. And this established a dictatorship, which Germany did not get rid of until 1945.

Now, I'm not suggesting that the case of Ashcroft is comparable to the Reichstag fire. But, it's a provocation, a deliberate provocation. And if the Democratic Party and decent Republicans do not combine to throw that nomination back in the face of the nominator, this Congress isn't worth anything. That is, because it will have surrendered its dignity.

If you give those kinds of powers, of a Justice Department, to Ashcroft, and what he represents, under that flag, you don't have any justice left in the United States. And any Democratic senator who disagrees with me, shouldn't be a senator. He doesn't represent the Democratic Party. So, it's going to be up to the people to make sure.

Now, what I would say is this: Members of the House of Representatives do have some powers. They may not be the formal powers of the Judiciary Committee, but they have some powers. And if the Congress makes it clear, and gets some of the senators, the Democratic senators, also to make it clear, that we're not going to put up with this Ashcroft provocation, we can stop it. But little protest movements are not going to do. You're going to have to jam the works up on this one. You're going to have to make it impossible for Bush to get his nominations through, as long as that Ashcroft nomination is not eliminated.

He'll pull him back. You get the determination to make him pull it back, he'll pull it back. You've got the strength. Unless the Democrats want to sell out totally. So, I think we need a *revolution* of the Congress, the House of Representatives.

And, the Congress has some powers in this matter. Remember, the Congress has not yet certified the President-elect. I think that the question of certifying the President-elect is also a question, this Ashcroft question, to be thrown on the table, on the question of certifying President-elect Bush, so-called, as President-elect. It's an act that has to be done by the Congress.

I would pull every string in the book that's serious, as a legislative string, to make sure that Ashcroft is not made the Attorney General. And I think that members of the Congress, members of the Democratic Party, should act on that point, as if their life might depend upon it. Because the lives of many of them might just depend upon that.

You don't know. . . . We're going into a period in which either we do the kinds of things I indicated in summary to you today, or else, what you're going to have, is not a government. You're going to have something like a Nazi regime. Maybe not initially, at the surface. What you're going to have is a government which cannot pass legislation, meaningful legislation. How does a government which can not pass meaningful legislation, under conditions of crisis, govern? They govern, in every case in known history, by what's known as crisis-management.

In other words, just like the Reichstag fire in Germany, How did that happen?

## The Reichstag Fire

Well, a Dutchman, who was a known lunatic, used to set fires, as a provocateur. And he went around Germany setting fires. And one night, with no security available for the Reichstag [Parliament], he went into the Reichstag building, and set the joint on fire. And Hitler came out and said, "Well, let's hope the Communists did it." And Goering moved, and the Schmitt apparatus, that is, of Carl Schmitt, the jurist. And they passed the *Notverordnung*. And on the basis of a provocation—that is, crisis-management—they rammed through the *Notverordnung*, which established Hitler as dictator of Germany.

What you're going to get, with a frustrated Bush administration, if it's determined to prevent itself from being opposed, its will, you're going to get crisis-management. Where members of the special warfare types, of the secret government, the secret police teams, will set off provocations, which will be used to bring about dictatorial powers and emotion, in the name of crisis-management.

You will have small wars set off in various parts of the world, which the Bush Administration will respond to, with crisis-management methods of provocation. That's what you'll get. And that's what the problem is. And you have to face that. You've got to control this process now, while you still have the power to do so. Don't be like the dumb Germans, who, after Hitler was appointed to the Chancellorship, in January 1933, sat back and said, "No, we're going to defeat him at the next election." There never was a next election—there was just this "*Jawohl*," for Hitler as dictator. Because the *Notverordnung* of February 1933, *eliminated* the political factor.

And that's the danger you'll get here: If the Bush Administration is determined to hammer its way through on this thing, it's not resisted, and you allow it to do so, you will find that it is strongly tempted. And you look at—remember what George Bush's specialty was, as I remember very well. Remember Iran-Contra, one of the biggest mass-murder swindles in modern history, run by Vice President Bush, under special powers, given to him under special orders, with the Executive Branch. *He* ran Iran-Contra, the biggest drug-running game in the world. And behind Bush—and I know these guys very well, because I've been up against them; most of my problems came from these characters—these guys, pushed to the wall, will come out with knives in the dark. They will not fight you politically; they will get you in the back. They will use their thugs to get you. That's their method—know it.

So, don't sit back and be nice guys. When Bush makes some proposal, which is sensible, it should be treated as a sensible proposal. But when he tried to shove a provocation down your throat, like Ashcroft: No. No way, buddy. No way.

This thing stops right now.

# Privateers Profit on Flu Vaccine Shortage

by Linda Everett

A ruthless “deregulated free market” in energy-price spikes and repeated resale of oil is ripping through the nation’s economy, causing totally preventable deaths among indigent Americans and outrageous energy prices throughout the nation. Consider what would happen if that obscene profiteering were to control the supply of critical life-saving medicine in the United States. Surely, the government would step in.

Not so. This public health catastrophe is occurring right now because of the private market’s total control of distribution of influenza vaccine—just as the flu is hitting 26 states—and government leaders, other than a few in Congress who are demanding an investigation, have not intervened. What has now moved those few, is their responsibility to act for the public welfare of the nation, demanding immediate regulation of the vaccine production and distribution process. Influenza and pneumonia annually take as many as 40,000 lives and cause 110,000 hospitalizations a year. That more may die due to profiteering, is unconscionable.

Since early October—the optimal time to vaccinate high-risk populations against influenza—hospitals, clinics, and physician offices have been alarmed about the lateness and shortage of the vaccine for both their medical staff and chronically ill, elderly patients, who are considered by the Centers for Disease Control and Prevention (CDC) to be high risks for contracting influenza and pneumonia. In *EIR*’s issue of Dec. 8, 2000, we documented a production shortage, for 2000, of more than 30 million flu vaccine doses—relative only to those citizens considered to be first-priority recipients.

As infectious disease experts told *EIR* earlier, “If we can’t handle a simple vaccination campaign during a typical flu season, what will happen to the country when we face pandemic influenza?”

Twenty-seven members of Congress have called on the General Accounting Office (GAO) to investigate the causes for the non-receipt of vaccine by states which ordered it from the pharmaceutical companies, for those states’ public health departments. These states were forced to cancel their flu clinics, after the flu had broken out.

In the Fall, the CDC had announced that the main problem was the lower-than-anticipated production yield for this flu season’s influenza A vaccine component (the H3N2 virus), and that one of the three main vaccine manufacturers had dropped out of the market altogether (Monarch Pharmaceuticals). In addition, Wyeth-Ayerst Laboratories, the major vac-

cine manufacturer in the United States, was fined \$30 million by the U.S. Food and Drug Administration (FDA) for repeatedly violating Federal drug quality rules since 1995 at two of its manufacturing plants. Wyeth-Ayerst was forced to temporarily close one of its flu vaccine manufacturing plants. The third U.S. vaccine manufacturer is Aventis Pasteur.

After scores of horror stories from hospitals and physician offices (summarized in the Jan. 1-8, 2001 *American Medical News*), the 27 Congressmen called on the GAO to investigate the “possible profiteering by vaccine companies in light of the vaccine shortage.” Their letter asks why some states, like California, which ordered flu vaccine as early as February 2000 and paid \$17.99 per vial of vaccine, had to wait months just to receive only one-third of its shipment, while Maine, which ordered its vaccine four months later at \$39 a vial, received its entire shipment within two months. Both states ordered their supply from the same vaccine manufacturer, General Injectables & Vaccines (a division of Medeva). “Any price manipulation,” the Representatives wrote, “that may put profit ahead of the health and well-being of the American people is simply wrong.”

Yet, exactly that is occurring. Hospitals were also forced to refuse vaccine sold by privateers at five times its usual cost. Hospitals typically pay \$20 to \$30 for a vial of flu vaccine which contains ten doses. But some distributors are demanding hospitals pay as much as \$150 for a vial of vaccine of uncertain efficacy.

According to the *New York Times*, the Office of Criminal Investigation at the FDA has also opened an investigation into a booming “gray market,” where the vaccine is obtained under illegal circumstances and sold at exorbitant prices to any willing buyer. Wholesalers are buying scarce vaccine and selling to the highest bidder. Small distributors or wholesalers obtain the vaccine at deep discounts by claiming they are ordering the drugs for hospitals and nursing homes. The distributors then sell the vaccine at as much as five times the usual price.

Another scheme involves distributors who divert the vaccine to the gray market, selling batches of it to other distributors, who, in turn, resell it to still others. With each resale, the price climbs. This practice violates Federal law that restricts the resale of prescription drugs, but the bigger, life-threatening danger is that during the repeated resale, there is no oversight of the proper refrigeration required to keep the vaccine effective. In fact, there may well be counterfeit vaccine changing hands. No one knows. Government investigators do know that drugs that flow through this gray market, could be valued at \$1 billion, or 1% of last year’s total prescription sales.

This year’s “stock-market” approach to whether our most vulnerable populations, and the nation as a whole, receive life-saving vaccine, should act as a wake-up call to the country’s leaders. They must move to regulate this industry now, before catastrophe strikes—as it most certainly shall, when we are hit, as is predicted by infectious disease researchers, with global pandemic influenza. The nation has had its warning.

# *Millennium Decision for Human Beings*

One year ago, a strange “Millennium” celebration took place, one in which human beings were, so to speak, compelled to take part, against their better natures. This vast and overblown rite, global and hyperinflated, was as if a celebration of computers, organized and led entirely by computers, for the purpose of glorification of cybernetic devices over human beings—the “Y2K” Millennium.

No human being knows yet, just how many hundreds of billions of dollars were stolen from the human race and expended, on preparing the computers of the world for that demons’ conclave, last New Year’s Eve. No human being knows, though some central bankers were in on the “Y2K” practical joke being played on the human race, to keep the New Economy and its millions of “IT” outfits growing and inflating their assets for one more expensive year.

Looking back, the “Y2K” Millennium appears now with the quality of a nightmare; even its remaining monuments, like the absurd Dome of London, have already taken on a disused and rusting quality. The New Economy of the computer legions, which the human race was allowing itself to worship so disgracefully last New Year’s, is still collapsing, vanishing into the smoke and dust from which it was raised up with the pumping of so many trillions of dollars. And the Great Inflator of the New Economy, Federal Reserve Chairman Alan Greenspan, is “failing and fading” along with it.

Now the turn of the Millennium has actually come, in which the question is, what will human beings do? The globalized economy, now even including its U.S. center, is crashing. The recent decades’ creation of this globalized debt bubble, and the efforts to keep it growing no matter what the consequences, has had terrible effects on the human race as a whole, even to the point of bringing the growth of human numbers virtually to a halt. Every additional 1,000-point increment of the market indices was expressed in worsened health, shorter lifespans, worsened conditions of life

and labor for millions.

Now that the computers and their new economy have crashed, even the London *Financial Times* is capable of seeing, as in its commentary of Dec. 16, that “the only way to go forward, is to go back. But to what? The Dark Ages, or a Renaissance.” A year ago it was not possible for any but the most farsighted to see that the “Y2K Millennium” was indeed a celebration of a disaster.

That Lyndon H. LaRouche, Jr. saw this clearly and stated it publicly and repeatedly, is a matter of great importance for LaRouche’s announcement of his new Presidential campaign, in the midst of a growing New Year’s panic in financial and political circles over the signs of global systemic collapse. As LaRouche said in introducing his campaign in the first week of January, “In talking about 2004, my immediate concern is not what’s going to happen in the year 2004. My concern is what’s going to happen *now*, and whether we shall ever *get* to 2004 as a nation, or not.”

In next week’s issue of *EIR*, we shall contrast in detail, what LaRouche could see coming during the past year or so’s Presidential campaign, with what neither the “leading” Presidential candidates nor the experts behind them, nor the central bankers behind them, could admit or see. It was the difference between paying obeisance to the great celebration of the “Y2K” practical joke on the human race, or organizing to pull the human race out of the ruins of the disastrous collapse of physical economies all over the globe.

The collapse of that “New Economy” over the past year, the end of the bad dream that the likes of Greenspan insisted would go on forever, is the *opportunity* of the Millennium—to stop a Dark Age, to build a new Renaissance based on the uniqueness of human creativity. To do so, those who want to lead the way have to recognize LaRouche’s unique authority as an economic forecaster, as a friend of the human race, and as a Presidential leader.

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- WASHINGTON**
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  - SPOKANE—Ch.14 Wednesdays—6 pm
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  - YAKIMA—Ch. 9 Sundays—4 pm
- WISCONSIN**
  - KENOSHA—Ch.21 Mondays—1:30 pm
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#### Table of Contents

##### *Part 1, The Information Society*

"The Information Society:

A Doomed Empire of Evil,"

by Lyndon H. LaRouche, Jr.

"The Emperor's New Clothes,  
American-Style: Nine Years of  
the U.S. Economic Boom"

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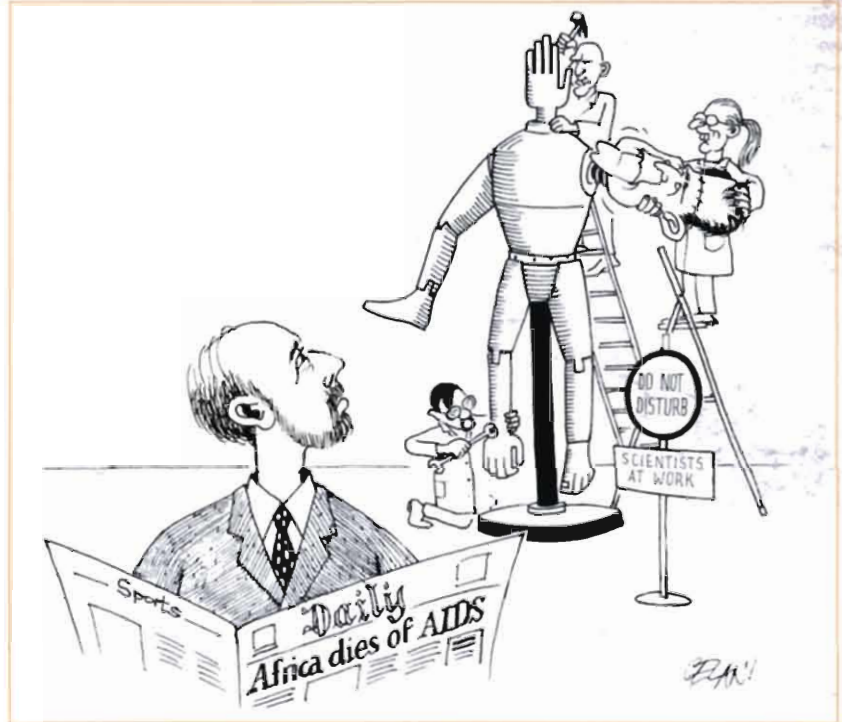
"John von Neumann's 'Artificial Intelligence'—'Pattern Card' of the 20th Century?"

"Norbert Wiener: Cybernetics and Social Control in Cyberspace"

"The Cult of Artificial Intelligence vs. the Creativity of the Human Mind"

##### *Appendix*

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