

EIR

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State Lawmakers Call For New Bretton Woods
Economic Mobilization Plan Appears In Russia
Ballistic Missile Defense—But Not This Way

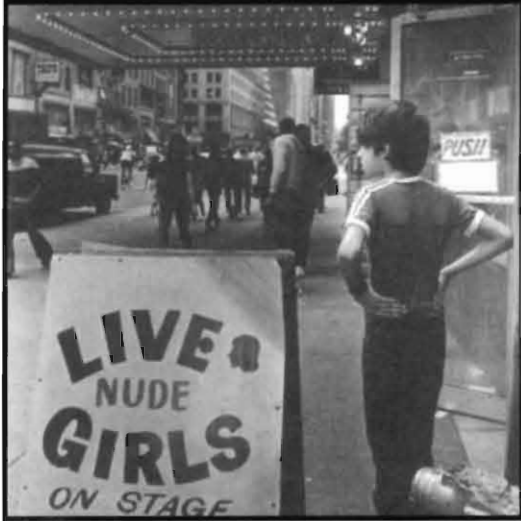
**LaRouche: Can We
Change the Universe?**



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FROM PROSTITUTION



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NO

FROM THE PRODUCTION OF STEEL



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*World Wide Web site: <http://www.larouchepub.com>
e-mail: eirns@larouchepub.com*

*European Headquarters: Executive Intelligence Review
Nachrichtenagentur GmbH, Postfach 2308,
D-65013 Wiesbaden, Bahnstrasse 9-A, D-65205,
Wiesbaden, Federal Republic of Germany
Tel: 49-611-73650. Homepage: <http://www.eirma.com>
E-mail: eirma@eirma.com Executive Directors: Anno
Hellenbroich, Michael Liebig*

*In Denmark: EIR, Post Box 2613, 2100 Copenhagen ØE,
Tel. 35-43 60 40*

*In Mexico: EIR, Serapio Rendón No. 70 Int. 28, Col. San
Rafael, Del. Cuauhtémoc. México, DF 06470. Tels: 55-66-
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From the Associate Editor

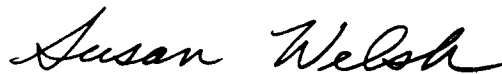
On Feb. 14, a group of 30 California activists in the LaRouche movement spent the day organizing among legislators in Sacramento, calling for reregulation of energy production and distribution. They reported a common line coming from several officials: “It’s not that we don’t agree with you. But you can’t put the toothpaste back into the tube!”

This image became a leitmotif at the Presidents Day weekend conference of the International Caucus of Labor Committees and the Schiller Institute, in Reston, Virginia, where Lyndon H. LaRouche, Jr. and other leaders of the movement addressed the topic, “Is the United States Under Bush Doomed?”

In his keynote address, LaRouche explained: “Can we ‘put the toothpaste back in the tube’? I say, we can! As a matter of fact, if you knew anything about production, you’d know how to do that! People who can’t put the toothpaste back in the tube, are not employable in skilled jobs in industry! So, we’re going to put the toothpaste back in the tube. That’s essentially our program.” Because, in a time of crisis like the present, we must rely upon the successful precedents of the past, such as what Franklin D. Roosevelt did, to pull the nation out of the Great Depression.

In this week’s issue, you will see how citizens of both the United States and Russia are struggling with just this question. The need for reregulation is posed sharply with respect to the rising price of natural gas (see *Economics*), and, in several states, legislators are stepping forward to demand a New Bretton Woods conference, to reorganize the global financial system, as President Roosevelt did (see *National*). We also feature an exclusive report from Russia, on the call that is being circulated by V.I. Ishayev and his collaborators, for economic reforms that go very much in the direction that LaRouche has proposed: abandoning the insane monetarism of the 1990s, and reinvesting in the nation’s industry.

Will we succeed? As LaRouche discusses in our *Feature* story, there’s more to it than just putting that toothpaste back into the tube. Reregulation is only the first step. This end-game crisis of world history requires that world leaders and citizens master the lessons of Classical philosophy, properly defined. Only then can solutions be discovered and rationally discussed.



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The art of Classical Greece: statues from the pediment of the Parthenon in Athens.



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By Lyndon H. LaRouche, Jr. "Two economic systems have collapsed," he writes. "Russia is now struggling to rebuild itself out of the wreckage left by the collapsed and carpet-bagger-looted Soviet system; the Anglo-American system is now at its fag-end." The crisis has now reached the point that, under President George W. Bush, the world system could not be saved in its present form, even for a relatively short period. "So, today, we are assembled here, under the auspices of the written word, to consider, *not* whether the continued existence of the United States is still possible; the question is, whether it is possible that the United States might choose the available road to survival. Classical philosophy, properly defined, is the only branch of science in which possible solutions to such a crisis in decision-making can be rationally discussed."

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Stopping George Bush's End-Game.

Why U.S. Natural Gas Bills Are Going Through the Roof

by Marsha Freeman

Over the past two months, citizens around the United States have seen their natural gas bills explode, due to the huge prices gouged by suppliers, and an unusually cold Winter. Public demonstrations against rate increases have been held in Philadelphia and Atlanta. Utilities report receiving thousands of phone calls a day from irate customers, who are facing the choice of paying their heating bills, or buying food and medicine.

Natural gas suppliers will tell you that the price increase is a function of the law of supply and demand: that there has been a shortage this Winter, which drove the price up. This is hogwash. The price of natural gas has nothing to do with supply and demand; the price is pegged to the price of oil. In 1997 and 1998, when oil prices fell, so did natural gas prices. In response, drilling for new supplies fell. So, for no objective reason at all, with demand certainly not diminishing, there was a slowdown in bringing new supplies on line, allowing the companies to threaten consumers with scare stories of shortages, and to jack up the price this year. The reason natural gas prices started climbing over the past year is that oil prices rose.

But while half the oil this nation uses comes from overseas, so OPEC is conveniently blamed if prices rise, more than 85% of the natural gas we use is produced right here in the United States. So why should the gas price be pegged to oil? The reason is simply that many of the same mega-conglomerates that control world oil prices also distribute natural gas. These stateless companies have been crying "shortage," and making a killing on both oil and gas "commodities."

For more than a decade, natural gas companies have known that increased supplies would be needed, while they

did little to increase capacity. Nearly all electric generating plants that are planned for the future, and those that have come on line in the past decade, have been fueled by natural gas.

Between 1986 and 1998, the proportion of new single-family homes being heated with natural gas rose from 46% to 70%. In total, 55% of all American homes are heated with natural gas. If there is a law of supply and demand, why weren't the gas companies drilling for new wells like mad?

By "gaming" the market, or withholding supplies to create an artificial shortage, and other manipulations that have become the hallmark of the energy industry, prices have risen in the futures market from about \$2 per million BTUs over as of a year ago, to more than four times that this Winter, as seen in **Figure 1**. Spot market prices, in many parts of the country, have spiked to six times last year's prices.

Only re-regulation of this crucial energy sector will squeeze out the speculators, and restore long-range planning and proper infrastructure development, to ensure an adequate, reasonably priced supply of natural gas in the future.

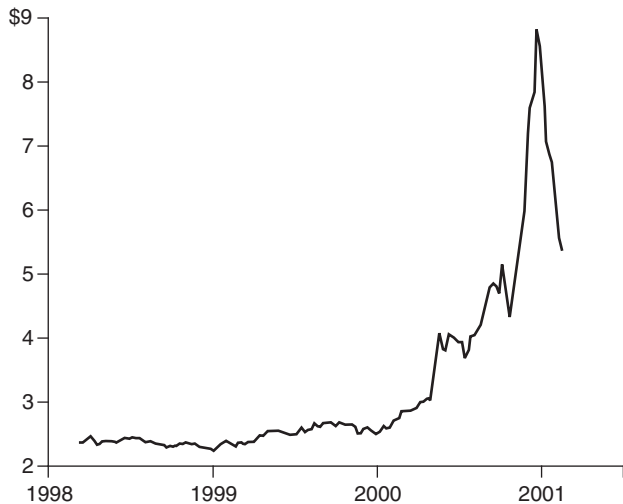
California: A Case Study

California has gained notoriety over the past six months, due to its near-fatal electricity crisis, thanks to deregulation. Electricity rates last Summer for the fully deregulated San Diego Gas & Electric utility in California rose from 10¢ per kilowatt-hour (kwh) in 1999, to 16¢ per kwh in 2000. The utility was purchasing electricity from wholesale suppliers, who jacked up the price as high as they could, claiming that the heat spell created a "distortion" in supply and demand.

Yet, when the California Public Utilities Commission (PUC) released its report on California's electricity crisis on Aug. 2, 2000, it reported that even though peak power require-

FIGURE 1
Natural Gas Futures

(Dollars per Million BTU)



Source: Brock Associates.

ments on July 29, 2000 were actually slightly *lower* than July 29, 1999, the price had shot up from \$49.56 per megawatt-hour to \$522.55. The PUC concluded that the price being charged California utilities for power they had to buy, had virtually no correspondence to “supply and demand.”

Less publicized, but increasingly critical, is the similar profiteering and manipulation that the state is suffering at the hands of its natural gas suppliers.

Thanks to its anti-human “environmentalist” policies, most of the electric generating capacity built in the state for the last decade has been small-scale gas-fueled power plants. No nuclear or clean coal power plants have been allowed. Virtually all of the generating capacity that is planned for the state also relies on natural gas. Today, California is dependent upon natural gas for more than 50% of its power. So any companies that can control the price of natural gas in the state not only have a stranglehold on residential customers, but also inevitably heavily influence the availability and price of electricity.

Prices for natural gas have been in the \$8 per million BTU range throughout the Winter around the country. In California, however, the price peaked at nearly \$60 per million BTUs, in December. The state PUC has been investigating why. They found that in 1996, a group of gas pipeline executives met in a Phoenix hotel, to discuss the “opportunities” arising from California’s newly deregulated electricity market. Representatives from El Paso Natural Gas Company, and Southern California Gas and San Diego Gas & Electric (which

later merged to become Sempra Energy), agreed to kill new pipeline projects that would have brought more, and cheaper, natural gas into California.

El Paso, which owns the main pipeline transporting out-of-state gas to the California-Arizona border, is being sued by state regulators, electric utilities, and anti-trust attorneys for using its control of the market to drive up the price of natural gas for Californians.

Under Federal deregulation, El Paso is required to sell all of its pipeline space to utilities, gas marketers, and other users, and just function as a transportation link. But El Paso sold about 40% of that pipeline capacity to its own trading arm, El Paso Merchant Energy. This allows El Paso to hoard pipeline space, creating an artificial shortage. “What we are seeing is high gas prices that cannot be attributed to the cost of gas, but the ability of El Paso to exercise market power and manipulate prices,” PUC attorney Harvey Morris told the Feb. 4 *Los Angeles Times*.

The impact of this manipulation of the market is apparent in the “basis spread,” the difference between the price of gas at the California border, and the price at the Southwestern fields where the gas is drilled. The average spread, or transportation cost, over the past four years was 50¢. This year, the difference reached \$48.50!

According to filings by lawyers for Southern California Edison, every 10¢ increase in the price of gas at the California border raises its electricity costs by \$34.2 million per year. Edison stated that if the cost of gas in the last two months were annualized, the increase in electricity costs would be \$3.4 billion.

El Paso also owns interests in 25 “alternative” energy plants, which sell power to the California utilities. Since the prices charged by these small suppliers to the utilities are pegged to the price of natural gas, there lies another “incentive” for El Paso to manipulate the gas price.

While feigning innocence of the lawsuit charges of price manipulation, El Paso reports that its revenues have soared. El Paso Merchant Power’s revenues more than quadrupled in the fourth quarter of last year, in large part from its natural gas sales to California. Profits climbed to \$176 million from \$112 million the year before.

What Is El Paso Natural Gas?

Since 1996, the Houston-based El Paso has been on a buying spree, consolidating control over the oil and gas transport industry of the United States. On Jan. 29, El Paso announced that it had completed a \$24 billion merger with the Coastal Corp., bringing its value to over \$50 billion, making it the fourth largest U.S. energy company. El Paso currently owns 58,000 miles of pipelines in North America, and says it moves a quarter of this nation’s natural gas, to 70% of the American population—more than any other single company in the world. In five years, it has transformed itself from a \$2

History of Natural Gas Regulation

1938: Congress passes the Natural Gas Act, establishing Federal authority over interstate pipelines, after the Supreme Court ruled that the Constitution gives authority to the Federal Power Commission to regulate interstate transportation and wholesale sales of gas.

1954: U.S. Supreme Court rules that the Federal Power Commission has to regulate the price of natural gas at the wellhead, if the gas is sold in interstate commerce.

1978: Natural Gas Policy Act phases in decontrol of most natural gas prices at the wellhead, overturning the 1954 Supreme Court ruling.

1985: The Federal Energy Regulatory Commission, formerly the Federal Power Commission, issues regulations to establish a voluntary program for pipelines to become “open access,” to anyone who wanted to buy gas, to encourage “competition.”

1989: Congress passes the Natural Gas Wellhead Decontrol Act, which phases in the removal of price controls of all natural gas at the wellhead.

1992: FERC makes the “open access” rule mandatory, so all producers can compete directly for buyers. Interstate pipelines are required to “unbundle” services, to “open the market” to unregulated companies.

2000: Initiatives are under way in 20 states and the District of Columbia to allow residential customers to “choose” their natural gas supplier, rather than depend upon their local utility.

billion pipeline company, to a \$50 billion diversified international conglomerate.

El Paso, like other international energy conglomerates headquartered in Houston, such as Enron Corp., is branching out into the “opportunities” in the Ibero-American markets, where electricity is being privatized. Recent forays have been into Brazil and Argentina.

The company is moving into new trading activities, which will undoubtedly soon overshadow its business in the physical delivery of oil and gas. The “most advanced risk management technology in the energy industry” has been brought in to the company’s Merchant Energy Group, which will trade in weather derivatives, and other “commodities.”

It Will Only Get Worse

No one should have any illusions that the price of natural gas will drop down to where it was a year ago, after the Winter is past. Most analysts know that a price increase, at least double last year’s level, has now become institutionalized in the industry. At a conference sponsored by Cambridge Energy Research Associates (CERA) on Feb. 14 in Houston, El Paso president William Wise, said, “If we have a very hot Summer, I think you’re going to see prices spiking in the Summer, just like we did back in November and December.” He should know.

But Tom Robinson, CERA gas expert, described the way natural gas pricing actually functions, stating that gas prices could come down, if crude oil prices fell. (Out the door with the hoax of supply and demand.) The multiple increase in natural gas prices has been felt across the country, the result of speculation, manipulating the market, and collusion.

But, another crisis looms. Even were producers to crank out more natural gas over the next one or two years, as more wells are planned to come on line, (that is, if the oil price

doesn’t drop, causing a drop in gas prices, leading to a halt in new drilling activity), there will be bottlenecks in the physical distribution of the gas in parts of the nation.

On Feb. 5, the Independent System Operator of New England, which operates the bulk power transmission grid system for the region, announced the completion of a study to address concerns about the growing use of natural gas. The concern was caused by the expectation that within the next five years, gas-fired power plants could account for more than 40% of the region’s electric generation. The study revealed that as early as the Winter of 2003, constraints in natural gas delivery could affect 1,700 MW of generating capacity in the region. These constraints could intensify, the study found, by the Winter of 2005, such that shortfalls in gas delivery could affect 3,200 MW of capacity. The study recommends that New England expand its pipeline infrastructure. If that is not started soon, it will not improve the Winter 2003 situation.

The first step in the deregulation of natural gas was taken in 1978, after a natural gas shortage during the Winter of 1976-77 closed schools in the Midwest one month early, and shut down whole industries. The excuse for the shortage was that the government-controlled price of gas was so low, that there was no “incentive” for the gas companies to explore and develop new resources.

Natural gas, in the form of electricity, and as heat for homes, hospitals, and schools, is not a “commodity,” that people have a choice whether or not to purchase. The purpose and the outcome of natural gas deregulation was to hand mainly oil companies this multibillion-dollar per year energy business.

The fight for re-regulation of the electric utility industry must go hand-in-hand with the fight to re-regulate natural gas, before heating one’s home and having electricity become possible for only the few who can afford it.

Agenda for National Energy Emergency Action

I. Scope of Energy Crisis:

Physical Economy

■ **California Update:** Supplies of electricity remain on an hour-by-hour basis. California has now had more than 32 days of "Stage Three Alert" for rolling electricity blackouts. Hyperinflated natural gas prices are causing havoc. There are day-to-day actions by Gov. Gray Davis, by the State Assembly and in Federal court, as summarized below. On Feb. 21, Governor Davis threatened Pacific Gas & Electric with state takeover of PG&E's electricity transmission grid through powers of eminent domain, because PG&E's holding company refused to negotiate in the crisis.

What must be understood about all these initiatives to keep the lights on in California, is that they stem from a stubborn illusion that there will be "something" or "someone" (some even still look to Greenspan), to stabilize the "markets" and the financial breakdown. But there is no such *deus ex machina*. The Depression is on.

Since the world is now in a global financial and economic collapse, means must be taken to deal with any specific situation from that overall perspective. What is required in the immediate California crisis, is Chapter 11 bankruptcy action for the utilities, combined with re-regulation of energy, including Federal re-regulation of gas, and traditional cost-based pricing. This approach is spelled out in the mass-circulation pamphlet, "LaRouche on the California Energy Crisis" (also available on www.LaRouchein2004.com). LaRouche warned of today's crisis in advance; he has been proven right, and peo-

ple just have to face reality.

The way for Governor Davis and other responsible officials to proceed, in order to avoid panic, is to say, "Since we are in a depression, we have to take measures immediately that worked before. Government must act now as it has in the past, using the precedents of the past, to get us out of the depression." They have no other choice.

Starting in Sacramento on Feb. 13, and continuing on March 6 in California and other states, "Days of Lobbying" for this approach are under way. (See "Strategic" section below).

Among the most recent, lesser initiatives, still *locked inside the disintegrating realm of "market economics,"* are the following:

On Feb. 21, U.S. District Judge Frank Damrell issued an extension to his previous order requiring Reliant, Williams, AES, and Dynegy ("merchant" wholesalers of the energy cartel) to continue selling power to California. The order, extended until Feb. 23 (when the judge may rule on various motions), was based on protecting Californians from rolling blackouts.

On Feb. 20, the State Senate voted up a measure for a state power authority, with the right of eminent domain, to seize power plants, to build, to upgrade, etc., and for \$5 billion in initial funding. At the same time, preparations for the state bond issue of \$10 billion, for the state to buy electricity, are proceeding through underwriters, Morgan Stanley, Lehman Brothers and a score of others, many of which had

connived all along with deregulating and destroying the power system.

National Energy Hyperinflation Impact

One reading of the impact of energy hyperinflation comes from the Feb. 21 release of the U.S. Consumer Price Index for January. The CPI shows a 0.6% price increase for January, over December, in which the energy price rise drove the CPI overall: a 3.9% rise in energy prices in January, with natural gas prices up 17.4% (the largest gain on record), and electricity costs up 2.6%, the biggest gain since February 1980. This drove housing costs up 1%, the biggest jump since June 1982. Since the CPI is notoriously fabricated (e.g., the "Quality Adjustment" hoaxes), the real impact of energy hyperinflation is so huge that even CPI tricks can't hide it.

Electricity

The hydropower potentials of the Western U.S. states and Canadian provinces are hit hard by the severe drought, in the context of energy hyperinflation. Hydropower is significant in the West and Northwest of North America, because systems of dams and generators were built up 50 years ago; their output was intended, by the year 2000, to be supplemented by nuclear power (very little has been developed) and the continental North American Water and Power Alliance, which was never built. Therefore, naturally occurring drought becomes a man-made, policy-caused disaster.

Snowpack this Winter in the Canadian and U.S. Rockies, and the Sierras, is only 40-55% of average. Snowpack to refill the Brownlee Dam on the Snake River is 55% of normal. Bonneville Power Authority's generating capacity has fallen by 4,000 MW due to the drought, and BPA

TABLE 1

California Power Suppliers Post Mega-Profits for 2000

(Millions of Dollars)

Company	1999	2000	% Change
Williams Cos.	\$ 221	\$ 832	276%
Calpine Corp.	95	323	240%
Dynegy	146	452	210%
AES	228	657	188%
Arizona Public Svc.	127	307	141%
Reliant	528	819	55%
Enron	893	1,266	42%
Duke Energy	1,507	1,776	18%
Southern	1,276	1,313	3%
Total	\$5,022	\$7,745	54%

Source: Company reports, analyzed by *Public Citizen*, February 2001.

has spent \$500 million since Oct. 1 to buy wholesale power to meet its contracts.

Natural Gas, Propane

Price hikes for Federally deregulated natural gas are hitting throughout the continent.

■ **Canada:** In the four provinces where energy prices are deregulated (in various stages)—British Columbia, Alberta, Ontario, and Quebec—the impact is severe. Whenever and wherever price “caps” come off, economic shock means instant political shock.

■ **Michigan:** The three-year locked-in price of \$2.46 per unit (mcf) of natural gas expires on March 31, whereupon prices to end-users are expected to spike up by 75-100%. Consumer Energy, one of the two major utilities, has asked the state utility’s commission for a rate increase, from \$2.46 up to \$5.94.

■ **Arizona:** On Feb. 22, the state’s utility regulation agency, the Coporation Commission, will start hearings to decide whether to approve a request from Southwest Gas Co., for a residential rate increase of 20%.

Petroleum and Gasoline

On Feb. 16, the Anglo-American bombing of Baghdad signals new petroleum price

TABLE 2

Political Donations by Energy Cartel Firms, 2000

(Thousands of Dollars)

Company	Republicans	Democrats	Total
Enron	\$1,610.0	\$ 728.3	\$2,338.3
Southern Co.	856.5	275.0	1,131.5
Reliant Corp.	634.6	190.3	824.9
Edison Electric Institute*	347.1	293.6	640.6
Williams Cos.	244.0	30.9	274.8
Duke Energy	210.8	66.3	277.0
Arizona Public Svc.	92.5	14.8	107.2
Dynegy	60.2	59.9	120.5
AES Corp.	4.7	76.2	80.9
Calpine Corp.	34.7	39.5	74.1
Total	\$4,095.0	\$1,774.5	\$5,869.4

* Association of investor-owned power companies.

Source: Public Disclosure Inc. (www.tray.com) data analyzed by *Public Citizen*, February 2001.

Public Citizen shows that the major California power producers and marketers donated \$5.9 million to Federal candidates and political parties during 1999-2000; of this amount, \$4.1 million went to Republicans and \$1.8 million went to Democrats.

shocks ahead. Even though last year’s peak prices of \$35-plus per barrel (international, speculative markets) fell back this Winter, the economy is still paying high prices for heating oil, diesel, and gasoline at the pump.

■ **Nebraska:** Diesel fuel, for on-farm delivery, to power for irrigation, in this case, was 86¢ a gallon last Summer, and \$1.06 in September, and now \$1.56.

Agriculture and Food Supplies

■ **Fertilizer** prices are skyrocketing, while supplies are short. On Feb. 9, South Dakota Farmers Union member Randy Knecht (Brown County) met with U.S. Senate staffers, to ask for emergency energy relief. He told them, that on his farm, with 3,500 acres, raising 450 beef cattle, corn, beans, and wheat: “My nitrogen costs will be up 40 to 90% this year.”

■ **Idaho farmers** are being offered cash to dry up their irrigated land, so electricity can be shunted to other users this coming crop season. Farmers have been asked to submit bids by Feb. 28 to Idaho Power Co., for how much money they will take to *not* use electricity for irrigation this year.

Bonneville Power Authority is appeal-

ing to all farmer customers to cut back on irrigation.

Social Hardship

School districts, hospitals, and all public institutions are reeling from utility bills.

■ **Massachusetts:** Boston public schools, hit with an expected 19.7% increase in energy costs over FY 2001-2002, will not fill vacant administrative positions, will adjust thermostats, and even lower lights if necessary. Boston College will increase tuition by 5% due to doubled energy costs.

Massachusetts General Hospital, hit with a 30% increase in energy costs over last year, is considering reducing lighting and adjusting thermostats, etc.

Military

■ **Kentucky:** The fuel cost crisis for Fort Knox and Fort Campbell typifies how the military is being unplugged. Since October, the cost of natural gas has gone up 350% for Fort Knox. The January bill for the installation was \$2.5 million. At Fort Campbell, the bill was up to a monthly \$1.5 million for January—almost three times the cost for the same period in 2000.

II. Scope of Energy Crisis:

Financial

State Funds Drain Into Energy Cartel

■ **California:** State funds intended for water projects, are being diverted into the state's \$50 million per day payment for electricity from the energy cartel. Gone so far: \$200 million to line the All-American Canal near Mexico; \$135 million for the Cal Fed water projects; \$70 million for flood protection; \$35 million for a ground-water project.

■ **Oklahoma:** This typifies how many states are scraping for any available monies for low-income households' utility bills and also vital functions, such as sewage treatment, hospitals, schools. Without re-regulating power and prices, any such deployment of monies, goes right out to feed energy cartel. A leading proponent of using Oklahoma's "Rainy Day" fund for low-income housing fuel aid, is State Sen. Kevin Easley (Blue Dog Democrat), who has been the major backer of deregulation since 1995. Easley has received very large campaign donations from energy firms, and himself works for an energy company.

Insolvency and Chain Reactions

Farm loans are blowing out.

■ **Nebraska:** George "Bill" Burrows, of the Nebraska Farm Service Agency, reported to *EIR* on Feb. 18 that "farm loans are all on a tight balance" with cash flow all figured out, and now increased energy costs will blow them out. "The hammers

are hitting agriculture . . . either there is a change in the total concept, or you pump in humongous funds."

■ **Bonneville Power Authority:** The financial status of all entities forced onto the wholesale power spot markets, grows worse by the hour. The giant BPA, faced with both drought and energy price hyperinflation, has informed the governors in the region, that BPA may need their backing for a bond issue to cover financial shortfalls. BPA may fall into arrears in debt-service payments to the Federal Treasury. If payments are not made, it is expected that the Yahoos in Congress will try to put BPA up for fire-sale for purchase by the energy cartel companies. Bonneville has spent \$500 million since last Oct. 1 to buy wholesale power to meet their contracts. Their reserves are down to practically nothing. They anticipate requesting a 95% rate hike by next Fall, but that won't even meet the hyperinflation.

Energy Cartel: Mega-Profits, Mega-Campaign Donations

Every part of the global energy cartel, from the petroleum and gas companies (BP-Amoco, Mobil-Exxon, et al.) to natural gas transmission firms, "merchant generators," and energy futures speculators, are making mega-profits. The companies wholesaling power and gas to California last Fall had profit rises of: Williams (276%), Calpine (240%), Dynegy (210%), Reliant (55%), Enron (42%), Duke Energy (18%).

Tables 1 and 2 show these same companies mega-profits *and* some of their campaign donations:

Of the \$1.61 million donated by Enron to Republicans, \$630,179 was hard money, and \$979,850 was soft money, while the corresponding figures for the Democrats were \$208,204 and \$520,065. Overall, these companies donated \$2,032,883 in hard money, and \$2,061,950 in soft money to the Republicans, and \$859,782 hard and \$914,753 soft to the Democrats.

These companies donated \$196,395 to Bush, and \$16,000 to Gore. Enron was the leading contributor to both, giving \$127,525 to Bush, and \$11,250 to Gore, followed by James A. Baker's Reliant, which gave \$35,070 to Bush, and \$1,500 to Gore.

The companies donated \$1,366,090 to the Republican National Committee, and \$624,600 to the Democratic National Committee. Again, Enron led the pack, giving \$713,200 to the RNC, and \$341,350 to the DNC.

Enron and its executives were also major contributors to the Bush-Cheney 2001 Presidential Inaugural Committee. Enron itself, and Enron's Jeffrey Skilling and Ken and Linda Lay, each gave \$100,000; Reliant Energy CEO Steve Letbetter also gave \$100,000, as did Southern Co. Electric utilities donated \$825,000 to the Inaugural Committee.

Several of the company executives were also members of Bush's Pioneers Club, including: Don D. Jordan, the chairman of Reliant (retired, 1999); Steve Letbetter, the new Reliant CEO; Thomas Kuhn, president of Edison Electric Institute, a trade group of investor-owned utilities; and Ken Lay, chairman of Enron.

the city, to augment peak supplies.

The new "merchant generator" companies (Calpine, Enron, Reliant, Dynegy, Duke Energy Corp.) now running gas turbine generators throughout the country, and planning dozens more, assert that the new deregulated market means they have no responsibility to invest in transmission infrastructure.

III. Energy Infrastructure:

Crises and Reactions

The national electric transmission grid is aging, and deficient. In cities, such as New York, over one-fourth of the city's peak electricity needs come through heav-

ily loaded, aged transmission lines. Anticipating power shortages this Summer, the New York Power Authority is working on setting up contingency generators inside

IV. Policy Response:

Federal Level

The Bush Administration remains intransigent on behalf of deregulation, and the energy cartel's right to hyper-profits. This is also the stance, so far, of the Republican Congressional leadership, such as Rep. Joe Barton (R-Tex.), Chair of the

Energy Subcommittee of the House Commerce Committee, which held hearings on the energy crisis on Feb. 15. In his testimony, Carl Wood, of the California Public Utilities Commission, attacked the core idea of deregulation: that electricity should

be traded on a spot market.

Speaking out against deregulation is Rep. Peter DeFazio (D-Ore.). His H.R. 264 calls for "cost-based rate regulation of electricity nationally." He told a Feb. 20 Energy Town Hall in Oregon, referring to the drought, "If we have some severe weather, or anything that would create a necessity for reserve energy in a deregulated market, the private power companies decide how much to charge for that reserve energy. It opens the market up for profiteering."

V. Policy Response:

State and Local Initiatives

More Opposition to Energy Deregulation

■ **Oklahoma:** On Feb. 20, the House Energy and Utilities Committee voted 29-1 to delay energy deregulation until 2004.

■ **Indiana:** A draft bill will reassert state authority over utility company

mergers.

■ **Alabama:** Rep. Alvin Holmes (D) will introduce a bill condemning utilities for gas-price gouging; the utilities claim that their rate rise of 400% was just a "price adjustment."

■ **Mississippi:** On Feb. 17, some 150 protesters marched from the Light Co. to

the State Capitol. The action was prompted by the impossibly high energy bills and the economic crisis. Protesters included LaRouche activist Donnie Finley, the Rev. Willy J. Jones of Crystal Springs, an NAACP leader, and protest organizer Doris Rhodes, head of Unified Souls, Inc. Every participant received a copy "LaRouche on the California Energy Crisis." A planning session has set April 27 as the date for a much larger march.

Earlier in February, there were protest actions in Philadelphia and Atlanta, at the offices of gas utility companies.

VI. Considerations for Re-Regulation:

National Energy Management and Reconstruction

LaRouche 'Organizing Days'

■ **California:** On March 6 in Sacramento, the second blitz "Day of Organizing" by statewide constituency representatives will hit the State Assembly and government offices, to push for re-regulation, as an essential part of the only workable response to the hyperinflation and global financial/economic breakdown. A public forum will be held the same day. Similar actions are set for early March around the country, including in Austin, Texas, the home state for most of the energy-cartel wing of "Southern Strategy, Inc."

Californians held their first LaRouche "Day of Organizing" in Sacramento on Feb. 13, the same day the legislature began "Special Session" committee hearings to "manage" the energy crisis. Organizing teams were included 30 constituency leaders from the state's farmers, Hispanic community, seniors, and others.

The organizers circulated the LaRouche in 2004 pamphlet, "LaRouche On the California Energy Crisis," driving home the scope of the crisis, what led up to it, and stressing that nothing less than re-regulation, and Chapter 11 bankruptcy for the utilities, will work.

What characterized the quality of thought in the capital of the nation's most

populous state, was the silly phrase repeated everywhere: "Re-regulation is a lot like putting toothpaste back into the tube. . . . You can't do it." This was the "talking point" from among the apparently "more reasonable" state officials. (Those supporting deregulation, merely said, "We just haven't deregulated enough.") Many agreed with re-regulation complained, "We don't have the votes."

International Opposition to Deregulation

■ **The Netherlands:** A Parliament vote stopped deregulation on Feb. 16, by rejecting the sale of further public property in the energy sector.

■ **New Zealand:** Despite the fact that privatization has reigned for years, a new Labour government has begun to discuss reversing the radical privatization of railways and finance, with Prime Minister Helen Clark noting that its experiment in market fundamentalism has "failed."

Energy Fiasco Threatens California Hospitals

by Linda Everett

Since 1995, thirty-four hospitals in California have closed their doors permanently, eight in the year 2000 alone. The remaining hospitals are under such severe financial stress that 64% of them are currently operating in the red. Among the factors contributing to the hemorrhaging of red ink are: the Balanced Budget Act of 1997, which gutted billions of dollars in Medicare payments to hospitals; so-called managed health care's looting of vital public health infrastructure (in 2000, health maintenance organizations and managed care organizations owed California hospitals more than \$1 billion for services provided HMO enrollees); low medical payments and the increasing number of uninsured patients; and a \$24 billion unfunded state mandate to retrofit hospitals to better withstand earthquakes. Now comes the rapacious profiteering by energy pirates made possible by energy deregulation. The policies of these energy barons have left hospitals reeling, and, if current policies are not changed, will shut down more critically needed facilities upon which the nation's general welfare depends.

On Jan. 25, a spokesman for the California Healthcare Association (CHA), which represents 500 acute-care facilities in the state, told *EIR* that some of its hospitals are paying in excess of 100 times their normal electricity rates, including \$500,000 to \$1 million a week in fines, because, to ensure the safety of their patients, they are refusing to abide by their interruptible service contracts, and utilize electricity when the Public Utilities Commission (PUC) has called for an interruption of services throughout the state.

Most California hospitals had signed interruptible service contracts back in the 1980s; these contracts stated that the hospitals would accept a power blackout, if necessary, to prevent a generalized rolling blackout, in exchange for which customers were charged 15% lower than normal rates for electricity. Hospitals had not experienced any interrupted service during the 20 years since—until last year. When hospitals tried to opt out of the contracts in November, as was specifically permitted by contract, the PUC refused to allow it.

Another blow hit hospitals in the state when, in November, the PUC, despite requests by the CHA, eliminated the six-year price freeze hospitals had on electric rates through March 2002. So, hospital rates went up 15%—the same as

for other industrial users. This alone may cause hospitals to increase annual spending on power to \$110 million a year.

“An increase in electric rates,” the CHA warned in a Jan. 2 letter to the PUC, “will result in reduction or closure of hospital services and possibly the closure of some hospitals.” This may be the final blow for California hospitals, which are already operating at negative margins—in part because they are owed more than \$1 billion in back payments from managed care companies and HMOs.

In a letter to California Gov. Gray Davis (D), the CHA asked that he exempt all hospitals in the state from such energy interruptions, and that all hospitals be allowed to opt out of their interruptible contracts with utility companies, without being hit with massive fines. The hospitals are also asking that electricity rates resume at the original, lower rates.

State Sen. Nell Sota has introduced legislature that specifically exempts all hospitals, schools, and handlers of perishable food from the interruptible contracts. The public and political pressure worked. On Jan. 26, the PUC temporarily suspended interruptible service contracts with the hospitals. But, with hundreds of millions in fines yet to be paid, this still leaves hospitals financially crippled.

Bush's Friends at Enron in Action

On Feb. 1, the energy wholesale pirate, Enron, which was the largest funder of President George W. Bush's gubernatorial and Presidential campaigns, abrogated its long-term contracts at locked-in energy rates with its major corporate and institutional customers, including Kaiser-Permanente hospitals throughout California. The move would force these customers to purchase electricity at rates as much as 35% higher than what they were originally paying under their Enron contract. This allowed Enron to sell the power from those long-term contracts for much greater profits on the energy spot market. A day after announcing its planned halting of service to dozens of major clients, Enron said that it would absorb any increase in rates its former clients faced. A Kaiser-Permanente representative told *EIR* that while Enron changed its contractual basis with its facilities, it would find other energy sources for the hospital company.

But, the crisis is far from over. Each energy interruption or rolling blackout puts the lives of patients in danger. During such events, hospitals depend upon their back-up generators; but, these were never meant to be used as an alternative power source, except in event of some major catastrophic event, such as an earthquake. The generators supply only 20-40% of a hospital's power needs, covering intensive care units and operating rooms—but no refrigeration for perishable items, such as medications and blood supplies, nor for surgical recovery rooms, among others.

Thus, the so-called free market is, in reality, a wrecking ball aimed at the nation's health-care infrastructure. Should this insanity spread to other states, they can expect the same horrific consequences.

A Philosophy for Victory: Can We Change the Universe?

by Lyndon H. LaRouche, Jr.¹

Sunday, February 11, 2001

Foreword

At a Washington, D.C. meeting in mid-February 1983, I warned the Soviet government, and also relevant high levels of our own, that unless President Reagan were to offer what the President later did announce as a Strategic Defense Initiative (SDI), and unless the Soviet government were to accept such an offer, the Soviet economic system was doomed to collapse in about five years. I repeated that forecast many times, publicly, during the course of the 1980s. The President made that offer,² and the Soviet government rejected it peremptorily. The consequent collapse of the Soviet economic system took about six years, not five.

In a Berlin press conference of October 12, 1988, which was nationally-televised in the U.S. shortly after that, I forecast the imminence of a chain-reaction collapse of the Soviet economic system, an already onrushing collapse, which would lead toward the probable reunification of Germany in the short-term period immediately ahead.³ I proposed a policy for dealing with that crisis.

My policy of October 1988 was later elaborated as the “European Productive Triangle” program of 1990,⁴ and ex-

panded and promulgated as the “Eurasian Landbridge” program crafted by my associates during 1992-1993.⁵

Unfortunately, by the combined decision of Britain’s Prime Minister Margaret Thatcher, France’s President François Mitterrand, and President George Bush, a policy was adopted, which was directly opposite to what I had proposed at Berlin in October 1988. As a result of the 1989-2001 continuation of those policies, aimed at ruining the economies of both Germany and the former Comecon states, which were jointly launched by Thatcher, Mitterrand, and Bush during 1989-90, not only has the former Soviet power collapsed, but the world’s economy as a whole is presently at the brink of the most disastrous economic collapse in modern history.⁶

In my warnings, during the 1982-1983 period leading up to President Ronald Reagan’s March 23, 1983 announcement, I had emphasized that the military side of my proposal for strategic ballistic-missile defense, was only the surface of the strategic policy I was proposing. Both the U.S. and Soviet economies were then already far advanced in their decay, down from the levels of long-term physical vitality both had commanded until about the mid-1960s.⁷ Without a “crash” kind of science-driver program, akin to the economically suc-

1. The author is a registered candidate for the 2004 U.S. Presidential nomination.

2. National TV network broadcast, March 23, 1983.

3. This forecast proved entirely correct.

4. Jonathan Tennenbaum et al., *Das ‘Produktive Dreieck’ Paris-Berlin-Wien: Ein europäisches Wirtschaftswunder als Motor für die Weltwirtschaft* (Wiesbaden: EIR Nachrichtenagentur GmbH, August 1990); “The Economic Geography of Europe’s ‘Productive Triangle,’ ” *EIR*, August 3, 1990;

5. Organizing around this report began about 1990. A full report was issued June 9, 1991, as an *EIR* Special Report, “Can Europe Stop the World Depression?”

6. LaRouche’s “Ninth Forecast” was published in *EIR*, June 24, 1994, under the title “The Coming Disintegration of Financial Markets.” For the policy implications of the confirmation of that forecast by subsequent events, see also Lyndon H. LaRouche, Jr., “Trade Without Currency,” *EIR*, August 4, 2000.

7. A useful date of reference, would be British Prime Minister Harold Wilson’s pound sterling collapse of Fall 1967, and the ensuing March crisis of the U.S. dollar.



The quality of discovery which can change the world: the breakthrough made by Greek Classical sculptors, which enabled them to show the moment of change—“becoming”—in stone, was the mark of that quality by which mankind survives crises, and remakes the world.



successful Kennedy space-program, both the U.S. and Soviet economy were self-doomed to that collapse inhering in their respective, current policies of economic practice. The most notable difference in their situation, was that the risk of a Soviet collapse, was relatively more immediate at that time, than the prospect for an ensuing U.S. economic collapse. The only feasible medium- to long-term alternatives for such collapses, was a “crash program” type of science-driver upturn, which would be intended, and gauged to reverse the damage already done to the world’s physical economy by the policy-changes of the 1966-1983 interval.

Thus, I had argued, since even two years earlier than my strategic-defense proposal of Summer 1979, that the need of both super-powers for economic recovery vastly outweighed the adversarial issues between them. Yes, we should free the world from the grip of strategic-missile blackmail, but we should use the need for such a defense as the pivot for a global “crash economic-recovery” effort, from which both sides would benefit.

The essential difference between the 1989-1991 collapse of the Soviet system, and the presently onrushing collapse of the world economy of the Anglo-American powers, was chiefly in their timing. Both have been on the road to collapse since about the time of President Richard Nixon’s 1966-68 election-campaign.

Looking back to my Washington, D.C. discussions of February 1983, the correct view of the world situation today, is expressed by saying that “Two economic systems have collapsed. Russia is now struggling to rebuild itself out of the wreckage left by the collapsed and carpet-bagger-looted Soviet system; the Anglo-American system is now at its fag-end.” Still, after all that, the ruling monetary powers of today’s world are, chiefly, engaged in desperately defending a post-1971 world monetary system which was always foredoomed to fail, and has now reached the advanced stage of the crisis, under President George W. Bush, that that world system could not be saved in its present form, even for a relatively short-term period.

So, today, we are assembled here, under the auspices of the written word, to consider, *not* whether the continued existence of the United States is still possible; the question is, whether it is possible that the United States might choose the available road to survival. Classical philosophy, properly defined, is the only branch of science in which possible solutions to such a crisis in decision-making can be rationally discussed.

The leading founders of the United States, and their fore-runners, such as Benjamin Franklin and Cotton Mather, would have agreed with my emphasis upon philosophy. Sometimes, to survive, one must know how to swim. The

problem today, is the relatively vast numbers from recent crops of university trained professionals, in or outside high positions in government, who, like the “Ozymandias” from Shelley’s poem, neither know how to swim in the waters of Classical philosophy, nor would be willing to learn, even if the survival of their nation depended upon it.

As in many other matters, today’s universities, and their textbooks, have degraded what is taught under the rubric of “philosophy,” into the categories of teachings which are, usually, disgustingly trivial when they are not actually evil. Thus, as Shakespeare’s Doll Tearsheet spoke of Ancient Pistol’s title of “Captain,” so she might have spoken of the name of philosophy today: “God’s light, these villains will make the word as odious as the word occupy; which was an excellent good word until it was ill-sorted.”⁸ It were often necessary, as today, in dealing with serious matters at hand, to substitute another term for the misused name of philosophy: *epistemology*, the matter of the often hidden axioms of assumption which underlie the entirety of specific systems of thought. In the alternative, we might do as I do here, to use other ways to make the relevant distinctions sufficiently clear, that we have no need to seek a substitute for the name of philosophy.

So, if we are to understand the real universe in which cultures, even great empires, destroy themselves, we must begin, as I do here, by making a sharp, uncompromising distinction between my own choice, of historically rooted, Classical use of those terms, and that contrary, trivial or worse, use which is commonplace among the intellectual “bottom feeders,” the existentialists, pragmatists, empiricists, and logical positivists, of today’s academic life.

Despite all else, the term “philosophy” ought to be recognized as signifying the most important conception to be mastered, in attempting to deal with the menacing reality of current world history, even in the short term. The possibility of a continued existence of civilization, even in the relatively near term, depends absolutely upon leaders who govern themselves with obligatory attention to the practical significance of thinking philosophically, as I define philosophy here.

Thus, the following pages address a subject-matter which must be resolved as a philosophical problem of great urgency, a subject which must be addressed, as I do here, for the sake of the possible survival of the recently existing global civilization. For purpose of this review, I emphasize the form which the crisis assumes for the specific type of *globally extended modern European civilization*, focussing chiefly upon the immediate, short-term interval of the escalating global crisis currently in progress.⁹

8. i.e., “fell into bad company.” William Shakespeare, *King Henry IV: Second Part*, Act II, Scene IV.

9. The distinguishing characteristic of European civilization, is the combination of the Classical Greek cultural legacy, especially that of Plato, and Christianity. This is extended through the spread of Islam, which shares with Christianity, and the Mosaic tradition of Philo of Alexandria and of Moses Mendelssohn, the conception of man and woman as made equally in the image of the Creator of the universe, and as specifically empowered to rule

The most important, and most fundamental of the issues posed to us by this onrushing catastrophe, is: *As a matter of principle, to what degree, in what manner, and by what means, can man gain foreknowledge of the method by which to willfully change the current direction of his society’s destiny, for the better, in specific ways? Even to overcome, thus, the worst sort of impending, seemingly inevitable catastrophe, such as the presently onrushing one?*

Threatened by the present, overwhelming likelihood of a collapse of civilization, into a planetary new dark age of humanity, how might we change what I shall define here as the presently characteristic behavior of mankind, to bring this civilization to safety, even within the relatively short term?

I write here as a spokesman for what is sometimes called “the American intellectual tradition,” that European Classical tradition expressed in the writing of our 1776 Declaration of Independence and the Preamble of our Federal Constitution. Those institutions I defend, and see any proposal to consider superseding them, as far worse than useless, at present, or during the foreseeable future. The cause for our nation’s current self-afflictions lies in influences which have been contrary to that American intellectual tradition.¹⁰

The root of our current crisis, lies in the way in which policies contrary to that American intellectual tradition, have been brought to hegemonic positions, where they have lately ruled and ruined our national policy-shaping institutions. It is those superimpositions, alien to that tradition, which are ruining us. Therefore, no action possible within a framework limited to the currently hegemonic, errant policy-making assumptions of our government and most other influential institutions, could have any net effect but to ensure, even worsen the presently onrushing catastrophe.

I denounce not only the present policies of our government, or political parties, for example. Under lately corrupting, even implicitly treasonous trends, especially those of the recent thirty-five-odd years rise of Nixon’s “Southern Strategy,” our nation’s policy-shaping errors have become *systemic*. Our nation’s presently threatened doom, is neither accidental nor cyclical; it is systemic, as merely typified by

over all things within that universe. Other cultures, especially among those in Asia, do not necessarily proceed from that image of the nature of man specific to the European expression of the Judeo-Christian-Islamic current deeply embedded in globally extended modern European civilization. However, since European civilization is the world’s most powerful culture, as measurable in per-capita terms, the fate of the world as a whole is set in the context of the crisis within globally extended modern European civilization.

10. A notable example is former Secretary of State Henry A. Kissinger, who described himself explicitly as a proud foe of that “American intellectual tradition,” in a London Chatham House keynote address of May 10, 1982, “Reflections on a Partnership: British and American Attitudes to Postwar Foreign Policy, Address in Commemoration of the Bicentenary of the Office of Foreign Secretary,” as he had represented himself similarly in his *A World Restored: Metternich, Castlereagh and the Problems of Peace 1812-1822* (Boston: Houghton-Mifflin, 1957). He stressed that this had been his position while Secretary of State and National Security Advisor to Presidents Richard Nixon and Gerald Ford.

increasingly demented qualities of public utterances by the presently panic-stricken Federal Reserve Chairman Alan Greenspan.¹¹

By *systemic crisis*, I mean that we must uproot and replace many among the implied set of axioms which currently govern the selection of the kinds of changes in policy which those institutions, and prevailing public opinion, would be presently willing to tolerate. The possibility of surviving this crisis, depends upon selecting the right answers to the question: *Which adopted or implied axioms of present policy-shaping behavior of our government, and citizenry, must we replace, and replace with what, to bring about the needed, early change in direction toward survival and recovery of both the U.S.A. and civilization generally?*

1. The Issue of Historical Method

Given the fact, that man is a creature distinguished from the beasts by his free will, nothing is “in the cards.” In a truly sane society, there is no place of influence over policy-making, given to crystal-ball gazers, contemporary astrologers, “Biblical prophecy” windbags, or the like. So, the doctrine of “historical objectivity” preached by socialists such as the early Twentieth Century’s Kautsky and Plekhanov, for example, in claiming a certain kind of fatal, so-called “objective,” so-called “anti-voluntarist” ordering of history, never produced anything but ultimately catastrophic results for their followers, during that time. A similar outcome awaited such later followers of the same, virtually mechanistic doctrine of “historical objectivity,” as Soviet leaders Brezhnev, Andropov, and Gorbachev.

Once we acknowledge, that man is distinguished, *systemically*, from both the non-living and the beasts, by free will, there are, nonetheless, bounds which define what nature will, or will not tolerate from man’s free will. Free will is not the right of individuals, or even majorities of entire societies, to make arbitrary choices. As I shall present the case in the following pages, free will is a higher principle of law, otherwise called *reason*, or *natural law*.

There are special, higher qualities of universal lawfulness, operating at a higher level than the non-living aspects of our universe, or even higher than living processes other than the human species. These higher qualities of universal lawfulness, govern the way in which man is variously allowed, or punished for attempting to change the universe in which our species exists. It is that higher lawfulness, which we must adduce, if we are to become capable of foreseeing the most important of the consequences which our decisions, or lack of changes in habits, might bring about. Therefore, my use of

11. The most appropriate documentation of Greenspan’s tendency to disintegrate before TV cameras, appeared after the foregoing lines were written, in his appearance before the Congress on Tuesday, Feb. 13, 2001. In the popular vernacular of today, “This man has really lost it!”

“free will” is a qualified one; in my hands, it means that form of “free will” which coheres with that higher lawfulness which I have defined repeatedly, in published locations, as a *universal principle of physical-economic anti-entropy*.

Such were the issues of the Classical controversy between the heroic Prometheus, and tragic figure of the doomed, satanic oligarch Zeus and his gods of Olympus, in Aeschylus’ *Prometheus Bound*. That is the underlying nature of the crisis, which threatens to bring about the early doom of our United States under President George W. Bush, today. That latter, is the determining, underlying issue referenced by the subject of this report.

How shall we, then, select only those aspects of implicitly revolutionary, “free will” changes in the axioms governing policy-making, which represent a positive factor in the shaping of history?

Thus, the direction being taken by a society, is often flanked by the swamps defined by such lunatic extremes as either arbitrary, existentialist kinds of choices, or capitulation to fatalism. There are discoverable pathways, leading upward from such perilous terrain, as that into which careless opinion has presently misled most nations. The point is, to know how to instruct free will in selecting society’s appropriate, *axiomatic* choices of historic pathway.

This view and practice of the making of history, is what I have defined as a scientific basis for the application of the *voluntarist* method. It is the use of that method, so refined, which must be mastered, and applied, if civilization is to escape the horror which presently besieges us. In this report, I situate that voluntarist method, from the vantage-point of Leibniz’s development of his notion of *monadology*.

At a time when all influential policy-shapers who are *not* philosophical voluntarists, will tend to behave as bunglers, the following question is posed: *by means of what voluntarist intervention, by the rest among us, can the necessary change in direction be brought into play?*

The Problem of Historical Specificity

Whenever that discussion touches the matter of stated or implied claims to knowledge of universal principles, we should focus sharply upon a certain special problem, that of *historical specificity*. For our purposes here, we shall define and re-examine this question of historical specificity from the vantage-point of Gottfried Leibniz’s notion of *monadology*.¹² That topic of method, so situated, is the following.

For reasons which I have defined extensively within earlier writings, any discussion of this topic, must situate itself

12. See *Gottfried Wilhelm Leibniz: Philosophical Papers and Letters*, Leroy E. Loemker, ed. (Dordrecht [Netherlands]: Kluwer Academic Publishers, 1989), pp. 592-721. References are implicitly to Leibniz’s *Theodicy* and posthumously published *New Essays*, the latter refuting John Locke in terms which played a decisive role in shaping the concepts and language of the 1776 U.S. Declaration of Independence. See, Philip Valenti, “The Anti-Newtonian Roots of the American Revolution,” *EIR*, December 1, 1995.

by efficiently implied reference to the accumulation of knowledge possessed by mankind, and, more narrowly, by any specific culture, up to the time of a current discussion. In other words, the investigation of matters pertaining to the question of method set forth at the outset of this report, must adopt its empirical basis from the history of the efficient effects of the previous development of *ideas*, as *Plato defined the term ideas*, and as *Leibniz defined the Platonic idea of a monadology*.

Such is the setting, in which a specific culture, at a specific time, is faced with a specific challenge to its continued existence. That challenge must be seen as that culture is situated not merely within the context of the world's geography, but also the legacy of that society's cultural development, accumulated from all human history, up to that time. This retrospective view defines the broad meaning of *historical specificity*.

For example, that great artist and historian, William Shakespeare, proceeding from the legacy of England's Sir Thomas More, located the immediate historical specificity of Sixteenth-Century England in a series of historical dramas, culminating in the accession of Henry VII (Richmond) as the great reformer who created a modern England to match the model provided by the kindred, successive achievements of Jeanne d'Arc and Louis XI in France.

Thus, from that portion of Shakespeare's work, we have the unfolding of English history under the impact of imperial Venice's orchestration of the role of the Norman oligarchy throughout Europe and the Mediterranean region more broadly, over three centuries, from the time of King John I (during the time-frame of the Second through Fourth Crusades), through the Hundred Years War and the Wars of the Roses. This is a very specific chunk of English history, as also of France and of Europe and the Mediterranean region as a whole. To understand that history, we must recognize it as having a specifically coherent character, a specific character which must be brought to bear, if we are to become capable of understanding the development occurring in that setting over the sweep of centuries, and impacting relevant parts of the world, in historically specific ways, still today.

The characteristic feature of that three centuries of history, is the *relative* inevitability of such catastrophes as the mid-Fourteenth-Century New Dark Age, resulting from the defeats of the opponents of Venice's imperial maritime rule during that entire period. The Hundred Years War and the Wars of the Roses in England, represent the continuing calamity for Europe as a whole, inhering in that continued Venetian influence.¹³ Thus, the coincidence of the role of Jeanne d'Arc with the preparations and outcome of the great ecumenical Council of Florence, the subsequent victory of Louis XI in



Schiller's treatment of Joan of Arc, in his drama The Maid of Orleans, shows the power of the great poet-historian to bring forth the essence of the true history of a people by the devices of the Classical stage.

France, of Henry VII in England, and the launching of the great transatlantic voyages of exploration, such as that of Christopher Columbus, which was organized by Nicholas of Cusa's circles from the great Council of Florence, typify a revolution against the evil inhering in the preceding centuries' use of Norman puppets by Venetian thalassarchs: the Fifteenth-Century Renaissance, the revolution against the Venice legacy on which all of modern European civilization's achievements have been premised ever since.

The dramas of Friedrich Schiller, as the transmission of the heritage of Shakespeare into the German Classics, was influenced, through the work of Kästner and Lessing, represent today a still higher standard of historian's skill than Shakespeare, although both are typical of the heirs and spokesmen of the Fifteenth-Century Renaissance. Schiller's studies of the Spanish war against the Netherlands, the Thirty Years War, and of the case of Jeanne d'Arc, show the power of the great poet-historian to bring forth the essence of the true history of a people by the devices of the Classical stage.

This is the same principle expressed in any performance of J.S. Bach's *St. John Passion* and *St. Matthew Passion*, which is conducted as Bach had intended the organic participation among composer, soloists, chorus, and congregation. The intention is that all, composer, soloists, chorus, and congregation, might *participate in reliving that passion within their own cognitive experiences*. Mozart's *Great Mass*, his later *Requiem*, and Beethoven's masses, express the use of art to bring about a truthful cognitive experience of the reliving of history, shared among composer, performers, and audiences. These are not fiction, not entertainments, but the adducing of the cognitive reality of history, as distinct from a reductionist's dumb reading of the shadows on the wall of a dimly firelit

13. By "relative inevitability," I signify the consequences inhering in stubborn adherence to a defective set of implied axiomatic beliefs and the practices associated with them.

cave, or, as seen darkly in a mere sensory mirror of reality.¹⁴ The superior truthfulness of great Classical art, on this account, is that it accomplishes the essential function of enabling the audiences, among others, to relive the cognitive experience of the historical subject to which the art, or an appropriate form of religious service, refers.

As I have elaborated on this point in published locations, the truthfulness of Classical artistic compositions, such as those of Shakespeare and Schiller, lies in their insight into the uses of the Classical stage, as a domain distinct from the panoramas outside. The idea presented on the Classical stage, must be a truthful representation of the idea underlying the sensory experiences of the panorama, but, the panorama and the stage are different media, differing to that effect, that, to present the idea of certain events on a vast area and lapse of time, *compactly* on the stage, the composer must, as Schiller did with the figure of Posa in *Don Carlos*, create on stage the *idea* which may not correspond exactly, in every detail introduced, to the actual history, but corresponds, with historical truthfulness, to the essence of the historical reality referenced. The truth remains the same in both cases, but the media upon which the truth is staged, differ. There is no excuse, for writing tragedy as fiction, nor for interpreting Classical tragedy as the writing of fiction. Thus, no great tragedian would ever compose a work in response to some arbitrary choice of subject-matter; he would always choose a subject whose treatment was faithful to real history, and would choose only subjects for which he had first discovered a truthful representation of the real-life tragedy, a truth demonstrable, on stage, by the means available to him.

To understand the flaws and accomplishments of all Classical tragedy, from the Homeric epics through Schiller's dramas, real history must be read, and portrayed with the eyes of Plato's dialogues, as an exercise in the search for cognitive discovery of important truth.

Together with Plato's devastating moral criticism of the greatest Classical Greek tragedians before him, Schiller's historical studies, as reflected in his dramas, typify what should be understood by the term "Classical philosophy." The comparison of Schiller's treatment of Jeanne d'Arc, to Shakespeare's tragedy of Hamlet, shows that higher level in Schiller, as Plato's dialogues supersede the methods of such great artists as Aeschylus and Sophocles.

By the very nature of the subject-matter, much of the actual history of mankind in general, even our own nation, is unknown to us; however, despite that shortfall, we must and can, nonetheless, reach conclusions which have a relatively universal authority, relative to the recent millennia of the emergence and development of today's globally extended European civilization, especially six centuries of modern European civilization, and, also relative to those conclusions

which have bearing on effects which might be projected for a period as long as several generations into the future.

Schiller's greatest achievement, beyond what Shakespeare accomplished at his best, lies in Schiller's degree of emphasis upon the principle of the *sublime*.¹⁵ This distinction is shown most efficiently in his treatment of Jeanne d'Arc. Classical tragedy tends, too often, to show how a society destroys itself, often by the deep-going moral defects of those it has chosen to place in positions of great authority, as we might be worried about the newly inaugurated President George Bush, today. That is useful, and uplifting for the audience which recognizes the possibility of a willful choice of alternative to tragedy. However, it were better to affirm the alternative, which, as in the real-life case of the Jeanne d'Arc treated by Schiller, locates the higher meaning of life and purpose of action, as in Beethoven's Opus 132 string quartet, in the sublime.

What we may claim, or might strongly suspect to have been known, from such an actual history of *ideas*, must be defined in two quite distinct, but connected categories.

In the first, straightforward case, there are some things which we can show from the past, as having been both explicitly known at that time, and can be known to us today, as either relatively valid, or clearly mistaken beliefs, as each are encountered in such specific, earlier, cultures and times. We can thus adduce corresponding, necessarily underlying assumptions of principle which are implied in the work of an historical predecessor.

Then, in the alternative, we have the muddier waters, in which the actions considered express relevant, underlying, adducible principles, which the relevant representatives may, or may not have explicitly claimed to know, or, cases in which, those who apparently claimed knowledge, left us, today, without indications of desired forms of proof which we might presently replicate.

Heraclitus & Plato, For Example

Typical of the problem of supplying presently relevant distinctions of this type, are matters posed to us by implied attributions of certain essential ontological notions, for example, to pre-Socratic thinkers such as Pythagoras, Thales, Heraclitus and their predecessors. As an illustration of that point, compare what we know of an apparent convergence between the views of Heraclitus and Plato, respectively, on this account.

For example, in the work of Plato, we encounter a definite, knowledgeable clarification of an argument, defining the essential nature of the quality of existence as *becoming*, as axiomatically, universally opposed to the reductionists' naive reading of fixed objects such as those of sense-perception. A similar argument by Heraclitus, is referenced by Plato him-

14. *I Corinthians* 13.

15. See Friedrich Schiller, "On the Sublime," in *Friedrich Schiller, Poet of Freedom*, Vol. III (Washington, D.C.: Schiller Institute, 1990), p. 255.

self, but the surviving fragments of Heraclitus's writings tease us, as if to tempt us into making extrapolations which may or may not be valid ones. Plato appears to admire Heraclitus' notion of becoming, but, as we may be limited to the fragments of Heraclitus more or less known to us, we can not be certain, as a matter of knowledge, that Plato's concurrence with Heraclitus on this point is thorough-going, is admissible for extrapolation of it as universal in quality. I mean, in the sense that we must attribute functional universality, to any validated *idea* defined in the strict, cognitive sense of the term *idea*.¹⁶

Plato's method in treating of existence as *becoming*, as implied in the famous allegory of Plato's Cave, shifts the question of the nature of existence, away from the illusory inferences of ignorant sense-certainty, up and away from what is sometimes termed "vulgar materialism." The primary empirical expression of existence, is located by Plato, where it must be situated, as *a universal ontological principle of change*, rather than those deductive, or kindred relations among the sense-certainty-like objects so greatly esteemed by the reductionists. Although Heraclitus pointed toward a similar alternative to reductionism, with his "nothing is constant but change," it is only from Plato that we first obtain the dialectical form of exposition which enables us actually *to know that principle, from a cognitive standpoint*, as a physically efficient, universal one.¹⁷

For example, some of the most important of the practical ideas on which the actual achievements of modern civilization depend, meet the requirements of expressing necessary ideas, but we can not show, with certainty, that the author we reference, in each case, was conscious of that implication of the way in which we may wish to adduce that idea from a modern standpoint in scientific method: as if it were an idea apprehended from a dialectical statement in terms of a *geometry of position*. That latter method, named "Analysis Situs" (Geometry of Situation) by Gottfried Leibniz, and known otherwise as "geometry of position,"¹⁸ was later developed by Gauss, Abel, Riemann, et al, into the general form for expressing experimentally-defined ontological paradoxes, that, in math-

16. Autobiographically: during 1951, the puzzle posed by the similarities and differences between the import of the known fragments attributed to Heraclitus, and the clarity of Plato's argument on the ontological implications of "becoming," prompted a crucial turn, at that time, in my own approach to the problems of a science of physical economy. The qualitative differences among the Homeric outlook, the pre-Socratic thinkers, that of the Classical tragedians, and Plato's dialogues, must be appreciated if any useful knowledge for modern use is to be adduced from the study of the work of any among them. If a reader were curious as to where I developed the passion for historical specificity which I stress here, the answer is implicitly provided him in the present location.

17. See discussion of "ideas" known "from a cognitive standpoint," later in the course of these prefatory remarks. This concept of *ideas* is a central feature of all of those of my ideas which I consider important ones. It is pervasive in the writing of these pages. See, Plato, *Parmenides*.

18. Loemker, op. cit., pp. 247-248.

ematical terms, not possible within the framework of a conventionally deductive mode of mathematical argument.¹⁹

The distinction I am making here, is, admittedly, a fine one, but, nonetheless, like Kepler's discovery of astrophysics, in opposition to the blundering method of Copernicus, or the devastatingly infinitesimal difference between Leibniz's definition of the calculus, and the fraudulent version concocted by Leibniz-hater Leonhard Euler, Lagrange, and Cauchy, it is a crucial difference for science as a whole. Therefore, we must be certain that we understand one another clearly on this matter of seemingly fine points of distinction.

Sometimes, we know, with certainty, that the source referenced did *not* make a discovery of the form which wishful thinking might attribute to that source.²⁰ At other times, as in certain cases, such as Plato's reference to Heraclitus' notion of an ontological principle of universal change, we can not be certain that Heraclitus intended fully what Plato intends as the universality of an ontological principle of change; we simply lack the quality of evidence adequate to support the conclusion that Heraclitus intended the kinds of universalist implications which we can, and must adduce from Plato's conception. The need for caution in this comparison is underscored by the implications of *the historical specificity* of the lapse of time between the life of Heraclitus and the work of Plato. Similarly, in using the term "Christian platonism," we must take into account the historical specificity of the lapse of time between the death of Heraclitus and the birth of Christ.

This is a fine distinction, but not so fine that it can be competently overlooked. *It is a distinction which we must make, whenever the matter at hand involves staking the future of society upon a correct, historical appreciation of some deep universal principle*, as I am doing in these pages.

The Use of Analysis Situs

In such cases, where fine distinctions are obligatory, we can be certain of the author's intent, only if the author's work

19. Bernhard Riemann, "Über die Hypothesen, welche der Geometrie zu Grunde liegen" (1854), *Bernhard Riemanns Gesammelte Mathematische Werke*, H. Weber, ed. (New York: Dover Publications reprint edition, 1953), pp. 272-287; "Theorie der Abel'schen Functionen" (1857), op. cit., pp. 88-144; and other locations, in the same collected works. It is from the standpoint of the first cited work, the 1854 habilitation dissertation, that the physical basis for Riemann's work on the implications of Abelian functions and topics of hypergeometry must be located.

20. For example, Isaac Newton did not discover a principle of universal gravitation; he produced a bungled effort to plagiarize the available, published edition of Kepler's *New Astronomy*, which Newton and his associates had available to them in England at that time. Furthermore, as Newton's three-body paradox illustrates this fact, Kepler's principle of universal gravitation can not be adduced from what Newton et al. vulgarize from their reading of Kepler as "Kepler's Three Laws." Similarly, Copernicus did not "discover" the Sun as the center of the Solar system; this was ancient Greek knowledge, long before the hoaxster Claudius Ptolemy, and was emphasized by Nicholas of Cusa during the Fifteenth Century. Kepler showed that Copernicus' method could not have produced such a conclusive, original discovery of principle.

presents the idea in the form of the method of cognition expressed by Plato's Socratic dialogues. In modern terms, that is the method which I reference here by such terms as "Analysis Situs" and "geometry of position." That is the mathematical method of physical science, as opposed to the deductive, "ivory tower" constructs of the "Euclidean" geometries and related constructs of the reductionist mathematicians.

In physical science, as the example of atomic and nuclear physics underlines this fact, knowledge is never defined as empiricists and some others imply, by sense-certainty. Rather, as Plato illustrates the point by his allegory of the Cave, sense-certainty is like the irregular surface of the wall of a dimly lit cave, on which the movements of the shadows reflect real action, but do not show us directly the action itself. Thus, in physical science, we know something only to the degree we are able to demonstrate that existence of the real action, and its efficient characteristics, through experimentally verified cognitive insight. To the extent that we recognize an object solely by means of our senses, we do not actually know that object. We actually *know* only that which we know with the quality of scientific rigor, in the cognitive, anti-empiricist, anti-Kantian, way which the method of Analysis Situs reflects.

That dialectical method of Plato, on which Kepler and Leibniz relied, is reflected in modern scientific practice in the rigorous form identified by the terms "Analysis Situs" and "geometry of position." It is the method demonstrated, pervasively, in Plato's Socratic dialogues. It is the method of Carl Gauss, as Riemann, as in his 1854 habilitation dissertation, brings Gauss's work on this to general form of expression for physics as a whole.

Rather than say, simply, "ideas," let us qualify that, by stating that I mean both the process expressed by the original discovery of an idea, and also the process of the communication of that idea, *as an idea*, from one person to another. The principles of original discovery of an idea, as typified by the original discovery of an experimentally validated universal physical principle, are identical to the means by which such an idea is communicated, as actual knowledge of that idea, from the cognitive processes of one mind, to the cognitive processes of another person.

On this account, when we use the term "idea," as Plato, Kepler, or Leibniz would, we mean, either the quality of idea associated with a universal physical principle, such as Kepler's original discovery of a principle of universal gravitation, as Kepler details this, step by step, in his *The New Astronomy*,²¹ or the idea of communication of such an idea to

21. Johannes Kepler, *New Astronomy* (1609), William Donahue, trans. (Cambridge: Cambridge University Press, 1992). The reader is cautioned against the hoax featured in the translator's and Owen Gingerich's fraudulent disregard for Kepler's explicit condemnation of the incompetent method employed by Claudius Ptolemy, Copernicus, and Tycho Brahe, the condemnation of those persons for a falsification of what is, in fact, what Kepler identified as the crucial characteristic of his revolutionary accomplishments in this work taken as a whole. Reading that foreword and the translator's

another individual person. Or, we mean the notion of an idea common to both such discoveries of a validated universal physical principle of non-living processes, or of living processes, and also the idea of the communication of ideas of that *specifically cognitive quality, as ideas are defined by Plato*, from one person to another.

In the first of the foregoing classes, we are pointing to ideas concerning the reciprocal relationship of the "normalized" case of the individual representative of humanity to nature. In the second class of cases, we are referring to that lawful, functional aspect of social relations (e.g., communications), in which ideas respecting either man's individual relationship to nature, or ideas of man's communication of ideas, are themselves communicated as ideas. These latter are communicated to other persons, that in the form of specifically cognitive qualities of knowledge. In the second class of cases, we should be judging such communicated ideas as in the form of hypotheses, subject to a principled form of experimental validation. The validation is defined, as to be measured in terms of society's increase of its power to exist, in and over the universe, in physical terms. Typically, this validation is to be measured per capita and per square kilometer of a normalized cross-sectional area of the Earth's surface.

In that modern case, we can say that we know the subject author's intent, because he obliges us, in that way, through that *specific faculty of cognitive insight*, to replicate the discovery of the intent of the experimentally verifiable idea in our own cognitive processes. This principle governs the way in which communication of ideas, as Plato defines *ideas*, occurs among living persons; it is also the way in which ideas are communicated, as *ideas*, from the past to the present, and to the future.

In opposition to that single step of perception, through which we learn to recognize objects in the form of sense-perceptions (e.g., the empiricist's brutish notion of "sense certainty"), the individual act of knowing an *idea* requires three steps. First, there must be the recognition of a true paradox of an ontological form, in judging observed phenomena from the standpoint of what were previously considered universally valid ways of interpreting such apparent types of phenomena.²² Second, there must be an act of *hypothetical* discovery of some universally efficient principle, a discovery

introduction, one might imagine a detective pointing to a freshly killed body lying bloodily on the living-room floor, and the witness's responding, "I don't see any body!"

22. The same function is performed in Classical poetry, and in literate forms of written and spoken speech, by irony in general, and metaphor in particular. Notable is Galileo-trained Thomas Hobbes' hatred of metaphor. Metaphor, which is the literary expression of the same principle as Analysis Situs, is the use of language in which cognition is expressed. Since Hobbes, in the footsteps of Galileo's master Paolo Sarpi, is committed to denying the cognitive nature of the human individual personality, as distinct from the beasts, he, like his professed admirer and follower Henry A. Kissinger (op. cit.), is obliged, by his hatred of both man and reason, to demand the exclusion of human behavior from the composing of literature.

which solves the paradox. Third, there must be an experimental test of the discovery. That must be a test designed, not merely to show that the hypothetical principle works in some cases, but must work as an integral part of knowledge as a whole. In other words, the test must show that the hypothetical principle is either universal, or not. If not, it is not a principle.²³

Since the first and third steps are both demonstrated experimentally, a second person who repeats those steps recognizes the successful nature of the thought which engendered the hypothetical discovery in the mind of the original discoverer, as recreated in his own. It is in that way, that the imperceptible is known, because the existence of that idea is efficient in controlling the shadows on the wall of Plato's Cave. This sharing of the act of discovery of an experimentally validated principle, defines an *idea* of the Platonic type. Ideas of principle generated and validated in this way, thus represent communicable, and also efficient ideas for practice, even though the idea itself is not visible to the mere senses.

Thus, the subject of history, properly apprehended, is the history of ideas, as that is to be defined in the terms which I have just summarized. Thus, the only valid idea of history, is the history of ideas.

In *Analysis Situs*, the evidence of a contradiction is stated within the terms of a pre-existing, referenced set of ideas of principle. Such a set of ideas might be the notion of the physical universe consistent with a so-called Euclidean model, as in the case of the paradox which prompted Fermat to discover a principle of quickest time governing the propagation of light. By stating the case for reflection, as in contrast to the case for refraction, Fermat defined an ontological paradox existing within the so-called Euclidean domain of then widely-taught ideas of the physical universe. The experimental validation of Fermat's discovery, as by Huyghens, and by the anti-Newtonians Leibniz, Bernouilli, and Fresnel later, defined the principle of universal least action as not merely an hypothesis, but a validated idea corresponding to a universal physical principle.

Thus, to summarize what I have just said:

In all cases, the efficient generation and communication of ideas occurs, as I shall show at a later point in this report, solely in the paradoxical form of *Analysis Situs*, or *geometry of position*, each mutually contradictory pair of elements of which, expresses the typically underlying form of crucial statements of a Socratic dialogue. For the simplest valid classroom presentation of the point, consider again Fermat's contrast of reflection to refraction, as a paradox which defines a universal principle of quickest time, as superseding the mistaken conception of shortest distance. This is a typical example, as a statement, of the way in which a validatable discovery of universal principle is generated, by stating the relevant paradox in the form of geometry of position.

23. This is sometimes known as the principle of "unique experiment."



Max Planck (1858-1947). His definition of the quantum of action, and his defense of scientific method against the positivists, typify experimentally validatable ideas of universal physical principle, which are prompted by paradoxes which have been presented in the rigorous form of statement required by geometry of position.

The communication of an idea occurs in the same, three-step way just summarized.

This explicitly Platonic dialectical method, as employed by such as Plato, Nicholas of Cusa,²⁴ Kepler, Leibniz, and Riemann, is, contrary to the hoaxster G.W.F. Hegel, et al., the only meaningful use of the term "dialectical method." This is the method by which all discoveries of validatable ideas are prompted, and the basis for the design of experiments which test the universality of the hypothetical principles generated within the mind by the prompting statement of an ontological paradox in the form of geometry of position.

These ideas are not images of sense-perception, but experimentally demonstrated discoveries of solutions for paradoxes which inhere in the flawed nature of sense-certainty as such. The discovery of principles, beyond the reach of sense-perception, in the domain of microphysics, typifies the notion of experimentally validatable ideas of universal physical principle, which are prompted by paradoxes which have been presented in the rigorous form of statement required by geometry of position. Max Planck's definition of the quantum of action, typifies this, as does his defense of scientific method against the fanatical followers of the positivist Ernst Mach.

It is the discovery and experimental validation of those ideas, beyond sense-certainty, generated by the prompting action of a paradox stated in the form of geometry of position, which we are able to recognize as *knowledge*, as the strictly defined use of that term, knowledge, is to be distinguished from both merely fantastic illusions, such as symbolism, and naive interpretations of literal sense-perception. It is only such

24. In the founding of modern experimental physical science, in Cusa's *De Docta Ignorantia*, the point of origin of the work of Luca Pacioli, Leonardo da Vinci, William Gilbert, and Johannes Kepler, and such as Leibniz, Gauss, and Riemann after them. This method was known, as during the Sixteenth Century, as the Socratic method of *docta ignorantia*.

ideas, so defined, which constitute *knowledge*, as distinct from *mere learning*.

How To Use History

Even in the case, in which the replication of a relevant physical experiment, demonstrates, dialectically, the feasibility of the application specified by an author, if we lack access to a specified cognitive exercise, as might have been provided by the referenced source, we are left with a certain degree of uncertainty respecting that source's intent. By observation, we might conclude that the result is a plausible one, on the surface; but, we do not recognize the way in which the author reached that conclusion. In other words, we witness the result, but we do not actually *know* the process, *from that source*, by which the supposed discovery of the result was accomplished.

In other words, the minds of discoverers from the past are able to communicate with our minds, even if that discoverer were long deceased, through the three-step method outlined above. So, we, too, are empowered to communicate to the minds of persons who will be conceived and born long after we are dead. This relationship, defined in terms of ideas, among past, present, and future, is the equivalence of the idea of history to the history of ideas. It is not through learning rooted in sense-certainty, but only through the cognitive communication of *ideas* of a Platonic quality, that we are in efficient relationship to humanity as a whole, to our predecessors, our contemporaries, and our posterity alike.

This carries us a very important step, above and beyond the elementary, three-step process of discovery and communication summarized above. When we act as individual cognitive beings, rather than like beasts, rutting like pigs in the trough of sense-certainty, the powers of cognition which we bring to bear upon anything like an ontological paradox, reflect the full weight of our individual cognitive experience of previous generations, implicitly all humanity which has existed to date. So, the mere existence of the development of language typifies such a cumulative impact of the cognitive experience of the past upon the individual in the present.

This points to the indispensable role of a Classical-humanist mode of universal primary and secondary education for all members of our society. The primary goal and function of education, must be to enable the young, in particular, to relive the important cognitive experiences of past generations, especially the great discoveries and the great crises of earlier cultures and peoples. It is in the seeking of cognitive truth, in such Classical-humanist modes of education of the young in ideas, that education provides a foundation for the moral development of the character of the young person, and, hence, also the adult.

The superior moral character of the individual enjoying the benefits of a Classical-humanist education, in contrast to today's more popular practices, expresses itself not only in the development of persons who are usually more moral, more sane than in other parts of the population, but endowed with

superior qualities of intellectual achievement in whatever profession takes them up. Thus, the idea of an historically so-defined generality of cognitive development, points to an induced state of mind described as the expression of a principle of higher hypothesis, expressed, typically, as the individual's power to generate entire families of discoveries.

Thus, in the cases in which our access to the intent of reported ideas is not in the form suited to cognitive communication of past with present generations, we can not be confident that we actually know the idea of that earlier generation merely from the facts transmitted to us. Where such doubt arises, we can neither claim that that author's intent in the matter corresponds to our own cognitive insight into the matter, nor, as in the referenced case of Heraclitus, can we disregard the efficiency of the experimental evidence which might support that author's pertinent, apparent conclusion. We could never understand history, and the making of history, until we have adduced the reliable principles involved in such crucial cases of shadings of difference in interpretation.

We can not ignore the influence of apparent ideas of principle, even in the case we remain uncertain as to whether or not a certain people understood efficiently the idea by which their shaping of their history was influenced. Even provably false ideas, if they command that practical relevance, such as the provably false and poisonous notions of empiricism, can not be ignored, but must be given critical consideration, if not implicit trust, in our accounts.

Thus, in our efforts to account for what we presently know, from our familiarity with some relevant aspects of the earlier existence of mankind, we actually know, chiefly, only certain slices from that relatively tiny span of human existence which we study as that portion coinciding with so-called recorded history. Even from much of that record, our available evidence is fragmentary and otherwise imperfect.

On account of such imperfections in the record available to us, we must pay special attention to the possible implications of what we do not know, and also to those border-areas, in which our knowledge is imperfect, as in such cases from Greek history as Pythagoras, Thales, and Heraclitus. The achievement of the degree of rigor we must apply, to be justified in stating, "I know," depends upon our sensitivity to the possible implications of that which we do not know.

This precaution, as it applies to study of the past, is the indispensable training of the mind in the kind of discipline required for work in areas in which history has yet to come into existence, in the effort to present reasonable forecasts of the future. Without this rigor, we could not trust our estimates of the consequences of the choices of change in axioms we are considering for implementation.

Therefore, it is only through acquiring the habit of studying history as the cognitive history of the production of ideas, that we might develop what is best labelled an epistemological sense about ideas. It is when the term "philosophy" is used to point toward a matured, richly developed "epistemological

sense” of history, as the history of ideas, that the competent forecaster emerges.

On that account, there is little that pleases certain epistemologically matured discoverers more, than to discover that turning up the kind of evidence from what had been previously considered to be unknown patches in history, which shows that one was right, or wrong, in his attitude toward the possible significance of topical areas in which he had previously lacked knowledge. In science, we must make great leaps into the realm of the hypothetical; but, those leaps are permitted only to the degree we are epistemologically circumspect respecting opinions in areas from both past and future history, yet unexplored, as I have illustrated this warning in the foregoing remarks on the exemplary case from Heraclitus’ fragments. You shall discover below, why I place that repeated emphasis on that illustration.

With the modern followers of Plato, Nicholas of Cusa, Leonardo da Vinci, Kepler, Leibniz, Gauss, and Riemann, most notably, modern science is defined as a realm, in which the matter of the author’s conscious intent to claim a universal principle, is made known to us through the author’s reliance on experimental modes of demonstration of what are claimed as discovered universal principles. All topics within this specific realm, are immediately situated within the bounds defined by Plato’s work; on this account, we can not disregard relevant work which preceded that of Plato, but neither can we be certain that Plato’s predecessors saw these matters as we are able to adduce the clear intention of Plato and his indicated modern followers. Plato’s explicit reference to Heraclitus is a model case in point.

Before turning to the subject of the monadology itself, conclude this introductory section of the report with the following summary of the most crucial points we have presented thus far. To summarize that experimental method to which we have referred here, we have the following.

Discovery of a valid universal physical principle, begins with a set of facts recognized as as an ontological paradox. Such an *ontological paradox* must be, then, rigorously restated, in a mathematical or quasi-mathematical form, exactly as Fermat showed the paradoxical relationship between reflection and refraction. From this paradox, Fermat adduced a universal principle of quickest action, rather than shortest-distance for refraction of light.

Thus, prompted by the combined impact of Kepler’s discovery of a principle of universal gravitation, and Fermat’s principle, Huyghens, Leibniz et al., proceeded, through a series of relevant, well-crafted experimental designs, to Leibniz’s development of the original differential calculus, and to his later formulation of a general principle of universal least action. It was the latter formulation which led him directly, to his most crucial contribution to physical science, his monadology.²⁵

25. See note 2.

So, I went from defending Leibniz’s monadology, against Kant, during my adolescence, to my discoveries of the 1948-1952 interval, to Riemann. From there, I went to the “pre-Socratics” and Plato, and on from there, back to Plato and Leonardo da Vinci, and, thence, back to Nicholas of Cusa! So, I, too, like Leibniz, after Fermat and Huyghens, traversed the ironical pathway of the quickest time.

2. Monadology

The philosophically *voluntarist* method by which individuals might willfully bring about axiomatic changes in the direction of future human history, can not be efficiently defined as an undertaking, except from the standpoint implicit in Leibniz’s discovery of a *monadology*.

At this point, we must confront a problem, concerning the relationship between mathematics and physical science. Most modern university graduates in mathematics have, so to speak, stumbled and broken their intellectual legs, over this problem. The reason for those failures, is not that the subject of geometry, as we have to consider it here, is so terribly complicated. The problem is the impossibility of understanding what is actually an elementary proposition, which I am about to address here, without asking the reader to give up a certain commonplace prejudice, which spills over from the day-to-day beliefs of ignorant people into the secondary and university classroom, still today. To continue with our presentation, we must, at this point, pause amid the argument I have been developing, to make clear what is actually meant by so-called Riemannian geometry.

Prior to the introduction of the institution of the modern sovereign nation-state, which was first established during the course of Europe’s Fifteenth-Century, Italy-centered Renaissance, all known forms of society treated the majority of mankind as human cattle, hunted, or used, herded, and culled, like beasts, that by ruling castes and their armed and other classes of lackeys. This form of society was known as the *oligarchical model* of Babylon. Such was the tradition of ancient Babylon, the Sparta of the Delphi cult of the Pythian Apollo, ancient Rome, and feudalism under the hegemony of the combined forces of the imperial maritime power of Venice and its Norman allies.

This model was directly contrary to Christian belief. It was a violation of the Christian definition of human nature; but it persisted, nonetheless. It was not until the period of the great ecumenical Council of Florence and its aftermath in Louis XI’s France and Henry VII’s England, that the anti-oligarchical principle of the *general welfare*, or *common good*, was introduced as a condition for the legitimacy of government. The history of globally extended modern European civilization, since that time, has been a continuing conflict between the persistence of the old oligarchical model, as typified by the British monarchy, and the sovereign nation-state, as typified by the British monarchy’s leading adversary,

the American intellectual tradition. Every major war within European civilization since the Fifteenth Century, including the religious wars of the interval 1511-1648, has been an expression of the efforts of the oligarchical faction to stamp out the existence of the sovereign nation-state and the principles of economy associated with that nation-state model.

This principle of the general welfare, first introduced to government during the Fifteenth-Century Renaissance, is that expressed by the 1776 U.S. Declaration of Independence and the Preamble of the 1789 Federal Constitution. The typification of those principles of economy of a sovereign nation-state, is the anti-“free trade,” so-called American System of political-economy, as most widely recognized in connection with the names of Treasury Secretary Alexander Hamilton, Friedrich List, and Henry C. Carey.

The cases of France’s Dr. François Quesnay, Lord Shelburne’s lackey Adam Smith, and Immanuel Kant, are typical expressions of the kind of ideologies which the oligarchical faction has thrown up, in its attempted ideological counterattacks against the influence of the emergence of the modern sovereign nation-state. That is a problem whose typical effects are to be addressed, as a crucial interpolation, at this point of the report. Although man is naturally endowed with those creative powers of reason, cognition, which set man apart from and above the beasts, and although this principle of cognition is characteristic of Christian belief, as *I Corinthians* 13 and other sources emphasize, feudal society and its legacies sought to suppress those forms of cultural development which did not abort the development of the cognitive powers of the individual human mind.

That same anti-Christian campaign by European civilization’s oligarchical interests, has been often conducted through the use of pseudo-Christian cults. Such was the tradition of the slaveholder class in the relevant Southern U.S. states; such were the dogmas of economic and social policy of the Physiocrats and Shelburne’s Adam Smith; such was the central feature of the argument made by Leibniz-hating, pro-irrationalist Immanuel Kant, on behalf of the anti-Classical German Romantic movement of the late Eighteenth and Nineteenth centuries. Such was the Romantic, irrationalist basis for Nazi doctrine, for example.

Take Quesnay’s Physiocratic doctrine of *laissez-faire*, for example. Quesnay, whose ideology was in the tradition of the notorious, pro-feudalist, Norman *Fronde* and the legacy of the pagan worship of the Delphic Apollo under France’s self-anointed *Pontifex Maximus*, King Louis XIV, preached that the wealth of the feudal estates was a product of the landlord’s aristocratic title to that land, and the peasants on the estate merely cattle whose labor made no contribution to the gain of output over costs. Adam Smith’s doctrine of “free trade,” which was chiefly a plagiarism of the doctrine of Quesnay and other French Physiocrats of that time, makes the same argument. Such was the doctrine of John Locke, whose teaching, under the rubrics “Life, Liberty, and Property,” was the fundamental law of the Constitution of the Confederate States



King Louis XIV (1638-1715), France’s self-anointed Pontifex Maximus. In the tradition of the pagan Louis, François Quesnay preached that the wealth of the feudal estates were a product of the landlord’s aristocratic title to that land, and the peasants on the estate merely cattle whose labor made no contribution to the gain of output over costs.

of America, and the basis in taught slaveholders’ law for the maintenance of the system of chattel slavery, and prohibition against allowing literacy to “those of African descent,” under the Confederacy and its tradition since, to the present day.

Among the victims of such pro-oligarchical teachings and practices, the serfholders, slaveholders, and their like fostered a curious form of pseudo-Christian belief, sometimes called “Christian fundamentalism,” which was spread throughout much of what is called “The Bible Belt” today. Call it the “religious beliefs of those who are proud to consider themselves human cattle.” Consistently, the sundry varieties of this pseudo-Christian belief, with their notorious “single issue” style in grievances, were often lumped together under the rubric of the lowest of the “low church” cults, as the so-called Pentacostalists typify the more extremely irrationalist examples of this. Not surprisingly, the hard core of those “low church” fanatics is found in the same localities of the U.S.A. in which President Woodrow Wilson’s sponsorship of the revival of the Ku Klux Klan (KKK), and the influence of the so-called Nashville Agrarians, have been spread inside the U.S.A. during the course of the Twentieth Century.

These populist varieties of religious cults, and their echoes into secular society, are found typically among those un-



A Ku Klux Klan rally in Savannah, Georgia. The KKK, sponsored by President Woodrow Wilson, typifies the "Christian fundamentalism" of one grouping of pseudo-Christians, the "religious beliefs of those who are proud to consider themselves human cattle."

fortunates who view themselves, in practice, as an underclass, that of virtual human cattle. By the so-called "logic" of reaction-formation, they made a god in their own image, a god made in the image, not of man, but of human cattle, or the "golden calf."

As the spread of the policies associated with Nixon's Southern Strategy campaign of 1966-1968, turned the formerly industrialized regions of the U.S., on which the nation's prosperity chiefly depended, into what became known as a "rust belt," and as the skill-levels of employees, and number of jobs held, and hours worked or spent in commuting increased, the emphasis upon cognitive self-development in personal and family life dwindled, increasing thus the ration of the total labor-force which viewed its virtually unchangeable condition as that of almost slave-like human cattle, like the Southern "poor whites" under the rule of those slaveholders in whose interest the Confederacy was established.

As trends in popular culture, so called, plunged downward, during the recent thirty-five years, the almost brainless irrationalism of the lowest of the low-church types, the most human-cattle-like types, spread and worsened. The result of that has been the reaction-formation in which our nation's life is polluted, more and more, by those religious and kindred expressions of anti-cognitive irrationalism typified by the lowest of the low-church cults, such as those of Rev. Pat Robertson and Rev. Jerry Falwell. This trend is complemented by the soaring incidence of mental disorders within the population as a whole.

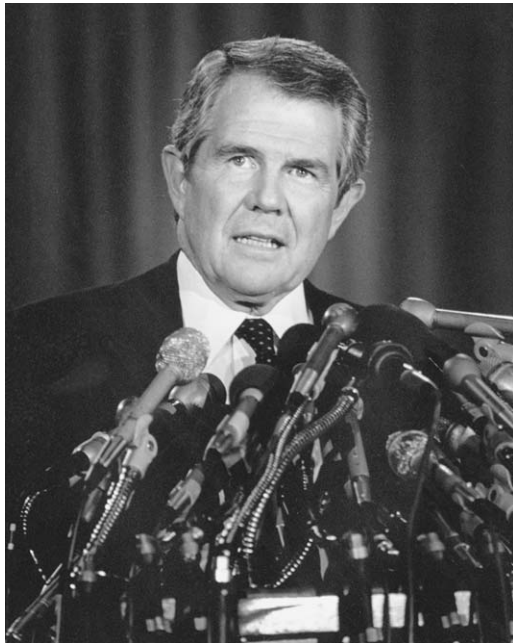
The result is, inevitably, both the spread of pseudo-Christian cults, echoing the Flagellant hordes of Europe's Fourteenth Century, and a growing hostility to everything rational in science and culture generally. The result has been, as in the moral and intellectual degeneration of Eighteenth-Century England under the House of Hanover, the transformation of a large and growing ration of our population into "Yahoos."

The popular ignorant prejudices among the victims of that populist disorder, read matters of science as curious religious

sects usually misread the Bible. The ignorant populist insists that "God wrote the Bible so that ignorant people like me" ("human cattle") would automatically have a perfect understanding of what is written in the translation "which we use in our church." They believe that everything can be explained in terms of simple sense-perceptions, and that this means that all objects perceived by their senses are floating about, moving in a kind of infinite "soup," of empty space, which has four, mutually independent senses of direction: up, down, sideways, and time. They believe that each of these senses of direction is infinite in length. In other words, today's populist varieties of religious belief are fairly described as either "Religion for Dummies," or, simply, "religion suited for the beliefs of those proud to be human cattle."

For that reason, if we put aside some of their wild-eyed notions about such exotic matters as "Bible prophecy," they believe in statistics and, therefore, in luck (e.g., gambling, mutual funds, etc.). Their idea of statistics, is based on the assumption that God designed the universe in such a way that it could be perfectly understood by dummies: everything one needs to know, can be discovered and proven by seeing, hearing, smelling, and touching. From the sermons in their churches, and their prayers, we observe a religion centered upon bargaining, at God's back-door, for personal favors, chiefly in matters of health, sexual gratification, and wealth. Their religion reminds us of dutiful slaves begging for hand-outs at the back door of the master's big white house. They believe that everything that the human senses can observe, can be understood by drawing more or less straight lines among dots on paper.

Put the son or daughter of such a populist type in school, and the student's family background will have prepared that student to accept the beliefs of Seventeenth-Century ideological types known as "empiricists," such as Galileo Galilei, Thomas Hobbes, René Descartes, John Locke, and Isaac Newton. In short, their ideas of physics are based on what is often called a "Euclidean" model of space, time,



Our nation's life has become polluted, more and more, by anti-cognitive irrationalism, typified by the lowest of the low-church cults, such as those of Rev. Pat Robertson (left) and Rev. Jerry Falwell.

and matter. Their religious-like family traditions cause them to reject any idea about the real world which is not consistent with the empiricist's pro-oligarchical doctrine of "God for Dummies."

It happens, of course, that the real world does not work in the way that so-called "Euclidean model" requires. Unfortunately, often, the mass of evidence which proves that the world does not work that way, does not convince the believing populist to give up his unworkable model of reality. Instead, he or she adopts, even invents superstitions, which pretend to explain away the evidence that the "Euclidean model" does not work, and places his confidence in a form of prayer which does not differ from black magic, turning to witchcraft, in the effort to compel a deity to bestow upon him benefits which reason and reality would never allow.

As an expression of the popularity of those superstitions, university students have often heard the professor instructing students to the following effect.

"Euclidean geometry is the logical form for the application of mathematics to describing of physical phenomena. This geometry consists of a collection of self-evident definitions, axioms, and postulates, all of which are given to us by a purely intuitive interpretation of nature and its phenomena."²⁶

26. Even worse than this "Euclidean" dogma, is the case in which the professor and his textbook fly from geometry into a more or less purely abstract algebra, or arithmetic, which contains all of the foolishness of the "Euclidean geometric" view, but does not remove the "Euclidean" dogma's flaws, but merely hides them from view, as Bertrand Russell acolytes such as Norbert Wiener ("Cybernetics") and John von Neumann ("systems analysis") did.

The fraud in that professor's argument, is identified most efficiently, by pointing out that he pretends that the paradox of Plato's Cave never existed.

His geometric model (or its algebraic parody) assumes that cause and effect move between points along straight lines, pretty much in the same way as the usual financial accountant argues that *profit is income less costs and expenses*, instead of the more sensible approach, of considering the *physical actions reflected as some costs and expenses as the causes of both income and profits*, and attempting to discover which of them does what. Worse, the accountant who reads his accounts all to literally for his client's good, will regard as a profitable "cost-saving," the elimination of expenditures on which the continued maintenance and improvement of output and profitability depend—as "de-regulation" has done to many sectors of the U.S. economy, in such a devastating degree, especially during the recent quarter-century since the inauguration of President Jimmy Carter.

In a real economy, the increase of output over the costs and expenses incurred to produce that output, is the result of the application of *physical action* to the process by which the output is produced and distributed. These actions express physical principles, most of which can not be competently represented in so-called "Euclidean," or analogous arithmetic or algebraic terms.

In real economy, contrary to such pseudo-economists of the stopped-up kitchen-sink-drain variety as Senator Phil Gramm, economy means, essentially, physical economy. Physical economy, my specialty, is the discovery of physical principles and the technologies derived from those discoveries, which enable mankind to produce an output in excess of the *physical cost* of the efforts required for that production.



The populists believe in statistics, and therefore in luck (e.g., gambling). Their idea of statistics, is based on the assumption that God designed the universe in such a way that it could be perfectly understood by dummies: everything one needs to know, can be discovered and proven by seeing, hearing, smelling, and touching.

What is shown on the wall of the financial accountant's dimly lit cave, are only the shadows of the reality which the all-too-typical financial accountant, by choice of profession, and by affinity for the class of dangerous lunatics known as monetarists, refuses to see.

For that reason, all real physical science is axiomatically non-Euclidean, and not a matter of a formalist interpretation of the "postulate of parallels." This does not mean that the Nineteenth-Century treatment of the matter of parallels, as by Janos Bolyai and Lobatchevsky, was not useful. These discussions are to be viewed as scrutiny of propositions stated in the form of Analysis Situs, in the same sense as Fermat's overturning the fallacy of assuming that light follows always the shortest pathway, instead of the quickest pathway, which may not be the shortest distance.

It is always through the exhaustive exploration of paradoxes, such as the paradoxes of the attempt to prove the existence of a parallel postulate, that the alert, cognitive mind is prompted to discover higher principles which overturn all of the intuitive assumptions of what are still today, prevalent guises for generally accepted classroom varieties of mathematical physics. Critical treatments of the "parallel postulate," were neither the meal, nor the fuel by which it was cooked; those treatments were the oven in which the cooks were attempting to test the recipes with which they were experimenting.

The confusion over "non-Euclidean" geometries arises, only when the mathematician gets no further than developing a statement in the form of Analysis Situs, and never reaches the next step, as Riemann did, of discovering the geometry

which replaces entirely the paradox-ridden debris of so-called "Euclidean" geometry's cultish application to physics. Typical of the incompetents, are those who attempt to compare Riemann's habilitation dissertation to some aspect of the discussion of the parallel postulate by others. *With Riemann's approach, the parallel postulate, as such, enters nowhere in the formulation of the design.*

The Riemannian solution is resisted, chiefly, because the empiricists, who dominate the academic classroom still today, usually refuse to allow anything on campus which might prove offensive to those same, populist traditions which I have identified as also turning up prominently in the heathen delusions expressed as "Religion for Dummies."

In real science, formal, intuitive classroom mathematics is left behind. All intuitive forms of definitions, axioms, and postulates are discarded, simply because they are intuitive, rather than being the required universal principles, validated as such by appropriate qualities of experiment. Therefore, put aside the mathematics of "Religion for Dummies," and adopt instead, the notions of physical geometry consistent with the crucial experimental evidence.

The pivotal feature of the argument to this effect, involves the implications of Leibniz's notion of *characteristics*, as, about a century and a half later, Riemann employed that conception as central to his habilitation dissertation.²⁷ Leibniz's

27. Cf. Riemann, habilitation dissertation, Sec.III, op. cit., pp.283-288. Anyone who has examined Riemann's work more closely, and taken into account the political situation in post-Carlsbad Decrees Germany at that time, will recognize the references to Archimedes, Galileo, and Newton, in this disserta-

notion of such characteristics, on which his definition of the differential of the calculus was premised, reflected Kepler's proof of the incompetence of the method employed by Copernicus, Tycho Brahe, and others, and also reflected the development of the notion of quickest time as introduced by Fermat.

Thus, Riemann's work implicitly defines the essential feature of the existence of a distinct *natural object*, as Vernadsky defines a "natural object,"²⁸ by its characteristic, as Kepler defines a planetary orbit as a characteristic. So, the differential of the Leibniz calculus (contrary to the Euler-Cauchy hoax commonly taught in universities today) is, from the standpoint of "ivory tower" mathematics, an axiomatically incommensurable magnitude, comparable to the distinctiveness of the unique characteristic of a specific Keplerian planetary orbit.

Here lies the difference between physical science taught as mathematics-at-the-blackboard, and real physical science: as Riemann emphasizes that crucial distinction in the concluding portion of his habilitation dissertation. This is the crucial argument already made by Kepler, against the connect-the-dots method of Ptolemy, Copernicus, and Tycho Brahe, in his *New Astronomy*. It is the crucial difference between the competent physics of Leibniz's definition of the calculus, and the fraudulent alterations in that calculus made by the "ivory tower" ideologues Euler, Cauchy, et al. The existence of different natural objects in the universe, each with distinct characteristic, including the human mind, defines a *monad*. Hence, Leibniz's *monadology*. Hence, Riemann's leading contributions to physical science.

Therefore, the first step now to be taken, is to situate that topic of monadology in the form relevant to that specific argument.

In forecasting the results of man's efforts to willfully change his future, we encounter two connected classes of challenge.

The first challenge, is to discover how man exerts control over nature, to the effect of maintaining and improving man's ability to maintain the numbers and quality of life of our

species' existence. In the science of physical economy, we measure the result in terms of changes in demographic characteristics of both entire populations and typical households, and per capita and per square kilometer of our planet's normalized surface-area. We emphasize those ideas, both ideas of physical principles of non-living processes, and those of living processes, through which increased mastery of the universe, per capita, is effected on behalf of our species.

In this first case, therefore, we are estimating a normalized expression of man's per-capita relationship to nature, a relationship expressed as a function of ideas.

The second challenge, is to define those principles of social relations, by means of which, ideas of the first class are transmitted to the effect of enabling society to coordinate its efforts for effective use of principles through which man's increased power, per capita, in and over nature, is accomplished. These principles are exemplified by the principles of invention and performance of Classical artistic compositions in plastic and non-plastic forms, and in the application of the same Classical artistic principles to the comprehension of history and statecraft.

The two sets of conceptions, taken today, represent the development of the human intellect, as a Classical-humanist form of education best serves that end.

Now, consider examples of the first of the two classes of discoveries.

What Are Physical Principles?

Taking into account all the relevant matter that is to be considered here today, we have included, for special consideration, a comprehensive form of modern mathematical physics, which was begun with the crucial discoveries made by the founder of that branch of science, Johannes Kepler. The pivot of Kepler's most crucial discovery, was his discrediting of that childish, connect-the-dots method commonly employed by the malicious Romantic hoaxster Claudius Ptolemy, and also by the well-meaning, but systemically erring Copernicus and Tycho Brahe.

By recognizing the Platonic implications of the paradoxical curvature of the orbit of the planet Mars, together with related evidence, Kepler freed science from the suffocating grip of "ivory tower" varieties of mathematics, and located the identity of a planetary orbit in a characteristically incommensurable value corresponding to a universal principle of harmonics, that specific to an orbit which is not necessarily of uniform curvature. In other words, Kepler defined the orbit as measured in terms of a constant, but not necessarily uniformly curved, but measurable effect of *Platonic* change.

He met that challenge of the individual orbit, by defining the Solar system, considered, functionally, as an harmonically unified whole, as a subsuming, (in Riemann's terms:) *multiply-connected manifold* of such change. So, Kepler was first to discover, thus, that principle of universal gravitation which would-be plagiarizers intellectually crippled by the influence

tion, as politically dictated references to a Galileo and Newton, whom Riemann already regarded at that time as little better than hoaxsters.

28. See, Vladimir I. Vernadsky, "On the Fundamental Material-Energetic Difference between Living and Non-Living Natural Bodies in the Biosphere" (1938), Jonathan Tennenbaum and Rachel Douglas, trans., *21st Century Science & Technology*, Winter 2000-2001. This was the first full translation into English of this crucial 1938 paper by Vernadsky, offering the best insight into a body of ideas otherwise known from the work of the great founder of biogeochemistry. It was earlier work of Vernadsky, along the same lines, but less thorough than the 1938 piece referenced here, which I employed, in Spring 1973, as part of the core argument for a science of physical economy, upon which the subsequent founding of the Fusion Energy Foundation (FEF) and its influential *Fusion* magazine, was premised. For a recent biography of Vernadsky, see Kendall E. Bailes, *Science and Russian Culture in An Age of Revolutions: V.I. Vernadsky and His Scientific School, 1863-1945* (Bloomington: Indiana University Press, 1990).



Johannes Kepler (1571-1630) freed science from the suffocating grip of “ivory tower” varieties of mathematics, and located the identity of a planetary orbit in a characteristically incommensurable value corresponding to a universal principle of harmonics, that is specific to an orbit which is not necessarily of uniform curvature.

of empiricism, such as Isaac Newton, could never even begin to grasp as a cognitive conception of principle.²⁹

So, Kepler’s founding of the first competent form of modern astrophysics, defined certain crucial problems of universal

29. See Kepler, *The Harmony of the World*, E.J. Aiton, A.M. Duncan, and J.V. Field, trans. (The American Philosophical Society: 1997), passim. Note the way in which the “equal areas” phenomenon is applied to the distinction of the relative values among the characteristics of the various orbits. This is the root of the way in which Newton, et al., formally incurred the “three-body paradox.” It is the exclusion of Kepler’s emphasis on the crucial principle of harmonics, from the Newtonians’ bowdlerization of Kepler’s work, which leads the Newtonians and the credulous fools who follow them, into the pits of the “three-body problem.” To attempt to separate the well-tempered harmonics embedded in Kepler’s treatment of “equal areas,” must necessarily create the “three-body paradox” in elementary classroom physics, as it tends to foster bad musical composition and interpretation among the Romantics. In noting the general case of hysterical denial of such a connection by the Newton devotees generally, note the exemplary relevance of the hysterical denial of such a connection in Kepler’s astrophysics, over which H. Helmholtz and his accomplice Ellis had their fits (*Sensations of Tone*) against J.S. Bach et al., on the subjects of *bel canto* voice-training and on

physics, which he relegated to the attentions of future mathematicians. When Kepler’s such discoveries were matched with Fermat’s discovery of an “anti-Euclidean” geometrical principle of quickest time, as in paradoxical contradiction of the so-called “Euclidean” notion of shortest distance, a generalized form of development of modern physical science, was set into motion, by such followers of Nicholas of Cusa, Leonardo da Vinci, and Kepler, as Christiaan Huyghens and Gottfried Leibniz.

On this basis, Leibniz developed the original differential and integral calculus, according to the combined prescriptions and implications of Kepler’s and Fermat’s seminal discoveries. This calculus is to be contrasted with the fraudulent, but popularized classroom definitions, as the latter are supplied, with the mere appearance of the Leibniz calculus, by such malicious figures as Leibniz-hater Euler, Euler’s follower Lagrange, and the plagiarizing (e.g., of Abel) hoaxster and Laplace creature Cauchy.

Out of Leibniz’s accomplishments in this direction, came his discovery of a principle of *universal least action*, and the still higher principle known as his *monadology*. Through the work of, chiefly Kästner and his student Gauss, and with important contributions by Monge, Carnot, et al., we have the crucial and unique contributions to the founding of a true and comprehensive anti-Euclidean geometry by Bernhard Riemann.

Riemann’s 1854 habilitation dissertation, marks the first act freeing physical science completely, and mathematics, too, from the grip of those “ivory tower” fantasies which had crippled, more or less severely, most of modern scientific work up to that time. This accomplishment, by Riemann, provides the Gaussian foundations for the development of my view of what Vladimir Vernadsky defined as the *noösphere*.³⁰ It is my situating that notion of the noösphere within the framework of my own discoveries in the field of a science of physical economy, that the connection of Leibniz’s principle of *monadology* to solving that problem of *voluntarism* set forth here, can be rendered more fully comprehensible today.

I situate this latter subject by summarizing, as follows, what I have described in earlier locations, as those implications of the concept of noösphere which are brought into their necessary focus by my work in physical economy.

1. *By a physical principle, I signify an experimentally validatable, discovered principle, whose application generates a human effect within, and upon the universe, a quality of effect not otherwise predetermined, than by the impact of the willful human application of that discovery of a universal physical principle.*

the related matters of well-tempering. This and related implications of the connection between the work of Kepler and that of Bach, is a special topic of historiography in itself.

30. op. cit.

The specific quality of difference between that, my preceding definition of universal physical principle, and the usual classroom definitions, is more easily recognized by reference to Vernadsky's definition of the noösphere.

Already, as in 1938, Vernadsky supplied a rigorous definition of the noösphere. The human *noëtic* will,³¹ transforms the functionally definable relationship of the biosphere to the universe it both inhabits and reshapes. The question left unanswered by Vernadsky, is what function defines the way in which mankind may acquire *foreknowledge* of how to take the next step in transforming mankind's action on the pre-existing noösphere?

This is a proposition of the same general type, as Kepler's response to the evident non-uniformity of the curvature of planetary orbits. Where does the determining *intention* lie, by means of which the present moment of action already contains the immediate next turn in a trajectory of not necessarily uniform curvature? This was, contrary to Euler and Cauchy, Leibniz's requirement for the "infinitesimal" interval of the differential calculus. In Kepler's usage: how do we define the *Mind* of the planet; how do we define that stubbornly persisting expression of the *intention* of the planet which can not be attributed to simply mathematically defined uniform cycles? *How is the mind of man able to adopt a successful intention to change the course of history from its present trajectory?*

The known features of the demographic characteristics of human populations, as reflected from both history and pre-history, show that the development of the potential relative population-density of the human species is not random in any sense of that term. There is an expressed *intention*, especially in the long-term rise, since the Fifteenth-Century, Italy-centered Renaissance, of the potential relative population-density of globally extended modern European civilization's impact on the demographic characteristics of the human population as a whole.

This factor of intention, corresponding to Kepler's notion of the *Mind* of the planet, is what is expressed, typically, in the form of explicit intention, as those changes associated with the establishment of the modern (e.g., anti-"free trade," anti-"globalization") form of sovereign nation-state economy, and with the correlated emphasis upon both development of basic economic infrastructure, and investment in capital-intensive modes of scientific and technological progress. This accomplishment depends, also, in a more or less crucial degree, on the extent to which a Classical-humanist form of education dominates elementary and secondary education of children and youth.

Thus, although Vernadsky is explicit, in emphasizing the unique quality of noëtic function of mankind, in transforming the biosphere to higher states of anti-entropy, *his argument does not yet define that specific quality of human intention,*

by means of which that noëtic impulse is expressed as a "trajectory" of such transformation of the biosphere. This omission is addressed, and corrected, by introducing the *voluntarist* definition of "physical principle" described above. *Here lies our debt to Vernadsky, and, also, the debt of his legacy to us.*

The existence of such a principle, is determined solely by the method identified as, variously, *Analysis Situs*, or *geometry of position*. Recall the three-step process of discovery outlined here earlier.

Given a known, existing array (i.e., *manifold*) of experimentally validated universal principles; given an effect, which that manifold prescribes as necessarily predetermined; and given a description of an experimentally definable effect, the which contradicts, paradoxically, that prescription, that by a significant margin of error. What is the universal principle which must be added to the manifold to bring the manifold into conformity with the thus-expanded view of universal reality? Such a "model" illustrates the general principle associated with geometry of position. Such is the way in which physics, as defined by Riemann's habilitation dissertation, supersedes deductive forms of mathematics in all competent practice of physical science, including the science of physical economy.

The result of such change, as Gauss laid the principal foundations for the discovery featured in Riemann's habilitation dissertation, is a recognition of the experimentally measurable effects of the efficient existence of such principles, in terms of the related change in curvature of the physical space-time defined by the inclusion of the newly discovered principle. Hence, the core argument of Riemann's dissertation. Here lies the essential contribution to all science by Riemann; here lies Riemann's indispensable contribution to the fuller comprehension of the nature of the Keplerian orbits and the deeper implications of the work of Leibniz and Gauss.

How, then, can such an experimentally validated discovery of such a physical principle, be applied willfully to produce a new quality of behavior of the observed manifold considered as a whole?

Exactly the same principle of geometry of position, is expressed by J. S. Bach's discovery of a well-tempered system of tuning, and of his method of counterpoint, inversion, based upon a musical expression of the same principle of geometry of position employed by Fermat for the discovery of a principle of quickest time. Bach's use of inversion, whose lawful ordering is reflected characteristically by the *Lydian principle* celebrated in Beethoven's Opus 132, is a perfect example of the principle of *Analysis Situs*, and of the manner in which that principle generates, in this case for music, a principled notion of musical idea. This is the notion of musical ideas, based on the work of Bach, which defines the absolute separation of the methods of Classical thorough-composition of Haydn, Mozart, Beethoven, Schubert, Mendelssohn, Schumann, and Brahms, from the irrational sensationalism of such Romantics as the silly Rameau, Liszt, Berlioz, and Wagner.

31. Hence, Vernadsky termed the result a *noösphere*.

Fermat's argument for a principle of quickest time, in refraction of light, typifies such a paradox of universal import. Kepler's appreciation of the paradoxical implication of the Mars orbit's elliptical form, is also such a paradox. The statement of such paradoxes in the form of contradictions within the manifold of reference in which they erupt, is the conceptual prototype of what is representable by the method of *Analysis Situs* or *geometry of position*.

If the proposed *hypothetical* solution, the new universal principle, is demonstrated, by appropriate form of experiment, to be valid *universally*, that principle is to be added to the manifold. *It is the willful application of such a newly discovered principle of nature, to nature, which causes the relevant change within the manifold as previous extant*. It is the resulting transformation of the manifold, by deleting false assumptions, and adding needed principles, on which the Leibniz notion of characteristic action (i.e., least action) is premised. This notion is already implicit in Kepler's original development of modern astrophysics, and in Leibniz's undertaking the corresponding challenge which Kepler bequeathed "to future mathematicians."

It is the willful action of the individual human mind, in making such a valid discovery of a *pre-existing universal principle* in the universe, which, *by willfully applying that same principle, changes the universe from which that discovery has been adduced*. It is as if to say, that "*In the beginning was the Logos. . .*" This point of principle, already introduced a few pages earlier, has yet much deeper implications, to which I shall come shortly here, in due course.

I must restate this point just made, for both emphasis and clarity.

The characteristic form of action, which distinguishes the human species, from all inferior forms of life, is those discoveries of universal physical and congruent principle, by means of which the quality of man's functional, demographically expressed relationship to the universe as a whole, is raised to a higher level. These discoveries have the effect, of transforming the entire manifold of man's implied knowledge of universal physical principles.

What I have said here, so far, signifies this. It is not so much the individual such discovery, in and of itself, which is characteristic; it is the transformation of the manifold as a whole, from its state prior to the discovery, into its state after the incorporation of the discovery. It is this transformation of the manifold, which supplies a validated discovery of principle its universal character. It is that change in the universality of the manifold, which is the subject of the characteristic form of human cognitive action. It is that characteristic which defines the role of human noëtic activity in effecting those transformations which elevate man's existence within the biosphere, to man's dominant role in the noösphere.

It is this role of the thus-informed human will, so informed, which is the pivot of our concern in this report as a whole.

Manifolds so expandable are implicitly of the general

form of Riemannian manifolds, as typified by Riemann's 1854 habilitation dissertation.

2. There is an hierarchy of three known, respectively distinct types of manifolds which conform to that definition of universal physical principles: a.) The manifold of *non-living processes* in general; b.) The manifold of *living processes* in general; and, c.) The manifold of *cognitive processes*. The general nature of the experimental distinctions, and interrelations among the three classes of manifolds, is that defined, from the standpoint of biogeochemistry, by Vladimir I. Vernadsky. The three, combined as multiply-connected, constitute what Vernadsky terms a *noösphere*.

Look briefly at these distinctions, using the standpoint set forth by Vernadsky.

There are several types of evidence to be considered as either crucial, or relatively so, in distinguishing life as a universal physical principle, from those notions of universal physical principle associated with non-living processes. In other words, what is the evidence, in support of Vernadsky's insistence, that living processes are not derived, by "spontaneous" evolution, from non-living ones?

In each case, as with Louis Pasteur's empirical distinction, in chemistry, between non-living and living processes, or Vernadsky's biogeochemical strategy for dealing with this, we are focussing upon an effect which itself is subject to chemical study after the fact, but which is produced, to be a fact, by a living process, that in a way which can not be duplicated "spontaneously" ("objectively") by a non-living one. Look for the most significant of the fine distinctions presented by such cases.

Thus, for example, by the standard of relative weight of the material involved, the Earth's atmosphere and water are composed, predominantly, of non-living processes, but their existence as an atmosphere, oceans, lakes, and streams, is predominantly a product of a living process, the biosphere. Similarly, fossil rock formations and soil. The net result is, non-living material produced by living processes, by a principle of life itself. Vernadsky defines such non-living elements of the biosphere as among the *natural products* of the biosphere.

In a parallel case, similarly, the powers of cognition unique to the human individual, act upon the biosphere, to produce effects in the biosphere which could exist as they do, only as products of human cognition. Since all three categories of universal principles are known by their production of physical effects, these effects are each among the *natural products* of the corresponding processes, and each category, non-living, living, and cognitive is a universal *physical* principle.

The indicated classes of evidence are to the effect, that life is a universal *physical* principle, independent of, but multiply-connected with what are adducibly universal physical princi-

ples governing ostensibly non-living processes as such. Vernadsky's biogeochemistry makes that point implicitly. Thus, the universe acted upon the non-living processes, to the effect of producing the preconditions for life. *How did the universe know that it should do this?* Ask this specific question of Johannes Kepler, for example. *How did the universe know that it should produce the preconditions for existence of cognitive life within the development of living processes?* Ask Kepler, again.

Broadly, the implication posed by this evidence, of three, demonstrably distinct classes of universal principle, indicates that their multiple connection must be, a single, multiply-connected manifold, comparable, in the history of philosophy, to the Absolute of Plato, which existed "from the beginning." As Vernadsky suspected, without his having studied Riemann's work in terms of primary sources, the physical universe as a whole is of the Riemannian form associated with the connections among the three distinct types of universal physical principle indicated here.

3. My principled contribution, carrying these conceptions to a higher level than specified by Vernadsky, is twofold: a.) I defined the form of such manifolds conceptually, from the vantage-point of Riemann's work, which, on the presently known record, Vernadsky (1938) recognized as of interest, but, at last known record, did not actually undertake; b.) I defined *the principle of physical-economic anti-entropy*, from which vantage-point the functional character of the noösphere must be defined.

From the considerations summarized up to this point, the notion of anti-entropy must be situated, conceptually, within the framework of the Riemannian overview of those three classes of universal physical principles. The underlying quality of the multiple-connectedness of a universe so defined, is that it is characteristically *anti-entropic*.

The transformations in that entire manifold, brought about through experimentally validated discoveries of universal physical principle, which increase man's power in and over nature, per capita and per square kilometer, are the standard for defining anti-entropy as characteristic of the noösphere. This, stated in the terms of a science of physical economy, supplies the notion for, and, also, proves the existence and definition, and the basis for measurement, of anti-entropy.

4. Each of these three types, when viewed from the standpoint of my indicated, original contribution to this field, is defined as a distinct quality of manifold from the standpoint of those experimental methods appropriate for defining a valid universal physical principle, and yet each successive such manifold, *produces measurable physical effects which can not be generated from within the confines of the relatively lower-order manifold*. As a matter of experimental method, the evidence of this

limitation of the relatively lower manifold, as Vernadsky points to that principled method, is what supplies the proof that the relatively higher manifold is a form of existence, absolutely differing in both origin and quality from the relatively lower one.

Again, as I have summarized this above: Vernadsky shows the general nature of this proof, for life, relative to non-living processes, and for the noösphere, relative to the subsumed biosphere. The definition of the explicit role of the cognitive processes in determining the change in relative physical-economic anti-entropy of the noösphere, is uniquely my own contribution, a contribution for which I was, originally, chiefly indebted to my adolescent study and defense of Leibniz's notion of a *monadology* (then, as a defense against Kant's *Critiques*).

This form, in which life and cognition effect qualitative changes in the manifold of an otherwise ostensibly non-living universe, is expressed in the transformation of the functional ordering of relations in the relatively inferior domain, by intervention through action from the relatively higher domain. Thus, *as Vernadsky shows, the principle of life, transforms the characteristics of action within the relevant non-living domain, thus defining the biosphere; whereas, as Vernadsky also shows, cognition's intervention transforms the characteristics of action within the manifold of the biosphere. The characteristic of both transformations, is anti-entropy*. Anti-entropy, not the entropy worshipped by the dupes of such Newton devotees as Clausius and Kelvin, is the expression of the highest determining principle of lawfulness in the universe as a whole.

My contribution, on that specific point, has been, chiefly, to define the physical-economic standard by which anti-entropy in the noösphere is to be defined. It is my work to this effect which has made feasible the kind of method required to conquer a crisis of the type immediately threatening civilization today. Vernadsky points to the crucial, anti-entropic role of cognition as such. I shift the center of the focus to the internal functions of the human will, in willfully ordering the direction of the changes in the biosphere brought about through human cognitive intervention.

Since, in all of these exemplary cases, the form of the action is to impose a physical intention upon the universe, or what Kepler would refer to as the intention of the *Mind* of the universe, *any experimentally demonstrated universal principle, is a physical principle in its effects*. Thus, the universal principles attributable to non-living, living, and cognitive processes as such, are each equally universal *physical* principles.

On this account, from the indicated Riemannian view of the implications of the multiple-connectedness of the three specific classes of universal physical principles, the following issues are begged, and also, implicitly, answered in a provisional way.

Vernadsky's argument, as summarized in the referenced,

1938 location, signifies that the universe is a multiply-connected function of three specific classes of universal principles, each distinct from the other, yet, because they are always efficiently multiply-connected, each and all subsumed by the correspondingly implied, single universal principle. This multiple-connectedness of that single, underlying principle, as I have just summarized the functional implications of that, above, demands that we recognize the universe as the expression of a single principle of universal creation, whose existence, not “Euclidean” calendars, dates an implied “beginning.” *The beginning exists for our knowledge of existence of a self-developing universe, solely as certainty of the existence of a universe which is universally bounded by itself: a simultaneity of eternity*, within which sequences are ordered by action, not clock-time. Time is determined by cognitively-defined sequences, not sequences by clock-time.

However, it also prescribes, without any possibility of legitimate disagreement, that if one accepts the notion of that principle, the “beginning” is not to be found in the purely fantastic expanses of sense-certainty’s pathetic notion of infinitely extended linear time, but rather, as the allegory of Plato’s Cave requires, in the real universe, known explicitly only to cognition. It is only in the physical space-time specific to cognition, rather than bestially naive sense-certainty, that the term “beginning,” can be used by sane persons, as it is in the opening of the Gospel of St. John.

When those implications are taken into account, we require a correspondingly appropriate definition of the word *creation*. To the degree that mankind discovers those intentions of the Creator’s will which are integral to the universality of creation, man takes unto himself, and to his will, the power to employ those intentions, otherwise knowable as universal physical principles, to change the universe in a manner cohering with the principle of universal creation. This, in other words, is man guided by, and acting according to those qualities of *reason* which history shows us are specific to the Classical modes of scientific and artistic discovery and composition.

The power to discover the efficient will to act according to reason so defined, lies in the ability of the individual to rise above the prison-shackles of control by immediate pleasure-pain, to see one’s mortal existence as an instrument acting within, and for, the furtherance of that intention which reason unveils to us as the intention (i.e., universal principles) of creation as a whole. Thus, the immediate intimation of immortality is typified by the continuing contributions of valid discoveries of principle supplied to humanity by great scientific minds and great composers of Classical art-forms from centuries and longer before our time.

Enter Monadology As Such

What I have just summarized in the foregoing arguments, should be readily recognized as a restatement, in the context of the most general implications of relevant and crucial qualities of modern discoveries since, of the notion of a *monadology*

which Leibniz introduced in a number of locations, chiefly among those specifically addressing that named topic. This must seem less surprising to anyone who takes into account, that I was converted to Leibniz’s view on this matter during my adolescent wrestling against the arguments of Immanuel Kant’s so-called *Critiques*, as, a decade later, against the degenerate expression of Kant’s essential argument by Bertrand Russell and such among Russell’s satanic acolytes as Professor Norbert Wiener and John von Neumann.

Now, look again at the relationship between Kepler’s definition of the intention expressed by planetary orbits, and the emergence of Riemann’s apprehension of the intention of Leibniz’s notion of the monad. Situate thus, the choice of approach to be taken to the practical employment of the concept of a monadology.

There are two points of reference, both for defining the notion of characteristics, and for presenting the notion of the *monad* in a fresh, modern way. The one is Kepler’s notion of the harmonically ordered, characteristic orbit of each planet, as defined by the Solar System as a whole. The second is the notion of sovereignty, as adduced from the characteristic of the cognitive activity of the individual human mind: Kepler’s use of *Mind*, in defining the notion of the *intention* governing a planet’s orbit.

The notion of a Keplerian orbit, locates the intention of the orbit in the effect of the position it must *intend* to achieve through motion, as opposed to a position determined by a “Euclidean” form, as a predicate of a mathematically determined trajectory. For Kepler, the relative harmonic value of the orbit, as associated with the equal-areas principle, expressed the nature of this *intention*. The harmonic composition of the orbital composition of the Solar system as a whole, is the second degree of approximation of the *intended* objective of the planet.

This *intention*, expressed by a corresponding *characteristic*, defines a *monad*. The types of existing monads, are assorted among four classes: *non-living, living, cognitive, and absolute*. By “absolute,” we should signify “the universe,” as a universal simultaneity of the eternity of *ideas*, in which time exists only in the sense of a sequence of actions of a cognitive form. I intend, such a universe, conceived as a monad.

The same principle of the monad, is characteristic of the method of well-tempered composition of J.S. Bach, the method upon which the development of Classical thorough-composition, and related principles of performance, were developed by Haydn, Mozart, Beethoven, Schubert, Mendelssohn, Schumann, Brahms, et al.³² The “germ form,” the cru-

32. In the case of Brahms, the perfected exposition of that principle is presented in his fourth symphony, which pivots on the quotation of an inversion from the Adagio Sostenuto of Beethoven’s “Hammerklavier” sonata, Op. 106. The performances of this directed by Wilhelm Furtwängler are of special importance, because of the latter’s reliance on that notion of “performing between the notes” which is integral to the competent performance of a



LaRouche defines the scientific basis for the application of the voluntarist method of making history, from the vantage-point of earlier breakthroughs, notably the work of Leibniz (right) and Vernadsky (left).

cial contrapuntal inversion on which the entire composition pivots, is associated in *the expressed intention of the composer*, and of the adequate performers, as the anticipated unfolding of the completed composition is to be heard.

The form of Classical musical thorough-composition, which Haydn, Mozart, Beethoven, et al., adduced from the preceding discoveries and their development by J. S. Bach, has the essential quality of reducing the entire composition to a single idea, conceived within the cognitive processes of the mind, the conductor, and so forth, as a single, as-if-instantaneous *idea*: a monad. It is that idea, implying the subsequent unfolding of the entire composition, which underlies, governs the competent performer's attack upon the first note. The performer who fails to attack the opening interval of the composition in that way, will, therefore, fail to communicate *effectively*, the *idea* of the composition as a whole to the relevant audience. This also applies to dramas such as Shakespeare's *Hamlet*, in which a failed choice of attack on "To be, or, not to be," will ensure the failure of the performance of that play from that point through the final, ironical exchange between Fortinbras and Horatio, as the body of Hamlet is carried off stage.

Pause for a moment at this point. From this line of development, Kepler specified the necessary previous existence of a disintegrated planet whose orbit had lain, in a harmonically determined orbit, between the orbits of Mars and Jupiter. About two centuries later, Gauss was to show, that the asteroids were fragments whose orbital characteristics were those attributed to the missing, disintegrated planet by Kepler.³³ The

work of Classical thorough-composition, especially a long work as thoroughly-composed in quality as that Brahms symphony.

33. Cf. Jonathan Tennenbaum and Bruce Director, "How Gauss Determined the Orbit of Ceres," *Fidelio*, Summer 1998.

harmonically defined characteristic of the determining orbit of the planet expresses the principle of the Leibnizian monad.

Thus, the planet's orbit, and also the configuration of the Solar system, are incommensurable, but, nonetheless, predetermined trajectories, as the congruence of the orbital characteristic of the missing planet is reflected in the orbital characteristics of the principal asteroids.

We shall return to consider certain functional implications of that, after comparing the apparent sovereignty of the Solar system of planetary orbits, with the sovereignty of the cognitive processes of the individual human mind. Now that we have a general idea of the principles of physical science as such in view, summarize the case for the second type of principles, those typified by both Classical artistic composition, and the study of history and related topics of statecraft from the standpoint of principles and methods of Classical artistic composition. Focus on the matter of the functional relationship of the cognitive processes of the individuals engaged in the discovery and exchange of discoveries of all kinds of universal physical principles, including those of Classical artistic composition.

In the case of Classical irony, such as metaphor or a statement in the form of Analysis Situs, the cognitive action "synthesizing" the solution for that paradox, occurs within the sensorially opaque boundaries of the sovereign cognitive processes of the individual thinker. Nonetheless, the ability to demonstrate the truthfulness of the synthesized hypothetical idea, is verifiable by the standards of *unique experimental demonstration*; and the experience of that synthetic act of cognition can be communicated, by replication, within the sovereign cognitive processes of another individual.

The effectiveness of that discovery, expressed as applied to practice, shows both the reality of the idea, and the way in which that idea, although invisible to sense-certainty, can

be known efficiently, and that knowledge efficiently shared among persons. This is more readily clear for the case of discoveries in experimental physical science, but it is also that quality of Classical artistic composition which distinguishes it, essentially, from the Romantics and such bastard offspring of Romantic licentiousness as modernism and post-modernism.

Furthermore, the ability of the individual to perform such a cognitive action, either as an original discovery, or its replication by another, depends upon the cultivation of those cognitive powers, as in the mode of a Classical humanist education in accumulated such discoveries from previous history.

Compare Classical artistic principles with those of physical science in the following way.

Look at the Leibniz differential calculus from this vantage-point. The differential there is identical, as a characteristic, with the distinctive incommensurability of a Keplerian planetary orbit. The differential must be in the mathematical form corresponding to a statement in *Analysis Situs*, as the role of equal-areas and harmonic characteristic points to the origin of the necessary paradoxical expression for the orbit as a whole. That differential is the characteristic of the trajectory in question.

The quasi-sovereign quality of the Leibniz differential, in opposition to the linearized form of Euler, Cauchy, et al., points in the direction of the concept of the monad. It is to be conceptualized as an expression of the ontological principle, “nothing is permanent but change,” rather than an expression in terms of the reductionists’ axiomatically “Euclidean” physical space-time. *The individuality of the element is its sovereign quality, not its likeness to a sensory object.* Hence, the notion of its existence in the form of a monad.

The implicitly task-oriented transmission of such conceptions of physical science, and their technological derivatives, within the functioning of society, defines the subject of both Classical artistic composition, more narrowly, and the Classical study of history and statecraft, more broadly.

The Sovereign Monad

Look again, at Kepler’s use of “Mind,” in referencing the *intention* expressed by a planetary orbit. Now, first, compare that *Mind* of the planet with the sovereign cognitive powers of the mind of Kepler. Next, from that standpoint, view the *Mind* of the Sun, expressed in terms of the panoply of orbital characteristics of the orbits of the Solar system as a whole. View that *Mind* of the Sun through Kepler’s mind.

After that exercise, then regard the function expressed by the intervention of the physical principle of life, into the ordering of the non-living aspects of the universe. Then, view, similarly, the intervention of the cognitive processes into the ordering of the internal processes of the biosphere. After that, then consider these matters in light of the contrary views on thermodynamics, by Clausius, Kelvin, and Grassmann, for example.

At that point, review what has been considered up to this

point, by focussing, first, on the subject of the universal physical principles of life and of cognition, and then return to reexamine the matter of universal physical principles of non-living processes. Start with the human mind and its cognitive powers. To measure, we must first know our measuring instrument; we must begin here, because it is here that we have the knowable concept of the existence of a sovereign mind. We must then compare that notion of a sovereign mind, our own, with the intention shown in its relationship to living processes (the biosphere) and to ostensibly non-living processes, such as planetary orbits, too.

Look inside the cognitive processes of your own mind, the mind within whose sovereign confines that act of discovery occurs, through which mankind’s power in and over the universe is potentially increased. Focus upon the congruence, as demonstrated experimentally, between Kepler’s discovery of the solution for the fallacies of Copernicus’s and Tycho Brahe’s work, and Gauss’s vindication of Kepler’s entire system through the crucial experimental case of the asteroid orbits. Contrast the congruence of that discovery of principle, as by Kepler, with the failures of Copernicus, Brahe, et al., to escape from the illusory domain of pseudo-realities, the neurotic domain of naive intuition, which mistakes sense-certainty for the real universe.

Hence, such cases—and there are many others, of course—lead to the specific quality of notion of *becoming* which is associated with Plato’s dialogues. It is through the faculty of cognition, rather than sense-certainty, that we really know the universe; the idea of the universe presented to our mind by cognition, is not a universe of things swimming, as if in Brownian motion, within some infinite Euclidean soup, but, rather, a universe known to us only through those transformations which result in *changes of axiomatic quality* in our way of thinking about, and acting upon the universe. It is those *changes*, defined in cognitive terms, which are the most elementary form of existence of *ideas*.

For sense-certainty, on the simplest level, eggs or chickens are popularly regarded as self-evident objects. Such is the opinion concerning eggs and chickens among roost-robbers such as skunks, foxes, and sundry varieties of ferrets. In contrast, among cognitively matured persons, in science, the existence of eggs expresses an intention embedded in the existence of chickens, and in the case of chickens, the intention of eggs. However, that intention of chickens or their eggs, does not exist independently of the functional character of the situation in which such intentions are expressed.

It is in the discovery of such intentions, as Kepler adduced the principle of intention, as his notion of universal gravitation underlying the orbit of Mars, that real knowledge of the universe lies. However, the intention of Mars can not be defined, except within the universal setting (situation) of the Solar system as a whole. These notions of intention, are to be contrasted with the Aristotelean dogma of those philosophical incompetents who tolerated Claudius Ptolemy’s hoax for so long; or the credulous sophomores who swallow the popular

fairy-tale, that Copernicus discovered the orbit of the Sun by the Earth; or, Sunday Supplement grubs who write, that modern European culture is “Copernican.” Kepler’s notion of intention, typifies a universal conception of existence, as really occurring in no other form than an intention underlying a *becoming*.

This connection of an intention to the notion of a becoming, is the underlying principle of Leibniz’s discovery of an actual differential and integral calculus, a discovery to which he was led by a challenge bequeathed “to future mathematicians” from Kepler. A specific quality of intention, as associated with a specific quality of becoming, represents a *characteristic*, in Leibniz’s and Riemann’s sense of such a term. This notion of a characteristic, is, in turn, the context within which the notion of a Leibnizian monadology dwells.

This point ought to be clear, merely from the standpoint of the experience of any person who has actually made, or has, perhaps as a student might, reenacted a valid discovery of universal physical principle. I restate it, in summary, now.

The case of a paradox expressed in the form of Analysis Situs, goes to that point. All discoveries occur as the fruit of solutions to paradoxes of an ontological type. The challenge of that paradox provokes an act of conception. It is that act of conception which, if successful, produces the hypothetical form of a solution to such a paradox which is brought into being within an individual sovereign mind. The experimental demonstration of the validity of that hypothesis, defines a universal physical principle.

Thus, the cognitive process which generates a validated hypotheses of that type, is typical of the appropriate mental image of reality. The image of the cognitive process we have experienced in ourselves, in either discovering a valid universal physical principle, or reenacting such an historical discovery, is the only actually existing, rational notion of the real existence of anything. Only to the degree that our conceptions are reached by that cognitive method of generating notions of principle, can anyone say truthfully that, “I know.”

A person may say, “I saw,” or “I heard,” or “I touched,” or “I smelled,” on the basis of confidence in the reliability of one’s ability to distinguish between actuality and illusion in matters of sense-experience. When such a person substitutes the verb “to know,” for “I saw,” or, “I heard,” that person is, in the usual case, speaking untruthfully. Nonetheless, sometimes, as in the case of the experimental validation of a universal physical principle, one can justly say of relevant sense-experiences, “I know.”

For example, a person testifying that “I saw,” may be rightly questioned, “How do you know that that is what you saw?” The person who defends his observation with the outburst, “What I see is what I know!” is committing a misstatement. We do not know what we see; we require some cognitive form of corroboration, before sense-experience can be transformed into knowledge.

For example, in the case the witness testifies, “I saw that man” (pointing), it is often proper, and may be necessary, to

follow that response with a series of queries on the statement with “How do you know. . .?” “How do you know you were not mistaken?” Only in the type of case in which the relevant tests have been actually, or implicitly applied, can a person speak honestly of sense-experience as a matter which “I know.”

However, although what I have just written, is a true statement as far as it goes, matters are not quite that simple.

The ability to define reality in a knowledgeable way, free of illusory popular sorts of intuitions, lies in the social relations defined by cognition, rather than in hermetical “Robinson Crusoe” models. It is in the replication of valid discoveries of principle, by one mind in relation to another, that the discoverer becomes *self-conscious of his own cognitive processes*, through their reflection, as the generation of the same idea in the mind of others.

In this reciprocal relationship between two thinkers referencing the same subject of practice, the one recognizes the act of cognition in the other, and anticipates the recognition of the corresponding act of cognition in himself. So, in this reciprocally self-conscious way, the action of cognition is made into an *object* of cognition.

This notion of a *cognitive form of self-consciousness*, is the foundation of all competent education in physical science, and the essence of Classical artistic composition and performance.

It is in the ability to share that cognitive discovery of universal principle with others, in a task-oriented way, that real knowledge of the physical universe becomes a subject of conscious intention. It is in the distinguishing of one such idea, from others, of the same cognitive origin, that we are able to distinguish one idea from another one, as a form of existence of ideas, as situated within a social process.

This social aspect of the process of accumulating valid ideas, cognitively, over successive generations, defines what is properly regarded as Classical principles of artistic composition and performance. The validatable principles of Classical artistic composition, also provide the basis for the apprehension of real history and the arts of statecraft. The discovery of the sovereign nation-state, first accomplished during Europe’s Fifteenth-Century, Italy-centered Renaissance, is among the most appropriate examples of this relationship between valid methods of Classical artistic composition, as by Leonardo da Vinci and Rafael Sanzio, and statecraft.

For example, a Classical tragedy, such as that of Shakespeare or Schiller, is based on a problem defined by actual or mythical history (such as the Homeric epics) of an historically specific actual setting.³⁴ Usually, the composition is true-to-life history. The successfully-performed drama on stage provokes the cognitive processes of the audience into recognizing the implicit error, and probable principled solution to that error, in some calamitous situation in history. The application

34. The case of the work of Schliemann’s physical proof of such ostensibly mythical matters as the matter of the Iliad’s site of ancient Troy, is of this type.

of the critical (cognitive) faculties, to the business of verifying the appropriateness of the dramatic performance, has, then, the function of an experimental test of an hypothesis; if the critical treatment shows the conception generated to be truthful with respect to the principle of actual history so represented, the drama has performed the function of inducing knowledge in the audience, knowledge in the same sense as a validation, in the laboratory, of the claimed discovery of universal physical principle.

Thus, man's mastery of nature, through the progress of physical science, depends upon man's mastery of the development of the social processes within which the unfolding of history and the practice of statecraft are situated. That is the meaning of Classical science, and Classical artistic composition, as expressed, for example, by the 1776 U.S. Declaration of Independence and the 1789 Preamble of the U.S. Federal Constitution.

The quality which separates Classical from Romantic and other vulgar art, is the difference in the quality of emotion which is essential, respectively, to each. In vulgar art, the relevant emotion is, predominantly, sensual effects. In Classical art, it is the cognitive sensation of a "light turning on in the mind." So, in the Passions of J. S. Bach, Christ's Gethsemane decision, is the pivotal feature. In the *St. John Passion*, Bach underscores this by the musical apposition of the hateful cry for Christ's Crucifixion. In the famous Negro Spiritual, "He never said a mumblin' word," it is that "light turning on in the mind" which is the typical referent, in Classical art, for the use of "light," whether in word, or painting. As in Shakespeare's *Othello*, *There is light, and, then, there is light*.

That "light" of the act of cognitive discovery, or of recognition, is a special quality of passion. That passion is the quality of *movement* in Classical art, and in physical science. This quality of passion, associated with cognitive, rather than deductive-reductionist thinking, is the basis for the emotions described, in thinking about man's physical relationships to the universe, as *motion* and *force* in the universe. In all Classical artistic composition and related thought, this is apprehended as Classical inspiration, and, as the quality of Classical-artistic *action*.³⁵ These notions of *inspiration for action*, are the basis for the idea of intention, as Kepler employs

35. Here lies the essence of the difference between the Romantic methods, of both composition and performance, of Rameau, Liszt, Berlioz, Wagner, et al., and the Classical methods of composition and performance of Bach, Haydn, Mozart, Beethoven, Schubert, Mendelssohn, Schumann, and Brahms. This is underscored by the way in which that young pupil of the Romantic Czerny, Franz Liszt, went on to attempt, as shown by Liszt's performance transcriptions, even to turn Classical compositions such as Schubert's *Wanderer* Fantasy into Romantic slush. In Classical musical compositions, and their performances, it is the resolution, as of Classical metaphor, of what appear to be contrapuntal dissonances, created by Bachian inversion, which is the distinctive quality of passion in such music. Furtwängler's "playing between the notes," typifies the method of performance, as opposed to Romantic score-reading for sensual effects, consistent with the Classical world-outlook.

precisely that method of Analysis Situs which I have repeatedly referenced here, to focus his own mind's cognitive powers on the matter of intention in the behavior of the orbiting planet and its Solar system.

The "sense-organ," with which the sovereign powers of the individual mind perceive the manifestation of principle in that physical universe within which the individual person exists, is the "organ" of sovereign powers of the individual's cognition. Just as we represent the sense-experience of sight or hearing with the organ by means of which such perceptions are made, we know the manifestations of principle with a different kind of "sense-organ," that of cognition. So, the images of universal physical principle are crafted by the mind according to the requirements of the organ through which such qualities of principle are perceived: the organ of sovereign powers of cognition.

So, for cognition of principle, the notions of "light," "inspiration for action," and "sense of motion," are the qualities expressed by our power to sense the actual universe which has prompted the mere shadows on the dimly-lit cavern wall of sense-perception.

These cognitive experiences have also the quality of willfulness, as contrasted with simple passions of the flesh. It is the sense of the way in which universal physical principle embodies a willful intention, such as that of the orbit of Mars, or the principle of universal gravitation as adduced, originally, by Kepler, which is the essence of scientific thought respecting nature outside man. It is the perception of Classical-artistic forms of discovery and expression of universal principle, which lends the intention and capacity of action given to it by inspiration, which imparts to audiences for that art the will to act in concert for the sake of the good.

So-called abstract, "objective," logical thinking, is the intellectual cosmetician's preparation of the departed for its journey into that mass grave where hoaxster Claudius Ptolemy's astronomy, and many other useless fabrications of the pedant are buried. Without cognitive passion, there is no validatable discovery of universal principle, but only the tomb where Kantians and their like are buried, dwelling in Purgatory, because Hell will not receive the doubly dead.

Like that celebrated calculus-faker, Leibniz-hater Leonhard Euler, and Laplace's protégé and plagiarist Cauchy after him, Clausius, Kelvin, and Grassmann, among relevant others, concocted what became known as three laws of thermodynamics, on the basis of the purely arbitrary, "ivory tower" assumption, that the universe is implicitly the universe of non-living processes as conceived, axiomatically, by the empiricists and their offspring the positivists.

The later, more radical version of the mid-Nineteenth-Century dogma of Clausius, et al., underwent a further moral and intellectual degeneration, into the forms of radical positivism associated with Bertrand Russell and Ernst Mach. Ludwig Boltzmann come to play a leading role in systematizing the dogma of Clausius et al. Russell acolytes Norbert

Wiener and John von Neumann, compensated for their expulsion, for incompetence and related offenses, from Hilbert's Göttingen University, by concocting the pseudo-scientific dogmas of "information theory" and "systems analysis," and Boltzmann follower Erwin Schrödinger attempted to degrade the discoveries of Pasteur, Vernadsky, et al., into a dogma not inconsistent with the statistical thermodynamics of Boltzmann.

Thus, today, we have the spectacle of what might be escapees from Jonathan Swift's legendary island of Laputa, promising to create an "artificial intelligence," to replace the human intelligence they have repudiated, and to go to the edge of repudiating life itself, thus to make room on Earth for a proposed proliferation of super-human robots.

With the presently ongoing, epoch-making collapse of the so-called "new economy" based upon such drivel as that of Clausius and his successors, religious adoration of those existentialist Nietzschean supermen called "intelligent robots," will dwindle to the ranks of scattered, Flagellant-like, pathetic bands, as the harsh reality of a need for human intelligence in producing the necessities of life, will become, once again, predominant.

When we examine the doctrine of Clausius et al., from the vantage-point of considering the axiomatic considerations pervading this present report, that Tower of Babel created by the empiricists and their followers, such as Euler, Laplace, Cauchy, and Clausius, is a self-evident absurdity. These ostensibly human beings assert, as their fundamental, axiomatic assumption, that the universe is created in its entirety, according to a mechanistic sort of implied deductive-reductionist assumption, that "we have yet to discover whether this universe, will or will not, tolerate the existence of life in general, and human life in particular." On recognition of that devastating axiomatic fallacy underlying their entire system of argument, the fallacy of the doctrine of universal entropy should be obvious to all intelligent and reasonably literate adults.

Take the tack opposite to the axiomatic assumptions of those unfortunates. Ask, not whether life is possible, but, rather, what is the nature of the universe, that it brought us into being, and gave us the ability to increase our powers in and over that universe? The argument, expressed as biogeochemistry, by Vernadsky, indicates the direction of the answer to that question which we must ask of ourselves. My own discoveries and related developments in the field of physical economy, enable us today to express what is otherwise implicit in Vernadsky's work, as a basis for shaping policy in and among nations.

The lesser crime of folk such as Euler, Laplace, Cauchy, and Clausius, which is to say, overlooking the evidence of their malicious intentions, is that their focus upon a radical reductionist's deductive scheme for non-living processes, defiantly ignores the Kepler-Leibniz principle of situation (i.e., Analysis Situs). They deny, rather hysterically, the universe within which they themselves exist.

Each orbit of the Solar system within which they exist, has a characteristic, expressed as the notion of an incommensurable number. So, each object of scientific inquiry, is defined by a similar type of characteristic, and thus represents a monad in Leibniz's sense of the term. However, these types of characteristics, although they can be distinguished experimentally, do not have precisely the same value in all situations in which they occur. In practice, the value of their characteristic is adjusted to conform to the *situation/position* in which they lie.

This implies, first, a unique number for the object as such, but, also, a uniquely qualified number locating the existence of that numbered monad within the functional context of its *situation/position*.

Thus, entropy exists as an observed phenomenon within the situation in which it appears. Thus, for Pasteur, Vernadsky, et al., ostensibly inorganic matter behaves differently, as such matter, within a living process as its situation, than in a non-living situation of reference, such as a decaying remain of a living organism, or simply in a situation which is immediately a non-living one. Yet, Vernadsky emphasizes, from the standpoint of biogeochemistry, those natural products of the biosphere which appear as typically non-living material, have an "historic" determination within the development of the biosphere, which is their relevant "historical" situation. Here the folly of Clausius and the dupes who follow him, becomes obvious.

This principle of situation, as I have just referenced it, once again, here, is crucial. The general view to be emphasized, even for laymen generally, is the efficiency with which cognitive processes change the characteristics of the biosphere, and in which living processes (e.g., the biosphere) transform the characteristics of non-living ones, that as Pasteur, Vernadsky, et al., have shown.

3. Physical Economy & Life

To go beyond Vernadsky's mapping of the challenge, to the manner in which mankind may willfully change its ostensible present destiny, we have three interdependent categories to add to Vernadsky's 1938 image of the noosphere.

First, basic economic infrastructure. How must we make the desert bloom? What must we do, beyond the preceding beneficial conditions for human life already provided by the biosphere, to bring the biosphere itself to that higher state of organization required to increase mankind's power to exist in and over the universe? On this point, our argument directly overlaps that of Vernadsky.

Second, the development of those processes of production upon which the maintenance and improvement of human existence at present and improved levels depend.

Third, the constitution of the organization of society, and of the education and general culture of its people, that in

ways which make possible the cooperative efforts required to organize society's efforts in ways which are appropriate, for both the needed improvements in basic economic infrastructure, and processes of physical production and distribution of essential goods and services.

The three are suitably combined as a single topic, under the heading of the self-improvement of the reproduction of the demographic characteristics of the human species and its households. The principal measurements are made *per capita* and *per square kilometer* of the normalized cross-section of the biosphere. It is the rate of improvement of those characteristics, which is the focus of measurement of estimated values: i.e., *rate of rate of change* of such values.

I begin by focussing upon the role of basic economic infrastructure as the leading feature of the interface between the noosphere and biosphere. On this point, I include some re-statements of what I have stated in locations published earlier.

What Is Basic Economic Infrastructure?

Generically, the term "basic economic infrastructure" should be employed to signify all those improvements in the whole land-area, as land-area, which are required to create the preconditions under which "the desert may bloom." This includes the general development of *transportation, water-management, and power systems*. This also includes emphasis on the *development and management of field and forest in ways which increase the rate of conversion of solar radiation into forms of biomass usable in ways which are to the benefit of promoting the maintenance and increase of the productive powers of labor*. Thus, *it includes urban planning and development, in addition to managed fields and managed forests*.

Look at this in the terms Vernadsky defines the relationship between biosphere and noosphere. Now define that relationship in functional terms, first from Vernadsky's standpoint, and, after that, the standpoint of the science of physical economy.

The geological "history" of the Earth, as portrayed from the standpoint of biogeochemistry, indicates that the pattern of apparent evolutionary emergence of species, must focus less on the idea of evolution by species, and more on the way in which the self-development of the biosphere, through accumulation of its natural products (such as atmosphere and oceans), *creates the preconditions on which the emergence of higher types of species depends*. The significance of the emergent species then becomes, primarily, the impact of its existence in changing the characteristics of the biosphere as a whole manifold.

This self-development of the biosphere, as a biosphere-process, came to the point, some unknown quantity of millions of years ago, at which *conditions of the biosphere necessary for the cognitive life-form, man, were sustainable*. Into this image, we must inject the notion of mankind's further transformation of the biosphere, as through what Vernadsky implicitly defines as the *natural products* of noetic (human)



Magnetic levitation trains anchoring development corridors across continental Eurasia would more than pay for the cost of building and maintaining such corridors, by increasing the production of physical goods.

life, including cultivated forms of fields and forests, and what we today must recognize as the forerunners of modern basic economic infrastructure.

Suppose, then, that society operates to the effect, that a minority of the total population enjoys the benefits of infrastructural improvements, while the majority does not. Then, the development of the potential productivity of the majority will be crippled. We shall soon return, here, under the heading of the nation-state, to that crucial consideration.

Look at central Asia today. There are vast areas with abundance of what are called "natural resources," but which are condemned, so far, to be greatly underdeveloped, for lack of the basic economic infrastructure. There, a dense, highly productive population might live. To bring that change about, basic economic infrastructure must be developed to the point that development corridors combining mass transportation, large-scale water-management, and generation and distribution of power, were supplied within development corridors of up to 100 kilometers width. Such a network of emerging corridors would transform much of this sparsely developed region into a rich potential for growth of population and its prosperity.³⁶

Moreover, with high-speed (e.g., magnetic levitation) transport of freight across continental Eurasia, from locations such as Rotterdam into Japan, and across the Bering Straits, the efficiency of investment in development of physical production of goods would be greatly increased over the present degree of reliance upon transoceanic freight. Every mile (or,

36. On the European Productive Triangle, see footnote 4. On the Eurasian Land Bridge, see Jonathan Tennenbaum et al., *The Eurasian Land-Bridge: The 'New Silk Road'—Locomotive for Worldwide Economic Development* (Washington, D.C.: EIR News Service, Inc., January 1997).

kilometer) of such development corridors more than pays for the cost of building and maintaining such development corridors, a more-than-compensating income experienced in the form of production occurring along each 50 miles or so of the route. This is contrasted with the general lack of production across most of each 50 miles of transoceanic transport. In that sense, because of the increased output and increased productivity it makes possible, a well-developed, and properly explored development corridor, costs the economy much less than a net nothing.

Thus, we must recognize that the superimposition of the noosphere upon the pre-noosphere condition of the biosphere, is not merely something slapped down on top of that biosphere, but, instead, signifies an acceleration of the development within the biosphere as a biosphere, *to the intended effect* of enhancing the preconditions for human development, while also increasing the rate of functional throughput of a biosphere which now includes man and man's activities as part of that biosphere.

I would emphasize the attention of space-scientist Krafft Ehrlicke to the "industrialization of the Moon," and my extrapolation of that policy, to generating the synthesized natural biospherical-like conditions for a Los Alamos-scale of laboratory-station on Mars. To restate the point: the Solar system developed the preconditions for a biosphere's self-development on Earth, in the course of which, the preconditions for human life emerged. In long-term space-exploration, in which men and women stay "in space" for months or longer, we can not rely indefinitely upon so-called "artificial life support." We must utilize the principles of the biosphere, as we learn those lessons from the emergence and maintenance of human life on Earth, to assist us, increasingly, in developing replications of biosphere-like processes "in space."

Therefore, the development of the biosphere was continued, chiefly through what I have described here as basic economic infrastructure, as an integral part of a noosphere which subsumed it. Our continuation of that process of development of the biosphere (under the reign of the noosphere) is a precondition for the emergence of higher levels of human existence. Man, thus, raises the level of development of the biosphere above that achieved by the pre-human biosphere.

Now, thus, the natural products of a biosphere situated within a noosphere, aggregate to a higher level of quality and relative mass than under the "natural" state which might be achieved by the biosphere alone. For example, man-managed forests, if properly managed, are far less prone to devastating forest fires than the forests of an untamed wilderness. For example, the managed distribution and reprocessing of water, makes possible a great increase of the quantity and quality of biomass per square kilometer. For example, looting family farms down to the bone, with Carter-administration-level sub-parity prices paid directly to farmers, turns vast tracts of agricultural and related land-area into dust-bowls, as occurred in the U.S.A. over the 1920s and early 1930s.

Just as the principle of life intervenes into non-living processes, to change the latter's behavior to the effect we may recognize as the biosphere, so man's cognitive intervention into the development of the biosphere, alters the behavior of the biosphere. In such cases, the subsumed domain's internal laws of behavior of the subject-matter are altered, to the effect Pasteur and others noted in the cases of the fermentation of beer and wine. These changes are measurable, as natural products of life. So, cognition's intervention into the biosphere, redefines biosphere as including those categories of behavior which we recognize as basic economic infrastructure. These changes in the biosphere are measurable ones, and are the preconditions for the maintenance and improvement of human life. They are natural products of the noosphere, and must be so recognized and assessed.

The measurement required, by a science of physical economy, is the *relative rate of increase of the potential population-density of the human population*, taking into account associated improvements in life-expectancy, and improvements in the demographic characteristics of both households and the population in general, their general welfare, as the U.S. Constitution's Preamble specifies that goal to be the inalterable law governing the decisions of our republic.

Production As Such

The standard for measure of productivity is not counted output as such, but, rather, the *relative* rate of increase, stagnation, or decline of the productive powers of labor. This measurement is made in both per-capita and per-square-kilometer terms, and is qualified by the requirement of improvements in the demographic characteristics of family households, and of the population in general. These measurements approximate, and express in that degree, the notion of relative potential population-density. In other words, these are different ways of measuring with fair approximation, the rates of change in the anti-entropy of what Vernadsky defined as the noosphere.

At this point, it is important to forewarn those critics, once more, who might demand a mathematically exact standard of measurement. All important constants in physical science are, by their nature, relative values, and thus ultimately incommensurable. In the topical area of national and world economy, we would warn critics that the value of production, and productivity, considered in the small, varies according to the characteristics of the so-called macro-economic setting in which it is situated. The point of using approximations, is not that our measurements are not sufficiently refined in detail; the point is, that any changes in the noosphere in which the economy is situated, alters the functional value to be assigned implicitly to any localized subject-matter.

Take a case from physics in general. There are strong experimental indications, from work conducted by scientists over decades, that what are usually considered universal constants, may not be exactly constant, but may be altered by the

impact of radiation from stellar space, and, at least under certain conditions, may be different for materials subsumed within living processes than is to be found among the same species of monad found in non-living processes. Thus, in physical science generally, and in economics more narrowly, we must think of characteristics as being incommensurables in the final analysis, as Kepler did.

The magnitude, the characteristic, we are attempting to measure, at least in a reasonable degree of approximation, is a true characteristic, unique to the orbit or other monad-like existence to which it refers. But, we must never forget, that the universe is not the sum of its parts, but a manifold, which is the context and determinant for the existence of each part. Valid new discoveries will not make a characteristic less characteristic; but the exact number associated with it is never known in the n th degree, and may be subject to some significant modification as the extent of our knowledge of the universe is increased.

In changing the biosphere, as the noösphere's existence does, we are changing the "macroscopic" economic manifold within which each act of production, or other economically significant local action occurs. Thus, all estimates of local economic values of production and related things, are approximations. The distinctions made among local such events may be only approximations, but the estimated relative values have the kind of significance for practical application which the idea of a competent approximation suggests.

The paradigmatic essence of the noösphere, is the act of cognition through which the individual mind generates a valid discovery of universal physical principle. Here lies the essence of the quality of anti-entropy specific to the noösphere, the functional distinction of noösphere from biosphere. *Here lies the key to mankind's unique and specific ability to change the universe.*

The construction of the equivalent of what is called, after Riemann, a *unique* experiment, is not only the indispensable proof of a universal physical principle. It is from the requirements of the design of such an experiment, that what we called *technologies* are spun from scientific discoveries of universal principle. One of the most efficient examples of that, is Wilhelm Weber's unique experimental demonstration of the Ampère angular force principle for electrodynamics. The proof of principle is expressed in the design of the experimental apparatus; conversely, it is from examination of the crucial features of the machine-tooled design of the experimental apparatus, that the feasibility of application of the principle flows.

Thus, in modern economy, especially in connection with what are called "crash" science-driver programs, a close, symbiotic kind of reciprocal relationship should exist among the research scientists, the machine-tool-design functions, and the introduction of the validated technology, through highly skilled development teams, into the processes of product-design and production methods. In such cases, the principal variable in net performance, is the development of a cor-

responding structure of employment of the total labor-force, such that the "science driver" components and the immediately supporting strata, are an increasing ration of the total employed labor-force.

Thus, a willful up-shift in the composition of categories of occupations and employment in the total labor-force, must be a process of bringing an increasing portion of that labor-force in ever-closer proximity to "pure physical-economic" generation of rapid rates of advances in technology of both production and product design. It would be useful to call that *the sociological principle of anti-entropy in the noösphere*. We shall return to some crucial implications of this same point, but from a different vantage-point, at a slightly later point in this concluding section of my present report.

The development of the accumulation of experimentally validated discoveries of universal physical principles, takes the form of a Riemannian manifold. The addition of new such discoveries, results in the establishment of a new manifold. *It is the implicitly measurable anti-entropy generated by such an unfolding series of manifolds, which is crucial.* The advance of the development of this manifold is the underlying characteristic which drives physical-economic progress as such. However, the relative benefits to an economy depend upon the willingness and ability of the society to utilize the benefit of such discoveries in terms of transformations in employment, product-design, production itself, and also the development of basic economic infrastructure in a manner and degree which these up-shifts in the technological potential require for their effective implementation in production and distribution.

For example, on the matter of infrastructure. Take, first, the case of power. The ability to realize the benefits of valid discoveries of universal principle, and of related technologies, generally requires an increase in not only the energy-output per capita and per square kilometer, but also such qualitative improvements as increased energy-flux density, and coherent organization of the energy-flows in distribution and application.

In the case of water management, the amount of water throughput required, per capita and per square kilometer, increases. This requirement can be satisfied only by aid of increasingly sophisticated methods of desalination and reprocessing of water.

In transport of freight, the ability to balance the relationship between inventories of work in progress, and of final product, requires the kind of revolutionary improvements in transportation which builds freight-classification and related matters of delivery and inventory management into the inherent characteristics of the system. The use of magnetic levitation transport for passengers, is impressive; but should not obscure the fact that the potential benefits in terms of freight handling and related matters, are far more impressive economically than faster transport of passengers.

In the notion of urban infrastructure, it should be easily recognized by persons with even ordinary literacy, that the

way in which cities have been transformed during the post-World War II period to date, has been increasingly catastrophic in its projectable medium- to long-term effects. The way in which “suburbanism” was pushed, as with New York’s Levittown, or the use of what had been launched, for the nuclear-weapons age, as the national defense highway system, to extract suburbanite ground-rent from former cow-pastures and the like, has been economically, socially, and morally counterproductive, in a very large degree.

Commuters travel further and further. Social life, in the household, and otherwise, deteriorates accordingly. Cities should be built from the subsurface, upward, with principal features of the substructure and other structures intended to remain functional for hundreds of years to come. Given the condition of economic and related rot which has been accumulating inside the U.S.A. and other parts of the world, during, especially, the recent thirty-five-odd years, we are not presently positioned to implement the kind of technological revolution in urban designs to which reason would already point us today. Sometimes, when we have a serious problem, in life, in a nation’s economy, we lack the means to make the obvious corrections; but, experience shows, that being aware of the problem, which we might not have the present means to correct entirely, warns us against continuing the undesirable trend, and orients us toward launching the new trends required for the benefit of coming generations, and the national interest, otherwise defined, as a whole.

The Modern Nation-State

The evidence is clear. The greatest rate of improvement of the conditions of life of humanity ever recorded, came as a result of developments within Europe’s Fifteenth-Century Renaissance. [Figure 1] Through the intertwined role of France’s Jeanne d’Arc, the great ecumenical Council of Florence, King Louis XI’s founding of the first modern sovereign nation-state, and a similar revolutionary role played by Richmond (Henry VII) in England, a new kind of political institution was created in Europe at that time. This was the principle, that *no government has the moral authority to govern, except as it is efficiently committed to promoting the general welfare of all of the population and its posterity*. This led to the later Eighteenth-Century founding of the first true modern sovereign nation-state republic, that of the U.S.A., during the interval 1776-1789. I have addressed this matter, in numerous publications and public addresses delivered over a span of decades. It is necessary to summarize some of that material again, here, in order to make a clear point.

All cultures in known history, prior to that Fifteenth-Century revolution in the practice of statecraft, were like the imperial tyrannies spawned in ancient Mesopotamia. They were of a form consistent with what Classical Greek writers knew as the *oligarchical model*. In this general class of types of societies, a relative few, a ruling caste, or oligarchy, aided by a retinue of armed and other lackeys, ruled over the majority

of their own and other people, degrading those over whom they ruled to the condition of wild or herded human cattle. The oligarchy variously hunted, herded, bred, and culled those herds, as a farmer takes wild game from the field and forests, and culls his herd of those specimens considered too independent in their impulses, or an excess or otherwise undesirable portion of the total population. Such was ancient Babylon, such was the Sparta designed, like Rome after it, by the Delphi cult of the Pythian Apollo.

This was the condition of mankind under the Roman empire, both in the West and Byzantium. This was the condition, as specified by the Code of the Roman Emperor Diocletian, which became the backbone of what passed for law under European feudalism.

Although the idea of the republic was well defined by Plato, and although the fundamental principle of U.S. constitutional law, the so-called “general welfare” clause, was inherent in Christianity, the struggles to bring about a just society, so constituted, were frustrated until Europe’s Fifteenth-Century revolution in statecraft, a revolution summed up by two influential writings of that period, by Nicholas of Cusa: his *Concordancia Catholica*, defining a community of principle among sovereign nation-states, and his *De Docta Ignorantia*, the founding work of modern experimental science. It was Cusa and his immediate circles, who prepared the way for, and inspired, voyages such as that of Christopher Columbus, and launched the evangelization carried into such places as the Americas.

During the interval from the period of the Second and Fourth Crusades, and continuing into late during the Seventeenth Century, Venice emerged as the chief enemy of the attempt to develop the modern nation-state. This was the Venice which had emerged from those crusades as an imperial maritime power, throughout the Mediterranean littoral and Europe generally. In the effort to abort the development of the sovereign nation-state and the new quality of culture it represented, Venice drowned Europe in repeated religious wars over the interval 1511-1648, concluding with the 1618-1648 Thirty Years War.

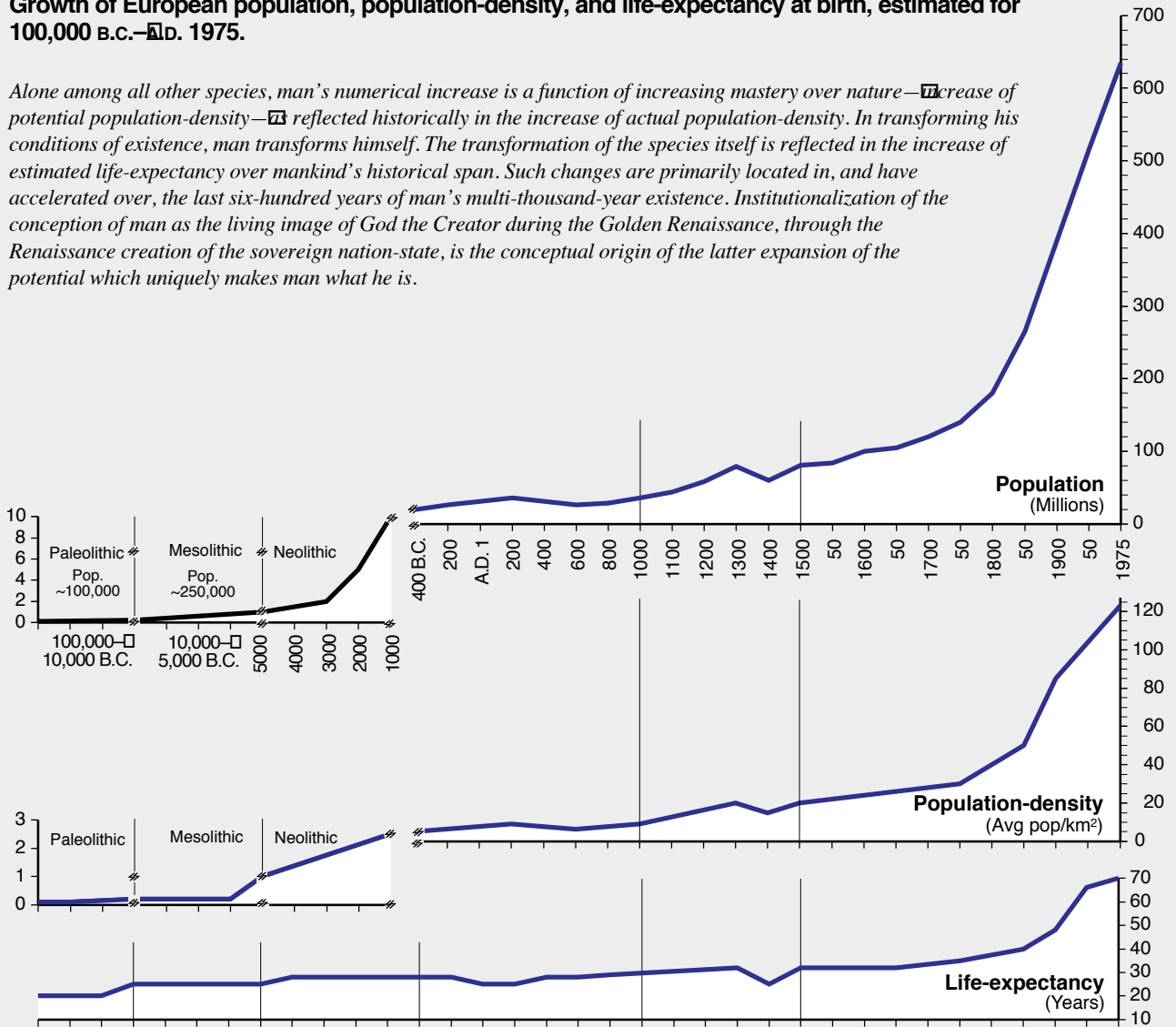
Under these conditions of the 1511-1648 interval, and still later, more and more of the republican leaders in Europe looked to the Americas as a place to build up colonies which could be developed into sovereign nation-state republics. There were frustrated, if often heroic efforts to that purpose among the independence movements of Central and South America, but only in the United States was a true such republic established. The 1776 Declaration of Independence and 1789 Preamble of the U.S. Federal Constitution typify this connection to the Fifteenth-Century Renaissance.

Ours was an embattled republic from the beginning. With the July 14, 1789 storming of the Paris Bastille by those who had been or were the agents of London’s Lord Shelburne and Jeremy Bentham, France, the U.S.A.’s chief ally of the 1776-1783 War of Independence, fell into the 1789-1794 Jacobin Terror, and, thence, under the reign of Barras and the first

FIGURE 1

Growth of European population, population-density, and life-expectancy at birth, estimated for 100,000 B.C.—A.D. 1975.

Alone among all other species, man's numerical increase is a function of increasing mastery over nature— \square increase of potential population-density— \square reflected historically in the increase of actual population-density. In transforming his conditions of existence, man transforms himself. The transformation of the species itself is reflected in the increase of estimated life-expectancy over mankind's historical span. Such changes are primarily located in, and have accelerated over, the last six-hundred years of man's multi-thousand-year existence. Institutionalization of the conception of man as the living image of God the Creator during the Golden Renaissance, through the Renaissance creation of the sovereign nation-state, is the conceptual origin of the latter expansion of the potential which uniquely makes man what he is.



All charts are based on standard estimates compiled by existing schools of demography. None claim any more precision than the indicative; however, the scaling flattens out what might otherwise be locally, or even temporally, significant variation, reducing all thereby to the set of changes which is significant, independent of the quality of estimates and scaling of the graphs. Sources: For population and population-density, Colin McEvedy and Richard Jones, *Atlas of World Population History*; for life-expectancy, various studies in historical demography.

Note breaks and changes in scales.

modern fascist, Napoleon Bonaparte.³⁷ With the outcome of the Congress of Vienna, the U.S.A. was isolated and imperilled, from without (from London and the Holy Alliance) and from the American Tories among financier and slaveholder

37. The self-defined "new Caesar," Napoleon was the model copied by Mussolini, Hitler, and other fascists of the post-Versailles decades. The model for modern fascism was prescribed by Bonaparte enthusiast, and sometime Metternich agent, Prussia's state philosopher G.W.F. Hegel. Although Karl Savigny was influenced by and sympathetic to Hegel, the most consistent

interests within. Then a great protégé of former President John Quincy Adams, President Abraham Lincoln, defeated Britain's Confederacy puppets in the Civil War, and, in concert with Henry C. Carey, launched the great agro-industrial development which established the U.S. economy as the most

follower of Hegel was the Carl Schmitt on whose Hegelian doctrine of law, and included theory of the state, the enactment of the decree of February 18, 1933, establishing the Nazi dictatorship, was premised.

powerful, and technologically most advanced among nation-states of the world. This established *the American System of political-economy*, of Alexander Hamilton, Mathew Carey, Friedrich List, and Henry C. Carey, as the best form of economic policy existing among the nations of the world.

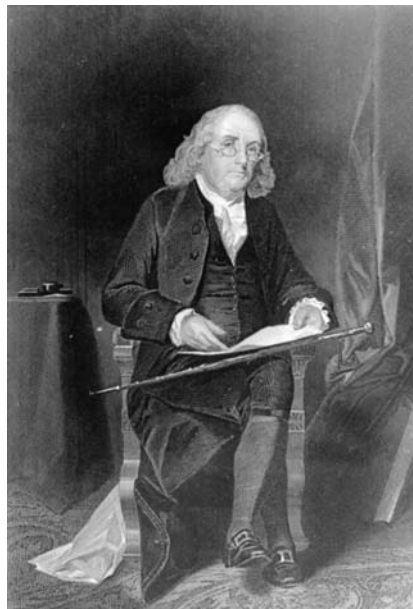
With the 1901 assassination of President William McKinley, the government of the U.S. fell into the hands associated with two unrepentant heirs of the Confederacy, President's Theodore Roosevelt, and overt Ku Klux Klan fanatic Woodrow Wilson. President Coolidge was no better. Under the conditions of a great economic crisis and the onrushing threat of a new world war, President Franklin Roosevelt returned the U.S., for a while, to the American intellectual tradition expressed in its Declaration of Independence and the Preamble of its Federal Constitution. Nixon's Southern Strategy campaign of 1966-1968 marked the turn leading into a return to the reign of neo-Confederacy ideologies and practices of Teddy Roosevelt, Woodrow Wilson, and Coolidge, within the top ranks of both leading political parties.

Throughout its history to date, that American intellectual tradition has been inseparable from an ecumenical foreign policy. It was so with Benjamin Franklin. This was expressed by the 1823 Monroe Doctrine crafted by the Franklin-trained John Quincy Adams; it was the heritage of Abraham Lincoln, and the theme of Franklin Roosevelt's "Good Neighbor" policy and President John F. Kennedy's "Alliance for Progress." Nixon's Secretary of State Henry A. Kissinger typifies those who, out of their own mouths, have been consistently on the opposite side.

That summary overview thus supplied, now focus upon those axiomatic features of the sovereign form of modern nation-state which account for its vast superiority over all earlier cultures in promoting the general welfare of mankind.

The functional distinction of the sovereign form of modern nation-state republic, is that it ends the subjugation of the majority of the population to the status of virtual human cattle. It is the shaping of economic and related policies according to that intention, which imposes upon government the responsibilities for: a.) protecting the national economic development, as measured in per-capita and per square-kilometer terms; b.) the promotion of the development of the basic economic infrastructure of the national territory as a whole; and, c.) the promotion of scientific progress and use of the technologies so derived, to promote the advancement of the productive powers of labor of all of the households of which the population is composed.

It was the approximation of such measures, under Louis XI, which resulted in the virtual doubling of the national income of France under the few decades of his reign. The electrifying transformation of England, under Henry VII, is a comparable case. It was these and related policies, derived from the axiomatic features given authority during the Fifteenth-Century Renaissance, which embedded in the impact of those radiated features of the modern sovereign form of nation-



Benjamin Franklin, the early leader of the American Intellectual Tradition, proposed a U.S. foreign policy based on the perfect sovereignty of all nations in a community of principle.

state, the impetus for its unprecedented effect of improving qualitatively the demographic conditions of life of populations.

In all of this, the essential point is, the promotion of the development and application of the individual person's cognitive powers, both in terms of science and technology, and in the cultural activities properly classed under the heading of principles of Classical artistic composition.

As is typical of the way in which the United States has been self-destroyed under the influence of existentialist degenerates such as Theodor Adorno and Hannah Arendt, the greatest crime which recent decades have perpetrated upon the families of the U.S.A., is far less the oppression of their bodies, than the degree of success in destroying their souls. By denying the existence of knowable truth, that in favor of mere opinion, and rejecting the socratic methods by which the individual may discover truth, and by imposing methods of classroom and related education, which emphasize the sensual, as opposed to the cognitive, the mental powers, and morals of the population have been greatly undermined, where they have not been yet destroyed.

It is the florescence of Classical education and practice in science and art, which nourishes what becomes both the productive potential of the population, and its inclination to cooperate in bringing related improvements in the material and cultural conditions of life into general practice. The human individual is naturally creative; that distinguishes him, or her, from the beasts. That is the quality of that individual, which, if evoked and encouraged, is the source of upward tracks of revolutionary improvements in the condition of mankind. That, which Plato and the Apostle Paul would identify as the principle of *agapē*, is the power of mankind to change the universe.

Bush Will Get a Mideast War, But Not the One He Wants

by Dean Andromidas

As if slamming his fist on the table, demanding obedience from the world, the administration of President George W. Bush ordered the Feb. 16 joint British-American bombing of Iraq, hitting targets near Baghdad. If Bush seeks a new Middle East crisis as a show of force, in the midst of the deepening economic and financial crisis now engulfing the world, he will get a war, but not the one he is planning. While Bush may be hoping to clean up the unfinished business left by his father, in fact, he is simply rearranging a Middle East stage, already set for war. But this would be a much more dangerous religious war, that could light a conflagration spreading from the Middle East, deep into Central Asia.

Speaking on CNN on the day of the attack, Lawrence Eagleburger, former Secretary of State in the George I administration, dispelled the idea that the attack had anything to do with Saddam Hussein representing a current threat in the region. Eagleburger said Iraq was hit because the current Bush Administration intends to complete the "unfinished war" begun by Bush senior.

But worse than an attempt to simply even the score, the attack is the opening phase of a much nastier and more dangerous military escalation being planned for the region by the new "Bush Team." It must be seen against the background of the formation of a government in Israel, under the leadership of ultra-warhawk Ariel Sharon, a government that has abandoned any commitment to an Oslo-type peace process linked to regional economic development. Such a government is programmed, not simply to contain the ongoing Palestinian Al-Aqsa Intifada, but to prosecute military actions against Syria, Lebanon, Iraq, and/or Iran. Unlike previous Israeli governments, the Sharon regime no longer views its neighbors as potential partners for peace, but hostile enemies.

Such an Israeli government is likely to serve the Bush

team's view, that the main threat in the Mideast comes from Iran, due not only to its middle-range ballistic missiles, but, more importantly, because of its increasing economic, political, and military cooperation with Russia. Furthermore, Iran's developing reconciliation with its old enemy Iraq, as well as with Saudi Arabia and the Arab Gulf States, is seen as threatening the Anglo-American geopolitical interests in the region.

In an interview with the Public Broadcasting System (PBS) Feb. 14, Secretary of Defense Donald Rumsfeld spilled the beans on U.S. intentions, when he recalled the 1981 Israeli bombing of Iraq's Osiris nuclear facility: "We were very fortunate that the Israelis went in . . . and took out their nuclear capability." In a further provocation, Israel has accused Iran of using the Lebanese guerrilla group Hezbollah as a proxy to launch attacks along the Israeli-Lebanese border, and in support of Palestinian militants, thus casting Iran as an immediate threat to Israel.

China Target

The accusation by the Pentagon, and later the State Department, that China is assisting in constructing a fiber-optic network to link up with Iraq's air defense system, whether true or not, is clearly calculated to target China. This fits in well with the anti-China hawks in the Bush Administration, including Deputy Secretary of Defense Paul Wolfowitz. On the other hand, if true, the report demonstrates how vulnerable U.S. military capabilities are, especially if the U.S. fails to win support from the Arab states. In fact, the military after-action reports following the Feb. 16 bombing of Iraq, indicated that only eight of the 20 targets were actually damaged in the attacks.

Since the bombing, the Administration has leaked various

policy schemes, including one for so-called “smart sanctions,” supposedly aimed at targetting the Saddam regime, and not the “Iraqi people.” But, as the Administration knows, none of these schemes are acceptable to Iraq, nor to almost any other concerned nation.

A senior Israeli intelligence source scoffed: “No European, no Russian, no one will accept any of these proposals, because no one in their right mind is going to give the U.S. exclusive diplomatic control of Iraq, and therefore the region. It is yet another crude attempt by Bush to tell the world that only the U.S. — not Europe, not Russia or anybody else — will lead the world. But none of this will work. Look at the collapse of the Nasdaq, the U.S. is no longer the superpower it thinks it is, so why should they all obey.”

The bombing attacks on Iraq drew fire as well from French Foreign Minister Hubert Vedrine, who called the attacks “illegal.” At the same time, Russian President Vladimir Putin and French President Jacques Chirac, after conferring by telephone, agreed to cooperate in the United Nations Security Council, to ensure that a diplomatic, and not a military solution, is followed.

Mideast Governments Destabilized

The most serious miscalculation, however, was the failure of the Clinton-led peace effort to adopt the LaRouche’s “Oasis Plan” perspective. LaRouche proposed to unify Arabs and Israelis through economic cooperation focussed on development of water resources. The collapse of the Oslo peace process has left the region seriously polarized, with the U.S. viewed by the Palestinians and the Arab states as the unequivocal supporter of Israel.

At the same time, growing rage of the Palestinian Al Qsa Intifada has had a profound impact on public opinion throughout the Arab world, threatening to destabilize every country in the region. Furthermore, the Arab countries view the Anglo-American anti-Iraq sanctions in the same light as the Israeli repression of the Intifada. These factors will make it impossible to rebuild George I’s anti-Iraq coalition.

On the eve of Secretary of State Colin Powell’s official tour of the region, which begins on Feb. 24, thousands of Lebanese students tried to storm the U.S. Embassy in Beirut and had to be forced back by riot police and water cannons.

Even Kuwaiti Foreign Secretary and former Ambassador to Washington, Sheikh Sabah al-Salim al-Sabah, distanced his government from the bombing raids, demurring in diplomatese, that Kuwait does not interfere into the internal affairs of other countries. The statement was made on the eve of the arrival in Kuwait, of former U.S. President Sir George Bush himself and Colin Powell, for the 10th anniversary celebrations of the liberation of Kuwait in the Gulf War.

The most remarkable criticism came from Egypt, which is the second-largest recipient of American military and economic aid in the region, after Israel. An editorial in the official



What George I began, George II wanted to finish, beginning to bomb Baghdad in the first month of his administration. The war he will get, is not the one he has planned.

daily, *Al-Ahram*, charges, “The U.S. Administration has proven, through these outrages, and unjustified aggression, that it does not care about the international Arab public opinion, that calls for lifting the unjust economic sanctions imposed on Iraq.” The editorial went on to accuse the Bush Administration of using the bombings to sabotage Egyptian President Hosni Mubarak’s efforts to reconcile Iraq with Kuwait and Saudi Arabia, in preparation for the sanctions issue to be taken up at the Arab summit.

In an effort to galvanize Arab unity, Egyptian President Hosni Mubarak has moved to upgrade the Cairo-based Arab League, through the nomination of current Egyptian Foreign Minister Amr Moussa for Secretary General. Known to have firm Arab nationalist credentials, Moussa promises to breathe new life into the organization, which represents 22 Arab countries.

Should Ariel Sharon fail to form a unity government in Israel, the danger of war will not diminish; it will be put on a shorter fuse. Sharon is prepared to form a coalition of the rightwing and ultra-Orthodox religious parties, an option that has been dubbed the “Aswan-Tehran” coalition because of statements made by the leaders of the Sharon-allied National Union-Yisrael Beiteinu Party. During the election campaign, one of its leaders, Avigdor Lieberman, who was also the right-hand man of former Prime Minister Benjamin Netanyahu, publicly declared that Israel should be prepared to bomb the Aswan Dam; Lieberman’s party co-leader, Rehavam Ze’evi, in a similar statement, declared that Israel should be prepared to bomb Tehran.

Yes, But Not This Way

Michael Liebig analyzes how a Euro-Atlantic/Eurasian cooperative ballistic missile defense could be a realistic proposition.

The speech of U.S. Secretary of Defense Donald Rumsfeld, at the 37th Conference on International Security, known as the “Wehrkunde Conference,” in Munich on Feb. 3, made it clear once again, that the Bush Administration is determined to implement a limited ballistic missile defense (BMD) program. In the public rhetoric on the subject of missile defense, there is usually much talk about the threat from missiles and weapons of mass destruction (WMD), coming from the obligatorily cited “rogue states.” Although it cannot be fundamentally denied that there is an incalculable risk from ballistic missiles and WMD, there is another “hidden agenda” behind the American BMD plans:

1. The actual primary target of a limited missile defense is not the rogue states of today or tomorrow, but the other nuclear powers, in particular China and India. Washington has no real fear that these other nuclear states intend to commit nuclear suicide by firing missiles with WMD warheads at the United States. Instead, America’s BMD aims at “degrading” the nuclear arsenals of “smaller” nuclear powers, and, especially, neutralizing those nuclear deterrence options which, for example, use the “electromagnetic pulse (EMP)” effect, and are far below the threshold of Cold War-style nuclear holocaust scenarios.

2. On the theater (operative-tactical) level, the American missile defense (TMD) program is intended to provide a shield for U.S. forces and allies in “expeditionary wars” overseas. This intent should be seen against the background of the present crisis developments in the Middle East, the Persian Gulf region, and in the Caucasus/Central Asia region.

3. A large-scale armaments program, in which missile defense is a key component, is intended to halt the accelerating downward drift of the American economy into depression, and to “stimulate” the economy.

Does it therefore follow that the overall system of missile defense is counterproductive and dangerous on a global-strategic scale? Would not the best solution be, in the interest of peace, stability, and development, to prevent its realization, or to cause it to fail? The answer is simple, but not simplistic, because the question of American missile defense is not *eo ipso* highly problematic: It is problematic because of the current strategic context, within which missile defense plans are being pursued.

At the core of the problem, is the situation that the ruling elites of the United States have adopted a basic attitude which is similar to that of the “aging” British Empire: Contain, weaken, and suppress any emerging economic and strategic competition, instead of facing up to a productive competition in world politics, in which one’s own leadership role becomes a gain for all, economically and strategically. The history of the United States shows that the potential for the second policy orientation, is not illusory wishful thinking, as U.S. policy under Presidents Franklin D. Roosevelt or John F. Kennedy demonstrated. Under the current strategic, political, and economic premises and trends, the Bush Administration’s strategic concept of missile defense, while it is reasonable in itself, has been made into a vehicle for destabilization of all sides.

However: If the strategic package of missile defense were, so to speak, to be raised to a higher level and made into a cooperative venture, with participation from all of the states that are interested in greater national security by means of missile defense, as well as in the technological-industrial economic gains from advanced missile defense, then the situation could look quite different. That would mean that the United States would agree with its European NATO partners, Russia, China, and other nations that are willing to cooperate, to the effect of removing the incalculable “residual risk” of missiles armed with WMD warheads.

The present situation in the United States and on the world political stage, differs profoundly from that at the beginning of the 1980s, when the “Strategic Defense Initiative” (SDI), co-conceived by Lyndon H. LaRouche, Jr., was initiated during the first Reagan Administration. Understanding the “real history” of the SDI—the active events and their background—is, nevertheless, of extraordinary importance, in order to reach correct evaluations, and draw the right conclusions with respect to current missile defense plans.

Donald Rumsfeld on BMD

On July 15, 1998, a high-ranking “expert commission” chaired by Donald Rumsfeld, former Secretary of Defense under President Gerald Ford, presented a report on “the ballistic missile threat to the United States.” The Rumsfeld Commission came to the conclusion that this threat “is broader, more mature, and evolving more rapidly than has been re-



The type of ballistic missile defense that “works,” both as defense and as an economic motor, is based on “new physical principles.” Shown at left is the SDI test of the Mid-Infrared Advanced Chemical Laser, destroying a Titan I booster missile body. What doesn’t work, is typified by the Patriot “kinetic kill” missile (right), whose miserable record during George Bush’s Gulf War is a sore embarrassment.

ported in estimates and reports of the intelligence community.”

The Rumsfeld Commission report, which was only partially declassified, presents a broad spectrum of possible threats to the territory and population of the United States from missiles which might be equipped with nuclear, chemical, and biological warheads. Explicit reference is made to the usual “rogue states” — Iraq, Iran, North Korea, Libya, etc. — a list which was not very persuasive even in 1998; now, three years later, it is far less so, in view, for example, of the developments on the Korean peninsula.

On Feb. 3, 2001, two weeks after swearing his second oath as Secretary of Defense, this time under George W. Bush, Donald Rumsfeld spoke to the Munich Wehrkunde Conference on the subject of missile defense: “No American President can responsibly say that his defense policy is calculated and designed to leave the American people undefended against threats that are known to exist. And they do, let there be no doubt. A system of defense need not be perfect, but the American people must not be left completely defenseless. That is not so much a technical question as a matter of a President’s constitutional responsibility. Indeed, it is, in many respects, a moral issue. Therefore, the United States intends to develop and deploy a missile defense designed to defend our people and forces against a limited ballistic missile attack, and is prepared to assist friends and allies who are threatened by missile attack to deploy such defenses. These systems will be a threat to no one. They should be of concern to no one, save those who would threaten others.”

Rumsfeld added that the European NATO partners would be “consulted” by the Bush Administration on the question of missile defense, but that there would be no reversal of the American decision to develop and deploy such a system.

Rumsfeld avoided using the term “National Missile Defense” (NMD), using instead the more general formulation “missile defense,” without making any further specifications. Other American participants at the Wehrkunde Conference emphasized that the Bush Administration’s missile defense program was not a controversial issue in domestic policy debate, but that it enjoys solid bipartisan support.

Henry Kissinger’s remarks at the Wehrkunde Conference were somewhat less laden with “morality” than Rumsfeld’s. Kissinger, who rudely rejected European criticisms of Bush’s plans, soberly and toughly observed that the United States would hardly go to all the trouble of building a missile defense system, were it only a matter of some “rogue states.” The real addressees of America’s BMD, he said, were the other nuclear powers, and he cited Russia, China, and India by name.

On Feb. 14, in an interview with the Public Broadcasting System “NewsHour with Jim Lehrer,” Rumsfeld himself became more explicit on the real agenda behind the Bush Administration’s BMD plans: “Russia is an active proliferator. They are part of the problem. They are selling and assisting countries like Iran, North Korea, and India, and other countries with these [ballistic missile/WMD] technologies, which are threatening other people, including the United States, Western Europe, and countries in the Middle East.”

Missile Defense in the Post-SDI Era

In the aftermath of the presentation of the Rumsfeld Commission’s 1998 report, the Clinton Administration decided to move ahead with accelerated development of a limited National Missile Defense for North America. In parallel, development of Theater Missile Defense (TMD) to protect U.S. armed forces deployed overseas and those of allied states, was intensified. The NMD system for the “Fortress America”

envisages the following components:

- interceptor missiles stationed on American territory;
- early-warning/target acquisition satellites in space;
- forward-based radar installations in Alaska, Scotland, Greenland, and Norway;
- battle management/fire-control systems in the United States.

The NMD was designed as a “kinetic” missile defense system: The warheads of the interceptor missiles are to collide with the incoming enemy warheads in their ballistic trajectory, and thus destroy them. Not surprisingly, the tests of the interceptor missiles envisaged for the NMD were unsatisfactory. In Summer 2000, President Bill Clinton decided to postpone the definitive decision for building the NMD system, and left the ultimate decision to his successor, who, as we have seen, has not hesitated for a moment, to move ahead with implementing missile defense.

Russia has categorically rejected, and still rejects, the NMD plan as a violation of the 1972 Soviet-American Anti-Ballistic Missile (ABM) Treaty, which severely limits missile interceptor systems on both sides. China likewise rejects the NMD plans, and additionally strongly opposes the American TMD plans in East Asia, including Japan, Taiwan, and South Korea. The European NATO allies, except Britain, have behaved skeptically with respect to the American BMD plans.

Most critics of the current American missile defense plans, jumble together a great deal with the ideological notions and slogans of the “arms control school” of the 1970s and 1980s. They call BMD a “danger for arms control and disarmament,” and “a catalyst for a new arms race,” or they talk about “militarization of space” through this “Son of Star Wars.”

It needs to be pointed out that one of the main problems with the current debate about missile defense, consists in the fact that the true history of the Strategic Defense Initiative under President Ronald Reagan, decisively co-conceived by Lyndon LaRouche, has still not been digested. This is also true in Russia. The SDI, contrary to prevailing opinion, was not only extraordinarily reasonable from a strategic and technological point of view, it also was necessary to supersede the regime of “Mutually Assured Destruction” (MAD), based exclusively on offensive nuclear weapons. That the majority of the leadership of the Soviet Union under Yuri Andropov and his successors did not understand this, was fatal.

The Soviet Union’s rejection of President Reagan’s initiative for a coordinated and parallel implementation of missile defense in both the East and the West, which policy is traced back to LaRouche, turned out to seal the fate of the Soviet Union as a superpower. By not going ahead with advanced missile defense, for which Soviet Russia had (and still has) a first-class scientific-technological base, it has forgone a unique chance for utilizing technological spin-offs from BMD to rejuvenate its overall economy. Soviet Russia thus missed its last opportunity for an “orderly” industrial modernization and reform.

If the Lights Went Out in ‘Fortress America’

As we asserted above, the real reason why the U.S. elites are forcing the protection of their national territory against a limited missile attack, is not the hypothetical (but, still, not negligible) threat from “rogue states.” As even Kissinger and Rumsfeld have practically admitted, the real targets of America’s BMD are Russia, China, and India, which either have a real WMD arsenal, intercontinental ballistic missiles (ICBMs) and submarine-launched ballistic missiles (SLBMs), or will rather soon acquire such an arsenal.

Now, the probability that one of the cited nuclear powers, or a coalition of such powers, would carry out a “first strike” against the United States, is as great as zero. Even in the times of its greatest military strength, a surprise, first-strike attack by the Soviet Union, with a salvo of hundreds or thousands of nuclear warheads against the United States, would hardly have been capable of neutralizing the U.S. second-strike capability. Moreover, the American second-strike capability would have been sufficient to so entirely obliterate the Soviet Union, that a Soviet attack would have been tantamount to a calculated suicide.

What was true in the Cold War is even more true today, since Russia has become much weaker, including in the nuclear strategic field. China’s arsenal of intercontinental ballistic missiles is small and technologically not state-of-the-art. China’s ICBM modernization is only slowly progressing, while its buildup of a submarine-based nuclear capability has been fraught with serious problems. Even in the decades to come, China will barely achieve the nuclear strategic parity with what the Soviet Union once had.

That India (or Pakistan), which, at present, have no intercontinental ballistic missiles or nuclear-capable submarines at all, would provoke their own destruction by launching a nuclear first strike against the United States, is a ludicrous proposition.

Can we therefore say that WMD-armed intercontinental missiles or SLBMs are actually militarily worthless, insofar as their launch would simply trigger immediate and devastating nuclear retaliation? Not quite.

It is possible to severely damage an economically developed country with a nuclear attack, without mass-killing its population. The explosion of a few nuclear weapons in the high atmosphere above the assaulted territory, would be sufficient to paralyze the economy and the infrastructure of that territory for a long time. The electromagnetic pulse (EMP) effect of the nuclear explosions would destroy all electronic components used in production, administration, infrastructure, and households that were not specially “hardened” against the EMP effect, yet without unleashing a “nuclear holocaust” of the civilian population, perhaps without directly killing a single person. Moreover, the EMP vulnerability increases in proportion to the level of development of the economy, and inversely.

It is not necessary, in order to make such an EMP attack, to possess a large, Cold War-style arsenal of nuclear weapons;

a few ballistic missiles and nuclear warheads would suffice.

Clearly, the planned limited missile defense for the continental United States aims at “degrading,” in general, the nuclear capabilities of other, inferior nuclear powers. More specifically, the American BMD seems to be aimed at denying other nuclear powers the deterrence option of threatening an EMP attack.

A hypothetical EMP threat against the United States would surely not materialize in the context of an updated “first-strike scenario” from the peak of the Cold War. A hypothetical EMP attack makes no sense, if one thinks in the categories of a “total war” between the United States and another nuclear power, in the sense in which a nuclear world war was conceived of, between NATO and the Warsaw Pact. One cannot “destroy” an enemy with an EMP attack, nor can one even hamper his second-strike capability, because major military installations are hardened against EMP.

Nevertheless, or precisely for that reason, the American leadership seems to consider the “sub-holocaust” EMP threat to be so serious, that it is a very important factor in the decision to build a missile defense system. Through BMD, Washington hopes to eradicate the margin of perceived uncertainty associated with an EMP-based deterrence capability.

The possibility of the threat of EMP strikes, arises around the question of what options other nuclear powers have to take against a vastly superior military superpower, without inevitably risking their own immediate destruction, if they see their own existence endangered. Should the United States, for example, for whatever reason, militarily attack a country which is allied with another, “smaller” nuclear power, or whose integrity is considered essential by the other nuclear power for its own national security, what can this nuclear power do, aside from paper protests or threatening an atomic holocaust? An EMP threat could be a conceivable deterrence option for small nuclear powers.

This is the more relevant, when one tries to imagine the global strategic landscape in the future. The 1998 Rumsfeld Commission categorized a number of countries (excluding the “allied” nuclear powers Great Britain, France, and Israel), as being capable of building long-range missiles and WMD, but as having forgone that option. The United States is currently allied to or has friendly, or at least non-hostile relations with, those countries, but a situation might emerge, in which these countries could change the decision to renounce ballistic missile/WMD capabilities.

Missile Defense and ‘Expeditionary Wars’ Overseas

The American government has publicly claimed that it is striving to achieve—or already has achieved—the capability to conduct two “limited” expeditionary wars overseas. The military occupation of Panama in December 1989, and the Gulf War of January-February 1991 under President George W. Bush, or the air war against Yugoslavia in the Spring of 1999 under the Clinton Administration, are examples of such

expeditionary wars in the post-Cold War era.

The Gulf War against Iraq and the Kosovo war could only be waged because the United States could make use of large military bases and active allies in the respective overseas conflict regions. Without regional allies and secure military bases, neither of these wars could have been waged. The willingness of the allies of the United States to participate in American military actions in their regions, either actively or by permitting the use of their bases, without having been attacked themselves, is obviously based on certain prerequisites: The territory of the ally must be optimally protected, by land and in the air. In addition, there has to be an effective protection against offensive missiles, in particular if there is the risk that these are armed with WMD. If these prerequisites are not met, the United States cannot rely on the willingness of regional allies to support them in military actions against third countries.

From what is known of the Gulf War in 1991, it can be concluded that Saudi Arabia was rather hesitant to participate in this war. The Bush government first had to “persuade” the Saudi leadership that Iraq, following its military occupation of Kuwait, was also preparing an invasion of Saudi Arabia. (That had nothing to do with reality, but concocted “reconnaissance evidence” was believed by the Saudi leadership.) In addition, however, the Saudi leadership had to be persuaded that the threat from Iraqi missiles, which could be armed with chemical or biological warheads, could be effectively countered. Consequently, American tactical interceptor missiles—the famous-infamous Patriots—were deployed to Saudi Arabia for defense against tactical and operative-tactical missiles, which gave the Saudi leadership a “feeling of security.”

As it later turned out, the American assurances that, with the Patriot deployment, the Iraqi missiles no longer represented a threat to Saudi Arabia, were ill founded. The combat deployment of the Patriots was a fiasco: Contrary to official declarations by President George Bush personally, their hit-rate against Iraqi missiles (Scud derivatives), which were armed with conventional warheads, was minimal. Had the Saudi leadership known this at the beginning of the war, it would likely have behaved differently.

It is interesting that the Kuwaiti leadership purchased Russian missile-interceptor systems (S-300/400) soon after the Gulf War ended, because Kuwait considered these more effective than the American systems. Israel, which had also been attacked with conventionally armed Iraqi missiles, energetically pursued its own Arrow missile-interceptor system, albeit largely financed by the United States. The Arrow system has been operational in the Israeli Defense Forces since 1999.

The Gulf War missile-interceptor fiasco did not escape the attention of the general staffs and governments around the world. This was true both for the allies and friends of the United States, and, as much or more so, for states with less friendly relations to the United States. The American leader-

ship had to realize that their military options internationally were seriously undermined, as long as their allies or potential allies in overseas regions of conflict, did not believe that there was an effective American missile defense capability.

Still in 1991, the Bush government launched its GPALS Program (Global Protection Against Limited Strikes), which consisted of three components: 1) "National Missile Defense," the origin of the current NMD; 2) "Theater Missile Defense," land- and sea-based operative-tactical missile-interceptor systems; and 3) an only vaguely defined, space-based "global" missile defense system.

Against the background of the bad experience in the Gulf War, the clear focus of the Bush Administration's missile defense plans was the theater (operative-tactical) area (TMD). The Patriot interceptor missiles were improved (Patriot PAC-3); a new land-based interceptor with a larger radius of action than the Patriot, the Theater High-Altitude Area Defense (THAAD) system, was developed; and the U.S. Navy developed new sea-based interceptor missiles. Despite claims to the contrary and new designations, the Clinton Administration basically continued on the path of the Bush Administration. The TMD projects had clear priority.

Missile Defense with 'Directed Energy'

One technology gained in importance during the Clinton years in the development of TMD systems: The use of "directed energy," travelling at the speed of light, for intercepting offensive missiles. Such "beam weapons" differ qualitatively from the "kinetic" interceptor missiles.

The construction of the first prototype of an aircraft-based laser (Airborne Laser/ABL) began at the end of the 1990s. This system is intended for destruction of missiles in the ascent phase of their ballistic trajectory. A high-performance laser was mounted in a Boeing 747, equipped with a target-acquisition system which keeps the laser beam focussed, despite atmospheric turbulence, and thus basically avoids energy loss. At an altitude of some 15,000 meters, the laser has a combat range of far more than 1,000 km to knock out missiles, which are relatively "slow" in the ascent phase, by paralyzing the electronics and control elements, or by exploding the fuel. The ABL system is supposed to be ready for deployment in 2002-2003, and this would represent an effective TMD system.

The ABL system demonstrates the qualitative superiority of missile defense systems based on "directed energy" over kinetic energy interceptor systems. There is no essential difference between the performance of the rocket motors of the target missile and the interceptor missile, since both are driven with chemical fuel. Missile defense systems with "directed energy," operating at the speed of light, are orders of magnitude faster.

As the technology of "optical adaptation" of laser beams has been so perfected, that the laser beam remains focussed even in the atmosphere, one can easily imagine the destructive

effect that laser beams, outside the atmosphere, could achieve against missiles. That was the core idea of the original SDI, as LaRouche co-conceived it at the beginning of the 1980s.

The progress in missile defense technologies based on "new physical principles," has been much greater in the United States and Russia, but also elsewhere, than is generally assumed. It would be utter nonsense to claim that "directed energy" technologies are "Star Wars fantasies" or military pipedreams, just because the most interesting work in this field is kept secret. Those who claim that this is just an arms technology "white elephant," which would cost an enormous amount of money for minimal military use value, simply overlook the great progress that has been made in the secret laboratories of the greater powers during the past three decades. Indeed, one should expect some major surprises in this area. If the political will exists and sufficient funding is made available, existing laboratory models and prototypes can, in a short time, be made into deployable beam weapons, which will revolutionize the military configuration, not only in space and in the air, but also on land and sea.

Those who are now saying that highly effective and deployable beam weapons for missile defense and other military purposes, are indeed feasible, but unrealistic for reasons of cost, overlook a fundamental question, to which LaRouche has pointed for over 20 years now: Initially extremely expensive programs in the military area or in space programs, from which revolutionary technological progress emerges, "pay for themselves" if these technologies flow out into the economy as a whole. Practically everything in the U.S. economy today which is technologically advanced and competitive, came from the once "expensive" Apollo space program or military research and development programs.

Another proof, but a negative one, is the history of the Soviet Union, which did not collapse because it "armed itself to death," but because the Soviet economic system blocked the spin-off of highly advanced military technologies into the civilian economy. That is the reason why the Soviet "military-industrial complex" could not become a motor of the civilian economy, but became instead, over the long run, an unsustainable burden.

It should be emphasized that we are talking about breakthrough technologies, which, once used in the civilian economy, increase overall productivity. "Arms expenditures" in general, that go into average or below-average technology, do not have, by nature, the general effect of increasing overall economic productivity, and remain a net cost for the economy.

Missile Defense, Re-Armament, and Economic Crisis

These considerations are extremely important, because they highlight the third reason why the missile defense program is being forced ahead so vehemently by the Bush Administration: The currently rapidly contracting U.S. economy will supposedly be given a boost by means of arms programs.



Fusion Energy Foundation Director Paul Gallagher explains how President Reagan's SDI would work, in a March 24, 1983 interview with CBS News.

Since the end of 2000, the American economy has slid from several years of pseudo-prosperity, into an ever-deepening crisis. We will not examine the causes and the background of the "swindle economy" of the Clinton years here. The fact is, that the American "economic miracle" of the 1990s never had a real economic foundation, and rested solely on an unprecedented speculative inflation of stock prices, and a monstrous increase in the debt of firms, households, and the total economy (i.e., the balance-of-payments deficit). The immense trade deficit during the past years, is an indication of how hollowed-out the American real economy is.

Now, the U.S. Federal Reserve and the Bush Administration are desperately attempting to prevent the U.S. economy from slipping into depression. That is the reason for the aggressive interest rate cuts by the Federal Reserve, made in order to pump even more (inflationary) central bank liquidity into the financial system, in the hopes that this will "stimulate" the economy. The same wishful thinking is to be seen in the Bush Administration's aggressive tax-reduction plans, which are supposed to encourage firms and households to invest more and to consume more. In view of the extreme debt load, however, it is highly doubtful that firms or households will do what is expected of them.

The third package of measures by the Bush Administration, is a "grand" armaments program. Missile defense plays a key role in this armaments program.

It cannot be precluded that a form of "crash program" could be initiated for the NMD/TMD complex. Such a program, if it were actually launched, would then comprise revolutionary technologies which, as already indicated, could give a new technological-industrial impulse to the entire economy. One could assume that such considerations are not beyond a Donald Rumsfeld, who is a veteran in government, in intelli-

gence, in the military, and in the defense sector. However, what was quite a realistic perspective during the first Reagan Administration, for the SDI, today looks rather different.

The difference begins with the financing of a missile defense program and the related arms expenditures, although—from an objective point of view—that is actually the least of the problems. The Reagan Administration, during the 1980s, had to pay for the expansion of arms spending with a massive increase of state debt. However, that explosion of state debt, transpired against the background of a far lower level of total debt, if you count firms, households, and foreign debt obligations.

The current economic collapse and the intended additional tax cuts will drastically reduce the available tax revenue for the U.S. government. Rumsfeld already

pointed to such fiscal problems at the Munich Wehrkunde conference. He said there, that narrowing the government's financial latitude might have its effects on how plans are shaped for missile defense.

However, one should not assume that the economic crisis and the parallel decline in tax revenue would necessarily be a decisive impediment to increased arms spending. As the economic situation grows more desperate, the Bush Administration's readiness to forgo "fiscal conservatism" in favor of a debt-financed big re-armament program will likely increase, not decrease. Indicative is President Bush's Feb. 13 statement, which he made as the stream of horrific news from the U.S. economy was swelling, and doubts were increasingly being raised about the effectiveness of interest rate and tax cuts for stimulating the U.S. economy. Bush reiterated the importance of arms spending in a speech made at Norfolk Naval Air Station: "In our broader effort, we must put strategy first, then spending. Our defense vision will drive the defense budget, not the other way around." Before he made these remarks, Bush had participated in a computerized war-game, simulating a "rogue state" missile attack on the U.S. Eastern Seaboard.

Finally—and this is the decisive point—the American real economy was far healthier 20 years ago. American industry has been enormously weakened since then, by systematic "cost-cutting," "downsizing," "leaner production," and outsourcing to "cheap-labor" countries, as well as by the drain of capital stocks through "shareholder values."

In addition, a look at the ongoing energy crisis in California, gives an indication of the grave condition of U.S. infrastructure.

The American machine-tool industry, which had a leading role in the world up into the 1970s, was radically downsized.

That had its effects on the technological performance and international competitiveness of the rest of the American high-technology branches, such as aerospace. In the 1980s, the volume of American machine-tool production was halved. In 1970, a mere 9.5% of all U.S. firms bought machine tools in other countries, whereas, today 59.4% of all machine tools purchased in the United States, come from abroad. The situation is similar in plant construction and in the electro-industry.

The shrinkage and cartelization in American aerospace and the defense industries was particularly radical in the 1990s: Large firms were merged and cartelized, and many small and medium-sized firms of excellent technological quality were devoured or did not survive. Hundreds of thousands of skilled workers, technicians, or engineers retired or were fired.

Boeing alone has “freed up” over 50,000 skilled workers over the 1990s. In October 2000, the Federal Aviation Agency (FAA) published a report on an investigation made at six Boeing plants, which was triggered by indications that serious defects in the production process might have led to safety problems in Boeing aircraft. The FAA concluded that these problems were not “isolated incidents,” but that “systemic” faults existed in development and production at Boeing. Similar problems have occurred at Lockheed-Martin, where cost-cutting, layoffs, and “new management methods” have led to an unprecedented number of rocket launch failures and the loss of several military and civilian satellites.

While the experienced and skilled workforce was reduced, hundreds of thousands of talented young people were drawn away from the high-technology industries into “IT” jobs in the computer, software, or financial sector. They were lost to the real economy, and took highly paid, but unproductive, or less productive jobs. Much of the highly skilled manpower going to the United States from Russia, Eastern Europe, or the Third World, was also largely absorbed by the “New Economy.”

An article in *Aviation Week and Space Technology* on March 13, 2000, characterized the “terrifying loss of competence” in the U.S. military and in the aerospace firms, as a potential “national disaster.” Computer and Internet companies “are drawing qualified personnel away from the aviation and space industries and the armed forces,” the article stated. Investigations of failed launches in the civilian and military space programs in 1999-2000, revealed “a series of systemic problems,” which were traceable especially “to a lack of experience.” The management methods of “faster, better, cheaper,” which had gotten the upper hand in the aerospace industries, exacerbated the quality problems, since, for reasons of cost, computer simulation is increasingly substituted for real tests. The aspect of this general “crisis of human capital,” which is most important from the standpoint of national security, is the “dramatic loss of experience and knowledge about nuclear weapons” at the three national research centers, Los Alamos, Livermore, and Sandia, wrote *Aviation Week*.

The loss of competence and the reduced quality of the labor force in the high-tech industries of America will probably be the main bottleneck in any large-scale, scientific and technologically challenging arms program for missile defense. A double disappointment might loom: 1) the plans for a rapid deployment of a missile defense system may not be implemented on schedule, and 2) the hoped-for economic stimulation may not take hold in the necessary span of time, if at all.

A Cooperative Solution

Does all of this mean that missile defense is not only strategically counterproductive, but that its realization, in technology and production terms, may be unrealistic? Is the American missile defense program nothing but the desperate, last attempt of an “aging world power” to hold onto its global hegemony, at the cost of other nations that want economic development, as well as political and military-strategic power?

Under the present premises and trends, this would seem to be so, but if, as indicated above, the missile defense program were raised to a higher level and made into a cooperative venture, with participation of all nations that seek greater security and the technological, economic impetus from missile defense, then the situation could be different. Whoever thinks this approach is unrealistic, should recall that this idea is not new.

On March 23, 1983, President Ronald Reagan announced during a television speech that he had issued a directive to develop defensive systems which would make nuclear missiles “impotent and obsolete.” The Soviet leadership under Yuri Andropov reacted with aggressive rejection. Even within the Reagan Administration, cabinet members and high-level officials likewise rejected the proposal. Although they could not say so openly, they made this rejection no secret in background discussions, with the media as well as with diplomatic contacts. Some thought Reagan’s SDI was simply “insane” altogether, while others were not upset about SDI as such, but about how Reagan wanted to “sell” it to the Soviet leadership. They knew that Reagan was willing to offer the Soviets a cooperative and parallel development and implementation of missile defense systems in the East and West.

Reagan took this most remarkable approach towards the “evil empire,” on the basis of discussions which LaRouche had conducted with Soviet diplomats in the months leading into the March 23 speech. These confidential discussions were conducted by LaRouche in coordination with the Reagan National Security Council (NSC), and they were by no means his “private initiative.” LaRouche always emphasized in these discussions, that it was not only strategic stability, in the sense of overcoming the prevailing strategy of Mutually Assured Destruction, which was important to him, but also the scientific-technological consequences of missile defense systems based on “new physical principles.”

LaRouche also always emphasized that the United States did not want to “push the Soviet Union into a military-strategic corner.” He wanted the strategic regime of “Mutually Assured Survival” in military-strategic terms, where the competition between the superpowers would be confined to politics, economics, science, and culture. LaRouche’s Soviet discussion partners were initially open to a cooperative SDI approach, but they wanted to wait, in view of sharply conflicting positions on that question within the Soviet leadership.

Today, we know that LaRouche’s original idea and Reagan’s formal offer of cooperation, were not summarily rejected by the entire Soviet leadership. There were some influential circles who recognized this as an opportunity for their country, which Andropov rejected—with the known consequences for the Soviet Union.

Ten years later, two years after the end of the Soviet Union, the question of a cooperative approach to missile defense again appeared on the world political stage. This time, it happened in reverse. In April 1993, Russian President Boris Yeltsin made the proposal to President Clinton at their summit meeting in Vancouver, that the United States and Russia should work together on missile defense. Yeltsin proposed that the most modern Russian missile defense technology, based on “new physical principles,” be used to develop a joint defense system against unintentionally launched missiles launched by “rogue states.”

The Moscow paper *Izvestia* published a detailed article on the Russian proposal on April 2, 1993. On April 20, Dr. Leonid Fituni of the Russian Academy of Sciences spoke in Rome, at a conference of the Western European Union (WEU), on missile defense, in which he said that Russia was willing to offer the most sensitive laser, microwave, and plasma technologies for a joint missile defense. These were the very technologies which LaRouche had placed at the center of his concept of missile defense since the beginning of the 1980s.

The reaction in Washington and at NATO to Russia’s proposals, was a deafening silence. In May 1993, U.S. Secretary of State Warren Christopher and leading American military officials said that the Russian proposal would be “examined,” but then it was dropped. Voices spoke up in circles close to the Russian leadership some time later, who said that it was “irresponsible” to give away the most advanced results of Russian military research to the West. That was the end of this promising initiative, an apparently inconsequential episode. Or, perhaps not?

Russian diplomacy has been brewing up a storm against missile defense, since the U.S. leadership began to push its BMD program in the late 1990s. The special point of Russian emphasis, as mentioned above, was that NMD represented a breach of the 1972 ABM Treaty, and would put all of the results of decades of arms control and disarmament into question. (It must be pointed out, that the ABM Treaty explicitly deals only with kinetic interceptor-missile systems, and explicitly leaves out of account missile defense

based on “new physical principles.”) “Asymmetrical” counter-measures were announced by Moscow, by which an American missile defense system could be overwhelmed and penetrated. The American missile defense plans would provoke a new arms race and endanger strategic stability worldwide. Obviously, this line of Russian diplomacy aims especially at influencing the governments and public opinion of the Western European NATO partners against the American missile defense plans.

To us, however, it seems that the Russian leadership knows that it cannot really thwart the American program with this tactic of “delaying resistance” and diplomatic threats, even with the support of China and other “NMD-skeptical” nations in Europe and Asia.

Since the beginning of 1999, some Russian diplomats, politicians, and military officials, have occasionally taken a rather different line: That Russia cannot deny, in principle, that there is an incalculable missile and WMD threat. Therefore, Russia and NATO should develop a missile defense system jointly, to which Russia could make significant military-technological contributions. This approach is quite reasonable, and Russia does have something very substantial to contribute. However interesting these Russian probes are, until now they have remained rather vague and unauthoritative. Moscow obviously wants to keep the door open for bilateral negotiations with the Bush Administration on missile defense.

For the European nations, the approach of a cooperative solution for missile defense is the only workable option which allows them to avoid “sitting between all chairs.” Germany, in particular, will not go for a break with the Bush Administration over missile defense. The more so, as Germany knows that it will not be able to stop the American BMD plan by opposing it, and that Britain will back the Bush Administration.

Thus, the Bush Administration’s “moral” claim on missile defense should be taken at its word, but the Europeans ought to demand, firmly and clearly, that a cooperative solution must be achieved. Such a cooperative setting for ballistic missile defense must involve both sides of the Atlantic, together with Russia, China, India, and other interested states.

Germany’s position, in respect to such a cooperative BMD approach, is not so weak as may appear. In military-strategic and logistical terms, the United States needs Germany to act as a world power in Eurasia. Smaller European countries, like Denmark or Norway, also have significant political leverage, which could be used in favor of a cooperative solution. The United States needs its territory for using and upgrading BMD-related radar stations in Greenland and northern Norway.

The specifics of a Euro-Atlantic/Eurasian Cooperative Ballistic Missile Defense Initiative need not be elaborated here. However, the fact that on a cooperative basis, missile defense could indeed become a strategic and economic “gain for all,” might now be clearer.

Russia Already Sees Confrontation From Bush

by Our Special Correspondent

While official Russian diplomacy with the new Bush Administration is still in its opening paces, the Russian press—including the official government newspaper—is already reporting a new adversary relationship being provoked by Bush's headlong charges. This is occurring just when U.S.-Russian cooperation is essential to enable the world to come through the global financial crash.

The combination of Bush's senseless rush to bomb Iraq's capital, and his spokesmen's bragging about targetting China, India, and Russia with a (non-existent!) "national missile defense" capability, marked the Bush Administration as a phenomenon well described by Lyndon LaRouche in a Feb. 17 statement: "An administration which has no future," he said, "which is on a short fuse to destruction—self-destruction. But it has a large explosive charge, and when it blows up—which will be soon—anything standing near it, in most parts of the world, can be severely injured." Though Russian Foreign Minister Igor Ivanov is only scheduled to come to the United States in the last week of February, the actions of the Bush White House toward Eurasia are already being seen as provocations.

'The Target Was Moscow'

Rossiskaya Gazeta, the government newspaper, charged on Feb. 19 that the bombing of Baghdad three days earlier was aimed directly at Russia, threatening it with "a small hot war accompanied by a new Cold War." The author, Vsevolod Ovchinnikov, who once wrote for the Soviet Communist Party daily *Pravda*, compared the U.S.-British attack on Baghdad to the bombing of Hiroshima, "in the sense that while hitting Baghdad, the political target was Moscow." As President Truman's Hiroshima and Nagasaki bombings were connected to Winston Churchill's "Iron Curtain speech" in Fulton, Missouri 55 years ago, in a British-U.S. drive to intimidate Moscow into accepting world government, Ovchinnikov ties the Bush Administration's immediate assault on Baghdad to National Security Adviser Condoleezza Rice's public attacks on Russia as a threat to the West and to Europe in particular.

"Once the narrow circle of strategic balance is broken," warned Ovchinnikov, "this would not just free the hands of Washington, but also of Moscow. Moscow could then sell

whatever technologies it wanted, including missile and nuclear technologies, to anyone it wanted. . . . Faced with a real threat from the outside, the Russian people would be ready for sacrifices which would be unthinkable for Westerners. Remember the words of the Great Helmsman of Beijing, 'the richer a country, the more it has to fear from a nuclear war.' Whoever decides to destroy the strategic balance, should remember those words of Mao."

Missile Tests 'Answer to NMD'

While Ovchinnikov's warnings do not purport to represent the policy of the Russian government, representatives of the Russian military command are talking publicly about potential Russian responses to the Bush Administration's loud claims that the United States will now develop national and theater missile defenses. As reported on the semi-official Russian government Internet page *Strana.ru*, General Staff deputy chief Gen. Lt. Valeri Manilov pointed to the Feb. 13-16 series of ballistic missile tests by the Russian Armed Forces, as an "answer to the U.S. NMD plans." Northern Fleet submarine launched ballistic missiles were combined with firing of the new land-based Topol missiles from Kamchatka, and launches of ballistic missiles from Tu-22 and Tu-95 aircraft.

Manilov was quoted stating, "These launchings of ballistic missiles from air, sea, and land bases, demonstrated that Russia is able to overcome any anti-missile defense system."

The same website carried an interview with Vladimir Dvorkin, an official of the Defense Ministry's division in charge of planning for strategic nuclear war-fighting. Dvorkin warned that a U.S. national missile defense would radically change U.S.-Russian relations. Russia could respond, he said, by "sharply upgrading the ability of Russian missile forces to penetrate defenses," "completion of the sea-based missile RSM-54" and upgrading of the Topol-M ICBMs. These new deployments, warned Dvorkin, would involve "certain corrections in the structure of our rocket forces," "increasing the number of warheads and anti-missile countermeasures" carried by missiles. These moves to swamp the firepower of the NMD system the Bush team is bragging about, would collapse the START nuclear-arms reduction treaties negotiated in the 1980s between the United States and Soviet Union.

All these statements have the character of unusually frank warnings from military officials and commentators in government sources. They are the immediate fruit of the sudden Bush bombing of Iraq, combined with evident U.S. preparations for a spreading Mideast war. The bombing was clearly a calculated opening assault of the new administration in order to send out aggressive threats and signals—and it is clear that these first provocations have already strongly registered on the Russian side. The Bush White House, as LaRouche noted, is charging ahead toward a quick and early disaster.

Olof Palme Exposed As An Agent of the CIA

by Ulf Sandmark

The radical, murdered Prime Minister of Sweden, Olof Palme, was an agent of the U.S. Central Intelligence Agency from his early youth, at one point in charge of secret “Stay Behind” networks organized by the CIA in postwar Western Europe. His early career started “among Nazis and spies.” These were the revelations, appearing under banner headlines in the Swedish press, announcing the publication of a new book, on Feb. 14. This was the same Olof Palme, who, as Prime Minister in the 1980s, had the stomach to publicly and repeatedly accuse the Swedish collaborators of Lyndon LaRouche, of being “directed by the CIA.” And still today, as these new revelations confirm that LaRouche had been right, the late Prime Minister’s son, Marten Palme, has tried to dismiss the book as being “on the EAP level” (referring to LaRouche’s co-thinkers in Sweden’s European Labor Party).

The book, by journalist Jonas Gummesson, *Among Nazis and Spies: The Youthful Years of Olof Palme*, brings out Palme’s secret Nazi background, which *EIR* had first exposed in 1984, but now, there is more detail. The book relates how little Olof was born into a family of operatives and Nazi sympathizers. Even his maternal uncle, Ottokar von Knieriem, was the Stockholm representative of Germany’s Dresdner Bank, and later listed by the Allies as a “dangerous Nazi,” who escaped extradition, because of a mobilization by the Swedish elite.

But, Gummesson makes no mention of the big fish in the family, August von Knieriem, his mother’s first cousin. So far, this man has not been mentioned in connection with Palme, anywhere outside the publications of LaRouche’s collaborators. Uncle August was the top legal official of the chemical giant I.G. Farben, which built Auschwitz. This huge project, of slave-labor factories and concentration camp, was negotiated under the control of Uncle August, who personally inspected Auschwitz on behalf of the company. He also negotiated with Standard Oil, whereby John D. Rockefeller protected Farben’s wartime properties in the United States. (See “Auschwitz Hair Named Ambassador to Britain,” in this issue.)

Uncle August was indicted at Nuremberg for slavery, mass murder, and crimes against humanity, but the sensitivity of his case allowed him to get off.

The Socialist Cover

In 1947, Olof Palme studied at Kenyon College in the

U.S., while Uncle August was standing trial in another case there. It was during this time, that Olof “turned socialist,” which is an important ingredient in his legend. In 1949, Palme was sent out to intervene into the communist-dominated student international, IUS, in Asia and Europe. In 1950, he started an international anti-communist student organization, ISC. Not until 1951 did he become a member of the Social Democratic student organization.

The book breaks with the standard legend, by bringing up Palme’s Nazi friend, Lennart Hagman, who is exposed as having a “solid Nazi past.” In 1951, Hagman worked out a plan for Swedish military intelligence, arranging for Palme to fulfill his military service in the reserves at the Chiefs of Staff foreign intelligence desk. From there, the young military-intelligence officer was hired—his first real job—to use his position as a “student leader” to travel abroad and gather information.

In 1953, Palme became the private secretary of the Social Democratic Prime Minister Tage Erlander. Gummesson writes, “Olof Palme had at least one assignment, that his immediate superior did not know about. It had to do with the resistance organization that was built up in Western Europe after the Second World War, the so-called Stay Behind. The initiative came from the CIA and the task was the same in all countries: in case of a new war and a Soviet occupation, to work underground and lead the resistance against the occupation.”

The story is most likely true, given the general policy of the victorious powers to hire Nazi and fascist networks for intelligence and political operations. It is well known, that the Stay Behind networks in Italy and Belgium were built up from a nucleus of former Nazis and fascists, and that the Gehlen spy network in Germany was hired to spy on the Soviet Union.

During all the years of Palme’s anti-Vietnam War protest activities against the United States, this story was never revealed. The book raises questions about Palme and his career: How could he work for NATO, while leading the anti-Vietnam War demonstrations; be a friend of Kissinger, and lead the fight against Washington; work for the CIA and propose nuclear-free zones; push the International Monetary Fund austerity policy, and the same time, be the “friend” of the Third World?

Palme was hired as a player by the Anglo-American elites, whose geostrategic policy was to control the world, through the balance of terror. Without understanding this policy, developed by Lord Bertrand Russell, it is impossible to understand the game Palme played. Russell was the man who, in 1947, wanted the United States to drop an atomic bomb on the Soviet Union; then, when this was not possible, Russell devised the doctrine of balance of terror, donning the garb of a “pro-Soviet” peace pacifist. Palme followed in the same track, after his initial recruitment as a CIA warrior in Churchill’s Cold War.

Collapse Hits, States Call For New Bretton Woods

by Molly Kronberg

Lyndon LaRouche's proposal for a New Bretton Woods approach to reorganizing the collapsing world financial system, is being incorporated by state lawmakers in the United States into resolutions and bills they are offering, as the only viable solution to the deepening American economic crisis.

Over the month of February, resolutions calling for action on LaRouche's proposal—specifically, for the convening of an international conference modelled on the original, Roosevelt-authored 1944 conference in Bretton Woods, New Hampshire, to lay the groundwork for global monetary stability and economic development—have been introduced in the state legislatures of Kentucky, Virginia, and Maryland, with similar bills in preparation in Pennsylvania and other states.

In 2000, such actions were proposed in the Alabama State Legislature and in the National Conference of State Legislatures—as well as in the Italian Senate and the European Parliament. Now the accelerating pace of financial collapse, and the worsening economic depression, have quickened lawmakers' concern—particularly since the Bush Administration and Federal Reserve chieftain Alan Greenspan plainly have no idea what to do.

The Context: Crisis

Since December 2000, one symptom after another has been reported of financial and economic shutdown. Domestically, the news is of shutdowns and layoffs, of shrinking tax base and galloping state budget deficits, and of a stock market that just keeps heading south, no matter what antics Greenspan performs. Underlying this, are the vicious effects of the hyperinflation hitting the energy sectors of the economy. Internationally, the currency implosion in Turkey is only the

latest dislocation in what will become a worse chain-reaction, as the U.S. economy, the world's largest, the "importer of last resort," as LaRouche calls it, hits bottom.

In the United States, the bad news included the release on Feb. 16, by the Bureau of Labor Statistics, of producer price data for January, which showed the highest inflation in 10 years, caused mainly by the sharp rise in energy prices. On Feb. 21, it was announced that the consumer price index had risen 0.6% in January. Then on Feb. 22, the Nasdaq index hit its lowest level in two years. Since March 24, 2000, U.S. stocks overall have lost on paper \$3.1 trillion—and that's only the beginning. CEOs such as Nortel's John Roth, Cisco Systems' John Chambers, and others have pronounced the economy in deep recession; Apple Computer's CEO Steve Jobs announced, "I think the economy is melting down."

In the real economy, overall, the United States saw more than 142,000 corporate layoffs reported for January, with the highest number in Michigan—along with Ohio, the center of the American auto industry, which is also being pummeled with job losses and closings. Meanwhile, as many as 15 states that depend upon sales and manufacturing taxes are facing sharp declines in revenue, and therefore, are facing the need to cut up to 15% from their budgets, according to the *New York Times* and *Richmond Times-Dispatch* of Feb. 8. Especially in trouble are various Southern and Midwestern states, specifically, South Carolina, North Carolina (with a projected shortfall of \$740 million, the Governor will probably declare an emergency), Missouri, Iowa, Kansas, and Michigan.

The shortfalls are being attributed to sales tax collapses over recent months. Yet to show up, are the results of mass layoffs, which will result in declines in income tax receipts.

Resolved: We Need a New Bretton Woods

These are the circumstances in which LaRouche's New Bretton Woods proposal is attracting such renewed attention from state legislators and other policy makers. On Feb. 16, Representative Perry Clark of Kentucky introduced into the State House of Representatives, House Concurrent Resolution 84, calling for "a 'New Bretton Woods' conference for international monetary system stability, and development of the real economy." If the resolution passes, and the Senate concurs therein, it will commit the Kentucky Legislature as follows:

"Section 1. The Kentucky General Assembly calls for the convocation of a new conference, similar to the one at Bretton Woods, with the following goals.

"(1) Creating a new international monetary system to gradually eliminate the mechanisms which have led to the 'speculative bubble';

"(2) Evaluating the possibility of anchoring currency values to an element of real reference, and to better and more completely control the movement of currency rates;

"(3) Proposing the creation of new credit lines oriented to developing investments in the sectors of the real economy; and

"(4) Defining infrastructure projects of continental dimensions."

The resolution notes that "American economist Lyndon H. LaRouche, Jr. has consistently warned of this crisis, and there is significant international support for a solution based on Mr. LaRouche's 'New Bretton Woods' economic policy"; the resolution instances the Italian Senate, the European Parliament, the National Conference of State Legislatures, and Alabama.

A similar resolution, House Joint Resolution No. 856, is pending in the Virginia House of Delegates, introduced on Feb. 3 by senior Democratic Delegate William P. Robinson; it calls for "a 'New Bretton Woods' conference for international monetary system stability and development of the real economy." The resolution, which was referred to the Rules Committee, also cites, and specifies, the "significant international support" for a solution to the problems of hyperinflation, record trade deficits, financial market collapse, and mass layoffs, in the form of LaRouche's New Bretton Woods approach.

In neighboring Maryland, at the end of January, House Joint Resolution 5 was introduced into the 2001 session of the State Assembly by Clarence Davis, Democrat of Baltimore. The first reading of the resolution, modelled on Thomas Jackson's Alabama resolution of a year ago, took place in the Economics Matters Committee Jan. 29, and at a hearing in committee Feb. 22, testimony was heard from Davis himself, from LaRouche associate Lawrence Freeman, and from Dave Brode of COPE and the AFL-CIO.

Davis spoke first, giving an overview of the origins of



State lawmakers Perry Clark of Kentucky (left) and William P. Robinson of Virginia, are among a growing number introducing state bills calling for a new Bretton Woods monetary conference to reorganize collapsing markets.

the Bretton Woods conference, its purpose in rebuilding the world after the devastation of World War II, and its role as the source of the Marshall Plan which put a war-shattered Europe back together. Freeman concentrated on the current global picture, including the Turkish eruption, and the collapse of world markets as he was speaking, as well as pointing to the disastrous economic condition of other parts of the world, especially Africa. Finally, in his testimony, as a representative of labor, Brode told the legislators present that, if nothing is done about this collapse, you will see alliances forming which you never imagined. They will show up outside your offices, the legislature, and your homes, he warned.

While other legislators have begun preparations to introduce similar bills, the only one to make public his intention, so far, has been Pennsylvania's Rep. Harold James, a Democrat from Philadelphia, and a leading member of the National Black Caucus of State Legislators. Speaking to a town meeting in Baltimore Feb. 1, Rep. James presented his views: "I believe that that standard of truth and honor also means that we should frankly acknowledge that Lyndon LaRouche was right about the economy, and that everyone who talked about the great 'prosperity,' and 'economic boom,' including some of us, were wrong. Accordingly, I will be introducing a resolution in the Pennsylvania House of Representatives, 'Calling for a New Bretton Woods Conference for International Monetary System Stability and Development of the Real Economy.'

"I believe that this resolution is urgent, not only for the sake of our own people, who are suffering from rapidly declining economic conditions, but for the sake of people around the world, many of whom, such as those living on the continent of Africa, are victims of genocide, often with the active complicity of our own State Department, the British Foreign Office, and others."

The Hanssen Case and The Institutional Corruption of FBI/DOJ

A spokesman for Lyndon H. LaRouche Jr.'s Democratic Presidential nomination campaign organization, LaRouche in 2004, issued the following statement on the Feb. 20, 2001 arrest of FBI Special Agent Robert Philip Hanssen, on charges he spied for the Soviet Union and Russia from 1985.

The disclosure of the alleged 15-year espionage on behalf of the Soviet Union and Russia by a senior FBI counterintelligence specialist, once again raises crucial issues about the nature of the institutions in which the accused spy, Robert Philip Hanssen, was employed. These observations about the corrupt nature of the Federal Bureau of Investigations and the U.S. Department of Justice are valid, irrespective of the final outcome of the Hanssen case.

Two points are to be emphasized:

First, the FBI as an organization does not have any governing moral principles which could be used to set a standard of loyalty on the part of employees. The inherent corruption of the FBI, which was the subject of Congressional action in 1998, in the form of the McDade-Murtha "Citizens Protection Act," runs so deep, and is so pervasive, institutionally, that a case like that of Hanssen may be considered a lawful consequence of this longstanding institutional character flaw.

Second, no organization, including a government organization, can be entirely free from this sort of problem. There are no "fool-proof" security measures that can completely prevent this kind of security breach.

These two points having been stated, the overriding reality is that, from its inception, the Federal Bureau of Investigation has been a servant, a lackey of certain banking interests, with a strong pro-Confederate bias, which has functioned as a political police, deployed *against* the American people, and specifically to crush the American intellectual tradition. Because of the historical and current lack of moral character of the FBI as an institution, the idea of loyalty to the Bureau has no moral foundation. The FBI is so corrupt, by nature, with its character given to it by its "fathers," President Theodore Roosevelt and his Attorney General Charles Bonaparte, that there is no possibility for good agency-wide internal security. The only security an institution like the FBI can impose is a witch-hunt atmosphere, and police-state kinds

of security measures. What would Louis Freeh and William Webster propose: To make every FBI man wear a polygraph 24 hours a day?

This set of facts should remain in the forefront, not the details of the Hanssen espionage case. Spies happen, traitors happen. But the immoral conduct of the FBI, based on Wall Street and the pro-Confederate legacy—against the American intellectual tradition upon which the nation was founded—is a continuing menace.

The fight for the McDade-Murtha bill in 1998—to hold Federal prosecutors and FBI officials to a standard of justice and to make them accountable for prosecutorial misconduct—as well as the Justice Department's fervid opposition to the bill—points up the problem. Similarly, the recent cases in which DNA evidence has shown that innocent persons were convicted and sentenced to death, points to the inherent corruption of the DOJ/FBI today. These problems are most pronounced in the criminal division of the Justice Department and FBI.

Lacking moral principle, all that the FBI and Department of Justice can demand today is loyalty to the institution. As the Hanssen case emphasizes, once again, those methods are fatally flawed.

Auschwitz Heir Named Ambassador to Britain

by Anton Chaitkin

Administration officials have disclosed that President George W. Bush will nominate William Stamps Farish III, one of the Bush family's closest confidants, as Ambassador to Great Britain.

A worldwide cartel of Standard Oil of New Jersey and the Nazi I.G. Farben company built and operated the Auschwitz concentration camp, notorious for mass murder of Jews and slaves. The arrangements with the Nazis were supervised by Standard's president, William S. Farish, grandfather of Farish III. The proposed ambassador's vast wealth is the inheritance from this Auschwitz cartel.



Will Farish

On March 25, 1942, U.S. Assistant Attorney General

Thurman Arnold announced that William S. Farish had pleaded “no contest” to charges of criminal conspiracy with the Nazis. On Oct. 20 and 28, 1942, the U.S. government seized Nazi German banking and shipping operations that were being conducted by Prescott Bush, grandfather of the current President. The two grandfathers, Bush and Farish, were close friends. They and their corporate superiors, the Harrimans and the Rockefellers, were Anglophiles, but had continued with the original British sponsorship of Hitler, after Britain switched and went to war against their madman protégé Hitler.

Back in 1933, as what Hitler called his “New Order” appeared, John D. Rockefeller, Jr. appointed William S. Farish chairman of Standard Oil Co. of New Jersey (in 1937, he was made president and chief executive). At Farish’s offices at Rockefeller Center, he spent a good deal of time with Hermann Schmitz, chairman of I.G. Farben; Farish’s company paid a publicity man, Ivy Lee, to write pro-I.G. Farben and pro-Nazi propaganda and get it into the U.S. press.

Emil Helfferich, the fanatical Nazi who was chairman of the Bush/Harriman-run Hamburg-Amerika shipping line, was hired simultaneously by Farish as chairman of the Standard Oil subsidiary in Germany. Karl Lindemann, board member of Hamburg-Amerika, also became a top Farish-Standard executive in Germany.

The interlocks between their Nazi German operations put Farish and Prescott Bush into a small, select group of men operating from abroad through Hitler’s “revolution,” and calculating that they would never be punished.

Both Helfferich and Lindemann were authorized to write checks to Heinrich Himmler, chief of the Nazi SS, on a special Standard Oil bank account. Helfferich reportedly continued his payments to the SS into 1944, when the SS was supervising mass murder at the Standard-I.G. Farben Auschwitz and other death camps. Helfferich told Allied interrogators after the war that these were not his personal contributions—they were corporate Standard Oil funds.

‘This Approaches Treason’

After pleading “no contest” to charges of criminal conspiracy with the Nazis, William Stamps Farish was fined \$5,000! But Farish had acquired millions of dollars in conjunction with Hitler’s Third Reich, as a large stockholder, chairman, and president of Standard Oil. All that the U.S. government sought, was the use of patents which his company had given to the Nazis, but had withheld from the U.S. military and industry. These were the patents on artificial rubber and artificial gasoline, products for whose manufacture the cartel had created the Auschwitz concentration camp.

Farish was hauled before the Senate committee investigating the national defense program. The committee chair-

man, Sen. Harry Truman (D-Mo.), told newsmen before Farish testified: “I think this approaches treason.”

It was soon revealed that Farish had also deceived the U.S. Navy, in order to prevent the Navy from acquiring certain patents, while supplying them to the Nazi war machine; meanwhile, he was supplying gasoline and tetraethyl lead to Germany’s submarines and air force. Communications between Standard and I.G. Farben from the outbreak of World War II were released to the Senate, showing that Farish’s organization had arranged to deceive the U.S. government into passing over Nazi-owned assets: They would nominally buy I.G. Farben’s share in certain patents, because, as Standard men wrote, “in the event of war between ourselves and Germany . . . it would certainly be very undesirable to have this 20% Standard-I.G. pass to an alien property custodian of the U.S. who might sell it to an unfriendly interest.”

Frequently accused of lying, Farish was crushed under the intense, public grilling. He collapsed and died of a heart attack on Nov. 29, 1942. This affair humiliated the Standard Oil president’s son, an Army pilot, who soon afterward crashed his plane and died.

Farish’s money was inherited by grandson William Stamps Farish III, then four years old. Farish III grew up the most secretive multi-millionaire in Texas, with investments of “that money” in many foreign countries, and exotic contacts overlapping the intelligence and financial worlds, particularly in Britain.

Sir George Bush, son of Prescott and father of the current President, got help from Farish’s British banker friends to set himself up in the oil property speculation business. Bush then founded the Zapata Oil Company, and Farish used “that Auschwitz money” to back Bush financially, investing in Zapata.

Will Farish was adviser to Bush’s unsuccessful 1964 campaign for Senate. Farish joined the Zapata board when Bush was elected to Congress in 1966.

Farish took over management of all of Bush’s personal wealth in a blind trust when he was elected Vice President in 1980. As in the Hitler days, the Bush and Farish fortunes were a joint project. And the joint family secrets, as to global power and covert operations, served and guarded Bush’s role as kingpin of the Contras, Afghansi, and other fields of criminal endeavor.

The Queen of England, who knighted former President Bush, now regularly visits Farish III in the United States, and Farish has long served as an intermediary to the British for the Bush family.

Fanatical Anglophilia is considered by some a requisite to the post of Ambassador in London. Yet, in Farish’s case, Dubya Bush blunders in choosing a man whose exposure will make “all the trees in the forest fall.”

This selection ought to sound an alarm, that a fascist regime is under construction in Washington.

‘Mud, Blood and Beer’ in Foreign Policy

by Scott Thompson

Richard Armitage, the Iran-Contra era “knuckle-dragger” has been nominated to be the Deputy Secretary of State, responsible for the day-to-day decision-making at Foggy Bottom. If Secretary of State Colin Powell, who once referred to Armitage as his “best friend,” is known as “General Teflon,” for his pristine reputation, Armitage is known in Washington circles for having one of the most tarnished records. Armitage would be to U.S. foreign policy what John Ashcroft means for U.S. justice—and this time, Senate Democrats should not sell out! Allegations of Armitage’s corruption include involvement in the notorious CIA Southeast Asian heroin ring during the Vietnam War, gun-running during the “Iran-Contra” secret parallel government under Vice President Sir George Bush and Oliver North, and charges of ties to a prostitution and drug ring that serviced the greater Washington, D.C. area.

Armitage also has a policy record: He is one of the most vocal advocates of a Contra-style war against Saddam Hussein. He has pushed for the militarization of American policy towards Asia, beginning with the re-armament of Japan as an ally against China and North Korea. He is vocally against the Korean “Sunshine” policy of normalization and eventual reunification of the Korean Peninsula. In a recent speech, he propounded a “more muscular” American foreign policy, describing himself as the man who would bring “blood, mud, and beer” to the State Department.

In brief, Armitage personifies the spook apparatus of neo-conservatives, deeply tied into the Ariel Sharon wing of Israeli intelligence, who will steer the United States, helter-skelter, into regional wars and crises.

The Southeast Asia Drug Traffic

In November 1986, the most highly decorated Vietnam War veteran, Col. James “Bo” Gritz, traveled to Burma (now Myanmar), to track down U.S. soldiers listed as missing in action, who he believed were prisoners of war—the POW/MIAs. During that trip, he videotaped an interview with Shan United Army leader Khun Sa, which controlled the opium production, which became part of documentary film, “A Nation Betrayed.”

In the videotaped interview with Khun Sa’s Secretary,

Gritz was told: “In 1965 to 1975 there is one CIA in Laos, his name was [Theodore] Shackley. He was involved the narcotics business. And we know that Shackley used one civilian to organize trafficking. His civilian name was Santos Trafficante. . . . This was financed by Richard Armitage who stayed in Vietnam. After the Vietnam War, Richard Armitage was a prominent trafficker in Bangkok.

“This was between 1975 to 1979, he was a very active trafficker in Bangkok. He was one of the [U.S.] Embassy employees. Then after that, in 1979, he quit from Embassy, and then he established a company name[d] the Far East Trading Company. Then he used the name of his company under the table for drug trafficking. He then used the drug money to support the Lao anti-communist troops.

Gritz: “So he used it in arms and munitions?”

Secretary: “Yes.”

After the documentary had aired nationally, Gritz spoke at the American Liberty Lunch Club: “You know where Richard Armitage went in 1979? He went to [Sen. Bob] Dole’s staff, then to Reagan’s campaign staff and now he is the Assistant Secretary of Defense right underneath Mr. [Frank] Carlucci,” referring to Armitage’s position as Assistant Secretary of Defense for International Security Affairs.

Perhaps even worse, Armitage had delayed by more than ten years, peace between Khun Sa, and his Shan United Army, with the central Myanmar government (SLORC), and also turned down a treaty through which Khun Sa would have destroyed his opium supplies.

After Colonel Gritz had finished an unfruitful attempt to find MIAs/POWs in 1987, he brought back with him an offer from Khun Sa, which no one would listen to—except that Gritz was charged with violating passport regulations, by allegedly having used a false passport.

In Spring 1989, Gritz went back to Myanmar, and returned with Khun Sa’s proposal, and a video of Khun Sa pleading with the United States to support the Shan proposal to end drug production in exchange for economic development aid. He also brought another offer: “Khun Sa wants to reveal the identity of all government employees, with whom he did business. He said, these had been his best business partners for 20 years.”

The “Overview” section of that proposal included: “As the expenditure of worldwide drug suppression funds grows so does the production and distribution of opium products. Billions of dollars have been spent to stop drugs, yet trafficking from the Golden Triangle has steadily escalated. In 1986, more than 900 tons passed through this area. The figure increased to 1,200 tons in 1989; this year production will exceed 2,000 tons. . . . Existing drug suppression programs aren’t working.

“How do you think such enormous shipments can be exported from this underdeveloped region without the badges, credentials, clearances, and involvement of corrupt authorities? It can’t and it isn’t! Taxpayer dollars only increase the

incentives of those involved in drug suppression to increase the flow of narcotics. . . .

“It must be remembered that we are not the genesis of the heroin problem. It was the British that exploited cultivation and passed laws to protect distribution of opium that addicted East Asia. During the French Indochina era drugs continued to be used for political and commercial advantage by foreign interests. . . .

“After the communist takeover in 1975, the CIA stockpiled weapons in Thailand and the Philippines to continue operations in Southeast Asia. Heroin provides the means. Officials arrange the laundry of funds through international banks. Mafia contacts handle worldwide distribution. We were not surprised to learn of Mr. Richard Armitage’s appointment as U.S. Assistant Secretary of State for East Asia. He is well known to us as a key member of the CIA drug team. His position over this part of the world will assure business as usual while securing his involvement. . . .

“Let there be no mistake. We have the desire, will, ability, and stand ready to wipe out opium from the Golden Triangle. To do this will take some time, diplomatic cooperation, technical assistance, and money.”

The Iran-Contra Fiasco

On Aug. 28, 1986, according to grand jury testimony, published by Independent Counsel Lawrence E. Walsh in his “Final Report of the Independent Counsel for Iran/Contra Matters,” Richard Armitage was present and gave his consent to Oliver North’s Contra supply plans. Armitage is otherwise named repeatedly as a key participant in Iran-Contra, while he was Assistant Secretary of State for International Security Affairs.

On Nov. 19, 1985, National Security Adviser Lt. Col. Robert C. McFarlane requested approval for the sale of some 500 U.S. Hawk missiles, which would transfer them to Iran, in exchange for the release of five hostages being held in Lebanon, on Nov. 21. Secretary of Defense Weinberger had Armitage informed on the matter. McFarlane overrode Weinberger’s objections, with a purported order from President Ronald Reagan. From Walsh’s summary report, it appears that Armitage agreed to the sale.

However, that deal fell through. In December, Armitage was approached by the Pentagon’s Israel desk officer Diana Blundell, for the sale of 18 Hawk missiles to Israel, again to end up in Iran. In her one-page report to Armitage, “Proposals for Immediate Shipment of I-HAWK and I-TOW Missiles,” she detailed that there were also 3,300 of the modern version of the TOW anti-tank missiles available for shipping to Israel as well. The total package was priced at \$22.5 million. Armitage then helped draft a paper entitled “Possibility for Leaks,” whose only objection to the proposed deal was that the size of the deal might make it vulnerable to occasional leaks leading to legal difficulties. Armitage later

claimed that he had no recollection of such a request having been made.

There can be little doubt, that if the Democratic Senators stand firm against Armitage’s nomination, the Bush Administration will fold its hand and withdraw it. Armitage himself has done so, in at least two other nominations.

On Feb. 9, 1989, Armitage was nominated as Assistant Secretary of State for Far East and Pacific Affairs, after five years in the Pentagon as the chief “dirty operations” specialist, as Assistant Secretary of Defense for International Security Affairs. When of Armitage’s dirty laundry was aired for the Senate, on March 27, 1989, President Sir George Bush suddenly announced its withdrawal of his nomination.

Next, Armitage was nominated to be Secretary of the Army. But, on May 26, 1992, Secretary of Defense Richard Cheney was forced to announce that Armitage had withdrawn his name, apparently because he ran the risk of being interrogated on his role in Iran-Contra, and on his relationship with a woman, who had been convicted of illegal gambling.

One Congressional official declared: “Every time his name comes up, people raise allegations about Iran-Contra, the old charges that he was involved in some kind of drug operation in Vietnam, and other personal allegations.” Another official said that Armitage “had watched with concern as Senators questioned Donald Gregg about his role in Iran-Contra,” during his confirmation hearings as Ambassador to South Korea. This time, Armitage had his name withdrawn, and also resigned as Assistant Secretary of Defense for International Security Affairs.

‘Kiss the Boys Goodbye’

In their book *Kiss the Boys Goodbye: How the United States Betrayed its Own POWs in Vietnam* (New York: Penguin Books, 1990), Monika Jensen-Stevenson and William Stevenson raise more of Armitage’s crimes against the U.S. men in uniform in the Vietnam War. Monika Jensen-Stevenson’s scrutiny of the U.S. government’s betrayal of its own POWs/MIAs in Vietnam provides an important added piece of this ugly picture.

The deeper the Stevensons dug into the POW-MIA mess, the nastier it got. Pentagon and CIA hit teams, they were told, had been sent into the jungles of Southeast Asia to assassinate American soldiers in order to cover up scandals that could blow the lid off the Pentagon and Langley. One CIA team leader, Jerrald Daniels, balked at the idea of killing fellow Americans, and he died under mysterious circumstances. In her investigation, Jensen-Stevenson discovered that some of the leading figures in that 20th-Century replay of the Opium Wars were senior Reagan Administration officials. Richard Armitage, who was then still a top official in the Sir George Bush’s Administration, played a pivotal role in blocking the efforts to get to the bottom of the POW/MIA tragedy, a cover-up for which he should be brought to account.

But, first and foremost, his nomination must be stopped.

Marc Rich Scandal: Another Al Gore Operation Against Bill Clinton

by Edward Spannaus

Highly qualified Israeli and Washington sources report that if anyone wants to ask questions about the Marc Rich pardon, the person to ask is not Bill Clinton, but Al Gore. The chief advocate for the Rich pardon was attorney Jack Quinn, who was formerly Al Gore's chief of staff. Quinn is known as a Gore loyalist, who followed the instructions of the Vice President, even when nominally working for President Clinton.

There is no question but that Clinton has suffered enormous damage in the wake of the pardon issued to the fugitive financier Marc Rich on Jan. 20, just hours before Clinton left office. And, as soon as the Democrats were out of power, an open battle emerged between Gore and Clinton for control of the Democratic Party. The attacks on Clinton that came from both Democrats and Republicans over the Rich pardon have seriously weakened Clinton's position in the party, at precisely the point where the leadership combination of Clinton and of announced 2004 candidate Lyndon LaRouche, is required to salvage the party from the destructive influence of Gore and his Democratic Leadership Council (DLC) cronies, who openly advocate abandoning the traditional FDR constituencies on which the modern Democratic Party was built.

'It was Israel. . .'

While the battle for the Democratic Party provides the immediate context of the Rich pardon controversy, the longer-term issue involved, is the continuing series of attacks and set-ups against President Clinton, coming from certain circles in Israel, and their agents-of-influence in the United States—which again takes us back to Al Gore and his closest advisor, Leon Fuerth.

In comments made to television talk-show host Geraldo Rivera on Feb. 15, Clinton said that he had been "blindsided" by the furor over the Marc Rich pardon. Clinton said that campaign contributions played no role in his decision to grant the pardon, but he said: "I'll tell you what did influence me—Israel did influence me profoundly."

A few days later, in a commentary published in the *New*

York Times on Feb. 18, Clinton provided a detailed, often very technical, explanation of his reasons for granting the pardons to Rich and Rich's partner Pincus Green. Much of Clinton's rationalization for the pardons, revolves around the arguments made by Rich's lawyers, that the case should have been treated as a civil tax matter, rather than a criminal case. But the last point made by the former President was that "finally, and importantly, many present and former high-ranking Israeli officials of both major political parties and leaders of Jewish communities in America and Europe urged the pardon of Mr. Rich, because of his contributions and services to Israeli charitable causes, to the Mossad's efforts to rescue and evacuate Jews from hostile countries, and to the peace process through sponsorship of education and health programs in Gaza and the West Bank."

Indeed, as has become fairly well known, dozens of Israeli leaders—including former Prime Ministers Ehud Barak and Shimon Peres—and also numerous leaders of U.S. Jewish organizations, had urged Clinton to pardon Rich. Two former Mossad chiefs, Avner Azulay (who heads the Rich Foundation in Tel Aviv), and Shabtai Shavit, both asked Clinton to pardon Rich. In the United States, the Anti-Defamation League's Abe Foxman played a key role in the campaign to obtain the pardon, according to documents released by Congress.

Notably, the president of Reform Judaism's Union of American Hebrew Congregations, the largest Jewish denomination in the United States, roundly criticized those Jewish and Israeli leaders who lobbied for the Marc Rich pardon, calling it a "moral stain" for Jews. "I am in no position to judge Rich's legal claims, but neither are the many Jewish leaders and luminaries who contacted President Clinton in support of the pardon," said Rabbi Eric Yoffie. Asked why were they so interested in Rich, he stated: "The answer is simple: They were bought. Rich contributed generously to Jewish causes and charities around the world, and then, in a carefully orchestrated campaign, called in favors to put pressure on the President."

It is estimated by media sources, that Rich donated at least

\$200 million to causes in Israel over the past 15 years—not to mention his services to the Mossad.

'Mega' and Monica

This is not the first time Clinton was set up by this crowd. Throughout his Presidency, there were persistent reports of Israeli spying and blackmail against President Clinton, and also of Israeli penetration into the highest levels of the White House.

The latter involved reports that a high-level Israeli agent was operating within the Administration, who was often referred to by the code-name "Mega." A prime candidate for the designation as "Mega," is Leon Fuerth, who was Vice President Al Gore's long-time foreign-policy mentor and his National Security Adviser. This is not exactly a secret: the *Washington Post* reported in mid-1998 that "some officials in the State Department believe he [Fuerth] is the conduit by which inside information is passed to Israeli Prime Minister Binyamin Netanyahu."

Of note also, is an April 20 *New York Times* report on Fuerth. Referring back to Gore's 1988 campaign, it reported that "Fuerth helped him formulate an uncritical pro-Israeli line," and that Gore even criticized the Reagan Administration for putting pressure on then-Prime Minister Yitzhak Shamir to go along with a peace initiative, calling upon Israel to withdraw from the land it occupied in 1967, in exchange for peace with its Arab neighbors.

The second crucial element, was the placement of Monica Lewinsky in the White House as a probable entrapment operation against President Clinton.

Lewinsky was recommended for a White House intern position by New York insurance magnate Walter Kaye, a major Democratic Party contributor. Soon thereafter, in the summer of 1995, Lewinsky became an unpaid intern in the White House, and Clinton's first improper contact with her, according to his own account, was in mid-November 1995.

Walter Kaye also shows up in the Marc Rich saga. Rich's ex-wife Denise was introduced to the Clintons in 1992 by New York real estate agent Kathy Sloane (who sold the Clintons their house in Chappaqua, New York last year). Sloane also recruited Kaye into Democratic National Committee fundraising circles, and later, in 1993-94, introduced Kaye to the Clintons, according to his testimony to Starr's grand jury. This then led to Kaye's referral of Lewinsky to the White House in 1995.

The Lewinsky story exploded in the news media in January 1998, well after *Newsweek* reporter Michael Isikoff and others had been tipped off to her existence almost a year earlier.

What else was going at on that time?

According to independent counsel Kenneth Starr's report on the Lewinsky affair, President Clinton told Lewinsky, in March 1997, that he suspected a foreign embassy was tapping

his telephone conversations.

This coincided with a report published in the *Washington Post* in early May 1997, that U.S. intelligence agencies had opened an investigation months earlier, to determine if a senior Clinton Administration official was passing information to the Israeli government. That investigation, according to the *Post* and other sources, was launched in January 1997, after the U.S. National Security Agency (NSA) had intercepted a phone conversation between a Mossad officer posted at the Israeli Embassy in Washington, and Danny Yatom, the Mossad chief, in Tel Aviv. The Mossad officer was seeking clarification as to whether he should attempt to obtain a copy of a private letter from then-Secretary of State Warren Christopher, to Palestinian leader Yasser Arafat. He told Yatom that "the Ambassador wants me to go to Mega to get a copy of this letter." Yatom told the officer that under no circumstances should "Mega" be approached, since he was the top Israeli penetration agent inside the Clinton inner circle. "This is not something we use Mega for," he stated.

The Real Lewinsky Tapes

An extensive FBI counterintelligence probe to determine the identity of the Israeli mole was triggered by the NSA intercept, and a number of mid-level U.S. foreign policy and defense specialists were suspended from their jobs during this investigation. But, according to both published accounts and information provided to *EIR*, the spy hunt was called off, as a result of Mossad blackmail of Clinton.

According to these reports, as soon as the NSA intercept was discovered, an emergency meeting of top Israeli intelligence officials took place, and a Mossad electronic-bugging team was dispatched to Washington. One of their targets was Monica Lewinsky's home telephone.

As a result, the Mossad obtained wiretap tapes of about 30 hours of "X-rated" conversations between the Clinton and Lewinsky. These tapes, according to the sources, were hand-carried back to Tel Aviv, and were then used to blackmail the Clinton Administration into calling off the search for "Mega." The threat was that, if the investigation were not shut down, the Israelis would begin leaking material from the tapes.

It is probably not coincidental that the reporter who first started investigating the Lewinsky story, *Newsweek's* Isikoff, says that he first learned about a story involving the President and "an intern" in March-April 1997.

Gordon Thomas, the author of a book which describes these events, told the *New York Post* in March 1999 that "Mega" was probably still active, deep within the White House. "So far as anyone knows," Thomas said, "the Israeli agent Mega—a much more important spy than the imprisoned CIA traitor Jonathan Pollard, and probably his controller—is still in place at the White House."

Was the Marc Rich pardon Mega's last operation in the Clinton White House? Ask Al Gore.

The Ishayev Report: An Economic Mobilization Plan for Russia

by Jonathan Tennenbaum

There presently exist, at the highest level of the Russian government, at least two, widely divergent economic programs for the coming decade. The first is the program drawn up by Minister of Trade and Economic Development German Gref, which has been revised and amended countless times over the last year, but never given explicit approval by Russian President Vladimir Putin. The second was authored last year, at the request of Putin, by a group of leading Russian economists under the auspices of Khabarovsk Gov. Viktor Ishayev and presented by Ishayev on Nov. 22 at the first full meeting of President Putin's newly formed State Council, a top-level policy body bringing together representatives of the central and regional governments of Russia.

The Ishayev program is summarized in a 100-page document entitled "Strategy for Development of the State to the Year 2010." This document, although widely circulated in Russia and the subject of heated behind-the-scenes debates, remains unpublished, and very little of substance has been written about it in the West until now. Given its obvious importance, and the likelihood that it will exert a significant influence on the economic policies of the Russian government in the coming period, we present below a fairly thorough summary of its key points, followed by some comments from our side; at the end of our article we provide extensive excerpts from the original, in our translation.

The Ishayev Program vs. Gref's

Officially, Ishayev's program is supposed to "complement" but not contradict the Gref program, which at least pretends to represent current government policy. In its introduction, the Ishayev paper characterizes itself as "an impor-

tant supplement, and a new basis, for the current and medium-term macroeconomic program, which the federal government is developing and carrying out in practice." In reality, the axiomatic principles underlying the Ishayev document, are *fundamentally and irreconcilably opposed* to those embodied by Gref and the rest of the neo-liberal group dominating the government of Prime Minister Mikhail Kasyanov. This fact was emphasized in public by one of the main contributors to the Ishayev program, the noted opposition economist and head of the State Duma (lower house of Parliament) Committee on Economic Policy, Sergei Glazyev.

Where the Ishayev report bases itself implicitly on a notion of the "general welfare" of the Russian population, Gref's outline emphasizes "the rights of property." In the former, the state has the immediate responsibility to launch a forced recovery of physical production and consumption, mobilizing the resources of the nation to that purpose, and channelling investment in a dirigistic fashion into infrastructure, agriculture, and industry. The latter, on the contrary, would degrade the state to the status of legal arbiter, setting and enforcing rules of competition among private businesses and leaving the rest to the supposed magic of the "invisible hand." The Gref program is oriented toward attracting foreign investment, the Ishayev program toward expanding the nation's own productive forces.

In a word, Gref's conceptions embody the axiomatics of the "British System," while the Ishayev document reflects, in a certain approximation, the standpoint of what the great 19th-Century economist Friedrich List termed the "American System"—a tradition historically best represented in Russia by Sergei Witte's *Lectures on National Economy*. That said, the



A grocery store in Moscow. The economic program proposed by a group under Khabarovsk Gov. Viktor Ishayev, at the request of President Vladimir Putin, sets the yardstick for economic growth as the increased well-being of Russia's citizens—a polemic that, implicitly, flies the face of the neo-liberal monetarist "reformers."

Ishayev program does not address issues of principle per se, but rather sets forth a series of concrete policy criteria and practical measures to be implemented by the Russian government, starting at the earliest possible moment, in order to realize an economic mobilization of the country over the years immediately ahead. With this limitation, it is doubtless the most competent document of its kind to have emerged so far in the internal economic debate in Russia.

The document has particular significance, not only for its intrinsic merits and for the obviously considerable support it now enjoys—including, notably, among many liberal circles in the country—but also because it reflects the problems and viewpoints of Russia's vast regions. The latter aspect is exemplified in the person of Ishayev himself, who represents a strategically important region bordering on China along the Trans-Siberian Railroad, and who has been associated with efforts to develop the Eurasian Land-Bridge system of infrastructure corridors stretching from Europe through Russia to the Pacific. Ishayev's presentation to the November 2000 State Council meeting, presided over by Putin personally, occurred in the wake of several breakthroughs in Russian's eastern diplomacy, including the President's visits to China, India, and Japan. It was these and related developments, coming in the context of the growing evidence of an ongoing collapse of the Anglo-American-centered world financial system, that provided the context for Putin to, publicly at least, entertain the possibility of a radical shift in economic policy in Russia.

Unfortunately, according to press reports, President Putin has now called for the Gref and Ishayev programs to be "har-

monized" into one—an axiomatic impossibility!—reflecting once again Putin's well-known tendency to maintain ambiguity and avoid decisive actions as long as possible. But time is running out for Russia. The catastrophic collapse of energy and other infrastructure in the Far East and other regions of Russia, leaving tens of thousands of Russians to freeze in their homes, is one of many signals, that the country might not survive another year of vacillation. The time has come for an all-out economic mobilization.

We now turn to the content of the Ishayev report.

People First

The introduction to the paper emphasizes the need to define not only the quantitative but also the qualitative characteristics of economic growth. The criterion for growth is improvement in the concrete well-being of the population—an implicit polemic against the use of merely nominal or monetary measures of growth by the so-called liberal reformers. The key to high rates of real growth is investment in the technological modernization of the economy.

The first chapter, on "Social Consolidation as the Basis for the State's Development," is a thoroughly worked-out argument to the effect that the consolidation of a strong Russian state—a declared goal and evidently main policy criterion in the mind of President Putin—is possible only on the basis of an economic policy which guarantees the well-being of the *majority* of the population, and not simply a minority class of entrepreneurs and businessmen.

The paper notes the growing split within Russian society, not only in terms of income and living standards, but also in

values and perceptions. This gap is undermining the very basis of the state. Russia has taken on a “two-tier” social structure, typical of a Third World country. A large part of the population is now living in permanent poverty and without motivation. Without a strong middle class, there can be no basis for stability.

Two approaches to resolving the problem of the two-tier social structure are reviewed. The first is basically for the state to increase overall social expenditures in order to alleviate the hardship of the population. But even apart from the scarcity of budget resources, this by itself would hardly eliminate mass poverty. The second approach (favored by Gref et al.) is for the state to cut back on many categories of social expenditures, concentrating on ensuring a bare existence for the most needy, and leaving it to the citizens to pay the rest themselves. But this approach is illusory, the paper points out, because there is no broad middle class able to pay for the services now covered by the state.

Echoing the concept of “harmony of interests” put forward by Abraham Lincoln’s economic adviser Henry Carey, the Ishayev paper proposes still another alternative: the realization of high rates of real economic growth oriented toward improving the life of the majority of the population, creating a “mass middle class,” as a new basis for social solidarity. This requires close cooperation among the citizenry, the state, and entrepreneurs.

As opposed to the idea of a minimum, subsistence level of existence, this means to ensure that a majority of the population can achieve a normal or standard consumption level corresponding to decent living conditions, including quality housing, consumer durables, the traditional summer cottage, an automobile, education, and health care. Making such a living standard attainable by the majority would provide a major stimulant for the economy, as well as an urgently needed increase in the motivation of the labor force.

Reaching the proposed level of consumption, however, dictates the need for high rates of growth of the real, productive sector of the economy, which in turn depends on achieving a “break-out” in terms of investment. This means a “forced increase in capital investment” on the order of 8-9% growth per year, as well as state support for key sectors, including agriculture and infrastructure areas such as electricity, which are not able to generate the required rates of investment themselves.

The key to high rates of real growth, the paper emphasizes, is the domestic capital goods (machine-building) sector.

A Three-Stage Economic Mobilization

In a chapter on “The Concept of Development,” the Ishayev paper makes very clear, that the modernization and development of domestic manufacturing and processing industries are the key to the nation’s future—and not the mere export of energy and raw materials. Only the development of industry can provide a decisive improvement in the life of

the citizenry.

Not raw materials, but the manufacturing sector, including the export-oriented branches of industry, constitutes the most important material resource of Russia.

Especially important, in a period of economic recovery, is a mobilization of existing technological potentials in industry, construction, and transport. Besides exploiting those potentials in full, it is crucial to stem the flow of capital out of the country, estimated at \$15-20 billion per year, and to recycle all available capital in a mode of expanded reproduction of the economy as a whole.

The paper goes on to “inventory” the potentials still existing in the country, which could be tapped in an economic mobilization. These include:

1. Unused production capacities, especially machine tools and infrastructure, which could be brought on line as soon as demand is created.

2. Energy supplies, metals, raw materials, and transport capacity will not present major bottlenecks for an economic mobilization. The only really serious limitation is insufficient amounts of qualified labor, especially in the manufacturing sector. Industry has lost a major part of its workforce as a result of the last ten years’ economic collapse. Recovering the labor force will take resources and time.

3. The increased income in some traditional export sectors of the Russian economy (for example, petroleum and military technology).

The main task of economic policy is to assemble these growth factors. With proper policy, the physical output of the Russian economy could be increased by 25-30% in the next two to three years alone.

There are also limitations, however. These include insufficient internal demand, and the extreme scarcity of financial resources in the real sector. Furthermore, the increased income of export-oriented sectors over the last year has mainly fed into the capital flight. A large percentage of companies in the real sector operate at very low (or negative) profit.

Apart from the issue of foreign debt, there are serious internal obstacles standing in the way of rapid expansion of investment. Chief among these is the loss of strategic development orientation in most branches of production, which have been forced to operate in a mere “survival mode,” at best, over the last ten years. The worst affected is the technological core of the machine-building and capital-goods industries, and agriculture. In addition, large amounts of resources are not readily available for internal development, because they are “tied up” in the consumption and investment cycle of the exporting sector, which, because of the crisis, has a structure unfavorable to the development of Russia’s economy.

All of this means that in an economic mobilization, the scope for expansion of production without large-scale capital investment is limited to the first two to three years; after that, available margins of unused productive capacity will have

been exhausted. The mobilization could not be continued, at that point, without large-scale investment, above all in the capital-goods sector.

Only the state is capable of initiating the required investment process, on the basis of a long-term program.

One aspect of this is the necessity of state regulation of prices charged by the “natural monopolies” (including energy). The Ishayev paper states in no uncertain terms, that the task of these companies (including Gazprom) is to “provide a foundation for the economy of the Russian Federation”; their right to profits is a function of fulfilling that task. In other words, the natural monopolies have no right to loot Russia’s economy; instead, their interests must be subservient to those of the national economy as a whole.

A key bottleneck for increasing investment in the real economy, according to the Ishayev paper, is the lack of development of the financial sector. The financial system of the country must be built anew, it states. More broadly, it is necessary to restore the basis of trust, which is needed in financial and other agreements, including guarantees on bank deposits and measures to ensure the honoring of contracts. (These aspects are developed more extensively below.)

Provided the required policies are implemented, an economic recovery in Russia will occur in three successive stages.

In the first stage, existing idle production capacity would be brought on line and fully mobilized. During this stage, lasting not more than three years, a yearly growth of 8-10% will be realized. Decisive for the success of economic recovery, is to set into motion, parallel with the mobilization of idle capacities, a huge wave of new capital investment into the productive sector of the economy.

The second, transitional stage is marked by the exhaustion of margins to increase production on the basis of existing capacities. Emphasis shifts toward developing new capacities. Nominal growth slows to 2-4% per year, but the quality of the growth improves with the influx of higher levels of technology. Provided the investment process has already been properly initiated during the first phase, the second stage should last two to three years.

The third stage, which might begin in 2005, is a transition to a “steady trajectory” with solidly sustained growth of 5% per year.

The Responsibility of the State

The Ishayev report puts forward an axiomatic standpoint directly opposed to that of the Gref program and the so-called liberal reforms of the 1990s. Noting the disastrous effects of the “illusions of the 1990s” concerning the supposed benefits of deregulation and privatization, the report lays out the urgent requirements for intensifying and expanding the scope of state intervention into the economy and social spheres, as the precondition not only for the economic recovery of Russia, but also for the creation of any truly functional market

structures. The key areas of intervention must include not only “traditional” spheres such as defense, education and scientific research, essential social services, etc., but also an increase in the scope of state responsibility for the economy as a whole. This includes exclusive state responsibility for the military-industrial complex, and the agricultural and infrastructure sectors.

Notable is the emphasis on state support for the development of “dual-use” technologies (i.e., technologies with important civilian as well as military application), including “new means of transport” in the context of state support for a thorough modernization of the military-industrial complex. Development of basic physical-productive infrastructure— heating and electricity, pipelines, electricity, road and railroad transport, water transport— should be the central focus of the attention of the state. The rights of the population to essential infrastructural services and the basic unity of Russia’s vast territory must not be sacrificed to irresponsible plans for privatization of infrastructure. State financial support for rural electrification, gasification, road-building, and education and medical facilities is proposed as a key method to promote the rural economy which involves one-third of Russia’s population.

In addition, it is necessary to draw up an appropriate strategy for developing the state sector itself, which includes much strategic industry and infrastructure. The state sector is crucially important, not only because of the commercial goods it produces, but above all for its role in the formation of strategic markets, in generating employment, and expanding the tax base. At present, it is important to make an inventory of the state sector and to draw up strategic investment plans for its development.

In this context, the state is a very special sort of investor. It judges investment projects not only in terms of their direct profit, but in terms of the overall benefits of their realization for the economy as a whole. For this reason the state has a special interest in projects for development of infrastructure. This point is further developed in another section of the paper.

The report also calls for the formation of a “civilized market for land” (at present, sale of most land is prohibited), but only once a broad infrastructure of land banks under state patronage has been created in the country.

Productive Investment

Under the heading “Basic Elements of Economic Policy,” the Ishayev paper addresses a number of basic problems affecting the productive sector of the Russian economy, which must be resolved if the economic recovery policy is to be successful.

A key problem is the lack of a financial and investment structure able to meet the needs of large-scale industrial development. Industrial investment is crippled by the crisis of confidence in the economy, and by the excessively high risks in the investment cycle, especially in the science-intensive

branches of industry.

It is proposed that the state create several new financial institutions and instruments, including institutions for evaluation of debt quality and of investment projects. These would have the included function of reducing financial and economic risks of investment and increasing the reliability of cooperative agreements; mediating between entities participating in the investment cycle; providing banking, insurance, and commercial information and technological support needed to reduce the losses in investment and production in the real sector of the economy; and restoring a “system of confidence” in the economy.

Some Final Comments

Apart from technical aspects of secondary importance, I do not think there could be competent objections to the essential approach, outlined by the Ishayev document, *as far as it goes*. It is also clear, that Russia would be in an incomparably happier situation today, had something like the indicated approach—some elements of which were already on the road to being implemented, when Yevgeni Primakov was removed as Prime Minister in May 1999—been adopted by Putin from the very beginning. In the meantime, a great deal of precious time has been lost.

The problem, from our standpoint, is not what the Ishayev document says, but rather, what it does *not* say—at least, not in the version which has been widely circulated and discussed since the end of last year. Let me give some examples.

First, it is not sufficient, in Russia’s present situation, to merely insist that investment be channelled into the productive sector—infrastructure, industry, and agriculture. A successful economic mobilization must be developed around certain key strategic tasks, which define a least-action pathway of successive breakthroughs in rates of development of the economy as a whole. A focus on selected, breakthrough areas, including specific areas of technological development, provides an instrument by which the state can drive the entire economic process forward. It is necessary to go beyond mere macroeconomic generalities, and to identify such areas in a precise manner.

One such, very obvious example is the role of nuclear energy. Without a large-scale use of nuclear energy in advanced forms, there is no possibility that Russia can attain the levels of overall productivity needed to reverse the effects of the ten-year economic collapse and rebuild the economy over the medium term. In particular, nuclear energy—for electricity, district heating, and industrial process heat applications—is key to the future of vast regions of Siberia, the Far North, and Far East of Russia. At the same time, the design and production of advanced nuclear energy systems provides an ideal context in which to mobilize the capabilities of the military-industrial sector, and to rebuild crucial machine-tool and machine-building sectors. Furthermore, with adequate development of suitable technologies such as modular high-tem-

perature reactors (HTRs), the export potential of Russian nuclear technology to China, India, Iran, and other developing nations of the world, could be multiplied many times over.

By the same token, even a relatively short-term economic program for Russia, must locate Russia’s development in the context of the future of Eurasia as a whole—a context in which Russia is destined to play a decisive role. The necessary parameters for Eurasian development, including most emphatically the Russia-India-China “Strategic Triangle,” the pivotal role of Central Asia as well as Russia’s relations to Western Europe, are very precisely defined; they center on the necessity of large-scale infrastructure development, including such things as transcontinental high-speed rail and maglev systems, energy systems, water systems (canals, irrigation systems, flood control), and so on, in the course of the coming decades. The essential parameters have been set forth in the strategic conception of the Eurasian Land-Bridge, put forward by Lyndon LaRouche and his collaborators.

This leads us to a more profound point, which we can only hint at here. To conduct an economic mobilization, to uplift Russia out of the depths of economic and social disintegration into which it has fallen during the last ten years, requires more than merely “objective” economic measures. It is not a purely technical issue, but depends on the ability of national leaders to mobilize the population around an appropriate set of ideas—ideas that must center on a notion of the *national mission of Russia* in the world as a whole (see Lyndon H. LaRouche, Jr., “The U.S. Strategic Interest in Russia,” *EIR*, Dec. 15, 2000).

That mission is defined, among other things, by the urgent requirements of the vast populations of Asia, for the kinds of scientific and technological developments which Russia is uniquely situated to supply. But Russia’s mission has a more universal aspect, which is perhaps best identified by reference to the great Vladimir Vernadsky’s notion of the *noösphere*.

The universe, as Vernadsky showed, is governed by three absolutely distinct sets of physical principles—principles of non-living or inorganic nature, the principles of living processes, and the higher principles manifested in human Reason. The demonstrable, hierarchical relationship of those three domains, demonstrates the existence of a *universal principle of creativity*, subsuming all three. Thus, man and the *noösphere* did not emerge out of the biosphere by virtue of the principles of living processes; rather, the universal principle acted, already *before* the emergence of man, to bring about, in advance, the conditions under which man’s existence became possible. The reflection of that universal principle of creativity into the economic process, which is the subject of LaRouche’s Science of Physical Economy, cannot be properly ignored in the context of projecting an economic mobilization such as that which Russia must accomplish now. The intrinsically nonlinear character of such processes, and the apparent “time reversal” which is a leading feature of them, cannot be mastered in any lesser terms.

Strategy for the Development Of the State to the Year 2010

Moscow, November 2000

Prepared under the leadership of V.I. Ishayev, member of the Presidium of the State Council of the Russian Federation, using materials and proposals from A.R. Belousov, S.Yu. Glazyev, A.G. Granberg, V.V. Ivanter, Ya.I. Kuzminov, P.A. Minakir, A.D. Nekipelov, A.N. Shokhin, M.M. Tsikanov.

I. Introduction

One of the most important functions of the nation's supreme authorities, is to establish strategic goals. The discussion of a strategy for the development of the Russian Federation in the period up to the year 2010, and beyond, may be defined as a most urgent task for the State Council, working under the nation's President. A strategy of social and economic development will broaden the system of purposive guidelines and serve as an incentive for a shift of emphasis onto qualitative parameters of economic growth, thus becoming an important supplement, and a new basis, for the current and medium-term macroeconomic program, which the Federal government is developing and carrying out in practice. Such a strategy is to establish criteria for evaluating the intermediate results of the implementation of the government pro-



Khabarovsk Gov. Viktor Ivanovich Ishayev. The report "Strategy for the Development of the State to the Year 2010," was prepared under his leadership.

gram, and to make it possible to review the activity of institutions on the federal and regional level, from the standpoint of strategic principles and goals for the development of Russia.

This strategy should be based on lofty long-term goals, which are simultaneously worthy of Russia, and achievable. One such strategic goal would be the transformation of Russia into a dynamically developing economic power, which provides average European standards of living (under uniquely Russian climatic, other natural, and geographic conditions), on the basis of strong labor and business initiative, and a rational and consistent economic policy.

The objective preconditions for achieving this goal are high rates of economic development, which markedly surpass the rates in neighboring countries and the world community as a whole. Thus, the creation of conditions for effective economic growth, based on investments in the technological and structural modernization of the domestic economy, which raises the level of welfare of the citizens of Russia, becomes a most important goal of the Russian state.

The qualitative parameters of economic growth assume primary significance. We need not merely achieve "high growth rates," nor "production for production's sake." Growth rates should result from the achievement of specific, palpable benchmarks in the popular welfare, the successful solution of the urgent tasks of technological and structural modernization, and the realization of more of Russia's competitive advantages in the world arena.

II. Social Consolidation as the Basis of the State's Development

The key factor, hindering the consolidation of our statehood, is the deep divide in Russian society, which runs along socio-cultural and economic axes. The main sections of society are diverging further and further, in their values, their level of welfare, life styles, models and norms of behavior, and so forth. This "scattering" makes it extremely difficult to create democratic institutions of the state and civil society, insofar as the very basis of democracy disappears—social consensus about the basic values and principles of life.

The formation of two diametrically opposite, contrasting values models may be observed in society. One of them, the traditionalist model, is characterized by an orientation to the



Street vendors try to sell a few vegetables to cash-strapped Muscovites. “The social divide not only causes instability, but . . . is one of the main limits, today, on the mobilization of the enormous potential, embodied in our existing human capital.”

principle of “living like everybody else,” state paternalism, and collectivism. The other, the modernization model, is characterized by the priority of individualism, the achievement of personal success, material and pragmatic values, etc. But, there is no concomitant formation of a generalized social type of the worker and entrepreneur, whose orientation is toward risk for the sake of high incomes, and readiness to limit current consumption for the sake of future welfare, and so forth.

Socio-culturally and economically, two unequal social layers have formed in Russia — those who are adequately provided for, and the poor. The former, who have maintained or improved their pre-reform standard of prosperity, comprise 25-30 million people, or one-fifth of the population. Of them, 8-10 million people (5-7% of the population) have effectively attained Western standards of consumption of food, clothing, daily life and household products, and services. Living in poverty, where average per-capita incomes do not cover the subsistence minimum, are an estimated nearly 60 million people, i.e., around 40% of the population. The monetary incomes of 25-30 million of these people are below even the price of the minimum market basket of consumption, which defines destitution. Within the “poverty layer,” persistent poverty as a mass social phenomenon is observed to be spreading, along with its typical norms and stereotypes of behavior.

As a result, our social space more and more takes on the features of “Third World” societies. The social groups of the better-off population, with their modernized values, are surrounded by the main mass of the population, with its needs poorly covered, and with its traditional values, but with stan-

dards of culture and consumption that are still higher than in “Third World” countries. Under such conditions, the consolidation of society and creation of effective economic motivation mechanisms remain problematic in the extreme. The preconditions for society’s splitting, and for social conflict, are inevitably reproduced.

The social divide not only causes instability in society, but also blocks motivation. This is one of the main limits, today, on the mobilization of the enormous potential, embodied in our existing human capital. People cannot, and, in significant part, do not want to secure a decent life through efforts in labor or business. According to sociological surveys, only one-third of the population in Russia would like to be independently employed (in Western Europe, this level is 42-65%).

In such a social milieu, the state is objectively “superfluous,” or even hostile to the main social groups. The traditionalist layer of society is alienated from the state, due to the shutdown of its entire system of social functions — guarantees in the area of social welfare, wages, education, health care, housing, security, and defense against social injustice. For the modernized segment of society, which, in significant measure, no longer needs the social functions of the state, the state appears to be an extra burden (taxes, administrative functions). In Russian society, the state always played a key role as the arbiter among diverse, often competing social groups, mitigating the acuteness of social conflicts and bringing to society the needed social order and a format for common social goals. The identification of social groups — their creation, structure, and relative hierarchy — also largely took

place through their relationship with the state.

It has always been a very important function of the state in Russia, to maintain a balance and a dialogue among the various social layers and groups within the population. The social paternalism of the state played a special role in this regard, as the state carried out a broad spectrum of social functions, which established the legitimacy and stability of the institutions of the state themselves, under Russia's unique conditions. The scale of this paternalism is expressed by the ratio of state and individual spending on social needs (health care, education, housing and services), which was an order of magnitude higher in the U.S.S.R. than, for example, in the U.S.A.

The experience of recent years shows that the creation of a strong and effective state remains possible only on the basis of social consolidation and the expansion of social support for the goals and actions of the authorities. Attempts to strengthen the state, relying solely on the consolidation of the business and political elite, are doomed to fail—above all, due to the underdevelopment of legal criteria and procedures to reconcile the interests of various economically active persons and institutions. Social consolidation is also a necessary condition for the strengthening of democratic institutions and the consistent development of civil society.

In accordance with the “bipolar” structure of Russian society today, two fundamentally different approaches have developed to the role of the state in society and, above all, with respect to the social functions of the state.

The first of these approaches is based on state paternalism, with massive support from state resources for the living standard of needy layers of the population. The limitations of this approach are already clearly evident: Social spending by the state, including on subsidies for housing and services, has reached 10% of GDP, or 25% higher than in the pre-reform period (1990). This means that any attempt to solve the problem of poverty through state resources alone, has no real chance of success. It would unavoidably require a massive increase of the tax burden on goods-producers and, essentially, would lead to a new period of stagnation for Russian society, but under much worse social and economic conditions. Such stagnation will not be a mode in which society and the state could survive, but rather a dead end, “a quiet death under social anesthesia.”

The second approach is to make an accelerated transition to a “minimum-subsidy state” model, based on the principle that the state is responsible for providing only a minimum of social services, while the citizens must earn enough to pay for everything else. This model proposes to redistribute social spending in favor of the most vulnerable groups of the population, while simultaneously reducing social payments to better-off families.

In reality, this second version only works under conditions of sustained economic growth, and when a large middle

class already exists. Attempts to implement it at present, will lead only to the further alienation from the state of a substantial part of the traditionally oriented social groups, which will inevitably reduce the legitimacy of the state authorities and weaken them.

On the whole, neither of these two versions can serve as the basis for strengthening Russia's statehood and overcoming our systemic social and economic crisis. . . .

A real aim for the state's development, one which possesses great power of consolidation, is a rising standard of living, security, and a decent life for the citizens of Russia. . . . A criterion of the state's development should be the level of organization, preparation, and utilization of all of its forces and sources to achieve this goal. . . .

The success of a strategy for the state's development according to the principle of “the majority's welfare,” will be decided by the rate at which a large middle class is formed. This layer should encompass at least 50-55% of the population, while the portion of the population whose income is below the subsistence minimum should be reduced to 10-15%. The state simply cannot unite the far-flung pieces of a shattered society for a prolonged period of time, unless the natural social bulwark of society begins to be established at an accelerated rate—a broad layer of people who are fairly well-off. The formation of a middle class will provide the necessary stability for all social development, and will serve as a basis for overcoming the most negative consequences of social fragmentation.

The establishment of a middle class requires a new model of consumption, resting on a Russian national standard of welfare, which corresponds to the normal consumption levels of this social group. This does not mean a “consumption minimum,” but rather norms of consumption, corresponding to a decent standard of living, which can be achieved for the majority of Russian citizens and therefore will serve as incentives for economic activity, both labor and entrepreneurial. Such a standard of welfare includes: quality housing, a second home,¹ a high level of provision with durable consumer goods, a car, access to health care and education, etc. Implementation of the “majority's welfare” strategy requires that such a Russian national standard, that is, the economic and social preconditions for its introduction as the standard generally enjoyed, lie at the basis of long-term economic development. . . .

In order for investments really to become a significant factor in end-product demand and “a locomotive of growth,” domestic machine-building must play a substantial role in their material implementation. This calls for its accelerated modernization on the basis of the available innovation and technological potential, as well as imports.

It should be emphasized, that only a model of economic

1. The Russian *dacha* is a country house, often extremely modest, with a bit of land, usually gardened.

growth, oriented toward improving the welfare of the majority of the population, can actually cure the social and economic crisis, the acuteness of which is masked today by a conjunctural wave of revival of production. If, however, economic policy were to bank on "growth for growth's sake," the aggravation of the social situation in the country could bury both the growth of production, and the state itself.

III. A Concept of Development

III.1. A Growth Economy

The strategic goals of Russia's development in the middle term, can be achieved only on condition of *the re-creation of a growth economy*. Here, not only the quantitative, but the qualitative features of economic growth are extraordinarily important.

A positive future for Russia can only be based on preferential development of the manufacturing sectors of industry. It is their growth, which determines the level of investment activity and technological modernization of production, on the one hand, and, on the other, the growth and structure of the population's consumption. Consumption standards for the population, in turn, determine the formation and reproduction of labor motivation and, consequently, the possible contribution of social factors to raising the efficiency of production.

The development of domestic manufactures and construction can bring about a fundamental increase in the quality of life for Russians and create possibilities for positive changes in the conditions of life, through the large-scale supply of accessible housing, effectively increased car-ownership, and the development of infrastructure at a surpassing rate.

The primary sector of the Russian economy, namely the extractive industries and, especially, the export-oriented sectors, are an important material resource for economic growth and maintenance of the level and growth of export income. The latter is of particular importance in the period of restoring the technological potential of the manufacturing sector of industry, construction, and transport. In order for the primary sector of the economy to provide a material basis for economic growth in Russia, and to maintain a net export surplus in the medium term, it is also necessary to develop complex raw-materials processing in the framework of the extractive industries, and to increase the share of processed goods in exports.

Conditions for the Revival of the Economy

Medium-term economic growth requires the following three preconditions, at minimum:

- the greatest possible utilization of the production capacities already existing in the country, which have retained their technological qualities;

- keeping within Russia the financial resources, generated in the framework of the Russian economy, to be converted into the main source of demand for domestic production. The current annual \$15-20 billion level of capital flight is equivalent to the loss of 450-600 billion rubles of end-product demand, or 6-8% average per annum growth of production; the flow of financial resources abroad has been one of the main reasons for the depression, lasting many years;

- the creation of conditions in the Russian economy, for normal investment activity and the process of expanded production.

It is from the standpoint of creating these conditions, that all questions of economic policy should be viewed and the concept of Russia's future economic development be formulated.

Opportunities for Growth

The main precondition for a concept of development is the proposition that 5-7% per-annum economic growth for the basic output of production, and 10-15% in certain sectors of manufacturing, is not only necessary in Russia, but is possible.

For the years immediately ahead, this possibility is defined by a number of positive factors, including some that arose as a result of the collapse of production over many years.

First, there is the existence of idle capacity. This means "physical" capital, i.e., buildings, installations, machine tools, and systems, heating and electricity grids, which have been either utilized at less than capacity, or mothballed, during the deep economic crisis. Some of them, for various reasons, cannot be brought back on line, but a significant part has been preserved and may be included on the roster of functional physical capital, in the event of a rise in the level of effective demand. The increase of total functional capital through bringing these capacities on line, is a "free" resource for economic growth, insofar as, in the initial stage, there will not need to be significant investment in new capacities for an increase in production.

Second, there is the mitigation of resource limits on economic development. At present, Russia's economy does not face harsh limitations with respect to energy, metals, or other raw materials, or the carrying capacity of the transportation system. The only serious constraint is the shortage of skilled labor, since many companies, especially in manufacturing, lost their most skilled workers, technicians, and engineers during the years of stagnation. It will take substantial effort and a long time, to rebuild this cadre of skilled personnel. As far as material resources are concerned, however, no special efforts and means will be required, to initiate work in anticipation of economic growth.

The situation in 1999 confirms the possibility of utilizing idle production reserves for purposes of organizing economic growth. Then, even though investment levels were virtually unchanged, domestic producers substantially increased the



The control room of Novo-Voronezhskaya nuclear power plant, during the Soviet era. In the intermediate term, reviving the economy, depends on elements such as maximum use of existing production capacity within the country.

volume of domestic industrial output, taking advantage of the lowered competitiveness of imported products on the domestic market, as a result of the devaluation of the ruble.

Third, we have a relative reduction of costs in many branches of manufacturing, against a backdrop of relatively slower growth of the prices for technical industrial products in 1998-1999. Improved conjunctural conditions for traditional Russian exports on world markets, simultaneously made it possible to considerably strengthen the financial position of the export sectors. This led to the formation in a number of sectors of substantial revenues, which may become the financial basis for economic growth.

Consequently, the Russian economy possesses the main preconditions for a continued economic upswing, namely available production capacities, “soft” resource constraints, and financial resources in search of effective application. *The main task of economic policy, is to bring these growth factors together.* This will make it possible to realize a non-capital-intensive development option in the majority of sectors of the national economy and industry. It has been calculated that, in the next two to three years, production can be increased by a minimum of 25-30% more, solely through the utilization of

already-existing production capacities. The orientation toward servicing foreign demand as the priority, however, effectively precludes sustained economic growth. Continuation of the basic components of recent years’ economic reproduction profile can, at best, provide no higher than 3% per annum economic growth, while the standard of living stagnates for a decade, further reducing Russia’s role in the world economy and politics.

At the same time, *the surviving resource potential will not last forever.* Any delay in the elaboration and implementation of an adequate social and economic policy will inevitably reduce the opportunities for positive economic growth, for which that resource potential creates the conditions, and reduce the achievable results.

III.2. Problems and Limitations of Growth

Insufficiency of Domestic Demand

The situation in the Russian economy at present, features—in one part of the economy—incomes in excess of what can be effectively utilized, while another part of the



Russian President Vladimir Putin (right) meeting at the UN with German Chancellor Gerhard Schröder in September 2000. The Ishayev report says that Russia's foreign debt cannot be paid at the expense of economic growth, but must be restructured in negotiation with Russia's creditors. Russia and Germany are in the process of negotiating debt-for-investment arrangements to ease Russia's debt burden and create conditions for Russian industrial projects to have German participation.

economy suffers from an acute need for financial resources in order to develop production.

The greater part of potential supplemental demand, at present, is based on the revenues of the export-oriented sector, which were enhanced by the devaluation. In real terms, that sector is not prepared to initiate demand, neither through the compensation of its operatives' labor, nor through stepped up investments, and especially not on the domestic market, on a scale corresponding to the growth of its revenues. Therefore, the additional revenues of the export-oriented sector, received as a result of the devaluation of the ruble (as well as the improvement of the price conjuncture on world markets), effectively become a resource only for capital flight.

A significant share of the companies in the real sector of the economy, meanwhile, have an exceedingly low level of profitability and are poorly endowed with their own working capital. Under conditions, where the banking system is in no condition to carry out the functions of facilitating capital flows among sectors, which makes bank credits prohibitively expensive and precludes real opportunities for long-term borrowing, the shortage of working capital in the real sector of the economy predetermines a low level of demand.

Therefore, the strategic prospects for economic development will largely be determined, by whether or not the supplemental revenues of economically active entities are directed into the domestic market, above all into investment.

Foreign Debt

If foreign debt payment obligations are met in full (they should average U.S.\$16 billion per annum throughout the first decade of the 21st Century), the result will be the stagnation of production and further reduction of the population's standard of living.

The most natural way out of the situation, both for Russia and for its creditors, is to restructure the foreign debt through a process of negotiations. The other option for solving this problem—the formal declaration of default on the foreign debt—would have unpredictable consequences.

We believe that the negotiation process should be based on the following points.

First, the Russian economy, as distinct from the Russian state, is already solvent at the present time. . . .

Second, the revival of economic growth in Russia, based on the utilization of resources, freed up by the steep reduction of capital flight, on the preservation of the Russian economy's competitive advantages, resulting from the major devaluation, and on the broad development of foreign economic ties by the elimination of discriminatory and

other barriers to domestic exports, can transform the Russian state, as well, into a solvent party in international relations.

Third, the creditors have an interest not in conflict with the Russian state, but in repayment of the debts, and in keeping Russia as a significant market for sales and investments.

Consequently, the main efforts of the government and the Central Bank ought to be concentrated on limiting the illegal export of capital, as well as on limiting imports, by means of exchange rate and customs policies. . . .

In our estimation, debt restructuring that would allow payment of one-half of the obligations, connected with the debt of the U.S.S.R., would be completely acceptable both for Russia and for its creditors. . . .

'Tied-up' Resources

We must not underestimate the problems, arising from the ways in which a relative balance has been maintained in the reproductive processes that took shape during the years of crisis. The "surplus" of energy resources and construction materials (produced in excess of the level of domestic consumption) is "tied up" to a significant degree, and is not readily usable.

First, deliveries for export are "tied up". . . .

Second, the existing system for reproducing capacities within the export sectors, places the burden on exports, of

being the source of financing for investments in maintaining the extraction of the resources or meeting the standards of quality, necessary for successful competition on foreign markets.

Third, it is necessary to keep in view a phenomenon, which may be called the “enclavization” of the domestic economy. Despite the existence of potential demand on the domestic market, some companies cease producing products to meet that demand, and shift (when possible) to making deliveries abroad. . . .

Investment Constraints

During the years-long investment crisis, the capital-goods sectors not only were deprived of standard levels of demand, but also, in significant measure, lost any strategic reference points for their development. This prolonged period of functioning in a survival mode, brought about an inevitable quantitative and qualitative degradation of their production capacities. The sub-sectors, which comprise the technological nucleus of machine-building, turned up in the worst position, alongside those that produce capital goods for most sectors of manufacturing and for agriculture.

At present, the production capacities of the capital goods sectors as a whole are unable to provide capital goods for installation in the overwhelming majority of sectors of our national economy, nor to address the task of structural and technological modernization. At the same time, the possibilities for non-capital-intensive growth are fairly limited; within two or three years, all the free resources may have been used up. Consequently, further growth will be impossible without a significant gear-up of investments and bringing new capacities on line.

This state of affairs defines the imperative of making pilot investments in the capital-goods sectors themselves. The only economic agent, capable of initiating such an investment process, is the state, being conscious of its role in determining the country’s historical prospects, and carrying out a reform policy as a long-term program of social and economic transformations.

Price Relationships

The economic growth of the past two years was determined, in a decisive way, by favorable price relationships. . . .

Since the beginning of 2000, the opposite tendency has been observed. In particular, the rise of fuel and energy prices began to outstrip the growth rate of prices for the end-products of industry. . . . State regulation is needed, in order to limit price rises on the products of natural monopolies. . . .

The Undeveloped Financial System

Once again, we are now at a stage, where a financial system, adequate for a market economy, must be built from scratch. . . .

Improving the financial system requires laws, which provide for:

- stricter obligations for the fulfillment of economic contracts, by the introduction of material and criminal responsibility of property-owners and top managers, including forfeiture of their personal property;
- guaranteed and timely compensation of the labor of hired workers in the private sector of the economy, at a level no lower than the subsistence minimum;
- effective management of joint-stock property, on the basis of expanded rights for those property-owners, holding less than 10% of voting shares, as well as simplification of the procedure for imposing sanctions on managers of a joint-stock company, who violate the legal rights of shareholders;
- effective management of the state debt, by the adoption of an amendment to legislation on the budget, mandating a reduction of the ratio of state debt to GDP;
- raising the level of confidence in the banking system, by an adequate level of guarantees for the deposits of the population, as well as funds on deposit in business accounts at commercial banks;
- a gradual transition to a no-subsidy regime in the housing and municipal services sector;
- a gradual achievement of a surplus in the Pension Fund, while unconditionally providing the subsistence minimum for all categories of pensioners.

III.3. Stages of Development

Analysis of the resource and production capabilities of our economy indicates that an effective economic growth trajectory for the medium term may be naturally divided into three periods.

1. A period of high growth rates and the gear-up of investments, based on bringing idle capacity into the process of economic circulation. . . . This period will last no longer than three years. During this period, economic growth rates of 8-10% per annum may be achieved.

2. A period of substantially lower economic growth rates, due to the exhaustion of existing reserves and the delay in bringing new capacities on line. . . . The duration of this period and the extent to which growth rates are reduced, are directly linked with the degree to which we succeed in building up investments during the first period. It is estimated, that this period may last on the order of two or three years, during which the economic growth rates may fall to 2-4% per annum. The quality of economic growth will rise, however, insofar as it will result from developing the highest-technology types of production. This significant lowering of the economic growth rate could be avoided, only if super-high rates of capital investment (over 25% per annum) were to be achieved during the next three years.

3. Starting in 2005, a steady development trajectory may

be achieved, whereon economic growth rates are maintained at a level of no less than 5% per annum, for a decade. The subsumed task will be to ensure the stability of the Russian economic system, in the face of conjunctural fluctuations on world markets, and to create conditions for expanded reproduction on the basis primarily of domestic accumulation and investment. . . .

[Section III.4., Formation of an Effective Regional Structure in the Economy, is omitted from these excerpts—ed.]

IV. Main Elements of Economic Policy

IV.1. Strengthening the Market Basis of the Economy

The institutional reforms of the late 1980s and early 1990s had outright negative results, or less positive ones than had been expected, due to their inconsistency.

The market economy is in the initial stage of creation in Russia. A number of important markets, market institutions, and other instruments are lacking, as is the necessary legal and informational back-up for them. In a “natural” mode of functioning, markets are incapable of ensuring effective expanded reproduction in the sectors of the Russian economy that are involved with them.

State regulation has been oriented primarily toward the creation and reconstruction of the sphere of exchange and finance. Mechanisms for the coordination of sectoral and regional strategies have not been developed, not to mention constructive strategies on the national economic level. The absence of consolidated strategic goals and values causes disorientation on the part of economically active entities, whose strategies and actions go off in different directions.

The underdevelopment of the sphere of exchange led to a situation, where in recent years there was more or less active development of small and medium-sized companies, but there were no institutions, which would have brought to life the superior qualities of large companies. Only in the past one or two years, have real processes of vertical integration in manufacturing been observed.

The crisis of confidence in the economy has not yet been overcome. Complex networks of cooperation have been disrupted, while the surviving ones are overloaded or running at excessive levels of cost. . . .

For the modernization of the economy, there must be a new stage of institutional reforms, and a new approach to developing and implementing them. There must be a shift of emphasis in approaches to the management of economic processes. *Under Russian conditions, it is insufficient to confine ourselves to classic regulatory interventions on the*

markets, and attention must be paid to their quality of functioning.

There are two components of action to influence the quality of how markets function: (a) saturation of the economy with the necessary market institutions and instruments, and (b) the provision of legal and informational underpinnings for the markets.

Above all, this should be a question of an accelerated creation of markets, necessary to ensure economic growth. In Russia, for example, there is virtually no commercial credit market and no commercial bond market, and the inter-bank credit market is too segmented and weak to provide the requisite redistribution of financial resources. Experience demonstrates, that without state support, there is no basis to expect these markets to start functioning effectively in the near future. The state is capable of fostering the development of a whole array of institutions (an institution for commercial debt evaluation, an institute for expert financial review of economic projects) and instruments, the existence of which would substantially facilitate the development of the relevant markets.

On the whole, it is premature, at present, to talk about a policy of economic deregulation, which has become so fashionable in recent years. It is necessary first to achieve effective functioning of the market, and at least some relative manageability. What would be really useful in this regard is not deregulation, but the de-bureaucratization of state institutions of government. . . .

Strategy for the State Sector

Development and implementation of a comprehensive and consistent strategy for the development of the state sector. Today, there are practically no mechanisms for determining the goals of state sector development, nor its management as an integrated economic formation. Nor is there an understanding, that the state sector of the Russian economy is necessary, not so much for commercial purposes, as for the establishment of strategic markets, the creation of jobs, the expansion of the tax base, including in contiguous sectors of the economy, the maintenance of the relationships necessary for economic reproduction, and other such goals. There need to be procedures for determining sectoral development priorities, product specialization, a coordinated marketing policy for state companies, and, on that basis, state investment programs.

It is important to emphasize that the state, as such, is not an ordinary investor, but a special one. For the state, the result of implementing a project is not only, and not so much, the profit from the project itself, but rather the summary, total benefits from the implementation. In that sense, the state has an interest in infrastructure development projects, in investments to develop strategic markets, and in carrying out comprehensive investment programs. Here, the benefits for the state are the indirect effects—job-creation, expansion of the

tax base, and the growth of production in contiguous sectors of the economy. . . .

The Tax System

The tax system should be reviewed, from the standpoint of incentives for economic growth. Russia is now at the stage of economic development, which requires investment in the technological potential of almost all spheres of business. . . .

Investment Policy

There needs to be a coherent and balanced *investment policy*. There is none at the present time; there is only an array of disparate projects, measures, ideas, and notions about such a policy. A real upsurge of investment is impossible, without the intervention of the state, oriented toward reducing risks in the main segments of the investments market. Under today's conditions, the excess liquidity in the banking system can be transformed into investment projects in the real sector, only with the state's participation, with the exception of investment projects, proposed by already-formed major industrial finance groups. Therefore, it is necessary to activate previously elaborated projects for investment incentives (for example, the creation of an investment guarantee fund for small businesses). Analogous plans could be drafted in the framework of regional or sectoral development programs. . . .

With respect to foreign investments, it is time already today to begin to implement a regimen of limiting their access to those sectors and types of manufacture, where domestic goods-producers are strengthening their positions and have good prospects for increased production and higher competitiveness. A regimen of limited access for foreign capital will also, in part, help . . . to reduce capital exports (for the part of "foreign" investments that are of Russian origin). Thus, reinforcing the entrance barriers of domestic investment markets will help reduce the scale of capital flight and tax evasion.

Capital Markets

A program for the development of capital markets should be an important component of the institutional transformations, directed toward achieving economic growth. Under conditions of economic growth, the capitalization of these markets, specifically the market for corporate securities, objectively rises, since their future profitability grows at a surpassing rate, while investment risks decline. This growth of capitalization may again, as was the case in 1993-1997, lead to the appearance of a multitude of small market operators, which will impede the process of forming major, concentrated investment organizations. As a result, investment resources for the real sector will once again become relatively expensive. Conversely, incentives for concentration processes on the capital markets should make such resources become gradually cheaper, and thus promote investment in the real sector,

the increase of the total volume of such investments, and the improvement of the investment climate as a whole. . . .

For these purposes, it is necessary to foster the concentration of investment intermediaries, to provide more incentives for the creation of investment banks and funds, and activate the creation of the Russian Development Bank, for the purpose of accumulating insurance reserves, temporarily free resources from off-budget state funds, pension fund assets, and other financial resources. . . .

IV.2. The Promotion of End-Product Demand

Production capacities, a skilled labor force, and the absence of significant resource constraints, are unquestionably the most important reserves and factors for consolidating positive economic growth. At the same time, these may turn out to be dead capital, unless they are summoned to life and made productive, with real effective demand. Thus, *the key problem for future state economic policy is the expansion of the possibilities for managing end-product demand*.

At present, these possibilities are extremely small, and are practically limited to state demand. But the experience of developed countries shows that there are mechanisms of state influence that may be used, both on household end-product demand, and on investment demand from corporations.

Regulation of Incomes

For household demand, this mechanism is linked, in particular, with the establishment and regulation by law, of minimum wage levels. . . .

Growth of Investment

The growth of investments and creation of an investment climate in the country is a strategic development task and a condition of the utmost importance for the modernization of our national economy.

At the same time, it must be emphasized that, at the present stage, despite the importance of investment in basic capital, *the priority remains the growth of investments in working capital*. The build-up of working capital is the basic material precondition for high rates of economic growth during the first stage.

A favorable investment climate is created for working capital, first and foremost by the reduction of commercial risks, and the interest rates they determine. Lowering interest rates creates conditions for a more rational use of a company's own funds, thus raising its economic efficiency.

The main reason for high risks in the economy is the economy's low level of confidence in the state and its leadership, and business people's low level of confidence in each other.

The commencement of some motion in the economy cre-

ates confidence in the future, which is the main component of the investment climate. But, that is not sufficient. The state can and should influence the investment climate, by assuming part of the risks, as well as by means of institutional decisions, which raise investor confidence.

Credit for the Economy

The tendencies that took shape after the August 1998 crisis rather starkly reveal both the existence of internal resources for financing economic growth, and the ability of the Russian economy to react positively to such opportunities, when they are uncovered. The question is only how to use these resources.

The first resource is the “excess” liquidity, which we estimate to have reached on the order of 100 billion rubles. If we presume a continued positive foreign trade balance, it will continue to grow, unless the companies possessing this liquidity, carry out investment programs and raise wages for their employees. From the standpoint of economic growth, it is extraordinarily important to induce companies to implement investment projects. In any event, however, companies not involved in production for export will remain outside the framework of such projects. Thus, even in the case of favorable conditions, the possible economic growth will be skewed to one side. Therefore, it is extremely important to unleash the potential of the “surplus” liquidity, for purposes of extending credit to the real sector of the economy.

At present, major banks are prepared to finance production projects as well as various schemes for consumer credit, being hindered only by the lack of mechanisms for identifying and selecting such projects. This is especially the case for Sberbank [the state Savings Bank] of the Russian Federation. This bank, which has a huge network of branches and has accumulated on the order of 75% of all of the population’s savings, is ideologically oriented chiefly toward extending credit to the real sector. Nonetheless, as of mid-Summer 2000, 60 billion rubles of the 80 billion rubles sitting in correspondent accounts in the Central Bank belonged to the Sberbank.

The surfeit of liquidity in the banking system led to a shutdown of the Central Bank’s plans for the refinancing of banks, which extend credits to the real sector, . . . and forced the monetary authorities to seek new ways to manage this

untied liquidity.

According to some estimates by banking specialists, government pressure on the banks to reorient toward lending to the real sector led to a marked deterioration in the quality of credit assets in the banking system. . . . Nonetheless, there are banks with portfolios full of effective projects, for which credit access is a problem. . . .

The inaccessibility of credit for real-sector companies, with respect both to interest rates and the duration of loans, is due to both microeconomic (potential failure of a project to break even) and macroeconomic (rate of inflation and the ruble’s exchange rate) risks. Accordingly, the state’s actions to increase lending to the real sector should be directed toward reducing and hedging these risks. The “surplus” liquidity is a resource, which should be brought into action along these lines.

A principled approach to the solution of this problem may be envisioned as follows.

The state, in the person of the Central Bank, allocates a certain part of the “excess” reserves for purposes of conducting credit auctions among commercial banks, which will issue credits to businesses in the real sector. In doing this, the state proceeds from the priorities of economic policy and the current monetary situation. Insofar as there is a great variation of profitability from sector to sector, such auctions should naturally be conducted by sector (for example, for light industry companies, for the food industry, for the automobile industry, and so forth).

In the first stage of the process, the companies draw up business plans, and submit them to a commercial bank with supporting arguments. Thus, the commercial banks acquire packets of those business plans, which the banks consider to be better than breakeven propositions, and for which they are prepared to become guarantors, accepting financial responsibility in the event of the project’s failure.

In the second stage, the commercial banks take these plans to the credit auction.

The third stage is the actual credit auction, where the Central Bank issues a certain total amount of credit, at certain minimum and maximum rates of interest and loan durations. Within these established parameters, the auction provides for competition among the various business plans, supported by the commercial banks. The result is that the most effective projects win out, the ones whose implementation will make it possible to pay a higher price for the credit extended.

Under current conditions, it is extremely important for the interest rates on such credits to be closely linked with the macroeconomic goals of the government, with respect to processes of inflation. For long-term credits, the interest rates should be corrected for the effective rate of inflation, in order for the real interest rate (corrected for inflation) not to exceed the efficiency of a given project, on the one hand, and, on the other, not to become free credit.

The second resource is a further reduction of capital flight.

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Russian cosmonaut Aleksandr I. Lazutkin, Mir-23 flight engineer, in a joint mission in 1997 with U.S. astronauts. The report emphasizes that the state should have exclusive economic responsibility for development in the military-industrial complex, the agro-industrial complex, and infrastructure. In the MIC, "The greatest opportunities for the development and distribution of dual-use technologies are to be found in the telecommunications and aerospace sectors, as well as specialty steel and special transport systems production."

This will be possible, only if the role of the Ministry of Taxation is strengthened, and if it works closely with the Central Bank in the area of currency control and systematic work on eliminating fictitious bank transactions and so-called cashing operations, as well as reducing the volume of cash transactions.

If these measures succeed, the additional available financial resources will be divided into two parts: increased budget revenues at all levels, and increased liquidity of businesses. The former should be used chiefly for purposes of reducing the tax burden on the real sector of the economy and making payments on the state debt, while the latter should play a direct role in financing economic growth, either directly as a result of the companies' own activity, or through the mediation of some of the above-indicated schemes.

Regarding a resource, which a market economy would normally draw upon, namely the population's savings, there are several difficulties involved with its utilization as a source of investment capital. First of all, let us look at the problem of the price gap for energy on the domestic market—the well-known system of cross-subsidies, under which industry bears the brunt of expenditures for energy, while the population pays only a fraction of the cost of the energy it consumes (gas, heat, and electricity). Currently, government policy is oriented toward gradually increasing the cost of energy for the population, approaching its cost of production and delivery. This means that in the near future, the population will be spending more on current expenses, and saving less. Moreover, this tendency will be especially strong for the lower-

income layers of the population. Taking into account, too, that around 75% of the population's savings are on deposit in Sberbank, of which some two-thirds are pension deposits, it is apparent that the population's savings cannot be counted on as a main source of investment resources. . . .

Credit for the Population

Another way of using "excess" resources is to provide incentives for the development of consumer credit. The most technologically accessible form of incentive for consumer credit is the following.

The Central Bank may open a line of credit to Sberbank, earmarked for extending credits to the population. Naturally, this type of consumer credit may be extended only for the purchase of domestically produced consumer durables, modest housing, and the development of dacha plots of land. Sberbank organizes this work, taking into consideration that, in the initial stage, the consumer credits should be issued primarily to citizens who have guarantees from the firms and organizations, where they are employed. . . .

On the whole, a large volume of consumer credit in the economy boosts the living standard which each individual citizen may achieve, simultaneously becoming an incentive for him to work more productively and raise his own regular income, in view of the higher current payments he incurs for debt service, insurance, etc. In this sense, one can say that consumer credit is a generator of additional incomes in the economy, and that its development leads to an overall increase in labor productivity.

Stopping George Bush's End-Game

To readers of *EIR*, the incoming President's unprovoked attack on Iraq should have come as no surprise. Lyndon LaRouche warned you three times this year—on January 5, January 20, and January 27—that the new Administration would pursue a Middle East war, and *EIR* warned you editorially, in our February 9 issue. We also told you why this would happen: Faced with the disintegration of the world economy, which is sending the world into the deepest depression in centuries, the Bush Administration is desperate to try to assert its power, against any combination of nations which wants to resist the looting, and against reality itself.

Ultimately, we can be sure that the Bush Administration's efforts will fail, and that the Administration itself will self-destruct. This Administration is playing a losing end-game. The problem is that, when it blows up, anything standing near it can be severely injured.

So, the question is, what can reasonable citizens do to prevent this disaster? How do we prevent the doomed Bush Administration from taking the United States and the world down with it? LaRouche answered these questions in his keynote presentation at the Presidents' Day Conference of the Schiller Institute and International Caucus of Labor Committees, which is available on *EIR*'s website, www.larouchepub.com.

There are three answers to the question about what to do. The first answer lies in rallying around a strategic policy, whereby the United States will ally with the leading nations of Eurasia—especially Russia, India, and China—toward a perspective of long-term economic development. Western continental Europe is already pursuing such long-term arrangements, with the understanding that they are essential to its survival. And, in fact, such an approach is in the self-interest of the United States as well.

If the United States would join with a Russia-China-India combination, which is itself linked up with leading nations of Western Europe, Central Asia, and other Asian nations, then this planet has a chance. With *that* kind of United States, then the problems

of the rest of the planet—Ibero-America and Asia, in particular—can be addressed. Without it, they cannot.

As LaRouche put it, "Let's go out and make the deal."

The second answer, lies in getting Americans to understand that we once had a policy, as from 1933 to 1965, which worked, despite all its faults. Therefore, we have to return to that policy, essentially the General Welfare policy of the Franklin Roosevelt Administration, immediately, as opposed to the post-1966 "Southern Strategy," which is leading us into total collapse.

The third answer that LaRouche laid out, appears more difficult, but it is nonetheless essential to the other two. We have to change the American people, from a group of wild-eyed fundamentalists who see themselves as slaves, begging at the master's back door, into a citizenry which actually understands itself as made in the image of God. The problem is, that a large portion of the American population believes itself to be human cattle. So, it is necessary have a movement, a moral movement, which provides the kind of cultural activity, educational process, and life, which will uplift people to see themselves as individuals with sovereign, thinking minds—that very quality which sets them above the beasts.

LaRouche concluded this way: You need to get a voice going out from the United States, into China, Korea, Japan, Southeast Asia, India, Central Asia, Europe, Africa, Central and South America, which calls for these long-term partnerships that will bring economic prosperity and justice to the world. "Then you will get a response, a lifting-up of eyes and hopes among people who are desperately oppressed now, who will say, 'We have a friend, inside the United States. Let's hope he takes over.'"

In other words, don't focus on Bush. He's only an impediment, though a dangerous one, to what must be done. Build the movement around the necessary policies, on a national and international level. That is the pathway to a successful conclusion to George W. Bush's end-game.

STORM OVER ASIA

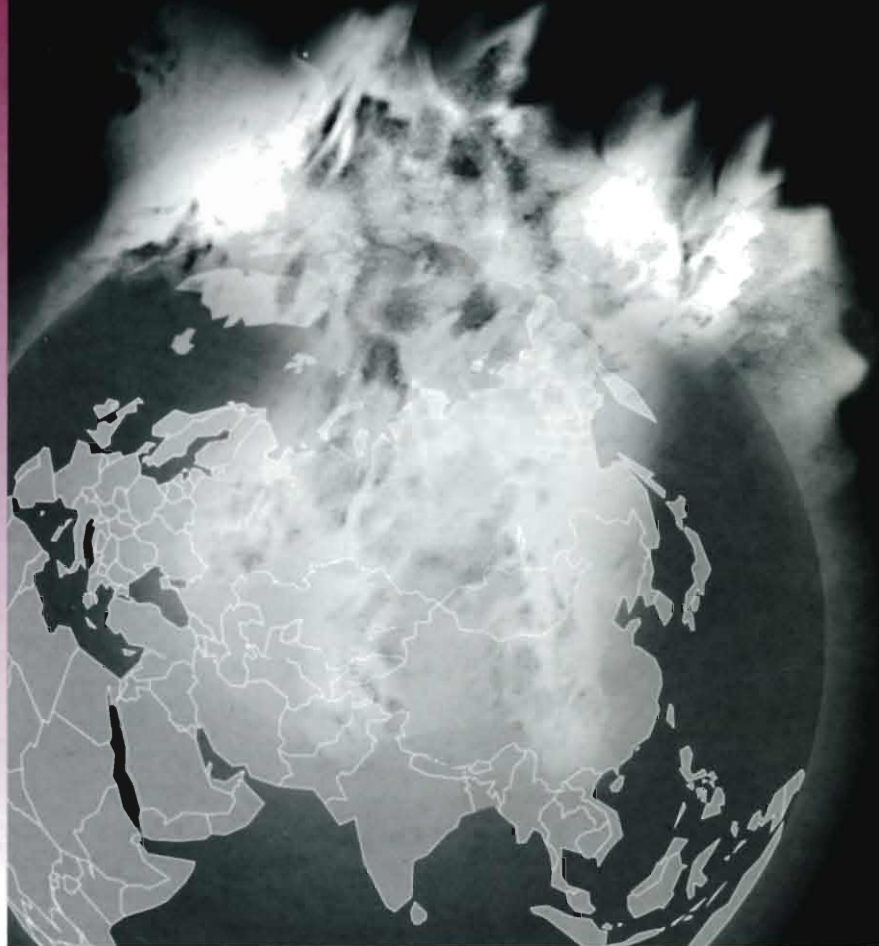
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LaRouche counterposes to this lunacy, a brilliant foreign policy for the United States. "Our interest," he states, "is to bring into being on this planet, a hegemonic community of perfectly sovereign nation-state republics, which share that commitment to defense of the general welfare, which is the cornerstone of our Federal Constitution."



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