

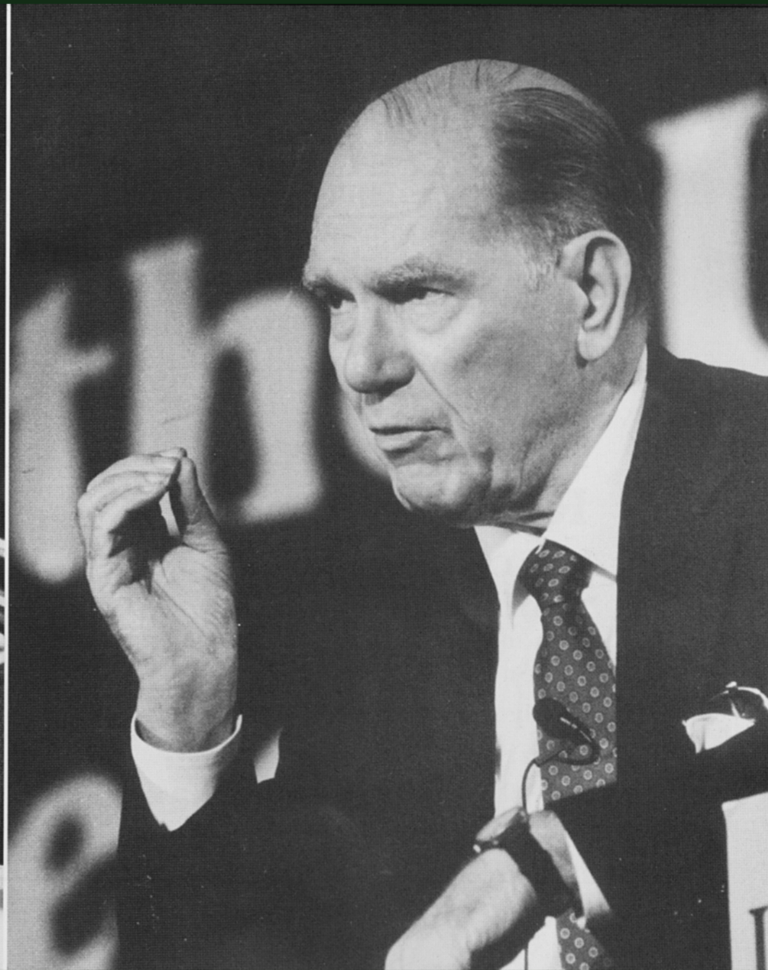
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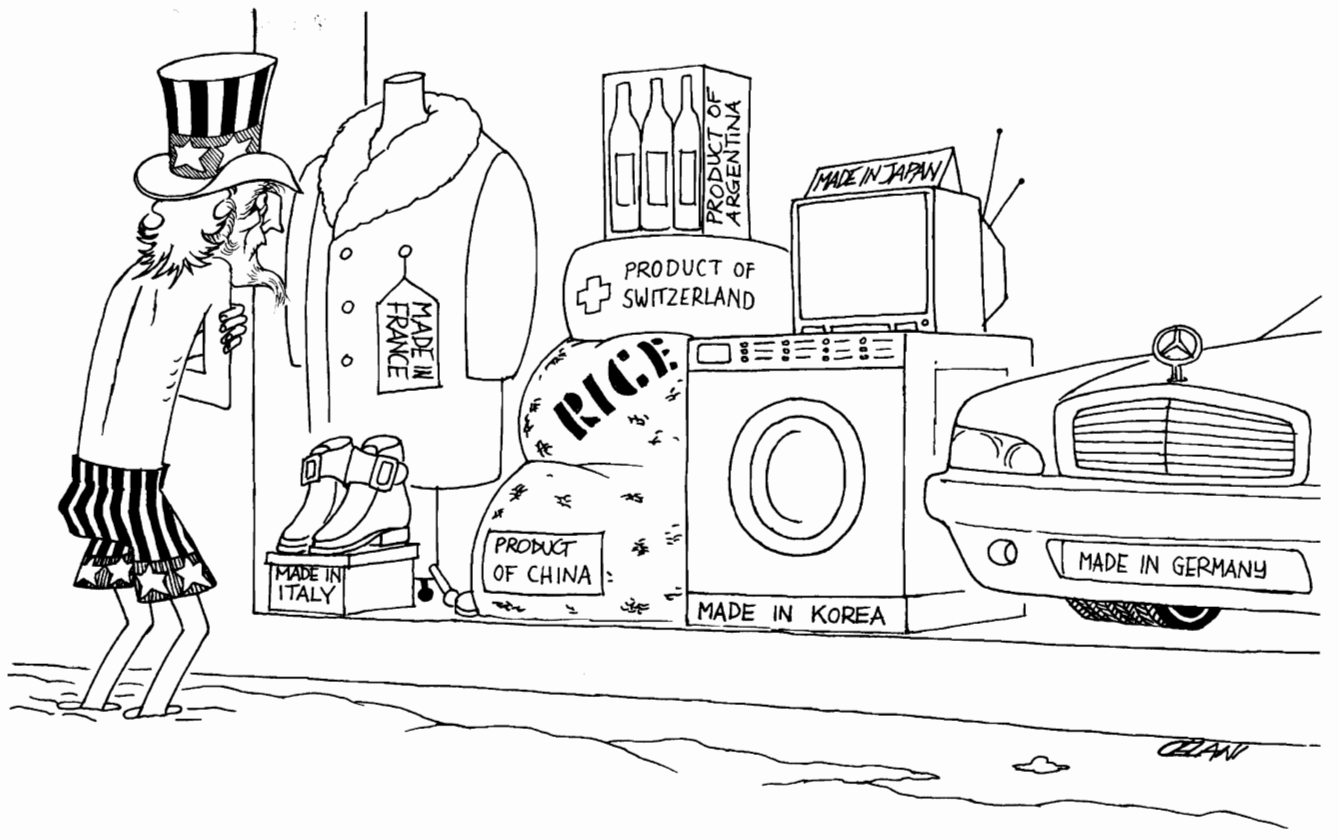
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Mexico Collapse Ignites Debate with LaRouche
U.S. Governors in Denial as State Budgets Blow

LaRouche Challenges Rohatyn On New Bretton Woods System





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From the Associate Editor

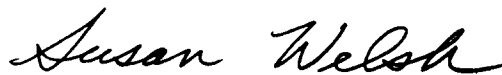
When Felix Rohatyn, one of the erstwhile grand old men of the Wall Street establishment, calls for a “new Bretton Woods conference” and seems to sound (a little bit) like Lyndon LaRouche, you know that something very big is going on. The “sticker shock” that hit some people, when the U.S. so-called budget surplus evaporated (as *EIR* said it would), is just the most obvious sign of the times. Another sign is the debate in Russia over a “new financial architecture” and the role of gold, as Rachel Douglas reports.

The fact of the ongoing economic and financial collapse is now widely discussed, even in the blissfully ignorant American press. But only in *EIR*, can you find the solutions.

As LaRouche points out in his challenge to Rohatyn in this issue, when a patient is mortally ill, we cannot have two different medicines circulating under the same brand name—the one therapeutic, and the other deadly poison. With his usual refreshing precision, LaRouche cuts through all the delphic “spin,” demanding that Rohatyn clarify where he stands on the *actual conception of a New Bretton Woods*, as LaRouche has defined it in hundreds of locations over the past five years.

We feature this week two occasions on which LaRouche elaborated his approach: the Summer Academy of the Schiller Institute in Oberwesel, Germany, on Aug. 19; and the videoconference dialogue that LaRouche held with Mexican accountants on Aug. 2. In both, he discussed the three steps that must be taken now: 1) intensive discussion of the New Bretton Woods by those experts competent to define policy; 2) education of the relevant political figures who must implement that policy; and 3) education and mobilization of the general public, to fight for the policy, as they would fight in time of war.

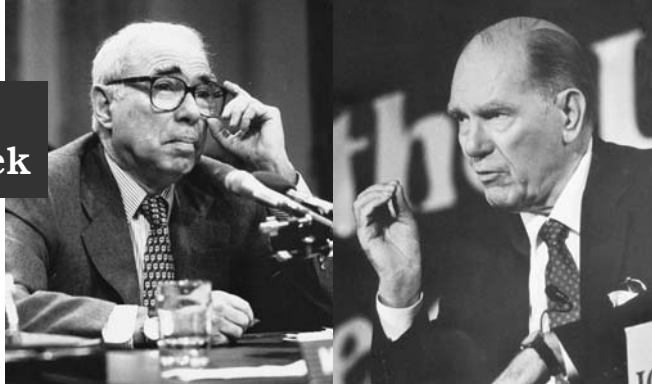
Success requires that people on all three levels grasp the *mission* before us, which is nothing less than stopping the current plunge into a dark age. That is the leadership task which LaRouche has assumed, and without which, no “objectively correct” solutions will work.



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Financiers' spokesman Felix Rohatyn (left), and defender of the General Welfare, Lyndon LaRouche.



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LaRouche Issues Challenge To Banker Felix Rohatyn

by Mark Burdman

On Aug. 23, U.S. 2004 Presidential pre-candidate Lyndon H. LaRouche, Jr. issued a world-wide challenge to former U.S. Ambassador to France, banker Felix Rohatyn, to state whether his use of LaRouche's widely circulated proposal for "A New Bretton Woods" means that he is supporting LaRouche's proposal, or attempting to make a delphic end-run against LaRouche's growing influence world-wide on this matter.

To understand the significance of Rohatyn's action, the reader will need to know the following essential facts about Rohatyn himself.

As the global economic system careens out of control in a systemic breakdown crisis, a paradoxical, but most lawful phenomenon has begun to occur. Leading figures in the Anglo-American establishment have determined, that they must steal some of the fundamental policies put forward by Lyndon LaRouche, and put the policies forward publicly, in a twisted and delphic form, while excluding LaRouche from active participation in relevant deliberations. LaRouche is the one man who had forecast this systemic crisis, more than seven years ago. His policies would work, solving the crisis in the interest of the General Welfare as outlined in the U.S. Constitution, but his personal involvement in such deliberations will be critical to their ultimate success.

On Aug. 4, an insightful figure in the British institutional establishment, had tipped *EIR* off, that precisely this would happen. According to this figure, the highest levels of the Anglo-American establishment are resolved that "LaRouche must be traduced, traduced, and traduced again," since he "represents the reality of the economic situation which they are determined to deny. They cannot afford to praise even the slightest thing LaRouche does, because then the totality of what he is doing, might become credible." Yet at the same time, he went on, "they will have no problem in stealing this

or that item from LaRouche, while denying him any credit. Paradoxically, this will increase his influence."

So, on Aug. 18, top Wall Street banker Felix Rohatyn, Clinton's Ambassador to France, authored a commentary, in the City of London's main daily, the *Financial Times*, entitled "Back to Bretton Woods." In it, he called for "a new Bretton Woods, convened by the President of the U.S.," the which would be "a serious response to real issues." Any informed reader would have known, that Lyndon LaRouche has been intensively organizing precisely for such an initiative, even naming his Year 2000 Presidential campaign organization, "LaRouche's Committee for a New Bretton Woods." The LaRouche "New Bretton Woods" has been formally backed by leading national legislators in Italy, by state legislatures in several American states, and by prominent economists and political figures in countries around the world.

Since Rohatyn is undoubtedly such an informed reader, and is aware of LaRouche's global impact, his omission of the name "LaRouche" from his commentary is perhaps more important than the text itself, and a sure indication that what Rohatyn is intending is something less than kosher.

That Felix Rohatyn himself would be doing this, is a most telling sign of the desperation in Wall Street-City of London circles, who can no longer deny the extent of the global collapse. This is a time when it is being openly acknowledged in the transatlantic establishment press, that today's economic crisis is simultaneously engulfing the three "trilateral" components of the "advanced sector"—the United States, Japan, and Europe. Furthermore, the hottest subject under discussion in the financial pages throughout much of the European continent, as well as among policy elites in Russia, is that the world is on the verge of a giant crisis of the American dollar. In fact, the dollar has already lost almost 10% of its value against major currencies since early July.



Lazard Frères banker Felix Rohatyn: Does he accept Lyndon LaRouche's definition of the term "New Bretton Woods," the definition that is widely accepted worldwide?

Rohatyn Knows LaRouche Well

For decades, Rohatyn has been a senior figure in Lazard Frères, one of the most influential New York-London investment banking houses. Lazard has been the controlling influence in the *Washington Post*, which laid down the law, in 1976, that no coverage of LaRouche's activities would ever be allowed, and that the only thing that would be written about LaRouche, would be slanderous characterizations.

During the 1970s, Rohatyn personally oversaw a financiers' austerity dictatorship over New York City, the so-called "Big MAC," from which New York has never recovered. As *EIR* has amply documented, LaRouche and his political movement were leading a resistance movement against Rohatyn and his banker friends, centered around the declaration by the city, of a moratorium on its debt (see Richard Freeman, "How LaRouche Fought New York's Fascist Financial Dictatorship, 1975-82," *EIR*, July 27, 2001). Rohatyn, indeed, knows LaRouche well.

Rohatyn is also very cozy with Henry Kissinger, the man who initiated the extra-legal efforts to have LaRouche incarcerated, in the 1980s. As *EIR* has reported, it was Rohatyn who effectively authored what is perhaps the only chapter of Kissinger's latest book, *Does America Need a Foreign Policy? Toward a Diplomacy for the 21st Century* that shows any connection to the real world (see review, *EIR*, July 27, 2001). That is the chapter, in which Kissinger expresses panic about a possible global financial collapse. Rohatyn, like Kiss-

inger, is a creature out of the lower depths of Dante's *Inferno*, but unlike Kissinger, he is not stupid.

Undoubtedly, Rohatyn, a key influence in the U.S. Democratic Party, comprehends that, under the direction, or non-direction, of the Bush Administration policy team, "the game is up" for him and his friends, and that LaRouche's influence can, at any moment, take off, in all sorts of non-linear directions. First of all, the insane denial, by Treasury Secretary Paul O'Neill, that there even exists a fundamental crisis in Argentina and in the American economy itself, represents a clear and present danger to those banks that Rohatyn represents. But on a deeper plane, Rohatyn clearly recognizes that under George W. Bush, U.S. global influence is being massively undermined, and that this itself is a giant threat to what he understands to be "the system."

Notably, in his last weeks as American Ambassador in France, Rohatyn made a number of public statements attacking the pro-death penalty policies of Bush, and reporting his direct experience, in France and in other countries, with Europeans who were aghast at the drift of American policies. Rohatyn stated, in interviews or articles in the French press, that he was genuinely astonished by how deep these sentiments were in Europe.

Avoiding 'The Most Serious Consequences'

Rohatyn's antennae are very sensitive; hence the Aug. 18 *Financial Times* article, where he stated:

"I have believed for some time, that the time has come for a new Bretton Woods conference. The role of institutions created 50 years ago needs to be updated, to suit the needs of a world that has changed beyond all recognition. . . .

"In spite of strenuous efforts over the years by the international financial institutions and the leading industrialized countries, poverty and disease are still rampant among most of the world's population, and wealth differentials seem to be increasing rather than decreasing. I strongly believe in the benefits of globalization and of modern capitalism, but I also believe these are not obvious to everyone. . . .

"A new Bretton Woods, convened by the President of the U.S. with the Secretary General of the United Nations, would include representatives of the developing world, as of the developed world; it would also include representatives of non-governmental organizations [NGOs] and private sector leaders. . . .

"A new Bretton Woods conference, with broad participation of the private sector and NGOs, would help stop a trend that will surely get worse, if no action is taken. True, such a meeting would be controversial, but it would be a serious response to real issues. It would also challenge the [anti-globalization] protesters to be constructive.

"That is very different from holding ever-smaller meetings in ever-remoter locations, while insisting that what we are doing, is best for everyone. Historically, such an ivory-tower mentality has invariably led to the most serious consequences."

Rohatyn Must Not Duck The Issue

by Lyndon H. LaRouche, Jr.

This statement was released by the Presidential candidate's LaRouche-in-2004 political committee on Aug. 24, after Felix Rohatyn had been reported internationally calling for a New Bretton Woods monetary conference.

During recent years, all substantive forms of proposals for holding a New Bretton Woods conference have been associated, increasingly, internationally, with my name. Institutions of governments have taken preliminary action in furtherance of the discussion and adoption of my proposals.

Now, Felix Rohatyn has claimed that he is proposing a "New Bretton Woods" conference; but, he makes no reference to the proposal by that name already on the international agenda. The implied question is, whether Felix is claiming to have invented the wheel, or does he intend to suggest that he is supporting the proposal already on the table, the one made famous internationally by me and by groups of elected parliamentarians who have circulated resolutions internationally in support of my proposal? The obviously urgent question is, therefore: Does he accept my definition, or is his statement intended to function as yet another delphic deception of the credulous?

Since the present international monetary system is currently in the process of disintegrating, the question whether Felix means to support my proposal, or something different, must be clarified, urgently. We can not have two brands of medicine circulating under the same brand name, the one therapeutic and the other deadly poison. Therefore, Felix must respond to my challenge on this matter, and publicly.

Challenge of Facts and Questions

To simplify the problem, I challenge Felix to answer the following questions publicly.

1. Fact: "New Bretton Woods" has come to be understood in relevant official and other international circles, as signifying a replacement for the catastrophically and cruelly unjust, failed, present International Monetary Fund system. By the presently failed international monetary system, is meant the change from the original, protectionist form of fixed-exchange-rate system, to the floating-exchange-rate system introduced in August 1971. Therefore, the proposal for a New Bretton Woods, signifies abandoning a presently failed system, in favor of building upon a preceding Bretton Woods System which worked very well, despite the abuses within it.

2. Question: Does Felix Rohatyn accept that widely accepted definition of the term "New Bretton Woods"? If so, he should say so publicly. If not, then, he should change the name of his proposal, to avoid misleading the public. (This might be regarded as tantamount to a "truth in lending" clause.)

3. Fact: During the 1995-2000 interval, U.S. investors, alone, lost trillions of dollars in one of the great financial chain-letter swindles of modern history, the so-called "New Economy" bubble. Many national leaders, including leading Presidential candidates, continued to promote that "New Economy" swindle as late as the Year 2000 U.S. Presidential campaign. During that campaign, I warned against being duped by that "New Economy" propaganda, and warned of a new general financial crisis facing the world, either during or immediately after the 2000 campaign. From about the time of the inauguration of President George W. Bush, the "New Economy" bubble has burst, investors duped into supporting it have lost trillions of dollars, and the role of the U.S. as the world's "importer of last resort" has collapsed.

4. Question: I have been warning investors and others internationally, of the danger of this financial bubble, and related blunders of our own and other governments, over years to date. When did financial expert Felix Rohatyn first issue a public warning against this gigantic hoax? Did he publicly warn Democratic candidate Al Gore, to cease misleading the public on this issue? Did he ever publicly endorse my specific warnings on this account, at a time when his support might have helped prevent millions of Americans from being duped into investing in that bubble? Now, that the "New Economy" hoax has exposed itself, the foremost financial crisis in the U.S. now, is a gigantic real-estate bubble, being constructed under the pretext of consumer-credit generation, but for the deeper and darker purpose of inflating real-estate values temporarily to cover for the looming embarrassment of leading banks; this was already well known to experts of Felix Rohatyn's experience and rank during the Year 2000 U.S. Presidential campaign.

5. Fact: Since about the time of the inauguration of the administration of President Jimmy Carter, there has been a persistent, catastrophic collapse of the share of national income of the lower 80% of family-income brackets. Combined with the collapse of neglected and looted U.S. basic economic infrastructure, and the looting of our nation's physical productive capacity by exporting U.S. job-places to cheap-labor mar-

kets, the net effect of U.S. policies under the 1971-2001 floating-exchange-rate monetary system, has been an accelerating collapse of the physical productive potential and welfare of the U.S. and its people, especially those in the lower-80 percentile of family-income brackets.

6. Question: Does Felix Rohatyn recognize these facts? Does he recognize that the U.S. and world economies have suffered an accumulation of changes in policies—from those of the 1945-1963 period—which have now proven themselves to have been systemic follies? Does he recognize the need to return to the policy-making matrix which was characteristic of the Franklin Roosevelt Presidency and post-war U.S. practice, prior to Richard Nixon's pro-Nashville Agrarian, "Southern Strategy" campaign of 1966-68? Is Felix prepared to admit and state openly, that we must fix what misguided post-1966 U.S. leadership, such as that under Presidents Nixon and Carter, broke?

7. Fact: Felix Rohatyn is sufficiently well-informed and intelligent to know, as many in high public office today do not, that there were several features of the original 1945-1963 functioning of the Bretton Woods System which were essential to the post-war reconstruction of the economies of the U.S.A., western Europe, and elsewhere. We may be certain that he knows, that these conditions included a system of administratively fixed exchange-rates, without which, low-interest rates in medium- to long-term international loans and investments were impossible to defend. We may be certain that he knows, that the creation of the mass of public and other credit required for post-war reconstruction and growth, could not have been defended without a system of regulation essential for long-term investments in basic economic infrastructure and productive capital of agriculture, industry, housing, and urban infrastructure generally. We may be certain that he knows, that these measures included protectionist forms of medium-term to long-term trade and tariff protection of productive investments, and also capital controls, exchange controls, and financial regulation. We may be certain that he knows, that reinstating such measures is indispensable for recovery from the presently onrushing, chain-reaction collapse of the world's present financial and monetary system.

8. Question: Is he prepared to state publicly his commitment to restore those features as the foundation on which a New Bretton Woods agreement would be premised from the start?

9. Fact: The only durable source of real profit of a national economy as a whole, is from the employment of labor in scientific and technological progress, and in increasingly energy-intensive, capital-intensive modes. Otherwise, the generation of any average apparent rate of profit in a national economy, will occur either through looting of natural and other preexisting resources, or as the purely fictitious financial gains of the type associated with the recent and current stock-market and real-estate bubbles. The current U.S. energy crisis,

the currently accelerating U.S. health-care crisis, and the galloping of the U.S. national current accounts deficit, are merely typical of the inevitable results of trying to substitute various forms of so-called "post-industrial economy," for the old-fashioned, "blue collar"-centered real economy. It is impossible that Felix Rohatyn does not know this.

10. Question: Will he say it?

Essential Steps to New Bretton Woods

Otherwise, I think that Felix Rohatyn would not have any formal disagreement with the following elements of my proposal for immediate emergency action, as I outlined some of these essential points in my recent address to Mexico's accounting profession.

It is obvious to me, and to a significant number of other relevant persons from various nations, that there are three essential steps to be taken to bring the urgently needed form of New Bretton Woods into being.

First, there must be intensive discussion of the required terms of a New Bretton Woods among those who have both the professional and related competence to discuss such technical matters of global and national policy-making. These layers must not only design the set of specifications on whose adoption the success of the mission will depend absolutely; they must distinguish between requirements which do not admit of competent compromise, and those choices which are in fact available to the political and related institutions which must adopt the draft New Bretton Woods reforms.

Second, this first group must educate the relevant political institutions, who, today, do not have any predetermined competence in the technical side of these matters. The issues must be laid on the table, clearly setting forth to the political and related institutions of relevance, what choices are available to them, as distinct from certain elements which can not be compromised, if the system is not to fail from the outset.

Third, this must be accompanied by an energetic, therapeutic reeducation of the general public in the rudiments of the difference between the awfully failed system now collapsing around their ears, and the principles of the new system which they must support, and in which they must find their opportunities for productive participation.

Let us cut through the usual "spin" and other delphic propaganda, and have some clear answers on the matter of the facts and questions I have set before Felix Rohatyn.

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Russia Dollar Debate Is Really Over New System

by Rachel Douglas

A debate raging in the Russian media about the coming crash of the U.S. dollar, is by no means limited to the issue of the current ruble-to-dollar exchange rate. It goes, rather, to the essential matter of “a new world financial architecture,” as State Duma Deputy Sergei Glazyev put it in one of his latest interviews.

Economist Tatyana Koryagina ignited this productive debate, when she chose the June 29 Russian parliamentary hearings convened by Glazyev, under the auspices of the State Duma Committee on Economic Policy, as the occasion to forecast a blowout of the dollar and the U.S. economy, on or around Aug. 19 of this year (see *EIR*, July 20, 2001, including Lyndon LaRouche’s parliamentary testimony). The date she named echoed the Aug. 19-21, 1991 “coup” incident that marked the end of the Soviet Union, and the Aug. 17, 1998 crash of the ruble and suspension of government GKO bonds.

Glazyev rejoined, in a *Pravda* interview five days later, that he would not like to specify a crash date for the United States, insofar as most of the witnesses at his hearings had concurred that the U.S. economy is *already* deep in crisis.

Koryagina’s Forecast

On Aug. 15, the Russian debate flared again in connection with the publication of an International Monetary Fund warning about the over-valuation of the dollar. Radio Ekho Moskvyy interviewed Koryagina, who updated her forecast of a dollar blowout around Aug. 19. NTV, national Channel 2, covered her as well. Ekho Moskvyy’s wire service headlined, “The U.S. Dollar Could Collapse in Price, the IMF Warned Today,” while Lenta.ru and other Russian web news services highlighted the International Monetary Fund’s attention to the U.S. trade deficit as a threat to the dollar’s current levels, the balance of payments deficit, the negative savings rate, and the growth of corporate and household debt in recent years.

Koryagina’s interview, as summarized by Ekho Moskvyy on its website, included the following: “She is certain that the crisis in America, which could take place before the end of August, will affect our country. Tatyana Koryagina thinks that the dollar could fall to 20 or even 15 rubles” (it’s now close to 30:1). Koryagina pointed out that “90% of all transactions in the world are denominated in dollars.”

Koryagina again characterized the worldwide crash, as

she had done during the State Duma hearings of June 29, as being “like an explosion of the Universe.”

Several of the Russian experts, who testified before Glazyev’s Committee on June 29, also provided commentaries on the Russian website Strana.ru, on Aug. 15. Sergei Yegorov, chairman of the Association of Russian Banks, downplayed the magnitude of the coming crash of the dollar, claiming that the U.S. economy possesses “reserve stability,” but he admitted that “the IMF may have some sources of information that we don’t know.” In his piece, titled “World Financial System in Crisis,” Moscow University economist Andrei Kobayakov wrote that the latest wave of crisis seems to have taken professional analysts, as well as the man in street, by surprise, but it shouldn’t have, because “it is a lawful continuation of the crises that have occurred during the past 15-20 years. It is merely one phase of a fundamental, systemic world financial crisis.” Kobayakov is an expert on world “hot” money flows and derivatives speculation.

Another piece of analysis on Strana.ru highlighted an Aug. 16 article in the *Financial Times* of London, which attributed the dollar’s instability to U.S. Treasury Secretary Paul O’Neill’s failure to mention the “strong dollar” policy, in an interview on CNBC the day before. The daily *Vedomosti* of Aug. 16 headlined, “IMF Fears for Fate of the Dollar; A Weak Dollar Will Create a Hole in Russia’s Balance of Payments.” This lengthy article on the American balance of payments deficit characterized the IMF paper as “a storm alert,” warning that “although the United States is not Russia, and the dollar is not the 1998 ruble,” even a 10% fall of the dollar “threatens the Russian economy with serious problems.” *Vedomosti* quoted Pavel Teplukhin of the Troika-Dialog investment company, who analyzed Russia’s present balance of payments surplus as due more to the strong dollar than to high oil prices, as such: “Russia’s major exports are denominated in U.S. dollars, while imports are dominated in euros, as our major trade partner is Europe,” he explained, giving multibillion-dollar estimates of how much the Russian balance would decline, for each degree of collapse of the dollar.

Monetarist Apologists Exposed

The hubbub over Koryagina’s new interview served to flush out Russian apologists for the speculation-wracked, moribund post-1971 financial system. Academic and government experts, right up to the level of the Minister of Finance, stepped forward to promote a Russian version of O’Neill’s “everything-will-turn-out-just-fine” school of propaganda, or to try and limit the discussion to the ruble-dollar exchange rate.

On Aug. 16, Strana.ru interviewed Sergei Nikitin of the IMEMO think-tank, who said that the dollar might slide by 10%, but “I do not share the view that a decline will be down to 15 rubles per dollar.” Nikitin maintained that, “If the dollar dips too low, it will be replaced by another currency, but I don’t think that America, powerful as it is despite



Dr. Sergei Glazyev (center) chaired a press conference with LaRouche at the Moscow Press Center on June 28, and Parliamentary hearings on June 29. Forecasts and policies discussed there are now the subject of intense public debate around Russia's government.

everything, will allow that.” Other media carried statements from “circles close to the Central Bank,” to the effect that there was no danger of a drastic drop of the dollar against the ruble.

On Aug. 17, Aleksei Volin, deputy office chief of the Russian government, issued a statement that Koryagina’s remarks were “unfounded and inappropriate,” adding that only economic growth in Russia would alter the ruble-dollar rate. Then, Finance Minister and Deputy Prime Minister Aleksei Kudrin went on *Ekho Moskvy* Aug. 17, with a counter-interview to Koryagina. It was the third anniversary of the default of August 1998. Kudrin claimed that Russian financial policy today is designed to provide “some immunity against the kind of situation we had in 1998. I would say that we have already developed immunity.” By slashing budget spending, Kudrin asserted, government borrowing has stopped. “We are not building pyramids, and there should be no defaults.”

Kudrin sang the praises of what used to be called “built-in stabilizers,” back during the 1968-1971 world currency crisis. He even spoke as if pre-1971 exchange regulations were still in effect. “There will be no sharp fall of the dollar,” said the Russian Minister of Finance, “The world system, the so-called Bretton Woods institutions, mean that a world system was created in the 1940s to support currencies and balances of payment in all leading countries. . . . I have to say that this system has enough instruments to alleviate or neutralize fears, concerns or trends. As for Russia, this will not affect it in any way in the near future. . . . So, those economists who have decided to make themselves famous and come up with such hot statements on the basis of [the IMF] report—

by the way, we have not seen some of these people on television for ten years. So, they have made harsh assessments and all of a sudden appeared on television. But I have to tell you that there are no serious grounds to worry.”

New Architecture ‘Inevitable’

In a more fundamental and sophisticated assessment than Kudrin’s, Sergei Glazyev, in his latest interview for the newspaper *Vek*, forecast the creation of “a new financial architecture” in the future. A short bulletin on his statement appeared on Aug. 16 on Glazyev’s website: “The devaluation of the dollar is inevitable. It is only backed to the extent of 4%, the lowest level of backing of all freely convertible currencies. It should also not be forgotten, that in just the past several years, Americans have lost \$3 trillion, which they invested in high-technology company stocks, while the world financial market has

deflated by \$9 trillion. I don’t think, however, that the fall of the dollar will be accompanied by a landslide. It will more likely happen gradually. In the medium term, the dollar’s exchange rate on the world market may decline by 10-20%,” Glazyev stated. . . .

“The Chairman of the Committee on Economic Policy and Business does not exclude, that ‘in ten years the architecture of the world financial system will have changed completely, and become more stable. Possibilities will be found for a way out of the dead end, by shifting to a new arrangement among convertible currencies.’ ”

The chairman’s words gain more weight from the news that Glazyev, together with his close associate Academician Dmitri Lvov, are serving on a special economic policy team, at the Security Council. Thus the cabinet, where Kudrin and Minister of Trade and Economic Development German Gref are in charge of economic policy, is not the only locus of economic strategizing for Russia. An article by Alexander Nadzharov in the liberal *Novyye Izvestiya* of Aug. 9 lamented that this Summer “may mark an end to the biggest political illusion of our time: the illusion that authoritarian leftist methods of government are compatible with a right-wing liberal economy.” In other words, President Vladimir Putin will remain a strong statist, but will dump liberalism.

To demonstrate this point, which the author calls “President Putin’s natural drift to the left,” he cited “the establishment of a interdepartmental working group on economic security within the Security Council.” Claiming to have obtained its working documents, Nadzharov said that the names of the working group members indicate how the national economy will be amended ‘in line with Presidential

instructions given on May 19, 2001.’ ” Among them are Academician Lvov, Sergei Glazyev—a corresponding member of the Academy of Sciences as well as Duma committee chairman—and the deputy director of the Federal Security Service (FSB), Yuri Zaostrovstev, “who advocates criminal prosecution for taking hard currency out of Russia.”

This working group, according to *Novyye Izvestiya*, is supervised by Vyacheslav Soltaganov, former chief of the Tax Police, and since March 2001 Deputy Secretary of the Security Council. He holds the rank of general in the FSB. Nadzharov complained, “It was Soltaganov who advocated an all-encompassing system of secret financial police in Russia and abroad. This led some business owners to start thinking about defecting to the shadow sectors of the economy. It also led the President to assign the notorious ‘economist’ to the Security Council. There, Soltaganov proved his ingenuity by drafting a plan for the future economic development of the state. Its very first paragraph specifies in no uncertain terms that the status of Russia as a geopolitical power directly depends on implementation of the concept of economic security.”

The Letter of the 43

Among the many commentaries and statements published in connection with the anniversary of the Aug. 19-21, 1991 “coup” attempt in Moscow, an outstanding one was the open letter from “43 concerned citizens,” published in the left opposition paper *Sovetskaya Rossiya* on Aug. 14, which Sergei Glazyev also signed. Other signatories included Communist Party leader Gennadi Zyuganov, Agrarian faction head M. Kharitonov, the editor of *Zavtra* A. Prokhanov, Academician Zhores Alfeyorov (Nobel Prize winner in physics), retired Gen. I. Rodionov, and other nationalist authors and military figures. The document, “Stop the Lethal Reforms!,” highlights the strategic nature of Russia’s choice of economic policy. It was addressed to the population, but included an appeal especially to President Putin, after enumeration of the woes inflicted upon Russia during the past decade.

The appeal concluded, “We have no illusions about President Putin’s abilities and moral principles, but we appeal to him to shed the terrible burden of Yeltsinism. It is necessary for Putin to get rid of Yeltsin’s retinue, who are so hated by the people. . . . We appeal to the President to take the helm of the state away from such amateurs as Kudrin and Gref, who are sending the economy into a tailspin. Let the President strike a decisive blow at the shadow business and mafia, as he did in the case of [Boris] Berezovsky and [Vladimir] Gusinsky. The overwhelming majority of the population will support him in this matter: workers, peasants, academics, the military and patriotic businesspeople among them. The secret service officials who came to power with Putin, bringing with them strong wills and selflessness, are stifled by the corruption of Yeltsin appointees. They are sure to become Putin’s supporters in ‘curing’ the state. . . .”

Governors In Denial As State Budgets Blow

by Mary Jane Freeman

By the June 30 end of most U.S. states’ fiscal year, “expanding budget gaps” due to “anemic revenues” had hit 20 states. Reality had struck: the stock market/New Economy blowout, combined with the million-layoff collapse in the manufacturing base of the U.S. economy, caused revenues to nosedive, and state after state to report tens to hundreds of millions of dollars in shortfalls.

Now comes news from state budget offices across the nation, of new shortfalls in the tens of millions in *just the first month* of the new fiscal year (July 2001-June 2002). The reports confirm Lyndon LaRouche’s analysis: the depression is here. But governors, legislators, and state officials are in a state of hysterical denial, hoping somehow to ride it out. July’s news has meant and will mean: layoffs of thousands of state employees; school budgets and health care programs being slashed; public safety job vacancies left open; state infrastructure left to rot; rainy day, surplus, and tobacco settlement funds drawn down; and states’ bond ratings downgraded.

Contrary to wishful thinking, this fiscal year will be a disaster for most states. The 1990s “golden years,” when states relied heavily on revenues generated from taxing Federal Reserve Chairman Alan Greenspan’s stock market bubble, are over.

EIR’s May 4, 2001 issue showed that 14 states were then engulfed in budget crises: we forecast that at least 25 would be critical by June 30, and all states by year’s end. On Aug. 17, a *Boston Globe* article reported: “At least 26 states . . . are facing budget cuts in the wake of a sharp drop in the taxes they collect from investors rocked by the stock market’s decline. States collected billions . . . in taxes on capital gains and income earned through stock options during the Internet-fueled bull market. . . giving them a chance to boost spending, cut taxes, and increase surpluses. But with the high-flying Nasdaq Stock Market down 50% in the past year and investment-related taxes evaporating fast, the pendulum is rapidly swinging back.”

It is high time elected officials faced reality.

July’s Revenues Plummet

An hysterical calm seems to be gripping governors and legislators as July’s bad news rolls in. Many officials are saying, “we have to wait to see if there’s a trend,” as if some artificial “fire wall” existed between the just-closed fiscal year



A Wall Street source of denial of economic reality: Economist Stuart Varney keynoted the National Conference of State Legislators on Aug. 12. He advised the officials, nearly all facing meltdown of their state budgets, to buy stocks and wait for a second-half recovery!



The State Capitol in Columbus, Ohio. State officials claimed of July's accelerating drop in tax receipts, "It's just one month. It's not time to panic."

and the new one. Nebraska Gov. Mike Johanns, announcing an \$8 million July revenue shortfall, exclaimed, "I don't want to be the little guy . . . screaming 'wolf' and 'the sky is falling.'" Rather, Johanns wants to wait for "two or even four months" to see if a trend exists, even though Nebraska's FY2001 had a \$57 million shortfall against expected revenues, and the state began FY 2002 with \$33 million less in its cash reserves—a circumstance which required a halt to all state agency discretionary spending as of mid-July. The 2.8% revenue growth rate was the lowest in the state since 1986! Does he see a trend, yet?

But Nebraska's first month revenue shortfall pales in comparison to many other states. Here is the "trend" reported by a few states on just their July tax receipts shortfall as against projected revenues: Arizona, \$29.1 million; Indiana, \$83.5 million; Missouri, 50% down; Ohio, \$41.1 million; and Tennessee, \$62.9 million. Let's take a look at how these one-month declines compound and complicate the budget balancing acts of a few states.

Indiana's \$83.5 million July shortfall resulted mostly from a more than 50% drop in corporate tax receipts, from an expected \$36.9 million to an actual \$18 million. Also, income tax receipts were \$52.3 million short, while sales tax receipts were off \$12.7 million. The state's economy depends on manufacturing, and the severe shutdown occurring in this sector has caused the state's revenues to go "into the sewer," Pat Kiely, president of the Indiana Manufacturing Association, bluntly told reporters the news. Gov. Frank O'Bannon last year faced a \$231 million revenue shortfall that required over \$200 million in spending cuts and use of \$150 million of surplus and rainy day funds, leaving the state's cash reserves at \$808.7 million, the lowest since 1994. In July this year, he ordered 7% spending cuts because of where revenue shortfalls seemed to be headed.

Gore's Tennessee Is the Worst Case

The fact that revenues are coming in 50% below forecast in Missouri is due to a large decline in corporate tax payments and a projected drop in state capital gains taxes. In FY 2001 Gov. Bob Holden, faced with a \$400 million revenue shortfall, imposed a state hiring freeze, cut 500 jobs, and halted building projects. Now he's expected to announce up to an 18% budget cut (\$220 million) in state spending. State workers are demonstrating against salary freezes and staff cuts, shouting "One-Term Bob" and carrying signs reading, "Recall the Governor."

Ohio's July \$41.4 million shortfall occurred as income and sales taxes receipts, only, came in under projections. Last fiscal year Ohio had a \$282 million shortfall and made two rounds of spending cuts to balance FY 2001; yet a senior budget analyst said of the July news, "It's just one month. It's not time to panic. We need to see a trend before. . . ."

But for Tennessee, July's tale of tax receipts being \$62.9 million below forecast, and 6.25% below last year, spells catastrophe in the making. It also comes after a fierce budget battle between Gov. Don Sundquist (R) and legislators. Fiscal year 2001's \$218.6 million revenue shortfall required over \$150 million in spending cuts and the use of at least \$50 million in rainy day funds to plug the gap. But it must have been worse, because when the budget debate began, state budget analysts informed lawmakers that the state actually faces a \$550-\$880 million general fund deficit in FY 2002.

By law, as with most states, deficits are forbidden as the budget must be balanced, and so the battle over the new budget began. Sundquist proposed a tax reform package which included instituting an income tax, along with an increase in the sales tax rate. The tax hikes were rejected after protesters stormed the state capitol, broke windows and shouted anti-tax slogans. Then legislators squeaked out a FY 2002 "balanced"



The State Capitol in Nashville, Tennessee. The states' tax revenues have fallen outright; its budget shortfalls were hidden during the 2000 Presidential campaign, but have exploded now.

budget by slashing \$100 million in expenditures and using \$560 million in one-time tobacco settlement funds to fund ongoing expenses.

After this \$19.6 billion budget passed, restoring pay increases for teachers and state employees which had been cut in previous budgets, Sundquist vetoed it, calling it "full of reckless disregard for our state's future." The legislature overrode his veto, and within a week Sundquist's State Finance and Administration officials directed all agencies to draw up plans to cut 5-10%.

The governor began announcing the size of the cuts on Aug. 23, and is expected to make all the cuts public before Sept. 1. Some legislators have told *EIR* that the actual shortfall, the real cost in terms of impact on peoples' lives, is \$1 billion, when cuts that have been and will be made are combined, together with the use of tobacco monies and rainy day funds, which jeopardizes all future expenditures.

Virginia: RNC Chairman on the Spot

Alabama and Michigan, which use an October-to-September fiscal year, each report significant revenue declines. Alabama's corporate tax receipts through the end of July were \$62.2 million—a close to 30% drop from the \$87.9 of the first ten months of FY 2000. Since February, up to \$80 million in corporate tax refunds have not been issued as a way to maintain some cash flow, while \$3-4 million in personal income tax refunds are on hold.

But the July shortfall indicates Alabama is heading for a \$300-400 million hole, not the earlier estimate of \$262 mil-



The State Capitol in Phoenix, Arizona. July, the first fiscal month of most states' new year, brought sickening revenue shortfalls; Arizona's was \$30 million.

lion—which itself required a pro-rated 6.2% slashing of the education budget across the state. Higher education cuts could now rise to 7.3-9%, the second highest level of cuts in 70 years!

Michigan reports tax revenues from all sources for the first ten months (October 2000-July 2001) are down \$647 million. So far agencies have cut \$300 million in spending, a hiring freeze exists, and \$155 million rainy day funds and \$82 million tobacco funds have been used as a stop-gap. Gov. John Engler, a fanatical GOP-tax cutter, has insisted on keeping his tax givebacks while decimating the state's school budgets.

Virginia's economy is "still growing" said its Governor, Jim Gilmore, who is also G.W. Bush's chair of the Republican National Committee, as he finally admitted the state had a \$52 million revenue shortfall at the June 30 close of FY 2001. Gilmore's accountants came up with a shortfall just shy of the budget-trigger which would have required him to forgo his election promise to repeal car taxes. The magic number was met, in part, by imposing \$421 million in cuts across the board, including a hiring freeze, salary raises for teachers and state workers delayed, deferred capital improvements for colleges, and to generate revenue, a delay in giving a 0.5% reduction on food sales tax.

But Gilmore's hijinks were exposed as "creative financing" Aug. 20 when he peddled his "rosy" picture to the state's Senate and House finance committeemen. GOP Senate Finance Committee Chairman John Chichester led the chorus, telling Gilmore that his proposed FY 2002 budget has \$500 million in unfunded needs in education, Medicaid, and capital construction. Chichester noted the state's revenue stream is in trouble, since tax receipts from individual income, corporations, and sales, *all* fell, resulting in a mere 3.1% revenue growth rate. More than double that, 7.7%, would be required to meet Gilmore's revenue projections. When Gilmore re-

peated his rosy theme that Virginia is doing better than other states, Sen. Warren E. Barry (R) retorted, “[Gilmore’s] saying today that the sky is falling, except here in the land of Oz.”

Bond Ratings Threatened

One indicator of the growing instability of states’ budgets — and growing worries of Wall Street bond rating firms — is their declining reserve funds. The National Conference of State Legislatures latest “State Budget and Tax Actions 2001 — Preliminary Report” states, “Aggregate state balances fell 22% from FY 2000 to FY 2001” for the 46 states reporting. (Aggregate balances include general fund year-end balances and rainy day funds.) It is the ratio of balances to spending which heavily influences bond ratings which states rely on to borrow funds.

Thirty-three states drew down their balances to get by, resulting in the largest percentage drop in that ratio, year-to-year, in 20 years — from 11.5% in FY 2000 to 8.2% in FY 2001. Nationally, the 8.2% in the FY 2001 is still above the Wall Street dictated 5% margin, but ten states fell below that. In fact, downgrading of bond ratings for the following states has either occurred or been threatened: Michigan, New Hampshire, North Carolina, Tennessee, and Wisconsin.

Another critical metric is the rate of revenue growth. NCSL reports that 23 states saw lower than 5%, with four of those at or below 1%: Indiana (0.6%), Iowa (1%), Ohio (0.9%), and Pennsylvania (0.1%). The national rate for states in FY 2001 was 4.5%, as compared to 8.7% in FY 2000, an almost 50% decline in one year.

Clearly, the imagined “fire wall” between the “bad news” in FY 2001 which required over one-third of states to slash spending while draining reserve funds, and the daily “bad news” of FY 2002 revenue shortfalls, does not exist. Budget battles are still ongoing in four or five states as of this writing. The tricks used to “get by” or “ride it out” undermine the citizens’ general welfare.

U.S. Infrastructure in \$8-9 Trillion Deficit

by Richard Freeman and
Mary Jane Freeman

Infrastructure and the machine-tool-design principle are two of the most critical elements in an economy, in terms of transmitting high rates of productivity and fostering real development. A nation that is serious about surviving would build up its infrastructure. But because of fatally incompetent U.S. policy, U.S. infrastructure is breaking down at an increasing rate, which contributes to the decline of America’s physical economy. Yet precisely this deficit, of obsolete, collapsed,

and non-functional infrastructure, is unmeasured.

The need to know the condition of U.S. infrastructure is elementary: to evaluate the true state of the economy as a whole, and to assess what work America must do to repair and upgrade infrastructure, to facilitate anti-entropic economic growth. The *EIR* economics staff is assembling a picture of U.S. infrastructure, and preliminarily, it estimates the U.S. infrastructure deficit to be a staggering \$8-9 trillion.

America’s breakdown has occurred in every type of infrastructure, during the last three decades. *EIR* is consulting a number of engineers, and building up a bill of materials of what is needed.

A look at the infrastructure problems was made in the March 8 report of the American Society of Civil Engineers (ASCE), which represents the engineers who design and build infrastructure. The ASCE report focusses on pre-existing infrastructure. It gave the cumulative state of U.S. infrastructure a failing grade of “D+,” and concluded that America must invest \$1.3 trillion in infrastructure over the next five years just to bring it to a functional level.

The ASCE report has value as a starting point, in that it presents the devastated condition of U.S. infrastructure, with limited, but helpful detail; it breaks down the overall \$1.3 trillion bill for infrastructure investment for each sector.

But, the infrastructure deficit is far greater than \$1.3 trillion. The glaring shortcoming of the ASCE report is what it leaves out. If America is to survive and advance, it must gather and transmit sufficient water, some of it coming from Alaska; it must build a national magnetically levitated train grid for passenger and freight transport; it must build entirely new cities. This represents a tremendous cost in the form of a bill of materials of real physical goods needed to construct these, and other necessary projects.

Such infrastructure building in America would be called into operation by the same policy transformation as would implement Lyndon LaRouche’s policy for an Eurasian Land-Bridge. In America, such infrastructure projects would create millions of jobs on the infrastructure projects themselves, and additional jobs in the industries that would be stimulated to provide goods for the infrastructure projects.

EIR presents here a first overview look at the status of the U.S. infrastructure catastrophe, including the five principal forms of infrastructure: transportation, which includes roads, bridges, waterways, ports, etc.; water management, which includes drinking water and waste disposal; education; energy generation and transmission; and health and hospital services. ASCE estimates of the cost to maintain the equipotential of each type of infrastructure, are also supplied. *EIR* then looks at the larger infrastructure needs that must be faced.

Infrastructure Breakdown

Transportation is vital to move goods and people within cities or across the nation. Improved efficiency and time saved in transport is a marker of development.

Roads: One-third of the nation’s roads are in poor or

mediocre condition, according to the Federal Highway Administration (FHA). They are also insufficient to handle traffic flow. The broken-down condition of America's roads contributes to as many as 13,800 deaths each year. During peak-hour travel, more than 70% of traffic occurs in congested areas. The congestion causes the loss, in wasted time and fuel, in just the ten most-congested areas, of \$34 billion per year.

Bridges: As of 1998, some 29% of the nation's bridges were rated structurally deficient or functionally obsolete by the FHA. Many are decomposing, with chunks of masonry and metal dropping to the streets or water below.

The ASCE estimated that America must invest \$470 billion over the next five years for roads and bridges, just to make a minimal advance, but not to clear up the full accumulated deficit.

Public transit: Public transit in U.S. cities consists of buses and light rail (subways, etc.). The overwhelming majority — 94% — of public transit route miles are bus-miles; unfortunately, the more efficient light rail is vastly underdeveloped. Ridership has been increasing at approximately 4% per year, but the construction of new transit does not keep up with it. ASCE estimated five-year investment needs at \$80 billion.

Aviation: During the past ten years, air traffic has increased 37%, as airport capacity increased 1%. Because of airport conditions, in 2000 there were 429 runway "incursions" (near-collisions between planes), up 25% from 1999. ASCE estimated five-year investment needs at \$67 billion.

Schools: Because of aging or outdated facilities, or overcrowding, 75% of America's school buildings are inadequate to meet needs.

The ASCE, using figures from the U.S. Department of Education, estimated that \$127 billion is needed to bring facilities into good overall condition, but the National Education Association says the cost is much bigger: \$268 billion.

Drinking water: A significant portion of the nation's 54,000 community water systems are aging and near the limit of their useful life, or inadequate. Some, because of leaks or disrepair, have transmitted disease-causing bacteria and parasites. These systems will have to be upgraded or replaced.

Wastewater: The nation's 16,000 wastewater systems have enormous needs. Some urban sewer systems are 100 years old. Between 35% and 45% of U.S. surface waters do not meet water quality standards. ASCE estimated five-year investment needs for drinking water and wastewater at \$250 billion.

Dams: There are more than 2,100 unsafe dams in the United States. There were 61 reported dam failures during the past two years.

The ASCE places the five-year need for investment for dams at only \$2 billion.

Energy: Since 1990, U.S. electricity-generating capacity has increased only about 7,000 megawatts per annum, an annual shortfall of 30%. The North American Electricity Reliability Council (NERC) estimates that more than

10,000 MW of capacity will have to be added each year until 2008 (80,000 MW total) to keep up with demand. (The NERC estimate includes the construction of very few nuclear plants.) The ASCE estimated five-year investment needs at \$27 billion.

To upgrade and improve America's navigable waterways and ports, and solid waste and hazardous waste disposal, the ASCE estimated five-year investment needs are \$37 billion.

The More Accurate Picture

The ASCE report gives a shocking overview of U.S. infrastructure, but that is only a starting point. If one were to address what is needed for the fundamental advance of the U.S. economy taken as a whole, not simply "adding up" systems as they exist, then one transcends the ASCE methodological limitations, and finds a far, far greater infrastructure deficit. By starting from that necessary standpoint, *EIR* came up with a much greater bill of materials, and much more work to be done. We consider the implications of just three of the limitations of the ASCE report:

1. The ASCE concentrates only on *existing* infrastructure, not fully on what is needed. This became apparent in a discussion about Houston, for example, the city with the third-largest land area in the United States, which has no light rail. Asked what it would cost to put light rail into Houston, an ASCE official said, "We didn't consider that."

2. National great infrastructure projects are critical to transform the U.S. economy. For example, the North American and Water Power Alliance (NAWAPA), to provide 33 American states with water from Alaska, would cost \$400 billion. It is also vital to construct a national magnetically levitated inter-urban train system for passengers and freight. The ASCE report does not consider these national plans.

3. America urgently needs to construct new cities, in the Far West, and other places, to provide for population growth and replace the misguided policy of suburban sprawl. These new cities require constructing an entire matrix of multiple infrastructure, such as electricity grids, etc. Dozens of new cities are needed. The ASCE report does not consider that.

From the standpoint of constructing infrastructure to transform the American economy to produce anti-entropic growth, in order to assure national survival, *EIR* estimates the infrastructure deficit to be \$8-9 trillion.

Check Out This Website:

www.larouchespeaks.com

Lucent: Sad Tale of The Southern Strategy

by Barbara Boyd

Anyone denying the reality of the present economic collapse, or the false popular way of thinking about reality which is its cause, would do well to take in the fate of the senior manufacturing workers now losing their jobs at Lucent Technologies' Norcross, Georgia facility. Only comprehensive international political solutions, as LaRouche Democrats put forward, will provide any real solution for themselves or their families—but few of these workers, in their anger, are willing to admit that, and start to think.

Most of the Norcross Lucent workers are long-term victims of industrial side of the “Southern Strategy” stemming from Richard Nixon's Presidency. They streamed South from plants, such as Baltimore's Western Electric, which closed in the North during the 1980s “manufacturing recession” and de-industrialization of the U.S. economy. Some 1,000 of the 3,000 employees in this plant have 25 years or more of service to the company. If you believe that money is the metric of economic reality, and that “going along to get along” defines a good citizen, for a short time things seemed to be going spectacularly well in Georgia.

Lucent, a 1996 spin-off from the breakup AT&T's Bell Labs and Western Electric, was a leading light of the “New Economy.” Until last year the Norcross plant, which makes fiber optic cable, boomed, running three shifts a day as cable was laid throughout the United States, on the proposition that computers and the Internet promised a never-ending economic boom determined by “new” economic laws. (More than 90% of that fiber optic cable laid, has never been used.)

Lucent and the Communications Workers of America—which bought the New Economy myth lock, stock and barrel, and represents workers at the plant—touted the company 401(k) pension plan, largely composed of Lucent stock, as a new utopia. Workers' pensions invested in the 401(k) not only would ensure a stable retirement, but a rich one. The workers could not get enough of the 401(k) investments. No one stopped to question the premises of the New Economy bubble, or why many of them, former black industrial workers from the North, had recently found themselves back in the “New South” in the first place. Instead, they watched, glassy-eyed, as Lucent's stock value rose to over \$80 per share, thankful for their new role as “stakeholders.”

The present collapse hit Lucent full bore. Its stock has collapsed to hover around \$6.50 a share. Most workers lost

hundreds of thousands of dollars from their paper pensions in the process. Lucent has announced layoffs of over 42% of its workforce to date, cutting roughly 54,500 jobs. In a dash for cash to appease its Wall Street bankers, Lucent sold the Norcross plant to Furakawa of Japan and CommScope, Inc. of North Carolina. Furakawa, previously not a player on the world market, is looking to China to produce fiber optic cable, and used the purchase only to temporarily pump up its own stock in the slumping Japanese economy. It is looking to profit from marketing patents and other intellectual property formerly held by Lucent, not from producing cable in the United States.

No Severance or Buy-Out Packages

In order to sweeten the deal for Furakawa and conserve cash, no severance or buy-out packages were offered to senior workers with the transfer of ownership. Furakawa is already talking about the necessity of further layoffs. The CWA, rather than fighting for the senior workers, has hailed the deal, under which its union contract is simply transferred to the new owners, as the best thing that could happen in a bad situation, babbling to its angry members in New Age-speak about “closure” and “seamless transition.”

CWA claims to be making valiant efforts to get a \$40,000 buyout for senior workers who choose to leave before further cuts—one-quarter of what these workers are owed under the current contract terms. In the meantime, the senior workers—many of whom now stand to make \$268 per month and downward upon retirement, and most of whom face crushing debt burdens—can choose between staying on and facing the new company's axe as further cuts are made, or taking a buy-out now in the hopes of finding a new job in the depression. They are presently pounding the sand and venting haplessly in every direction.

There are weekly demonstrations against the \$5.5 million and \$3.3 million severance packages offered to Richard McGinn and Deborah Hopkins, the former chief executives of Lucent. There are suits for securities fraud and age discrimination already filed against Lucent by its senior workers. A suit against the union to abrogate the terms of its 1998 contract, which workers say was negotiated illegally, is under way. There is xenophobic racist and populist rage directed against the Japanese, Chinese and “globalization.”

Anything, it seems, except to focus on the real reason for the non-future now staring these workers in the face—their “going along to get along” with the insane myths about economic reality peddled throughout the last 30 years, and their view of themselves as “stakeholders” in that delusional “New Economy.” One 25-year veteran, who lost \$500,000 in paper values in her pension fund, was quoted in the *Atlanta Constitution*. She admitted she had been a fool to buy the New Economy hoax, but refused to examine her own mental processes. It simply “felt better,” she insisted, to vent against the fired leaders of the company.

Why the Balkans Disaster?

The IMF, NATO, and the “Washington Consensus” economic policies lead to the breakup of nations and war. A firsthand report by Elke Fimmen.

It is not only in Macedonia, where the Anglo-American policies of NATO and the International Monetary Fund (IMF) are continuing to break up the nation, but throughout the Balkans, they are creating a constantly increasing potential for ethnic and religious warfare. The dangerous Balkan disasters are, at root, disasters of economic policy — “reconstruction” policies which forbid economic reconstruction. Those policies have been intentionally and strictly imposed from the outside, by the so-called “Washington Consensus” enforced by the IMF, World Bank, and NATO.

As a matter of policy of a strong Anglo-American financial faction, stable, sovereign, and prosperous countries simply are not desired in the Balkans, as in other regions of Eurasia. The last sign of any different policy was President Clinton’s April 15, 1999 San Francisco statement envisioning a Balkans “Marshall Plan” as an exit strategy from the NATO air war against Yugoslavia in 1999. Clinton’s statement, which reflected Lyndon LaRouche’s ideas for Balkans reconstruction then being circulated (see *EIR*, Aug. 13, 1999), was never followed through against the completely contrary policy of the IMF.

As these disastrous policies have been imposed on the Balkans — on former Yugoslavia as a whole, and on Bosnia-Herzegovina with special force, since the end of Milosevic’s war of aggression there — so they must be reversed from the outside, as part of a New Bretton Woods agreement and a Eurasian Land-Bridge development policy.

London’s Geopolitical Policy

There are several reasons for the disastrous course the Balkans region has been taking since 1989: Because of its complexity, including religious factors, it has always been used as a detonator for tensions between Europe, Russia, and Islamic countries — exactly those forces which are emerging today as the “Survivors Club” against the global economic collapse, along the lines of Lyndon LaRouche’s policy of the Eurasian Land-Bridge. Second, the policy of the Anglo-American “geopolitical” faction vis-à-vis Russia, is conveniently served by NATO’s virtual military control over the whole region, which is important because of its closeness to the Middle East, and the Black and Caspian Seas area, including big oil interests involved.

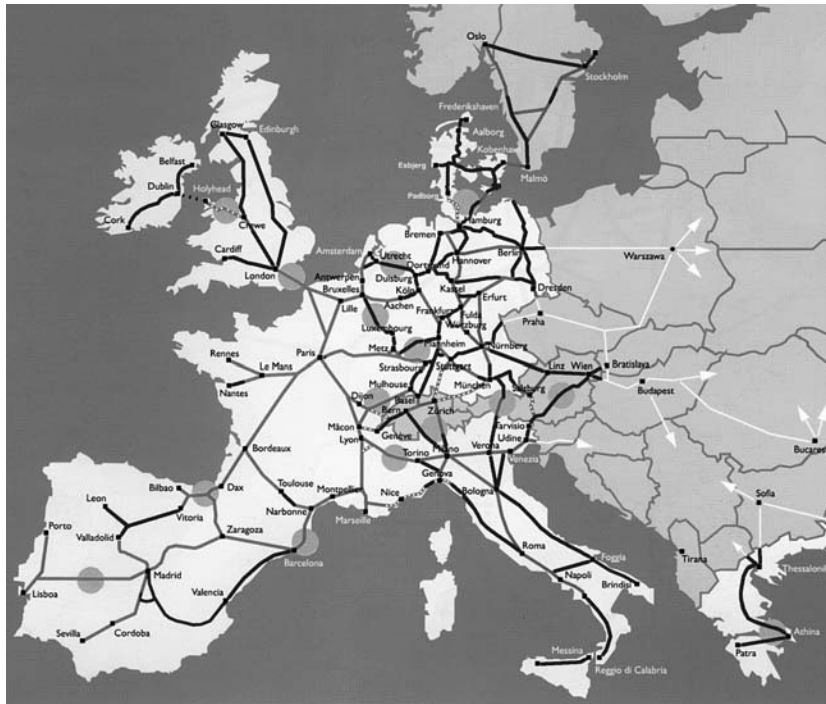
For such “strategic purposes,” it is not deemed necessary that the area be economically developed, but rather be turned into a depopulated glaciis. Large parts of the native populations have already been driven out of the region either by “ethnic cleansing,” or by the catastrophic economic and social conditions. Many of those remaining are drawn into terrorist networks and drugs and weapons smuggling rings, as has been documented by *EIR* for the case of Macedonia, Kosovo, and Albania (see “The New Colombia of Europe Grows in the Balkans,” *EIR*, June 22, 2001). Unfortunately, continental Europe’s policies in the Balkans region so far have, by and large, ideologically clung to IMF policies and capitulated to Anglo-American strategic designs, thus adding to the problem. We show here, focussing on the case of Bosnia-Herzegovina, how those policies have deliberately caused untold misery.

A completely different, peace-building approach was taken by Lyndon LaRouche since 1989. His policy has been consistently “peace through development,” which is also the only way, after horrible wars, in which ethnic and religious hatreds were introduced, that long-term healing of wounds is possible. Only if there is a common future, in which every citizen can productively participate, can “ethnic” questions be solved. The historical lessons of how this can be achieved, are known: the principles of the New Deal under Roosevelt; for continental Europe, the historical example of the Kreditanstalt für Wiederaufbau (KfW, Germany’s postwar Reconstruction Finance Agency), and its efficient conversion of Marshall Plan monies into productive long-term investments. This not only created the so-called “German economic miracle” after World War II; but in turn had an igniting effect on the economic recovery of the whole of Europe. The KfW itself offered, in 1999, to organize the credit for a Balkans “Marshall Plan,” but was rejected by the IMF and World Bank, et al.

Lyndon LaRouche stressed the importance of a centralized economic reconstruction approach, in close coordination with the nations of the area. He warned, after the NATO air war: “It is not possible to stabilize the situation in the Balkans, if the current economic collapse in Europe is not halted — and vice versa. We need a centralized command for a ‘crash program’ in times of peace. Otherwise, the Balkans will for

FIGURE 1

1994: European Union Projects



The European Union's 1994 plan for development of new transport corridors—the “Delors Plan,” which reflected LaRouche's five years of organizing for the concept. But note the absence of corridors planned in the Balkan states, because of geopoliticians' wars there. Worse, the same policies have blocked implementation of many of the corridors in Europe as a whole.

decades, and maybe even longer, rot in a spiral of death and degeneration.” Specifically, LaRouche identified three main reconstruction elements:

“1. A multinational military-engineering authority, which must have authority and responsibility for the emergency basic economic infrastructure mission, and will serve, for the initial period of operations, as the agency primarily assigned for liaison with authorized private economic initiatives of reconstruction.

“2. A special financial facility, operating with independence from presently existing monetary and related institutions, and modelled upon the success of the KfW, for coordinating the funding of both the public and private enterprises of economic reconstruction. Otherwise, very little of what needs to be done, would ever be accomplished.

“3. A Private Contractors Authority, assembled in memory of former U.S. Secretary of Commerce Ron Brown, which mobilizes public and private vendors of materials and engineering services for support of the infrastructure-building effort, and on behalf of fostering development of private enterprises relevant to the mission of economic reconstruction” (*EIR*, June 18, 1999).

‘Consensus’ Against Economic Development

Such an approach must seem self-evident to any halfway intelligent and well-intentioned person. Did the “international community” push for such infrastructure development and rapid revitalization of destroyed companies? Did it insist on the priority of the creation of hundreds of thousands of new jobs? Did it establish a centralized system of long-term, low-cost credit lines? Did it, in the case of Bosnia and later Kosovo, insist on the centralized channeling of donors’ money, as in the success of the Marshall Plan?

Not at all: Just the opposite policy was imposed, by the IMF, the World Bank, the U.S. Agency for International Development (AID), the European Union, the Organization for Security and Cooperation in Europe, and the thousands of non-governmental organizations (NGOs) which descended on the region after 1991. Their guiding star for economic policy throughout the last decade was the “Washington Consensus” of the same economic shock therapy which had been imposed upon Eastern Europe and Russia after the fall of communism. The Balkans “reforms” they insisted on were: Repayment of old Yugoslavia’s debts to the World Bank, the IMF, and international creditors; slashing of social budgets and state investments in the real economy; rapid privatization of state companies and sell-off to foreign “investors”; and convertibility of the currency, enforced by inherently deflationary currency boards.

In the case of Bosnia, a foreign-controlled currency board was introduced and any credit generation by the Central Bank or government explicitly prohibited. All of the countries in the region have become victims of this monetarist approach, which ensured the constant economic decline of the region and enormous political and social instability.

It must be noted, that it was exactly this kind of IMF-imposed policy, which created the conditions for the breakup of Yugoslavia in 1990-91 in the first place. After banker Slobodan Milosevic’s 1988 takeover as Yugoslav strongman, IMF shock therapy, privatization, and IMF priority on debt repayment created the centrifugal tendency for the dissolution of the federal state of Yugoslavia, and the social powderkeg for the nationalist frenzy which fed the aggressive wars of Milosevic against the other republics.

The decade of wars in the Balkans created a permanent wound in the “underbelly” of Europe, created tensions with Russia, and blocked any infrastructural development of this



The decade of Balkans wars has “blocked any infrastructural development of this crucial southeastern part of the Eurasian Land-Bridge, including the central European waterway of the Rhine-Main-Danube canal, which connects the Atlantic with the Black Sea region.” Here, the canal in Germany, with one of the locks in background.

crucial southeastern part of the Eurasian Landbridge, including the Central European waterway of the Rhine–Main–Danube Canal, which connects the Atlantic with the Black Sea region.

KfW Approach for Bosnia Was Sabotaged

Most exemplary and easily documented is the conscious policy of sabotage of real economic development in the case of Bosnia-Herzegovina.

In the 1995 “Dayton” negotiations, Bosnian representatives fought to channel foreign donors’ money according to the model of the KfW in the Marshall Plan, into the revival of the economy in a targeted way, with long-term credit lines and low interest rates. The idea was to establish a revolving fund, which would be able to use the donors’ money — supposed to be \$5 billion over five years — as a core capital for a rapid reconstruction approach. The Bosnian authorities proposed, that all financial facilities from outside should be concentrated in one facility and professionally managed for credit supply for agricultural production, transport, housing etc. Then, there could have been a complete documentation of where the money went, and of the chain of command.

As a reminder: Germany from 1948–52 received a total of \$1.4 billion, and used it through the newly founded KfW mechanism, with known excellent results, including the integration of 8 million refugees from the East. Part of Germany’s debt was cancelled in 1956; that part which was rescheduled, was later easily repaid from the increased tax income of the KfW-led economic recovery.

The exact opposite was done in the case of Bosnia: The World Bank and EU Commission created 16 so-called Sec-

toral Task Forces. Before any projects were even started, foreign “experts” earned lots of money in superfluous consulting studies. In fact, the preparatory work had been done already by the Bosnian experts themselves — in the crucial areas of transport, energy, and water supply. Bosnia had a considerable pre-war military-production industry, and former Yugoslavia had both industrial and construction experience and skills of an international class. But Bosnian officials had to accept “studies” by experts on agriculture from Australia, for water supply from the Sahara, for forestry from Canada, etc., who did not know the Bosnian situation, and thus based themselves either on Bosnian work, or were outright incompetent. The absurdity reached its height when an “expert report” by the World Bank was copied from recommendations for Ghana from 1965!

The considerable salaries for these experts and their staffs were taken from the international donors money. As one Bosnian official commented, “Of course, offices, chauffeurs, secretaries, lovers are very costly. . . .” The European Union’s ratio was said to be 8:1; for each deutschemark of reconstruction, DM 8 disappeared in the hands of international organizations.

Three out of many examples suffice to show the “efficiency” of the international bureaucracy. In August 1997 (two years after the end of the war), the municipal waterworks in Sarajevo, the Bosnia capital, had no money to repair the war-destroyed water supply systems: An Austrian consulting firm had received the order to produce an “analysis” of the water supply system only in March of that same year. On April 21, 2001, the English-language *Bosna Daily* reported that, of the 430 bridges in the Federation of Bosnia-Herzegovina, 91 bridges remain damaged, and an additional 105 need repair as soon as possible. And the same issue bore the headline, “Thousands Starving in Tuzla.” According to the head of the Tuzla Municipality (which is in the American sector), 2,000 families, or 8,000 individuals, do not have even one meal per day. The public kitchen feeds 350 people a day.

The Fight for a Federal Investment Bank

After two years of increasing chaos, which inevitably also resulted in the creation of a corrupted local structure, the Bosnian federal government finally succeeded, in 1998, in creating the Investment Bank of the Federation of Bosnia-Herzegovina. It was to channel the remaining donors’ money into a credit pool for investments in the real economy. Its operational principle has been exactly modelled on Germany’s KfW, to concentrate on financing real production and to use repaid credits immediately for the financing of new ones.

Despite bureaucratic red tape to get permission for its financing for project areas, imposed from outside, the Bosnian Investment Bank is today the sole institution which is providing affordable credit for productive purposes to the local community; private banks are demanding horrendous interest



**THE INVESTMENT BANK of the
Federation of Bosnia & Herzegovina**

what's
— new

- ▶ Privatisation
- ▶ Typical Terms and Conditions - Micro Business
- ▶ Direct loans
- ▶ **KfW Program for SMEs**

Updated: August 6, 2001



- Balance Sheet
- Profit and Loss Statement
- Charts



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The Bosnian government finally was able, in 1998, to create a national investment bank which is modelled on the “KfW” — Germany’s postwar Kreditanstalt für Wiederaufbau, the core of Germany’s “economic miracle.” This Bosnian bank is denounced and strictly limited by the IMF and the “Washington Consensus.”

rates, if credits are offered at all for productive purposes. The bank is operating projects for the government and also managing part of the long-term state debt, mostly to the IMF and World Bank. It has been operating with great success and made good profits.

But right now, the bank is waiting to be sold to international “investors”! The IMF, the World Bank, and U.S. AID insisted that the bank has to be privatized and sold, and this had to be agreed upon as a precondition for its establishment in the first place! The KfW method of operation was dismissed as “pre-historic banking,” and “opposed to market principles.” The supranational financial institutions insist that the state has no economic role.

This was the axiom in Dayton. In Annex 4 of the Dayton Accord, control of monetary policy was taken out of the hands of the government, and a foreign-controlled currency board took over the function of the Central Bank. Any possibility for the Bosnian government to create credit instruments for the prefinancing of productive investments, which would have increased the state budget, was forbidden.

In addition to this IMF attack on the bank, the demands for privatization of the remaining state companies were increased during 2000, including a credit embargo for anything which was still state-owned. A huge campaign to replace the “corrupt” nationalist politicians, who headed the state companies, or who had some control over them, was mounted, which resulted in the change of government last Autumn. Orchestrated campaigns against the remaining “pockets of nationalism” followed.

As of now, the fate of the Investment Bank remains open. The German Kreditanstalt für Wiederaufbau, which the

Bosnians had asked to take over 51% of the bank, declined, obviously under huge political pressure from the United States and international financial institutions. After the end of the bombing war against Yugoslavia in 1999, the KfW had proposed to the Group of Eight Summit in Cologne, Germany exactly the same methodology, which LaRouche had called for in his June 1999 article. The countries in the region had enthusiastically echoed the KfW concept. But the “Washington Consensus” had emphatically vetoed it. The KfW back then was ready, due to its international experience, to lead a regional development program, which was supposed to be a “Balkan Fund,” operating under a centralized management. It was to issue credits for investments in Kosovo, Bosnia, Bulgaria, Croatia, Romania, and Hungary. First priority would have been an emergency fund for urgent infrastructure investments, hospitals, etc. Then, an investment fund for all infrastructure areas, housing, and private firms, with 40-year credits at 0.75% and a grace period of ten years. As a next step, the KfW proposed to establish “Reconstruction Banks” in individual countries, which should quickly and effectively issue credits.

But this was vetoed by the “donors,” and instead a “Stability Pact” was created. In the Summer of 1999, President Kiro Gligorov of Macedonia warned exactly of the present outcome: social and ethnic tensions rising with the lack of large-scale, centralized economic reconstruction of the area.

Destruction as Policy

On April 25, 2001, *Bosna Daily* reported: “The Treasury Ministry has finally defined all the country’s international obligations in terms of foreign debt. Ministry data show that [Bosnia-Herzegovina’s] debt is nearly \$2.3 billion. BiH’S largest debt is with the World Bank, which accounts for 57% of the total debt. The majority of BiH’s foreign debt is from the time before the war.”

In December 1995, when the weapons had just been silenced, the World Bank had demanded that donor monies be used for “the elimination of arrears” to the international financial institutions as a priority. In its paper “Reconstruction at a Glance,” the World Bank said, that the “substantial arrears, including to the International Monetary Fund, the World Bank and other international financial institutions, bilateral creditors, and commercial bank creditors” were to be assessed, to “enable Bosnia to normalize its international financial relations, while maintaining an *acceptable* level of imports and reserves.”

The old debt outstanding — Bosnia’s supposed “17% share” of the debts of old Yugoslavia — was just about the amount Bosnia-Herzegovina was promised as aid. The World Bank-specified repayment of old debts was to be ensured through “early and speedy privatization of enterprises and banks.” The aim was to destroy any independent, state-owned enterprises and the banking system.

TABLE 1

Investment Credits of the KfW, 1949-53

(Millions of DM)

Coal mining	531.0
Electricity	835.3
Gas and water	86.0
Iron and steel	67.7
Other industries	495.2
Agriculture	466.3
Refugee housing	20.0
Fishing vessels	5.0
Housing	328.2
Mining	145.0
Oceangoing shipping	169.3
Canal shipping	9.4
Maritime and canal ports	14.6
Urban surface trains	24.7
Tourism	22.5
Small credits	0.2
Research	30.9
German Railway (Bundesbahn)	45.0
German Post Office (Bundespost)	20.0
Refugee firms	95.0
Export promotion	2.3

Germany's Kreditanstalt für Wiederaufbau (KfW) bank was able, with the aid of a ten-year debt moratorium, to create credits for economic reconstruction which far exceeded the \$1.4 billion Marshall Plan aid from the United States to the bank, and to repay the debts after the moratorium ended.

According to the World Bank's report "rapidly accumulating arrears in wage and pension payments to government employees and pensioners," as well as "past state liabilities to households for lost foreign exchange deposits in the banking sector," would overwhelm the budget if the government were to take them on. The World Bank's dictate was: "In seeking solutions for settling the accumulated arrears and past liabilities, every effort should be made to limit the government's use of domestic banking funds, especially central banking financing." The World Bank, quite in contrast to its priority treatment of old Yugoslav debts, demanded that large amounts of these debts to the people, incurred during or prior to the war, be "written down, or written off outright, through schemes such as trading wage and pension arrears for food-stuffs and other aid."

As for investment priorities, as "elsewhere in Central and Eastern Europe," the World Bank said, increased output was likely to come from growth in the service sector and light industry established by private entrepreneurs. Only at the very end of a long list of priorities, did the World Bank mention "repairing basic public services and utilities, such as post and

telecommunications, power and water supply." Not even a word about rebuilding basic infrastructure such as road and railways could be found in the report.

This continuing and rigid policy feeds the centrifugal tendencies in the difficult social and "ethnic" composition of the country. Those, like Lord David Owen or the German Christian Democratic politicians, who now proclaim the "un-workability" of a multi-ethnic Bosnia, provide the political justification for IMF sabotage of real economic reconstruction in the region. Why no economic development? The Anglo-American geopoliticians' intention was otherwise.

Global Collapse Means a Last Chance

The time for trust in "the good intentions of the international community" by the region's politicians and economists is running out, forced by reality on the ground, and a growing realization, that the power of the IMF and World Bank itself is diminishing in the context of the international financial disintegration.

Exemplary was a meeting in Mostar in December 2000, organized by "Forum Bosna," a Sarajevo-based Bosnian NGO. The meeting adopted an "Open Letter to the Bosnian and World Public," in which it called for an investigation of international aid policy, and "transparency of international organizations and their policies." It stated that "Bosnia and Hercegovina today is totally economically and socially dependent on donation aid. Unemployment and poverty are great. The economy has not been rebuilt."

Economists at the economic roundtable discussion did not mince words about the situation. Prof. Dragoljub Stojanov, a signer of LaRouche's Call for a New Bretton Woods, is on the Economics Faculty at the University of Sarajevo and currently heads the privatization agency for the canton of Sarajevo. He addressed IMF policy in very clear terms: "My attitude is, that the paradigm applied here is anti-development. . . . It is paradoxical, that, for instance, a foreigner lands at Sarajevo airport and, walking around the city, sees five U.S.-type supermarkets, sees a stable currency and no inflation, and concludes: Bosnia has made a tremendous success. . . . [But] if the gentleman would look deeper, he might see vast unemployment—almost 50%—industry working at 30% or less of pre-war capacities. Of the remaining 50% employed, around 70% are those in non-productive sectors. This means that only 20% of the people create revenue. Insolvency is enormous. As far as the real economy is concerned, there has been practically no move.

"We have a certain GDP," Stojanov continued, "that nominally increases. . . . Nowadays, we calculate the whole service sector [in the GDP], something we did not do ten years ago. So, the real GDP, measured by the old methodology, would be maybe 25-30% lower. . . . I think, we will all agree, that a large portion of responsibility lies within us, our central and entity governments. . . . However, I think the interna-

ECONOMIC RECONSTRUCTION AND DEVELOPMENT IN SOUTH EAST EUROPE
 EUROPEAN COMMISSION / THE WORLD BANK → HOME

Bosnia and Herzegovina → Donor Programs → European Commission



The EC reconstruction programme for Bosnia and Herzegovina detailed by sector

The EC SFOR Micro Projects:

[Brief description](#)

Year of commitment and budget line	Project Description and Contractor/ Partner in brackets:	Contract status (29-Feb-2000):	Amount Allocated in EURO (Approximate)
1996 Obnova	SFOR Micro Projects:	Completed	1,500,000.

does not have a Central Bank, but only a currency board, which cannot give guarantees for foreign loans. “Companies are also not able to get loans, because no one can give them guarantees. The second source is foreign direct investments. They can come from two different sources: by selling state-owned companies, or by development of new enterprises. Foreign capital that buys our companies, is not equal to foreign capital that creates new enterprises. Third, money can be obtained from Central Bank activity—the bank we don’t have.”

Well-known Zagreb-based economics Prof. Branko Horvath, another signer of the New Bretton Woods Call, is one of the few remaining architects of the post-World War II Yugoslav economic reconstruction. In 1958 he

In opposition to the KfW approach, which was available after the Bosnia war, the European Commission and the IMF insisted on many hundreds of “microprojects” administered by a large and expensive bureaucracy, funded only in the millions of deutschemarks and accomplishing no real infrastructure reconstruction.

tional community is equally responsible. Why? Because everything was done under its supervision, and as far as I know, the privatization program was done under instructions of Pricewaterhouse, and that program is catastrophic. . . . Our economic strategy, which we proposed three years ago, was not accepted, . . . because the majority of our economists thought, if someone wrote something against free trade and free market, they should throw it to be nearest trash bin. We were very severely criticized by the IMF and World Bank on that occasion.”

Stoyanov called for the formation of “certain institutions—I conditionally name them funds for development and restructuring. There we have a problem with a certain part of the international community, which is unable to grasp the concept, and that immediately treats us as advocates of a certain strong state [and] corruption. This has nothing to do with reality. . . . Insisting on a free market in the full sense of the term, insisting on full convertibility of the currency for capital and currency transactions, is utopian. Whoever advocates this, either does not understand reality or has some other aims.”

Lastly, he pointed out, “without economic development, there will be no return of refugees. That is why growth and development should have been the first priority. Then we could count on return of the people to their homes, not vice versa.”

Reconstruction ‘Out of the Question’?

Dr. Hasan Muratovic, economist and engineer, and currently Bosnian Ambassador to Croatia, also participated in the debate. He served as Prime Minister of Bosnia-Herzegovina from 1996-98. Dr. Muratovic pointed out, that the country

founded, and for a long period headed, the Yugoslav Institute for Social and Economic Research (today Institute of Economic Sciences), and is an author of many books and publications. He characterized privatization as “one of the many nonsenses imported into our countries,” and called for a “ban of the Privatization Law.”

“We need to have a planned economy: an institution, not a ministry, not the government, but a specialized institution. We used to have institutes for planning. These institutes create harmonized development plans for the country and the region in coordination with other national institutes of the sort.”

Asim Omanic, director of the Federal Investment Bank, called the concept that the IMF offered to them—a small open economy—“the biggest stupidity I have ever heard. We have lost all criteria. We have turned moral standards upside down.” And another speaker summed up, “If you offered a different approach, a different strategy, as we discuss now, to the IMF and World Bank, they would say: ‘It is out of the question.’”

The Balkan countries have only one way out, and that is the LaRouche policy for the Eurasian Land-Bridge—in which this part of Europe has a crucial part to play—and the New Bretton Woods. Any fundamental positive change has to involve reversal of economic policy outside the region, because the countries themselves are victims of brutal diktats of this new sort of colonialism. People are still hoping, that true nation-building, based on a dialogue of civilizations, can begin after so much suffering. They know by now, that all of them have been victims of brutal international geopolitical machinations and power-plays. It is the responsibility of Europe and the United States to quickly bring about a fundamental change of economic axioms.

Business Briefs

Nuclear Energy

Brazil, Argentina Boost Cooperation

The Argentina-Brazil Agency for Nuclear Energy Applications (ABAEN) was formed by Argentina and Brazil on Aug. 13, to intensify cooperation in the field of peaceful uses of nuclear energy. Argentina and Brazil are pioneers in the development of nuclear energy in Ibero-America, which has also made them targets for destruction by the Malthusian globalization advocates and International Monetary Fund (IMF)-dictated austerity.

The Argentine Atomic Energy Commission (CNEA), whose president, Aldo Ferrer, was a signator to the agreement, emphasized that the company's goal is to allow both countries to "jointly, and openly, think about the future, and perfect the nuclear energy alternative, and promote progress in the peaceful application of nuclear energy." They will "consolidate and increase cooperative activities already under way, especially those related to nuclear generation, the nuclear fuel cycle, including provision of goods and services, and other applications of nuclear energy, among which are the production of radioisotopes and radioactive residue." A joint program will be launched for the "development of innovative and emerging nuclear technologies, the development of research reactors, and installations for research and development."

While Brazil's Foreign Minister Celso Lafer was in Buenos Aires to sign the accord, he also signed an additional protocol that will allow high-technology companies from both countries to work jointly, primarily in the development of space technology. Students will be granted special visas for study and research in both nations as well.

In March 2000, the CNEA had issued a report, entitled "Argentina's Nuclear Policy," warning that that the Fernando de la Rúa government's austerity policies were threatening the CNEA's existence. CNEA President Ferrer stated in the introduction, that CNEA's short-term financial situation was "truly critical." The cutoff of funds already allocated to the commission in the national budget "places it in an immediate [jeopardy] of cessation of payments." Ferrer

warned that unless there were a change in the policies of recent years, "fundamental components of the Argentine nuclear sector will become extinct in the first decades of this 21st Century."

Pensions

Workers' 401(k) Plans Losing Value Quickly

The 401(k) pension funds which are invested in workers' company stock, are losing significant sums of money, *USA Today* reported on Aug. 20.

The Hewitt 401(k) index reports that as of July 31, nearly one-third of workers' 401(k) assets were invested in their own company's stock, which, while it buoys up the stock of their employers' company, has proven disastrous for many workers. For example, the 401(k) plans that Lucent Technologies set up for its workers, invested 31% of the workers' holdings into Lucent stock. The stock's value has fallen from its 52-week high of \$45.18, down to \$6.34 on Aug. 17. The workers at Lucent sued the company in July, charging that Lucent was aware of financial problems that made its stock inappropriate for 401(k) plans.

Workers at many other companies find themselves in similar straits.

On July 9, Cerulli Associates, a consulting firm, reported the average value of a 401(k) plan had fallen from \$46,740 in 1999, to \$41,300 by early July 2001, a fall of 11.6%. For workers enrolled in some plans, such as the one at Lucent, the fall is far steeper.

Turkey

Financial Crisis Grows, Industry Is Collapsing

Turkey is facing growing crises in both the financial and industrial areas. On Aug. 14, the Turkish government tried to sell short-term government bonds to investors, but the

auction resulted in a disaster. The government could sell only 961 trillion Turkish liras' worth of three-month bonds, less than expected, and had to offer investors a yield of 98%, much higher than the rates sought under the \$15.7 billion International Monetary Fund-World Bank rescue package.

At the same time, Turkey's small and medium-size industry is collapsing. The Istanbul Chamber of Industry, which is one of the leading industrial associations in Turkey and in particular represents the small and medium-sized companies in the Istanbul area, recently released a study showing that the present depression caused by the financial crisis (including the free float of the currency) is even more devastating than the big earthquake in northern Turkey in 1999. The earthquake caused GDP to decline by 6.1%.

Industrial output of the Chamber's member companies crashed by 62.5% in the first half of the year, domestic sales fell 72%, and new orders are down 63.8%. Capacity utilization in most cases is below 50%, and the majority of companies are taking losses. For the whole Turkish economy, industrial production in June, according to government figures, was 10.4% below last year.

Savings

Investors Leave Stocks For Savings Accounts

In the first seven months of 2001, individual investors poured \$210 billion into savings accounts, compared to \$36 billion put into stock mutual funds, the Aug. 15 *Wall Street Journal* reported. This was a reversal from a year ago, when \$233 billion was put into stock mutual funds and \$61 billion into savings accounts, according to TrimTabs.com, a Santa Rosa, California company that tracks stock market liquidity.

When people have asked Lyndon LaRouche, "What should I do with my money?," he has replied that he's not an investment adviser, but that savings accounts, which are insured to some extent, and Treasury paper, are obviously preferable to

A CENTERS for Disease Control study has backed increased AIDS testing, confirming universal AIDS testing saves lives—a policy that Democratic Presidential pre-candidate Lyndon LaRouche urged 16 years ago. The study found that 40% of AIDS victims don't discover they have HIV until a year before AIDS develops and they show symptoms. But AIDS comes on average ten years or longer after contracting HIV, which means people are not being treated when it is most easily contained. The CDC reports “an urgent need for more people to get HIV tests and for more doctors to recommend them as at-risk patients.”

INDUSTRIAL production in the Bosnian-Serb Republika Srpska collapsed by 9.3% in the first two quarters of 2001. Average income is at roughly \$150 per month, only three-quarters of subsistence level.

JAPANESE electronics manufacturer Fujitsu will cut 15,000 jobs, about 8% of its global workforce of 180,000, by next March to “boost profitability” in its sagging computer chip business. Tokyo's *Nihon Keizai Shimbun* and *Yomiuri Shimbun* newspapers reported on Aug. 19. Most of the layoffs will affect Fujitsu's overseas units in North America and Southeast Asia.

THAILAND'S government, led by Prime Minister Thaksin Shinawatra, is backing a bill mandating that the government maintain 50% control of state-sector industries. The State Investment Corporation Bill would manage the policy of privatization of the 89 state enterprises, worth about \$120 billion.

ISRAEL'S GDP contracted 0.6% and exports collapsed 26.5% for the first half of 2001, according to the Central Bureau of Statistics. The figures came out one day after figures were released showing unemployment increased by 3.4% in July alone. Fewer tourists and the collapse of the “New Economy” are being cited as responsible for the fall.

stocks. Or, as TrimTabs.com President Charles Biderman said, “In good times, people are worried about the return on their principal. In hard times, people become concerned about the return of their principal.”

Asia

Growing Economic Union Of China and Taiwan

Taiwan's 120-member Presidential economic advisory council subcommittee for economic ties with China, will announce its policy on increasing transport, trade, investment, and commercial links with the mainland on Aug. 24-26. The “Cross Straits Relations” Subcommittee of the panel, chaired by the government's chief of China relations, Tsai Ing-wen, has recommended raising the \$50 million cap on mainland investments and establishing full, direct trade links. Behind the move is the collapse of the U.S. market, which is primarily responsible for Taiwan's GDP contracting by 2.35% year-on-year in the second quarter, the biggest decline in 26 years.

Taiwan's President, Chen Shui-bian, said on Aug. 14 that with global competition, cross-strait trade is a correct path to take. He has also said that the council's suggestions would have an effect on government policy.

Taiwan is now in its worst economic crisis in 30 years. Already, many Taiwanese enterprises have moved their manufacturing base to China, but keep headquarters in Taiwan, increasing economic integration across the Taiwan Straits. This despite political difficulties, a ban by Taipei on direct trade and communication links, and strict restrictions on investments in China.

Taiwan analysts are discussing the proposal, of following in the footsteps of the European Union, for which economic cooperation preceded political integration.

According to the Taiwan Chinese National Federation of Industries, its largest manufacturing association, there are now some 50,000 Taiwanese investors in China, including 24,000 of Taiwan's 80,000 manufacturers. Many Taiwan businessmen view the mainland as their main manufacturing

base and their biggest market. Also, the *Singapore Straits Times* reports, the expansion of the economic integration of Taiwan and China to include Hong Kong is also growing.

Poland

Budget Deficit Headed Toward 10% of GDP

Poland's Finance Minister Jaroslaw Bauc warned that the national budget deficit may reach 90 billion zlotys (Poland's currency), or 10% of Gross National Product, in 2002, and he demanded severe austerity programs, the Germany daily *Frankfurter Allgemeine Zeitung* reported on Aug. 16.

Leszek Miller, leader of the Democratic Left Alliance of President Alexander Kwasniewski, which is part of the parliamentary opposition and expected to win a landslide victory in the September elections, demanded that all relevant data be published, to open up a public debate before the elections. In response to the quarrel, Poland's “WIG 20” stock index fell to its lowest level since 1998, and the zloty fell further against dollar and euro.

Numerous proposals have been advanced to deal with the crisis, including a special tax on imports, raising the value-added tax, and freezing increases in pensions and salaries in the state sector. Other voices call for lowering interest rates. At the same time, the government and opposition seem to agree that several promises, that would raise the standard of living, will not be implemented, while efforts are being made to improve tax collection. All these proposals do not go beyond the limits of the “economic orthodoxy” imposed by the International Monetary Fund, i.e., to impose austerity, mostly at the expense of the population.

It is now generally recognized that the governing Election Action Solidarity (AWS)-led coalition has no chance of being reelected; indeed, the AWS may suffer the same fate as the party leading the former “reformist” Romanian government, which even failed to pass the threshold for reelection into Parliament.

Rally the Citizens Behind a Mission For All Mankind

by Lyndon H. LaRouche, Jr.

The speech was given by Lyndon LaRouche on Aug. 19, before an audience of about 200 especially younger people, from all over Europe, east and west, who came together in a youth hostel in Oberwesel, Germany, on the beautiful banks of the Rhine, for the traditional Summer Academy of the Schiller Institute. Every year, the Schiller Institute organizes such a two-day event in Germany, with presentations on politics, economics, science, and culture, along with musical contributions, and a lot of formal and informal discussion. This year's Summer Academy had the theme "The Battle for the Mind—What Is the Prospect Facing Young People Today?"

The program was idea-dense, indeed. Following LaRouche's keynote, Bruce Director spoke about the history of the calculus, tracing it back to Kepler's elliptical law of the planets' orbits. Another panel was on the neo-Darwinian attack on man, dealing with questions like human cloning, Peter Singer's utilitarian movement, and what "Life Sciences" should really be all about.

On the next morning, Helga Zepp-LaRouche, the president of the Schiller Institute in Germany, spoke on "The Bankruptcy of Today's Ruling Elite, and the Alternative in Schiller's Idea of the Sublime." The lively discussion led into presentations on two great Renaissance personalities: the French heroine Jeanne d'Arc, and the English humanist Thomas More.

The Academy ended with a presentation on the foundations of Classical musical composition. It had also opened with music: a rehearsal of the European chorus and orchestra of the Schiller Institute. They worked on a choral fugue by J.S. Bach (Overture in C Major and motet "Jesu, meine Freude") and on excerpts from Joseph Haydn's oratorio "The Creation."

Now, what I'm going to say, is something of importance. But, because of a certain diversity in the backgrounds of people attending, I shall have to try to present it in a way, which is comprehensible, or at least nearly so, to most of you. Some of this



Lyndon LaRouche addresses the Summer Academy of the Schiller Institute, in Oberwesel, Germany, on Aug. 19.

is of a sensitive and professional quality; it's important. But, at the same time, it's very important that we take on the task of making things clear to general populations and politicians, which are not generally clear to them.

My problem, today, is, I know exactly what the situation is, in terms of the nature of the crisis. I also know what the remedies are, at least in terms of types of remedies. The problem is, how do you make the connection to the politicians, who, in general, do not know? The political class today, in the United States and in Western Europe, in particular, or in South and Central America, is of a much poorer class than existed in the 1970s or early 1980s. As a matter of fact, our politicians, as a class of people, are generally political illiterates, by the standards of politicians of the same rank, twenty years ago.

Therefore, people today do not know history. The educational systems of the past thirty years, and longer, have been destroyed. Classical humanist education, which is the only competent education, has been ripped out of the curriculum. Teachers, who are qualified to teach in a Classical humanist classroom, generally, no longer exist. They have long since retired, and many are deceased. The teachers available and teaching today, are not qualified. The politicians are not qualified. The population is not qualified to vote! In terms of understanding the consequences, for them and the future of humanity, of what they vote for! They don't know! Many of them *don't care!* They're taught to plead for some special thing that bothers them, and to ignore the rest.

In the United States, this phrase is used, and has been used since the draft-dodgers of the 1960s: "*I don't go there.*" You bring up a subject: "*I don't go there.* Don't bother talking to me about that. I won't do anything about that."

"Well, what if it hurts you?"

"It won't hurt me. I don't go there."

"There will be a depression."

"I don't go there. I don't discuss a depression. It doesn't affect me. I don't go there."

So, that's our problem. So, those of us who have some understanding, literacy, have a problem. The politicians don't have the sense, presently, to know what to do. And, what has to be done is rather urgent: The survival of civilization depends upon it. The populations we have to lead, don't understand their own problem. They don't know what the solutions are. And, I'll indicate one of these, a very specific problem, of the population in general.

So, therefore, what is needed is, to take people who are *capable* of understanding, which is a very *rare* part of the population—academic and political, and so forth—very rarely—. For example, you probably have a couple of people in Germany, who are capable of understanding what I talk about—really understanding it; and fewer in France. And, they're probably much older than I am. There are older people, long since retired, who still remember how history used to work, at least in their time. In the United States, the entire younger generation, people born after 1945, *in general, with almost no exception*, are not only *intellectually incapable* of

understanding the issues that face the world today—the United States, in particular—they're not even capable of understanding their own issues.

They had a program, back in the 1950s, a television program, called "Romper Room." And, this was a program designed for children, but actually designed for the parents, who were rendered infantile by the way children were being raised at that time. In other words, if you wanted to qualify as a parent, you had to get down to your child's level; and many of them succeeded in reaching that level, and even lower. And, the television program, which featured this kind of entertainment, in the morning or early afternoon, for parents and their children—age five and under, or something like that—was called "Romper Room."

Now, there are people, and even some of my associates in the United States, who, emotionally, when put under stress, raise the elevation of their speech; they go into the fourth register, and squeak, and say very simple and very stupid things! And, you think, "Ah! Romper Room has returned!" Even in my own association, in the United States, I hear conversations, reports, discussions—even among leading members of my association in the United States—which take me back to Romper Room! What has happened is, Romper Room lives inside them, and under stress, tends to come out and re-enact itself!

Now, you find similar things in Germany, and Italy, and so forth. I've seen evidences of this.

So, the problem is, you have a population, which, by all usual standards of the early Twentieth Century, or a little earlier, is not qualified to arrange for its own survival, under the kinds of problems which are facing the world today. Therefore, our job—those of us who *do* understand, who *do* know, who do know what the solutions and the problems are—our job, first of all, is to present the general nature of the problem and the solution, to a very limited number of people, including, perhaps, the dozen people in Germany who can understand what I'm saying. That is, in terms of these problems.

We, among these small groups, as I presented this to a group of accountants, whom I addressed in Mexico City, by satellite communications; we had three hours of various things, and we went through this. We have to bring together, first of all, the people who are *capable* of immediately discussing intelligently, the kind of problems, the kind of solutions, that I know exist.

It's Not Enough To Know the Solution

But, that's not enough. I know what the general possibilities are; I know what the problems are, in general. But, then, we have to *implement* these solutions. For example, take the Argentine case: The best estimate, right now, is that, next week, Argentina will go under. That's the best estimate; it may go on longer, but that's where it stands. Now, what happens when Argentina goes under? And, that will start a chain

reaction: Turkey will go next. Poland is ready to go. Poland is in worse condition than Argentina, in some respects, financially, because of the mismanagement of the people who have taken the place over, under advice from people in the post-Soviet period.

What do we do?

I know what the solution is. But, how do I, tomorrow morning, or the week after—how do I actually proceed, in the case of Argentina, as such, to solve the problem of Argentina, without making a mess of everything else I've got to do, in Brazil, or in Western Europe, and so forth? How do you deal with that? That means, I've got to talk to people, who are capable of defining a policy of action, to say: "The United States government and other governments, will make the following measures available to Argentina, now, to guarantee the continuity of the functioning of that nation." Which means, whatever else happens, the pensions will be paid; employment will continue; essential functions of government and production will continue; trade will continue—and will grow.

Because, the only way you get out of a depression, is not with fiscal austerity. *You never cut employment, as a way of dealing with a depression.* You never cut production, as a way of dealing with a depression. You never cut government expenditures, as a way of dealing with a depression.

That's how Hitler came to power, in Germany, when people made the foolish move, of cutting things, and cutting things; instead of maintaining government; instead of maintaining employment; instead of maintaining security; instead of maintaining trade, and so forth.

So, we have to keep Argentina alive. And, we must make the decisions, the management decisions—practical, immediate, emergency decisions—which keep Argentina alive.

Now, that means we have to come to some agreement on these measures. We have to actually discuss, and say, "What is a tolerable solution, and what is an intolerable one?" We have to consider, not only Argentina today, and next week, and next month; but, we have to think about what's going to happen to Brazil, to Chile, to Poland, to Turkey: All of these economies are collapsing.

Fiscal Austerity Is Lunacy

We also have to think about the fact that, there's not a single economy in Western Europe, which is not really bankrupt. That is, every economy in Western Europe, is producing *less*, than is required to maintain what it was yesterday afternoon. We're eating more than we're producing, in terms of overall necessary inputs. That's what you see reflected in the government with Eichel, for example, here in Germany: Cut, cut, cut, cut, cut! Fiscal austerity! Fiscal austerity! Cut, cut, cut, cut, cut!

Every time they cut, they make the problem worse.

Now, there are certain things that could be cut out, without damage to the economy: not paying certain politicians, or



A demonstration by the German public workers union, protesting the deterioration of facilities for the care of the elderly. “Cut, cut, cut!” Every time the bureaucrats cut, they make the problem worse.

something like that. That would be helpful! But, in general, as Wilhelm Lautenbach laid out his policy in the now-famous meeting of the Friedrich List Gesellschaft, in 1931, cutting—cut, cut, cut—is the mark of a lunatic beast, under conditions of depression. To cut, cut, cut, now in Western Europe, is a piece of lunacy.

What we have to do is, *increase* production, and *increase* employment. And, thus, bring things above the so-called breakeven point, in terms of levels of output. That means, we must find the markets for Europe, so that Germany can go back to being an export-leveraged nation. Markets for France. Markets for Italy, for example. Markets for the so-called Scandinavian region. We must develop those new markets, or expanded markets abroad, for the things which Western Europe produces *best*, the quality of goods which are most needed in these markets, which are largely developing-sector markets; and are largely in East, South, and Central Asia—especially East and South Asia.

These are the great markets. These are the great population centers. This is where the great development is going to

occur. We have the Three Gorges Dam in China, as an example; there’s a proposal for a large dam on the Brahmaputra River in Tibet—one of the great rivers of the world. It has the greatest hydroelectric potential of any project available for construction now. It would transform the entire region, of China, and of that part of Northeastern India; and would also enhance flood control, for not only India, but also Bangladesh, which has a big flood problem, largely defined by the Brahmaputra flows.

So, these markets exist, and therefore, we want to say, “We must re-tool the economies. Get rid of the fluff. But maintain pensions, rebuild the health-care system, rebuild the educational system, build infrastructure.” Build infrastructure: That’s the easiest place to start expanding employment. Because, there’s always needed infrastructure—urban infrastructure, general infrastructure, reforestation, health-care systems, so forth. All this is needed. Never a waste of money. And, which contribute to the productive powers of labor, not only per capita, but for the population as a whole. It would be not too difficult, with what I know, to bring all of Western Europe, quickly, from its present state of poverty, of sliding into a bottomless pit of “cut, cut, cut,” into a period of resumed long-term growth, with a 25-year assurance of long-term growth. That we can do.

Therefore, we need minds of people, who say, “That is the mission. The world is greatly mismanaged. The economies are incompetently managed. The governments have been incompetent. And, now, we’re going to change it. We’re going to restore confidence, for a 25-year perspective, for expanding, developing the world, so we will leave the next generation in far better condition, than the one we have now.

“That’s our mission. And, therefore, we’ll sit on the case of Argentina, and every other case. And we will *make* those decisions. And, we will debate: ‘Are we going to do this? Or are we going to do that?’ And what we will settle upon, is what we can live with. And what we can live with, is what the next generation can live with—the whole world’s next generation can live with.”

So, then, we will say: “We, therefore, agree. We didn’t have detailed agreement all the way through, at the start of the conversation. We faced the problem. We had debates among contending groups of experts. We talked it out, again and again. We said: ‘What can we live with? What can they live with? What can the next generation live with?’ We’ve got to do it tomorrow! We’re going to do it!”

Now, what do we do next?

At that point, we have to be prepared to go to the politicians, and say: “Dear, friendly idiot: Here is what you guys have got to do. And, if you don’t do it, here’s what’s going to happen to you.” Now, naturally, screaming and yelling will emerge; banshee shrieks. People will change their sex, right before your eyes. But, you’ve got to respond to it; you’ve got to box them in! You’re dealing with people, who say, “I don’t

go there.” “There is no truth.” “It’s only a matter of opinion.” This is the kind of idiocy, you’re going to face.

“Well, whatever your opinion is, buddy, you either do this, *or this country’s dead!* So, you’d better change your opinion!”

And, you have to present them the hard facts—box them in, no matter how much they scream and yell—box them in! “You want to govern this nation? You want to decide how to govern this nation and relations with other states? *Then get with the game, or get out of it!* Because, if you don’t go for this, we’re going to denounce you, publicly, over what the effects will be, of not doing what you have to do.

“The games are over. Your pet projects are over. We’re now at a point, where the human race has to decide to survive. And, you—buddy—learn the lesson, now. Just assume you don’t know anything, and you’re learning, as of today. You have to complete the lesson, before the end of the day, because you’re going to go in and *vote for it*. You’re going to have to make the legislation. You’re going to tell the professional bureaucracy what to do. And, they’re going to do it! You’re going to go to the bankers, and tell them to straighten out! ‘We don’t want any banker, who disagrees with Herrhausen.’” Just go back to Herrhausen: That’s the last banker in Germany that understood anything. Start from there: what he recommended for Eastern Europe, before he was assassinated. That’s where you start from.

So, therefore, we have to start, first, with the circles of people who are capable of understanding, and discussing these matters, and deliberating on them, in a responsible way. But, these groups of people do not have the authority to make the changes. They have the moral authority to lead, but they don’t have the authority to make the changes. The authority lies with governments and other important institutions of society. So, therefore, the experts have to immediately educate the decision-makers. And, the best of the decision-makers and the experts, together, have to rally the institutions of the populations, to support these things.

Mobilize, As If For War

It’s very much like conducting a war. (There used to be wars, you know; there could be again.) In war, how do you get a people to fight a war? Well, first of all, you take ’em back about 50 years, or so, when they could still do that. Now, they just say, “I don’t go there.” “I’m a soldier. But I don’t go to the Balkans.” (You can imagine a German soldier, these days, on the German budget. They say, “You have to go to the Balkans. You’re our German force in the Balkans. But you don’t have any uniform; you don’t have any money. Just get down there.” The guy has to go in as a nudist. He infiltrates an Albanian nudist camp, and steals some clothes and weapons, and then deploys!)

But, that’s not the way wars were fought and won, in the past! Wars were fought, first of all, because a people, who didn’t like to die, believed that it was necessary for them to

put themselves at risk, in order to save the nation, and to save the conditions of their nation and humanity for the next generation, and that beyond. And, therefore, they would willingly—with fear, with trepidation, with great reluctance—but would willingly do what they thought was necessary for them to do.

Now, the same thing is true, the moral equivalent of going to war, is what we face now. We have to take this population, just the same way that people were drafted in 1940–41 in the United States, out of all kinds of conditions, and we say, “We’re going to war. We’re going to war against chaos. We’re going to war against depression. We’re going to war against misery, and stupidity. Because, if we don’t win this war, there’s not going to be a next generation, at least not one in fit condition to live.” And, therefore, we have to put ourselves on the line, for the coming generation. And we have to find, in ourselves—to do that, to fight that kind of fight, either a war, or the kind of fight we have now to make, under very difficult conditions of world depression, which is already here. We have to mobilize in people, a sense which is a much higher sense of personal morality, than exists in populations today.

The Moral Issue

Now, I mean by this personal morality problem: People who lack personal morality, are people who talk about “my interests,” “my family interests,” “my personal interests,” “my career,” “my community,” “my particular trade union,” “my particular industry,” “my city.” “My, my, my.” “Mine, mine, mine.” They think about it, in terms of the next few years, at most. If they’re a banker, they think in the next few minutes. They don’t think about the future! Gratification in the here and now, is everything. Pleasure and pain, in the here and now. Protecting one’s illusions, in the here and now. “I don’t want to know what’s going to happen next year! I want to feel good, now.” The entertainment society: It’s not a work society any more, it’s an entertainment society.

In order to get a population mobilized to defend itself, you have to evoke in them a sense, that there’s something more important about their life, than their personal experience in the next few minutes. Or, their immediate surroundings. Or, their personal prejudices, or tastes, or preferences. They have to think of themselves as a part of humanity. They have to think of themselves as sharing the gifts of ideas, of knowledge, of culture, which have been transmitted to them over previous generations; which persons, though now deceased, have given to them: The great scientific discoverers, of centuries earlier; all the great artists of centuries earlier; have given to us—now that they are deceased—they have given to us, through transmission to us of the great gifts of culture, on which our powers of society depend, per capita and as an individual in society. We are going to die, all of us. We don’t take it with us—not our mortal selves. What we take with us, is what we give to humanity, that

comes after us. It's the meaning of our life. What do we give to humanity? What is our sense of saying, "We have lived"? without blushing in shame; without saying, "My life was nothing. All of this was just my pleasure. All of this was my pleasure-seeking—my personal gratification from moment to moment."

"What does my life mean? I'm about to die. What does it mean? *What did the whole life mean?*"

Well, the time to start thinking about that, is long before you die. The first objective, is to acquire as much as you can, of the gifts of humanity to you, especially in terms of ideas, culture, opportunity. The second thing, is to develop yourself as much as possible, to make a *similar* contribution, at least, in the transmission of that culture to future generations. And, that's the least you do.

When you say, "I'm that kind of person," then you have made the transition, from being merely a mass of people, to becoming a true citizen, of a true republic. As a citizen, you live for the society, for all time. You bring new meaning, and added benefits of outcome of the lives of those who have gone before you. You take their gifts. You build upon their sacrifice, upon their contributions; and you change the outcome of what they gave you, by making it successful. More successful. You add something to that. You give it to those who come after you. And, you are happy, because you sense that you have lived, inside you, like the figures I've often referred to, in the *School of Athens* of Raphael—the mural in the Vatican library. All of these people: They all live in a different time, they're not contemporaries. Some of them are, some are not. They're different people. They all represent, from the standpoint of the Classics, they represent ideas. Each person represents a contention about an idea. The works of each of these, as a painter or philosopher, can be re-enacted in modern times. Each of those figures you see portrayed by Raphael, in the *School of Athens*, was a living person, whose work is known, whose discoveries and arguments you can re-experience in yourself. You know the name. You have a picture. You know the circumstances (if you have a decent education)—they live inside you! They live inside your memory! Not as pictures; not as images. They live as the process of generating ideas. *It's their ideas, that live in you.* The struggle among ideas, among them, lives within you! That is what you have inside you, in your memory. All these great contributions: They're living there—like people, like your conscience, inside you. You don't obey them, but you respect them. And, you don't do anything *shameful* in front of them, in your own memory. That's conscience.

You look to the future. And, you imagine the faces of those who are going to come after you. And, you think what the future must think of you. And, what are you going to give to the future. Are you going to create a future, that will *enhance* the outcome of your having lived? Can you make a contribution, and ensure that future generations will take

your contribution, and build upon it, to do something more than you've ever achieved?

I mean, people used to have these ideas, you know. People, for example, immigrants in the United States, would come, for example, from Europe: The first generation would struggle greatly. It was difficult. It was painful. They'd sacrifice. They'd raise a family. And, their objective was, that that family would have a better chance, than they had. And, they would think about their grandchildren, the next generation after that: That generation would be professional, would be skilled, would be a solid citizen of the country they were living in, would make an important contribution. And in a simple way, these people, who came to the United States, as immigrants, would think like that. They'd work like that. They'd live like that. They'd say, "*Something better is going to come out of my having lived*, and what I'm doing now. I don't know what it will be, but I know it will be good. And, I'll see it coming, in a dream."

A Sense of Mission

That's what we have to mobilize, in the population. You start from—as I said, you start from the crisis. You go from the crisis, as discussed among the experts you bring together, who are *willing to face the problem of the decision*, as the case of Argentina, now, confronts us. Or the case of Poland, really. Or the case of Turkey—same thing.

Then, you have to win over the institutions, which must make these decisions, to suddenly become sensible, when these institutions, right now, are not very sane. Just look at any parliamentary procedure—look at Jospin in France. It's a tragedy! Then you say, "Well, that's a terrible tragedy, to have such a Prime Minister." Then you look at the President: "Oh, my God! Another tragedy!" Then, you look at most of the ruling class there—same thing. You look at almost any country. You look at most of the parliaments. You look at the politicians. You look at the publications! The leading newspapers, the television! Look at how people spend their time, with their entertainment, their reading, their discussion, their behavior. It's frightening! This is decadence! In the extreme! So, we have this decadence: We have the decadence among the politicians. They have to be frightened into suddenly becoming sane, and guided—held by the hand. A strict teacher is going to have to teach them. We're going to have to mobilize the population and its institutions, at the same time.

But, we're going to have to—as an end result—give a sense of *mission* to that population and to those institutions: a sense of *mission* of what we're going to accomplish; what the end result will be; what the next generation's judgment will be, of what we've done for them, on a planetary basis, and in each nation.

With that sense of mission, all the other things will tend to follow. And, we've got to do that. *We have to do that.*

Otherwise: "Look, Ma, no world." We have a terrible problem.



President Franklin D. Roosevelt (left) told an apoplectic British Prime Minister Winston Churchill, in 1942, that once the war was over, the United States was going to take down the colonial system, and develop the former colonies with large-scale infrastructure projects.

Origins of the Current Crisis

Now, let me just indicate how we got here. We'll take it in two steps. We take the first step, is the general period since 1945. As the end of the war approached, Roosevelt was committed to eliminating all vestiges of colonialism from this planet, and eradicating free trade. This, he said to Churchill, in 1942, and otherwise. He said: "Winston!" and Winston was glowering. And, at Casablanca, Winston brought along this guy, Louis Mountbatten—Lord Louis. And, Roosevelt came into the room, and there's Winston and Mountbatten standing there, and he said: "Winston, I know why you brought that bastard" (Roosevelt was a very insightful fellow). He said: "We're not going to do it any more, Winston. And, when the war ends, we're going to take down the Portuguese, the Dutch, the English, and the French colonial systems and their vestiges. We're going to give these people, whom you brutalized, a chance to have their own countries, and a chance to develop their own countries, including—. Listen, I'll show you, Winston, what we're going to do in Africa." And, he put up these charts, showing the large-scale infrastructure projects, intended for Africa. And, Roosevelt—it wasn't Keynes, it was Roosevelt—designed the postwar Bretton Woods system, in its first form, at Bretton Woods.

Then Roosevelt died, before the end of the war. And, the successors of Roosevelt, couldn't wait until his body was cold, to tear up many of the things he decided to do. Among these (you notice, immediately), was that British, Dutch, and other troops—including Japanese troops!—were sent in to re-colonize the areas, which Roosevelt had described would

be freed. And they did it in a bloody way: the Dutch and the British, with U.S. backing in Indonesia, and so forth and so on.

And, then they also, in order to prevent Eurasia from being organized, the British and their friends, organized what became known as the Cold War, *to divide Eurasia against itself*, as a geopolitical strategy for controlling Eurasia. You see, people in Eurasia do not conduct wars against each other. People in Eurasia are treated like puppets on strings. And the puppet-master, the Anglo-American puppet-master, pulls the strings, and has the various people or the various nations, make war against each other. And, then, as Henry Kissinger expresses it, they come in with "conflict management." Which is what the Roman Empire did. The way it controlled the subject peoples, the way the empires of Mesopotamia, in their time, controlled subject peoples: How does a small oligarchy control a large mass of people? You divide the people against themselves, put them at each other's throat, and then come in as a manager, as an arbiter, between them. You play one against the other.

It's what they're doing in the Middle East now, with this crazy thing from Israel. This is not a Palestinian-Israeli conflict: This is a puppet conflict! Orchestrated by Anglo-American interests, who, for geopolitical reasons, stated by Brzezinski, are determined to have a "Clash of Civilizations" war, throughout the southern strip of Eurasia, in order to break up Eurasia—to destroy it—so they can manage the world for their globalized system.

That's why nobody can stop the war, unless we do it, the way we're trying to do it, now. Can't be stopped. And, it will

not be a war. It will not be a war: It will be a religious war, which is what they *intend* it should be. Why should any idiot want to send a mob of Protestant fundamentalists from the United States, up to take the Dome of the Rock, and ravage it, and establish a Temple on the Dome of the Rock? They're starting religious warfare! Why? Because they want to start religious warfare! You take all the divisions of Islam, and all the other religious issues of the southern strip of Asia and Central Asia; you start an attack on Islam of that type, a travesty of that type, you will set into motion a *chain reaction* of bloodletting, worse than what happened in Europe, in the period 1618-1648 with the Thirty Years War. Which was intentional!

The Thirty Years War was not something between Protestants and Catholics in Germany: It was something orchestrated by Venice, in an operation, which had initially been planned by Paolo Sarpi. Which had been delayed, for a while. It was a pattern of religious war in Europe, which went from 1511 to 1648. Which almost destroyed Europe, which was created in Europe. The Europe of the Renaissance was devastated, in the main, by religious war, directed by Venice, which began in 1511, under Venetian direction, and continued until 1648. We got out of it, with the Treaty of Westphalia.

Now, we should have learned the lesson, and never again allow religious war to arise on this planet. Because the consequence is, to plunge the planet into a virtual dark age, plunge humanity backwards.

Anyway, that's what the problems are. So, that was what happened to us. But, under those conditions, we had from 1945 to about 1963-1964, in the relations among the United States, the Americas generally, Western Europe, Japan, there was a general improvement in the average conditions of life of the people; a general improvement in the economy; a general growth, postwar rebuilding, and so forth. Similarly, at the same time, in the Soviet Union, there was a significant amount of reconstruction, which continued, also, in the same period, to about the middle of the 1960s, under the Soviet system, in a different way. So, that, overall, say, if you go back to the period from 1945 to 1963-64, there was a general period of *net* progress, under terrible conditions, admittedly, but in these parts of the world.

An Accelerating Decline

In the middle of the 1960s, a change occurred. You take the entire period, from about 1966-67 to the present time, there has been a period, generally, of an *accelerating rate of decline of the conditions of life, worldwide*: in the United States, in the Americas, in Western Europe, and in the former Soviet Union and Comecon. The actual physical conditions of life—life expectancy, health care, nutrition, so forth—all of these conditions of life are worsening. Poland is in a worse state today, by far, than it was in 1989. You had an initial government of Poland, in that period, the Solidarnosc leader-

ship, which wanted to reconstruct Poland, immediately; very sensible objectives. But, then, the pressure came in from the Anglo-Americans, and Poland was stripped down. The Mont Pelerin Society came in, with its ideas, the Thatcherite ideas—stripped it down. East Germany? Yes, in parts of East Germany, after the Wall came down, certain things were improvements. *But*: The agro-industrial potential of the area of East Germany was ruined! Much of the infrastructure that was built up, in the postwar period, was actually infrastructure that was built up on a credit system, which turned a mountain of debt, into an enlarged mountain of debt, for speculators. The kind of debt speculation, which you see, for example, in Germany today, in Berlin, in the collapse of the Berlin Bankgesellschaft, which is the result of private speculators *looting* the government, indirectly, and the people, through real estate speculation. And living on it—whole party functions, party functionaries, getting into power, through this kind of grab.

And, this is the situation throughout Europe. The situation in the former Soviet Union is the same thing: Looted! Looted! Looted!

Or, take South and Central America: Look below the borders. Go back to 1988, the beginning of 1989. Look at the map of Central and South America: How many of the nations, designated then, on this map, were then independent, functioning nations? That is, with governments which actually had some authority, with institutions which were stable, and with some of the capabilities for economic growth? Well, what happened to Central America? Central America was destroyed. What happened in Colombia? Colombia's essentially destroyed. Venezuela's about to be destroyed. Ecuador doesn't really exist any more: Its sovereignty was dollarized out of existence. Peru was just crushed by a coup, imposed from the United States—a real, fascist style of coup. Argentina's being destroyed; Chile's being destroyed; Bolivia, Paraguay, Uruguay. Brazil is largely carved up, and threatened with destruction. This whole area, that used to be an area of proud nation-states, admittedly, with afflictions, but proud nation-states, that don't *exist* any more. Or, they're hanging by their nails, on the edge of a cliff.

Look at Africa: Africa was in terrible condition. What's its condition now? Genocide! Beyond belief! And, it's raging on! Predators, like the older George Bush, with Barrick Gold in Congo—mass murder, with private armies, to loot the raw materials of the region!

Look what's happened in Europe, Western Europe: economies that were once strong. Take the number of industries—think back, 1988—think of the best, leading high-tech industries of Germany: What has happened to them? How many disappeared? How many still exist, but are gutted? Think of the German banks, in 1988, even into late 1989, including Deutsche Bank, which were functioning, real banks, with real capabilities, real powers, and real policies. What happened? They're gone. They're shells, con-

trolled by wild-eyed speculators, and young people, who don't even know what money is.

Look in the United States: a similar kind of process. Look at the destruction of the health-care system, in each of these countries. Notably, compare Germany and the United States, which are quite comparable. Same thing. Destruction.

Look at education: Is there going to be a next generation of Germans? What's coming out of the school systems of Germany, today? What's happening to that generation? Are they going to be capable of handling the country? Enraged people? Is this country going to survive?

So, over the period since 1964-66, there was an overall change from the system, which, with all its imperfections, worked. There was still *net progress*. And, the problem was to remove the problems, *within* a system which had net progress. From that point on, we've gone to a system, overall, globally, of degeneration, decadence. We're now at the point, that the world, as presently organized, with its present population, is not capable of continuing to exist, with the present trends. The system is collapsing; it's disintegrating.

We've also had, at the same time, a disintegration morally and intellectually, of the generations and institutions, who have participated in this degeneration. We have a moral and intellectual degeneration of the populations themselves. People born after 1945, who were educated between 1945 and 1965, for example, in the United States, are morally inferior to the preceding generation; morally and intellectually inferior to the preceding generation. *Their* children, the children of those born in the late 1960s, and on, *their* intellectual and moral capability is *inferior*—the so-called Generation Xers—inferior to those of their parents. Their capability of living, is less. They're not capable of the kind of productive employment that their parents' generation was capable of. They don't even know it exists, any more. People think in terms of money.

Economics Is Not 'Money'

Now, let me get to this thing I said I was going to get to: The characteristic insanity, in all of this, is money. Money and pleasure. Money and pleasure. These are the markers of moral degeneration. The reality is, that money is not, in itself, intrinsically important. Look, a government can cancel money! Money is about to cancel itself, in a number of parts of the world. It cancelled itself in Germany, in 1923. And that can happen again. You don't have to dive into the euro, to kill the deutschemark. It could kill itself, under present conditions. So, money can evaporate. Banks can evaporate. Financial accounts can evaporate.

So, therefore, the competent person, especially the politician, does not think in terms of money, or finances. They think of money and finances as *instruments of government*; not as *the authority over government*, but as the *instruments of government*. *Any sovereign nation-state has the intrinsic moral authority to create a currency. And only a sovereign nation-state has that moral authority.* A state has the moral

authority to *eliminate* a currency, to *cancel* it; because the function of a currency, is to enable society to function. So, a currency is created to enable society to function.

Now, what is the function, that society must perform? What is the economic function, society must perform? Well, the essential thing is, society must develop mankind's relationship to nature. Such things as producing food, for example; transforming the desert into a habitable area, in which food can be grown. Infrastructure, to enable us to use land-areas, so people can feed themselves. The development of technology; the development of industries; the development of mineral technology. All these kinds of things, which are necessary—to do what? To increase man's power over nature. In what sense? By what standards? Well, per-capita power. Take, for example, life expectancy. Take child mortality rates; decrease child mortality rates, number one. Increase life expectancy. Prevent crippling diseases, or minimize them; recovery from diseases. A population, for example, which has a life expectancy of about 40 years of age, can not be a modern society. How can you educate a child for 25 years of life, to become a professional person, if the average member of society doesn't live beyond the age of 40? How are the children going to be maintained?

So, therefore, increasing life expectancy, decreasing child mortality—because that's an investment; every child is an investment. It's an investment of the parents, in creating the child. It's an investment in raising the child. It represents, in a sense, a sacrifice. It represents a cost—a real, human cost—to produce that child and educate him. If the child dies, society has a loss! A loss of a potentially valuable individual, which it *cost to produce!* That's why the great tragedy is the death of children: the life that could have been, which it cost so much to create, in which so much hope was bestowed. *Taken away!*

So, this is the thing. How do we do this? Well, we do this, in two general ways: First of all, we make discoveries in scientific principle, in which mankind's intellectual power over nature is increased. And, this is expressed in things like technology. Or, the ability to control forces of nature.

It's also expressed in culture, in a general way, because mankind is a creature of ideas, which no animal is. No animal has ideas; they have impulses; they can be happy, or unhappy. But, they don't have ideas. Every dog does what a dog does before it. A dog is a dog, is a dog, is a dog. And, sometimes, we say, a politician is a politician, is a politician, is a politician!

But, human beings are faced with challenges, make discoveries of principle, are able to prove these discoveries experimentally. They pass on the transmission of this discovery to someone else, to re-enact it. These discoveries are then shared, within society. Society is able to cooperate around these discoveries, for joint action, for common purposes, and to adopt purposes which coincide with these discoveries. But, also, to do this, you must have a certain kind of social relationship: a social relationship, which is based on *ideas*, not words, not so-called information. Because the most important thing



Helga Zepp-LaRouche (right) talks with participants at the Oberwesel conference.

about a human being, is, they are a human being, not a dog; not a cat; not a mouse, not a worm. (Some politicians may qualify as worms, but that's a different story.) The essential thing about a human being, is the ability to transmit those kinds of things, which correspond to humanity, rather than bestiality. Those transmissions, are ideas: Ideas as typified by scientific discoveries.

The Lessons of Classical Tragedy

And, the use of great art, like Classical art, as a way of enabling a society to understand itself, or great Classical tragedy. What is that? A society is doomed. Well, many societies have been doomed. Practically every society that ever existed, has been doomed. It's collapsed. Why did it collapse? Isn't that an important question? Here you are, you're investing in trying to build a society, and all these societies—people say, "Wellll! These societies before you, collapsed! Why d'you worry so much about it? Ours'll collapse, too! They *all* collapse! You know! They all collapse!" It's like the new car you bought yesterday: It's going to collapse tomorrow. It's this new-fangled type, you know, to stimulate demand.

Well, what do you learn from tragedy? In a Classical tragedy, like the Classical Greek tragedies, what's presented to you, contrary to what's taught in some schools about tragedy, is not the flaw of the individual personality. It's not a character flaw. What is demonstrated to you, as in the case of Hamlet, the famous Shakespeare *Hamlet*: Hamlet was not a person of flawed moral character. He was a person who

represented, like most of the other characters in the play, the *society which had doomed itself!* And, every case of Classical tragedy, presents a case—an historically specific case, or an idealized case—of a society which doomed itself. And it selected leaders, *whose opinions were consistent with the flaw in the character of the society.* And, Hamlet was just that. Hamlet was consistent. Remember the last scene in *Hamlet*: You have Hamlet's corpse being carried off-stage. And, you have Fortinbras, this crazy Norwegian; they just have about destroyed Denmark, and are about to destroy the rest of the world, with all these crazy killings. Throughout the entire drama, remember? "to smite the sledded Pollacks on the ice," in *Hamlet*, all this killing is being done. Killing, murder, and so forth. A real disgusting kind of society, portrayed by Shakespeare in great detail, and great refinement. And Hamlet is a perfect expression—you have these British directors, they'll take *Hamlet*: "He cawn't make up hith own mind. He mutht be one of thothe kindth of people"; like a Laurence Olivier portrayal of Hamlet. Disgusting.

What is Hamlet? Hamlet is a swashbuckling swordsman. He hears a rustling behind the curtain—he throws the sword behind it and kills the guy, without even finding out who it is! He comes back constantly from battles, and he talks about the number of people he killed! He's typical of his culture! And, he goes down in the slaughter, of his culture.

And, then, you have the final scene, with Horatio and Fortinbras. And, Fortinbras is a—"CHARGE!! We're going to do it again!" And, Horatio, in an aside to the audience, says, "Let us re-enact these events, while they're fresh in mind,

before mischance, by plots occur.” In other words: Change the society.

And—Helga [Zepp-LaRouche] will probably deal with this—the principle of the Sublime, the *Erhabene*, which Schiller brings out. In the greatest form of tragedy, it’s no longer tragedy. In tragedy, the audience learns by watching this (if it’s well done); learns that, here’s something, how a society destroyed itself, and to develop an insight into how to prevent that from happening, the way Horatio puts it, in the last scene in *Hamlet*: “Let us re-enact these events in our mind, lest more errors, by plots and mischance, occur.” Re-think! The same thing is true in all great art. All great Classical art has this characteristic.

But the best, the Sublime: The real, historical case is Jeanne d’Arc, who is a true case of the Sublime. There’s an element of the play, which is a change by Schiller, but it’s for dramatic purposes, and legitimate ones. Otherwise, it is historically specific to the actual events which occurred. A peasant girl, devoted to making a fool, her King, a real King. And, she’s clear on this. She goes to this King, and says: “You are going to become a King! I’m not taking orders from you. I’m giving you orders from God! You’re going to become a King; and you’re going to save France.” And, she did! And, died in the process. Died horribly, in the process—in reality! as well as in the play.

But, what she did: She made possible the first modern nation-state, that of Louis XI’s France, and made possible the succession of that in England of Henry VII, getting rid of Richard III. The effect, already, in 1430, in the period of the Councils, the meeting of the Councils, the effect of her case on the Councils, stimulated the discussion, which actually brought into being, the Renaissance in Italy, and the general Renaissance. So, this *peasant girl*, inspired peasant girl, adopts a mission, for society; does *everything*, for that mission, with one little vacillation (which was actually this question of men’s clothes), *changed history!* Made the modern nation-state possible. And *eliminated*, by that act, the worst of history, which had come from the accession of Henry II through Richard III, in case of the Dark Ages before. Began modern civilization! Can you say, that this woman’s death is a tragedy? That her life is a tragedy, of error? No! She actually made modern history, one of its best periods.

So, the function of tragedy, is shown best as in the case of Schiller’s treatment of the Sublime; Helga will deal with that—leave it up to her.

But, it’s made clear to us, by these cases of the Sublime, which is what Plato criticized in Classical Greek tragedy, on the basis of it. That, Plato gives you, with the Socratic dialogues, an example of the Sublime: that every dialogue, leads, not to a tragedy, but leads to *overcoming* a potential tragedy, to arrive at a solution; and, very simply, the first thing in the *Phaedon* is the perfect example of this, but, also, things like the *Meno*. The *Meno*’s a perfect example of this principle of the Sublime. The slave-boy is able to re-enact the scientific

discovery. So, that, in every case, of a Plato dialogue, there’s a great success for humanity; it comes out of seeing what could potentially be a failure and a tragic situation. The tragedy is overcome. So, the most important thing about that, is the revolution which had occurred in religion and art, and an understanding of history, where humanity has *learned, how to have insight into humanity, in order to rise to higher levels than before*, and to avoid the kinds of mistakes, which have led to tragic consequences for humanity in the past.

Isn’t it a terrible thing, to see a society die by its own hand? To see the great suffering, and misery, of a society, dying by its own hand?

The Discovery and Use of Ideas

All right, so, on this issue then, if we include the idea of Classical artistic conceptions, insight into the relationship of human being to human being; correlate that with the significance of scientific discoveries, the discovery of scientific principles, *and cooperation to solve the problems of mankind in life*, through that; then, an economy is, what? *An economy is, the cooperation among human beings, around the discovery and use of ideas, to solve mankind’s problems.* To illustrate that: The state does, what? What should the state do? The state should start from a generation: That is, today, we mean a generation, biologically, 25 years—that is, from the time that a child is born, until the child has reached *physical intellectual maturity*; that is, where the biological processes of maturation are complete. And, it is our desire, of course, today, to have every child educated through the age of 25, to the equivalent of a professional education, of the Classical humanist quality. To realize, as much as possible, the potential of every child.

Now, this means, that we have to be able to support the child in that development, provide that quality of education, and support; which means we have to increase our productivity, to do that. We must organize our efforts, to invest in those things which will bring about that consequence. Now, how do we invest? Well, society creates credit, and a currency. And society plans for 25 years ahead—at least a generation—on certain things that will be done during the current 25 years, which bring society to a higher level 25 years hence.

Now, that’s not only a biological condition of the individual human being, it’s also the fact that, to build and maintain, and to begin to pay for, infrastructural projects, like large water-management systems—. Let’s take the Middle East—water management. You have to think in terms of 25 years. Because, what you will have to do, you will have to invest in developing, over 25 years, before it begins to, so to speak, pay for itself. A large mass-transportation system—a real one, a modern rail system, with magnetic levitation—it’s a 25-year investment, just to recycle the period from the investment, until the time it’s a self-sustaining investment. Large-scale investments in technologies: You have to train the labor force; you have to invest in equipment; you have to build the



Bruce Director (second from left), with attendees at the Oberwesel workshop, uses a model to tackle the problem of Kepler's determination of the orbit of Mars.

machinery, and develop the machinery. Even developing a good, new product, an industrial product—any particular product—may take five to seven years. From the time that you decide you're going to make the product, until the time you have all the tools in place, the parts, and the flow, and you're able to live with that product, as a mass-production product, may take five to seven years, typically. Or, a garment—to produce a new garment, may take two to three years. Just a new type, a new style, may take two to three years. To produce a new automobile, may take ten years, to produce something of quality; from the time that you start to plan the thing, until you actually can begin to mass-produce a finished model, may take ten years, or longer.

So, therefore, in order to improve the society, you have to think in terms of the development of the population; you have to think in terms of the investment in infrastructure; you have to think in terms of the investment in the development of agriculture and developing industry. And, these take time. Therefore, what does society do? We're not going to benefit from water management, today? It'll take us a few years, before we benefit? Fine. How do we pay for it? Society has to advance credit. The state collects taxes. The state uses credit to build infrastructure. The state assists private industries, in getting credit, for long-term investments, in various ways. The state creates a currency; the state creates banking systems, public banking systems and private ones. And, creates them for the purposes of creating credit.

So, therefore, again, we're back to *mission*. The function of the state, is to enable society to adopt a *mission*, which is

generally 25 years ahead, a generation ahead, which is your horizon, at least. You adopt that *mission*, and then, you provide the organization, by society, of the means to carry out that mission. So, it's like a war.

The main thing we have to accomplish, strategically, in all the things we do now, is, to essentially define a mission for mankind, which ultimately is a mission which should be adopted by every person, in society. And, we should aspire that each should adopt that personal mission; that their sense, of their participation, in that mission.

Eurasia: A Great Opportunity

And, we have some things that are to our advantage. And, the great advantage is in Eurasia, which is the pivot of all possibility of Europe's surviving this presently onrushing, great depression. And it's more than a depression: It's a breakdown crisis. It's not a depression; it's not a cyclical depression. This is a breakdown of the entire economic system of the planet. And, under the present political system, the entire system will disintegrate; the entire physical economy will disintegrate. *Nothing!* We've gone too low. We can not bounce back; it is not capable of self-recovery. We have to change the system, and it could recover.

Now, for that purpose, our great advantage is Eurasia. Eurasia has a peculiarity, of being—on the one hand, it includes European civilization's development, modern European civilization, which has certain special features, which are very important for this kind of mission. It also, through the mediation, especially with Russia, which is a Eurasian

nation: That is, it's a nation of essentially European culture, but it has a very strong interface, with Central, South, and East Asia. By its very history, it's a Eurasian nation. Therefore, Russia defines a surface—as, in some degree, the Balkans—a point of intersection between *European* civilization and *non-European* civilization: China, India, Southeast Asia, and so forth. Now, this is the great area of interface, between two great parts of the world population. It's the largest single land-mass on this planet. It has the greatest concentration of natural resources, of any part of this planet, *most of which are untapped*. The greatest area of undeveloped area untapped, outside of South America.

Africa is a long way behind, in reaching that point. In there, you have a corner of the Middle East, which pivots on Egypt, because Egypt is an old culture, and is the pivot to Africa. Every time we go at this issue of Africa, we always come back to Egypt. If you want to develop Africa, you must focus on Egypt. Egypt is the gateway to Africa. More than a physical gateway, it's also an intellectual gateway to Africa. Because of the history of Africa. Therefore, the Middle East comes in, as Egypt's relationship to the Middle East. And the lack of stability in the Middle East, and the lack of stability in the Balkans become the two great flanking threats, to Eurasia and to European civilization. The soft underbelly of Europe, the Balkans, which is constantly being destabilized,

is a great *weakening* of all of European civilization. It is complementary to the destabilization of the Middle East, which is also a pivotal flank of all Eurasian civilization. And, that's where the enemy is attacking now. The enemy is attacking in the Balkans; he's attacking in the Middle East—the British enemy, or the British Anglo-American enemy.

Attacking the Balkans: What did they do? 1989: In order to destroy the possibility of Eurasian cooperation, coming out of the dissolution of the Comecon, they started the attack on Iraq—the war. Mrs. Thatcher said, “George! You're going to do it!” He said, “What, Mrs. Thatcher?” “You're going to do it, George!” (He's not a very intelligent man, but a nasty one.) And, so they went about, and they had the Desert Storm war. And, when they finished that (or, didn't finish it, they just shut it down a bit), then they went, and they started a war in the Balkans! An Anglo-French operation, starting a war in the Balkans; a series of wars. And, they have gone on since! The attack on Iraq, was on, and continues to this day! The Middle East destabilization continues to this day! The attack on the Balkans is escalating, right now, with the Albanian thing. Run by a United States special warfare division—typical operation.

This is where our future lies, on these issues. But, the possibility is, when you take the development of the Eurasian Land-Bridge, as we defined it, and look what's happened, since we defined it. Look at the agreements that have been reached, especially, first of all, the attempt under Primakov, as Prime Minister of Russia; and, then, later, under Putin, as President of Russia: The agreements that have been reached, among the nations of Asia and Russia; look at the fact, that there's no possibility of Western Europe surviving, without the great markets, which are represented by the Eurasian Land-Bridge.

Typical is the case of the German Magnetschwebbahn [magnetically levitated rail system]. A short time ago, the Magnetbahn was dead in Germany, killed by its parents. It survived, only because China decided, in Shanghai, to proceed with it there. It's now alive. It's being extended. That typifies the situation, that, every possibility of any significance, for reviving the economies of Western Europe today, depends upon following that same pathway, of developing long-term infrastructure and related projects, together with countries in Asia, the great population center of the planet. And, tapping into, through large infrastructure projects, the greatest undeveloped resource, proximate to us in Europe: Which is North and Central Asia. A great desert area, *rich* in raw materials, *ripe* for development, *but you can not develop it, without the infrastructure*. Economic development is impossible, without infrastructure.

So, therefore, *saving Europe*, Western Europe, in particular, *means that you must have the Eurasia Land-Bridge*. Because, it's not sufficient to have a correct economic policy, a correct financial policy, to replace this one. You must have a mission, which is actually going to bring about, or enable you

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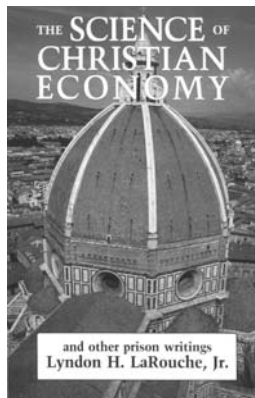
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A demonstration at Frankfurt Airport, February 2000, calling on Germany to build the Transrapid maglev system (right). The project was killed in Germany, only to be revived when the Chinese government decided to import German technology to build a maglev system in Shanghai. Such cooperation with Eurasia is the only way for Germany to get out of its economic crisis.

to bring about, the kind of growth, which you need to rebuild these shattered economies in Western Europe.

The United States, which has become a parasite nation — we don't produce much any more. Everything that's called "Made in the U.S.," is usually made in some cheap-labor market, elsewhere. Ask the American workers, where they produce this. They'll say, "We don't produce it. We just buy it." So, the world has been supporting the United States. Because, we and the British were top dogs. The United States, the United Kingdom, Canada, Australia, and New Zealand: They run the world! They loot the world! Everybody pays them. Everybody drops their currency to a lower price. Everybody contributes money. Money flows into the United States, to support a *bankrupt* U.S. market. So, the U.S., like ancient Rome in its death throes, is living on its ability to prey upon its friends, and victims. So, therefore, the United States, now: Its existence, now depends upon resuscitating those it has been sucking upon, especially for the past ten years.

So, therefore, the *vital interest* of the United States, is to have Europe's successful cooperation in the Eurasia Land-Bridge realized. In order to do that, we must have the mechanisms of credit created; financial reorganization; we must have conditionalities, of the type we had under the old Bretton Woods system — that is: fixed exchange rate, preferably a gold-reserve standard, to stabilize currencies; low-cost interest rates; 1-2% long-term, 25-year loans, and so forth. And, long-term agreements of that type, which are not *money* investments — as such they may be money investments, but they're largely the issue of purchase-credit from countries which will export to countries which will import, on the basis

of long-term agreements, under an overlapping nest of 25-year agreements, among governments. In other words, even if private industry does it, the governments have to negotiate the treaties, under which these private agreements work.

It could work. What is being done with the Magnetschwebbahn between Germany and China, is only an example of the general pattern, which must be set.

So, in sum, that's what we have. We have a great crisis. A crisis has happened in its various stages — I could have gone back earlier, to earlier history, to how this whole thing began, but I didn't. We have a crisis, which most people who were born after 1945, really do not understand, including the top politicians. And which still-younger generations have no comprehension of. We have people, who are in the top-most positions, generally in government, and similar positions, today, who are people who were born after 1945. And, generally, as a generation, they are not capable, on their own, of understanding what this is all about.

So, therefore, those of us who are older and wiser, must work together to educate these dumb fellows we should have educated before, who are now in high positions of government, and other positions of authority. They must act, with us, to mobilize the population for a *mission*, and to get the population to understand the mission, the same way you mobilize the population for war. But, this is a war for peace. And we must continue that, a 25-year sense of mission. We must say, "Find our identity, in what we living, today, mean for the future of humanity, 25 years from now." That's our mission, and that should be our sense of identity.

Thank you.

LaRouche To Mexican Accountants: We Have Reason for Optimism

On Aug. 2, Lyndon H. LaRouche, Jr. gave the keynote address to a meeting sponsored in Mexico City by the National Institute of Public Accountants at the Service of the State (INCOPSE), the first conference of a series entitled "Currents of Economic Thought." Speaking from Frankfurt, Germany by interactive videoconference technology, LaRouche gave the opening presentation, and then entered into a wide-ranging dialogue with those present. The opening speech appeared in EIR, Aug. 17, 2001. We publish here the dialogue with LaRouche, slightly abridged and with the questions translated from Spanish.

The panel which opened up the dialogue with LaRouche included: Dr. Héctor Luna de la Vega, president of the National Executive Committee of INCOPSE; Dr. Francisco Javier Alejo, Minister of National Patrimony during the Luis Echeverría government (1970-76); Dr. Julio Zamora Bátiz, former ambassador and former national deputy; the distinguished economist Ricardo Carrillo Arronte; and Marivilia Carrasco, LaRouche's spokeswoman in Mexico.

Dr. Luna de la Vega began the proceedings and introduced LaRouche:

The National Institute of Public Accountants in the Service of the State, offers you a most cordial welcome.

At the end of the Second World War, the world was faced with the task of seeking two solutions, and it did so through two major avenues. One, identified as the political, held its first meeting in San Francisco, and later was transferred, as the United Nations Organization, to New York City. The other avenue, seeking monetary stability and a new credit scheme, which was advanced for its time, carried out the Bretton Woods meeting, and later transferred the headquarters of what it agreed upon—the International Monetary Fund and the World Bank—to Washington, D.C. . . .

In this regard, the National Institute of Public Accountants at the Service of the State begins this cycle today by announc-

ing that the next [seminar] will be broadcast from Washington, with a high-level representative of the International Monetary Fund, and later, we will do the same with a high-level representative of the World Bank. Thus, we will have the opportunity to come up with our own plan, make our own decisions, and obtain the greatest benefit for our country, Mexico.

Today, we will have the opportunity to hear one current of thought, perhaps one of the most controversial, because of its view of the system that developed after World War II. The measures for a probably necessary updating of the system that originated in the '40s, in a world today dominated by "globalization," have to go beyond issues of "-philes" and "-phobes," and instead we must determine what new international rules of the game are appropriate for us, in which Mexico, undoubtedly, would play a fundamental role, as it is already doing. . . .

Today, Tony Blair, the Prime Minister of England, arrived in Mexico. A moment ago, I was discussing with two well-known experts on international economic development, that Blair has been the standardbearer of a "Third Way." An apparent Third Way which is a balance between a radical free market and a centralized economy, also radical. However, we must not forget that he represents England's reality, and that it is a Third Way for England, rather than for all nations.

And so, we have met here, with the opportunity to shape our own program, to be able to continue contributing to our country what we can, to unleash its economic development, and to position it as a key actor in the international economy.

Welcome, Dr. Lyndon LaRouche. . . .

How a New Bretton Woods Would Work

Dr. Luna de la Vega: You referred to the fact that in 1945, when the Bretton Woods Agreement was made, until approximately 1965, over a period of 20 years, the model was exhausted. . . . Soon we will also hear the statements of those



Lyndon H. LaRouche, Jr. addresses the National Institute of Public Accountants at the Service of the State, by videoconference, on Aug. 2. The Mexico City conference was titled "New Alternatives in View of the End of Globalization."

who are still immersed in this model of the World Bank and the International Monetary Fund. I would like to ask you: What is your idea of the possibility of reconfiguring the Monetary Fund, and of a new credit system which, more than a World Bank, could take the form of national banks serving as the detonators of national growth. . . ? How do you propose these could sustain international monetary stability?

LaRouche: That is largely a political question. Because, if the world realizes how serious the problem is—and I think, at this point, the world is only *beginning* to realize what the situation is. Those of us, who are in a more advantageous position, *know* how bad the situation is. Until people see alternatives, they tend to deny reality. It's like the person faced with death from a disease: the tendency to deny the reality of that problem.

So, unless you give people optimism, they generally will not want to face reality, or they will simply go berserk and angry, because they don't see any future for themselves.

So, those two political factors are crucial. That people must see reality, but on the other hand, they will not see reality, unless they see positive alternatives to the present situation. And, therefore, as you see in the case of, say, O'Neill, the Treasury Secretary of the United States, a man who is clinging to *unreality*; the man is almost clinically insane. He's denying reality. Probably, Lindsey, the other adviser of Bush on economics, is a little more cold-blooded about it, but, denying reality. People denying reality.

As I say: First of all, they have to *face* reality. But, they're not likely to *face* reality, until they see a positive alternative to the crisis.

That's one of the characteristics of leaders: Great leaders

are those who give people the courage to face reality, because they give them the optimism to face reality. For example: The most famous remark, at the beginning of his term in office, of President Franklin Roosevelt, in the Depression, was, he said to the American people: "We have nothing to fear, as much as fear itself." And, therefore—I don't like to quote the Old Testament, at all—but, in Isaiah, there's a famous statement that "If the trumpet shall sound an uncertain note, who shall heed the call to battle?"

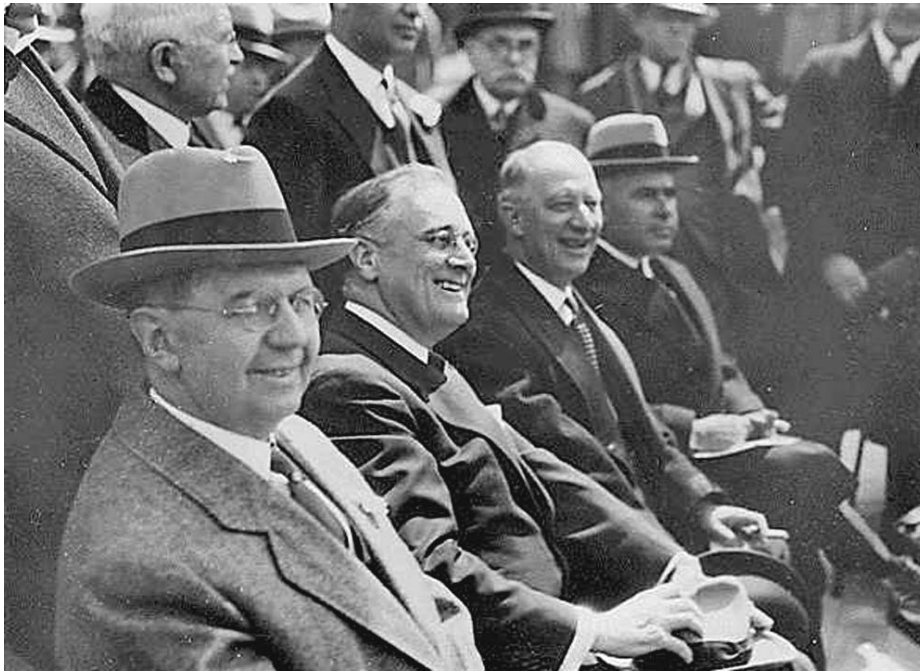
And that's the situation we're in. We need leadership; we're not getting it. We're getting some good signs of leadership, in Putin, for example, the President of Russia. He's noted by most people around the world, who are watching closely, as a man who is acting like a leader. A few other people around the world, are acting as leaders. In most

parts of the world, people who are in positions of leadership, are not acting as leaders! This is the problem that President Bush faces, in the United States. He is not able to act as a leader—at least, not yet.

And, therefore, when you don't have a leader, who is capable of saying, "This is problem, but here is the solution," then the people will tend to be frightened, and they will cling to illusions. Once the reality of this is seen, and, once the alternative to the ugly reality is also seen, from the voice of a concert of clear leaders, I think it will be not difficult to go back and show people, "Here's what happened under the old Bretton Woods system." Say, take the period from 1945 to 1958, which is the period of the most difficult recovery in the postwar reconstruction, and look at what we did, at how successful we really were, relative to the problem. And, people see that, and say, "Well, why can't we do that again?" We face a situation, which in certain terms, financially, is comparable to the situation in Europe and that other parts of the world faced at the end of the Second World War. If it worked then, why can't we do the same thing again?

So, on the question of the Bretton Woods system, my view has been: Though there are many kinds of systems I could conceive of, or designs, which would work for this, I have said: Since we're making a shocking new turn in world monetary affairs, we have to appeal to the best possible precedent for our current actions, so that people will have confidence in what we're proposing; they'll trust us, because they say, "They're doing something that we understand *did work*." So, let's do that again, and let's adjust what worked in the past, to the special circumstances we face today.

Under those circumstances, what we require is simply, a



“Great leaders are those who give people the courage to face reality,” said LaRouche, “because they give them the optimism to face reality.” Here, Franklin D. Roosevelt (second from left), who brought the American people successfully through the trials of Depression and war.

very simple conference. For example, one member of the Italian Senate has just proposed such a conference, among Europeans. Take such a conference, have a special committee of experts work with such a conference of international government officials, parliamentarians. Let these experts report to that parliamentary group immediately, on something like a Bretton Woods proposal. Let them explain to everyone what it is. Let them agree, among themselves, what the options are. Let’s recommend something today, which fits the same requirements that the Bretton Woods system fit then.

And take it back, and say, “This may not be perfect, but here’s a start.” That would mean: National Banking, in every country. The central banks are bankrupt—what do you do? When the central bank is bankrupt—that is, the private, chartered bank of a country—you create a National Bank, as Alexander Hamilton proposed. Mexico can make a National Bank. The idea of a National Bank is not a strange thing in Mexico! It is Mexico’s history—a National Bank. Put everything under bankruptcy reorganization! A special commission of government, to handle the internal effects of the bankruptcy. Special treaty arrangements among governments, to handle the international aspects of bankruptcy reorganization. Freeze what you can not reorganize, but keep the economies going. Create a National Banking system.

Now, by treaty agreement, among governments, create a new international replacement for the IMF; as a matter of fact, legally, the IMF is nothing but a creature of governments. It’s bankrupt, so therefore, let the governments take over responsibility for the IMF, and simply give it a new mandate, to operate under these terms.

Then, we can have agreement among countries, negotiate trade agreements, do the obvious thing first, and it will work.

In that sense, actually, the Bretton Woods system, with some insight into how it works, and some revision that would be fairly obvious, reinstated today, would work as a start, for the first year or two, of bringing the crisis under control and starting to build a new system. That would give us a year or two of—not leisure, but at least leeway—to begin to refine the system, and put the institutions into regularly functioning form.

So I don’t think the problem is as difficult as it seems. I think that the problem is, one, people don’t see how you would get governments and institutions to change their minds about their present views on policies. I think once the crisis is clear—and the crisis will only be clear to people when they see the alternative—at that point, the alternatives become clear, and people will be willing to go along with the needed changes, just as many people in the United States were willing to go along with the changes that Franklin Roosevelt put in, not without some difficulty and not without resistance.

Ibero-America and the Eurasian Land-Bridge

Dr. Julio Zamora Bátiz: As always, it is very interesting to hear your proposals, especially with regard to infrastructure, since we certainly suffer from lack of modern infrastructure, and your proposals on how to increase employment in countries like Mexico are very much to the point. At the moment, we have in Mexico a government that is extremely timid with regard to assuming its responsibilities, and which tries to get the private sector to do everything.

My questions have to do with your proposals for reorganizing the financial system. There are, of course, other proposals, such as that of George Soros, with whom I know you have disagreements. But could you give us your comments

as to what those differences are? Secondly, I'd like you to discuss what the effect on Ibero-America would be of the development of the Eurasian Land-Bridge proposal which you have promoted, because it seems to me, that we could be hurt by this development, because there would be a concentration of world capital in those markets, and our current problems in world trade would be aggravated.

LaRouche: Well, Soros' system is the one that ruined Russia, and has ruined a great number of other countries. And, I think it speaks for itself, in that respect: Its effects are exactly what we don't want. If you look at the catastrophes which have happened in Eastern Europe, in the Americas, where Soros has intervened over the period, say between 1992 and the present, you would have to say that anybody in their right mind wouldn't want a Soros proposal, of the kind he's made heretofore, in their country. You have the response by the Prime Minister of Malaysia, Mahathir bin Mohamad, on that subject. I think it speaks for itself.

Now, there is no danger, in my view, from the Eurasian Land-Bridge to Ibero-America. First of all, the problem in Ibero-America is largely what is imposed as external conditions on Ibero-America. For example: Brazil has no independent energy supply, except the Amazon and other water systems. It's been denied access to other systems. It's forced to buy gas, as an imported energy source from other countries, but under the control of Anglo-American interests. What's been done to Argentina is horrible. And we could go through the list of the situations in various countries.

If these countries are given back their full sovereignty that they've been denied under these present international monetary and financial conditions, *they themselves will tend to grow*. I know that Brazil has a temperament: It wants to grow. And we used to have this kind of rivalry between Mexico and Brazil, over which was the country, below the Rio Grande, which was going to grow the most rapidly. We also had a certain rivalry with Argentina on that business. Each of these countries, Mexico, Brazil, and Argentina, each had, in the postwar period, between 1945 and 1964, tremendous potential for growth—endemic. For example, the development of cooperation among these countries in the hemisphere, on a new basis, would, itself, cause great internal benefit.

For example, let's take the case of food supplies. Brazil produces food upon which Japan largely depends. Also, Brazil, and South and Central America, have rich resources, which, if developed with infrastructure development, are potentially of world importance. So, there is no doubt of what can be done.

In the case of Mexico, the big advantage, of course, in Mexico is: Mexico is close to the United States (which can be a disadvantage for Mexico, or a benefit, as many Mexican leaders have said many times—and with justification on both accounts!). But, Mexico's development is essential to the security of the United States, and therefore, any President of the United States who has any sense, is going to help Mexico in every way possible, with its internal development. The United

States should not be in the business of exploiting Mexican labor going into the United States—although that migration should not be excluded. But, rather, the function of the United States, in its self-interest, is to help Mexico develop its own *internal* market, largely with infrastructure, with long-term agreements which promote the development of industry that is suitable to Mexico, and to improve agriculture.

For example: Mexico's water system. Mexico has had since—how long?—since the struggles for independence, it has had an idea of development of two large water systems, to take water from the plentifully supplied south and move it north, to develop the agriculture. The agricultural potential with water development and energy in Mexico, is tremendous. And, therefore, the interest of the United States, in the case of Mexico, is to develop the *internal potential* of Mexico to assimilate its large labor force, a labor force of great productivity and domestic strength.

The interest of the United States is the same thing in Brazil—the real interest. Let Brazil develop. Get the NGOs out of there, and let Brazil develop its own country, in a Brazilian way, grandiose as it may seem to some others. Let Argentina recover.

So, the kind of world that Eurasian cooperation would mean, would be the kind of world which would, by its very nature, contribute to the benefits of all of Central and South America in terms of opportunities; provided, of course, that the United States behaved itself.

What About 'Yankee Imperialism'?

Dr. Francisco Javier Alejo: Dr. LaRouche, you have said that the international financial system is disintegrating, and that it doesn't work. But the impression one has is that, in reality, over the past 15 to 20 years, the system has had to become more and more integrated, and that this integration has accelerated through the diffusion of information technology on a global scale. Contrary to what you have told us about it not functioning, I think that it has functioned very well: It functions very well to the benefit of the most powerful economies. It doesn't function from our point of view, because it is a system that distributes liquidity badly in the international arena, which does not guarantee international financial stability, and which tends to increasingly concentrate the benefits of development in a very few nations.

You remind us that the Bretton Woods system worked well. Yes, it worked well, to some degree, in the same sense that I am saying, but doubtless it worked better than the current system. And in effect, it produced a rupture in the mid-'60s, precisely during the Nixon Administration when, in the first place, tariffs rose 10% on all imports to the United States, which was the equivalent of a virtual devaluation, and later when it abandoned dollar convertibility to gold.

But I believe other things occurred as well. The first of these is that this period constituted an enormous "free ride" in the international arena; the United States was able to take a free ride. On the basis of this international financial and



The National Agricultural Institute at Chapingo, Mexico. It is in the U.S. interest "to help Mexico develop its own internal market, largely with infrastructure, with long-term agreements which promote the development of industry that is suitable to Mexico, and to improve agriculture."

monetary system, the U.S. simultaneously launched the war in Vietnam and the Great Society program inside the United States, which led to an inflationary expansion on a global scale, which ended up hurting all of those countries with less economic force on the world scene.

The second element: It produced an ideological change, as you indicated, I think correctly, in which the von Hayeks and all the others intervened, and which ended up being consolidated globally under the Reagan-Thatcher reign. This ideological change led to the imposition of idolatry of the market worldwide. That idolatry of the market, which led to the withdrawal of the states, the loss of their responsibility as guarantors of development and of the welfare of the people, is what has us in the shape we are in today.

At one point, you proposed returning to the gold standard, returning to protectionism. Well, let us not forget that the previous protectionist wave led us to the Second World War. This is something about which we should reflect.

You forecast that there is going to be a collapse of the U.S. economy. Well, it will probably happen some day; when one predicts this every year, one will eventually be proven right. But the symptoms are not yet visible. There is a very serious recessionist tendency. One must ask if this is going to get worse, how long it will last, and finally, whether what is happening to the U.S. economy at this moment has something to do with that idea, that we have never adequately proven, that these are the Kondratieff cycles, the large long-term cycles which have to do with great structural and technological transformations, on a national scale and now, perhaps, on a world scale.

But the problem is, can we really go forward on that path,

returning to the gold standard, returning to protectionism? We mustn't forget that the gold standard system requires that all participating economies maintain fiscal discipline, that there be no free rides, as was undertaken by the United States during the '60s, and which ended up wrecking the whole system.

My conclusion would be, and my question is: Do the conditions exist, in reality, for us to create . . . an international economic and financial system, that would enable us to discipline all the actors involved, but especially the strongest economies, and the already-globalized giant corporations, which today are the ones which really have the deciding voice in the international economy?

Thank you.

LaRouche: You've posed some very interesting questions, because they cover a large area. I've got some points of agreement, some points of disagreement. But let me go through what the crucial thing is right now.

As we sit here—I don't know what the status is at this moment—we're headed for the rather immediate outbreak of what will become a generalized religious war throughout Eurasia, either launched by Sharon, the present dictator of Israel, or by his successors—who may replace him and be more wild than he is; which I've written about a number of things, and I've managed to stir up some concern in my own U.S. government and elsewhere on this. And, they have more recently taken better action—although I don't think an adequate one yet—to try to bring Sharon under control. Because if this thing happens, you will have, not a new Israeli-Arab war: You'll have a religious war, in which Israel will probably get to the point, under the impetus of this policy, of not only

attacking Lebanon, Syria, invading Jordan, driving the Palestinians into Jordan, destabilizing Jordan, war with Iran, and so forth and so on.

Such a war would be pivoted upon the religious issue of the Dome of the Rock in Jerusalem, which is a holy place for all Islam; this is the kind of detonator which can set off, throughout Eurasia, a generalized religious war. And it is such religious wars, as we know from the history of Europe between 1511 and 1648, which threatened to bring on the Dark Ages for humanity. So that's the general situation.

Now, behind that, goes directly to what you're saying. *Why should this be happening in the Middle East now?* It is not, to my knowledge, the Israelis or the Arabs, who are responsible for this conflict. Yes, there may be factors, people who act like puppets on a string, witting or unwitting, who may be contributing directly, immediately on the scene, to the conflict. But they are not the cause. The cause lies elsewhere.

When you say the gold exchange system led to World War II, that's not true. Something else did. When the United States defeated the Confederacy and told the French to get out of Mexico in 1865, after the defeat of the Confederacy, at that point, the United States had emerged as the most powerful single economy on this planet. We had the highest level of technology — we didn't have the most advanced science, but the highest level of technology. We were vigorously growing. We had been unleashed, by being freed from the burden of the Confederacy and slavery.

At that point, forces in Europe recoiled—the British, in particular. They saw the United States: Immediately, in 1876-1877, Russia, Japan, Germany, and other countries adopted the American policy, the so-called Friedrich List or Henry C. Carey policy, the American System policy of Lincoln. It was adopted by Bismarck's order in 1873 in Germany. It was adopted by Tsar Alexander II in Russia. It was Mendeleyev who built the Trans-Siberian Railroad, who was at Philadelphia for that convention in 1876. It was adopted by Japan, which transformed itself under the direct influence of Henry C. Carey, from a feudal nation into an industrial nation.

As a result of this, the ideas of a transcontinental railway systems, like those of the United States, also as the ideas of Friedrich List, were spread throughout Europe. We had the Trans-Siberian Railroad, we had the proposal to build railroads, in cooperation throughout *all* of Eurasia. We had the emergence at the end of the century of Sun Yat-sen, an American-sponsored leader, who sought to create a new China.

And, the British hated it all.

So, Edward VII, while still Prince of Wales, organized a series of alliances and operations, under the aegis of what was called "geopolitics," to put these allied nations, then cooperating up until 1898 — France, Germany, Russia, Japan, and others — to separate them from each other, who had been cooperating under the influence of the American System, the American System of Lincoln.

And, that is why *the British, and the British alone, organized World War I*. They got the French into the Entente

Cordiale, which was a sort of obscene embrace. They used the Balkan Wars to get other things going in Russia. They took the reactionary group in Russia against Alexander II's tradition. They moved in for an attack on Germany, with an alliance between France and England. And that's how World War I was organized.

Then, again, we had World War II. At that point, the British planned, with the French, to turn Hitler loose in Germany; to use Hitler-led Germany for an attack on Russia. After which, when Hitler was embedded in the Russian war, the French planned to attack Germany's rear end, and destroy it. At that point, they intended, up until about 1936, to keep the United States out of the war. And it was the British who organized the American isolationist movement of the 1930s, to keep the United States out of the future war in Europe, which the British had planned.

But then, the British discovered that Hitler and Stalin were negotiating. And, they were negotiating to prevent a war between the Soviet Union and Germany, *until after Germany had defeated the allied British and French forces*. At that time, about 1936, the British changed their minds. They dumped Edward VIII, who had been the pro-Hitler King of England, and they got this woman, Mrs. Simpson, and got her to create an embarrassment, a scandal, and got him out of there.

And, the United States was then brought in, as a prospective ally of Britain and France, for the war against Nazi Germany. That's how the war got started.

Again, the same issue: geopolitics.

Today, we face a situation in which the breakdown of the Bretton Woods system, of the IMF system, has brought about a condition under which India, China, Japan, Korea, Southeast Asia, Russia, Iran, and other countries—including to a significant degree France, Germany, and Italy—are seeking to establish a new unit of cooperation in Eurasia, for building a new monetary system, a new financial system, a new economic system, to replace the bankrupt Anglo-American system. There are certain forces in the United States and Britain, not all of them, who, therefore, say: "Let's use geopolitics." If you want to hear someone say that, listen to Zbigniew Brzezinski, the man whom people in Mexico should be familiar with, from the Carter Administration, and what he did to Mexico during that period. Brzezinski is saying: We must have geopolitical wars, including religious wars, in Eurasia. And Brzezinski is one of the pushers, or architects, or the voices for those forces who are pushing the idea of a Middle East war.

Now, I've been dealing with this with various governments, through my friends and channels, and saying: "Look, let's not believe the myths. Let's tell the truth, for a change." The danger is that a geopolitically caused Middle East war, which can spread as a religious war, will put this planet up in flames at a time we need some peace and need some reconstruction. That's the issue. The same issue today.

Now, here's what the problem is: The argument of, you

know — “Yankee imperialism” is a very popular term. And we’ve had a great dose of it, in the form of Teddy Roosevelt. You had a dose of it, in one of the worst forms of it, in that great Democratic pro-racist, Woodrow Wilson, the man who organized the Ku Klux Klan again, as a revival from the White House: a bad kind of Democrat, you know.

So, yes, there’s justification for anger against certain forces in the United States, especially around the New York bankers, and around those who maintain the Southern tradition, like Henry Kissinger’s tradition, the tradition of William Yandell Elliott, who trained Kissinger at Harvard, who was a racist from Tennessee — a member of the Nashville Agrarians, a real racist pro-Confederacy organization.

You have those forces, in the history of the hemisphere, especially in Mexico. We have the filibusters. Where did they come from? They came from Teddy Roosevelt’s uncle, who organized the filibustering into Cuba, into Mexico and elsewhere. These Confederates were the allies of the Maximilian operation in Mexico. The Confederacy was an ally of Maximilian, and of the French occupation of Mexico.

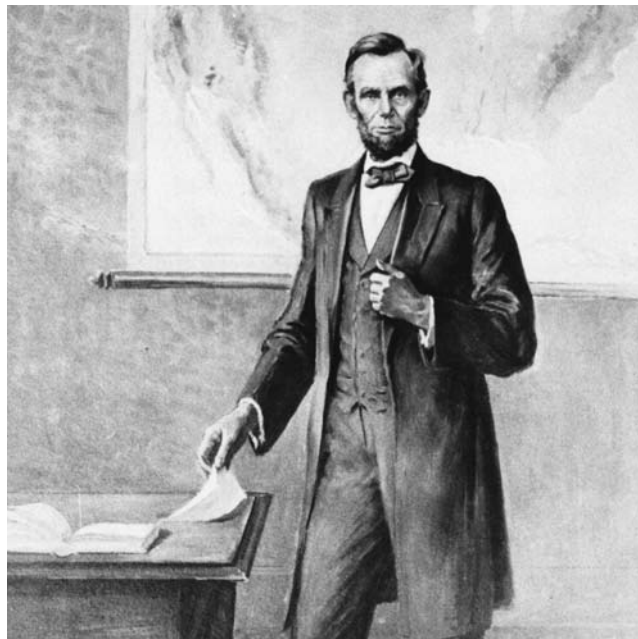
So yes, we have these things in the United States. We have them still. Nixon was part of it, he represented it. Carter represented that. George Bush, Sr. represented that. The son, if he knows what he represents, implicitly, through his associations, represents that same Southern combination, the same New York-Southern tradition combination.

But the United States is not, inherently, an imperial power, by its very nature. We have an American Tory tradition, which are these guys I don’t like, and you don’t like either. And, we should probably get together to make sure that they don’t do what they did in the past any more.

But, we also have the American intellectual tradition, which has always been intellectually allied with the idea of the independence of Mexico, as John Quincy Adams was, and as Abraham Lincoln was. And, we have that, too.

The problem here is, that the United States did not benefit at all, from what happened in the past period. The United States has been a partner — especially since Nixon’s election — it’s been a partner of a certain faction in Britain, and during what became conspicuous in 1989-1990. With the collapse of the Soviet Union, the Soviet system, a certain Anglo-American force, allied with Mitterrand of France, decided that they were going to do two things: They were going keep the Germans down and the Russians out. In that policy, which was conducted from 1990 on to the present, the Anglo-American interests have looted Russia, Ukraine, Belarus, Central Asia, Poland, Slovakia, the Czech Republic, Hungary, and so forth, and have looted them to the greater wealth and glory of U.S. and British interests. They control the IMF, and use the IMF as a means of looting countries.

What you have, today, is, the United States has been bankrupt for a long time, but why hasn’t the United States gone belly up? The United States has not gone belly up because the United States has the political power to steal! We use the IMF and other institutions as a way of stealing! We went to Russia,



The United States is not, inherently, an imperial power — despite the continuing existence of American Tories. The American intellectual tradition has always been intellectually allied with the idea of the independence of Mexico, as typified by the cases of Abraham Lincoln (shown here) and John Quincy Adams.

we dictated terms; we looted; we stole. We stole from Mexico. We stole from South America. We stole from Japan. We forced the Japanese to print money to bail out the U.S. dollar. And, the Japanese banking system is bankrupt as a result of printing money to try to bail out the U.S. dollar. The euro was looted to bail out the U.S. dollar. Russia was looted. South Asia was being looted. What was done to Indonesia was a crime.

So, it was not the economic system which looted for the United States. The United States, rather, looted the world, in the same way that the Roman Empire looted, that the British Empire looted; and that the Venetians used to loot — the same kind of system. So, the political power of the Anglo-American powers — in a combination — an Anglo-American power which is typified in the United States by the Nixon tradition, of the alliance of the Northern bankers with the Southern racists, that combination. This has had the power. And what has happened over the past period was the destruction of the system which built up the world economy.

Sure, there are injustices! I’m well aware of the injustices that were done in Mexico, in South America during the 1950s and 1960s. Sure, it was done. Sure, there were New York interests — I can name them. Many of you can name them, in each country, who from New York and elsewhere, had the privilege of looting, had looting rights in these countries. That was done.

But, overall, there was an increase in the productive power of labor, an increase in the overall welfare of these countries,

even while they were being looted.

So, the question here has to be divided, between the question of interests and systems. That is, you have an economic system: One works, the other doesn't. You have an interest, which, in whatever system it's a part of, may loot, or may be beneficial. That's the irony of the thing.

As far as the crisis, I can assure you the crisis is on. Look at the figures: We've published the figures in *EIR* and other sources. We've published them in our briefing more or less daily, or several times a week — the latest statistics, the statistics on the situation. This is not merely a depression. The depression is already here! The system is hopelessly bankrupt. It's not something that *might* happen; it *has* happened. This is not episodic. It's finished. *It's dead*. I know the propaganda, the approved propaganda in the press is to the contrary. But, I can assure you, and everybody I know, that I talk with, that I work with in every part of the world, who I respect in these matters—I may not always agree with, but I respect them—agree: This thing is finished. It's a longer story, but the symptoms are all there. It's finished.

And, the problem has to be put down to these two things: What are the interests in the world? What are the national interests, what are the systemic interests; and what are the problems? And I tell you today, this world could get along very well, if it was not dominated by that Anglo-American combination, which is behind the present monetary system. We probably would get along very well. We might have our arguments and disagreements, but we would get along, and we'd prosper.

And, that's what I think we have to look forward to, and that's what we have to do.

Creating the Community of Principle

Dr. Ricardo Carrillo Arronte: Dr. LaRouche, first, I'd like to congratulate you, but also I'd like to express a certain ambivalence I feel whenever I hear you, or read your writings. Because, on the one hand, it is satisfying to recognize the existence of a great economic thinker like you, who fights and clarifies and travels constantly around the world on a personal crusade for reason and justice.

But, on the other hand, it is very discouraging to realize that the results you have obtained, and that others have obtained who, like you, are fighting on other levels in other countries, are pyrrhic or negative. Beginning with your own country, said to be the most democratic in the world, and which has nonetheless also been prisoner of those same interests, just as in the richest and most democratic countries of Europe or Japan, where living standards, income distribution, security, employment, and all of these values, have also deteriorated. That is why it is also an exercise of intellect and of optimism to hear your presentations.

Now, I have two very concrete questions. On the one hand, as you have broadly explained, given the hegemonic and repressive powers of some governments, economic groups, and international institutions, what in your opinion

would be the most effective or efficient actions that non-government groups of advanced thinking can take, in dependent countries like Mexico, to collaborate in changing our own countries, and on an international level? Because the measures that you are recommending for countries, presuppose that the governments are in agreement. But you know well that this is not an objective supposition.

My second question is: After the great failure of all liberal thinking with the Great Depression, the emergence of the Bretton Woods system and so on, how is it possible that this thinking has resurged with greater force, greater cruelty, greater injustice, on a world scale? Concretely, what role did and does the Trilateral Commission, which Nixon set into motion, have in the design and functioning of this system which has come to be called neo-liberalism?

LaRouche: The smaller powers have no independent ability to change the world system. Otherwise, what has happened to countries, could not have happened. The case of Mexican banking in 1982, for example: Mexico was trying to pursue an independent line, under President López Portillo, who had enthusiastic support from leading circles of his countrymen at that time. And, he temporarily had support from the government of Argentina and Brazil. But, then Kissinger and his circles intervened, heavily, against Brazil and Argentina, with London's intervention also, to cause the governments of Argentina and Brazil to desert their firm promises to President López Portillo. Mexico was left isolated, Kissinger was all over the place. And, since that time, Mexico has never been able to exert the kind of independence which it exerted earlier.

That's reality, that's the Mexico case. I could go through many other parts of the world — the same kind of thing.

So, therefore, what is needed is, is essentially, an alliance among a group of people who represent, respectively, sovereign nation-states.

Now, in the case of Russia, for example: There are many questions about what the Putin Administration in Russia represents. There is a certain ambivalence in the economic policy initiatives of the Putin government.

But, I have a different view of this matter. And I've watched certain things: The agreement reached between the Presidents of China and Russia recently, following the agreement at Shanghai, of the Shanghai Cooperation Organization—that is a positive development; new agreements between India and China; new attempts at peace between Pakistan and India; important developments now going on in Southeast Asia, involving Malaysia and other countries; the important developments in Japan, which may erupt in a very shocking way, very soon; important developments still going on in Korea; the role of Iran under the leadership of President Khatami, who is a very unusual, important leader to watch. He's a very strong intellectual figure, a very deep and good man, in many ways. Then, there are our friends in Italy. There are a great number of parliamentarians in Italy—Italy may not have great power, but, you'll find there are more parliamentarians in Italy who have committed themselves to justice,



President José López Portillo tried to pursue an independent policy, in the national interest of Mexico, but was smashed by Henry Kissinger and the British. Here, on Sept. 3, 1982, he addresses a rally in Mexico City, in support of his nationalization of the banks.

debt relief for the most impoverished countries, for a New Bretton Woods system, and so forth, than in any other country on this planet. You have people in other parts of Europe, who think in a similar way.

So, we have around the world a very significant accretion of power, represented by a number of sovereign countries, who are coming together around *ideas*. And in my view, as you know, ideas are the most important things. Agreements aren't worth much; ideas are worth everything—that is, good ideas. Because when people agree on a *principle*, then their actions governed by that principle, will tend to be beneficial.

And, I find that in Russia, in particular, in my relations with some of the academicians over there, on economics and so forth: They're very serious and they're moving in a very positive direction. If some of these things come together, then we will have a new combination.

In the case of the Bush Administration, for example. On the Bush Administration, I've characterized it, quite fairly, as an international disaster—for the United States (that is, the current one), and for other countries as well. But, you know, an inaugurated President of the United States, under the U.S. Constitution in our system, comes under tremendous pressures. And sometimes the man in the office, even an unlikely occupant of that office, may respond in an unexpected but useful way, to a crisis. You have a situation, where everything that poor George Bush is trying to do, is going to fail. Everything he came into office to do is going to fail. It's going to be a disaster. But, is he going to sit there with nothing but one disaster after another? Is he not going to start to listen to people saying, "Mr. President, maybe we should think about this. Maybe we should think about that"?

Bush, at first, was inclined to give Sharon a clear way, to go ahead with war. Now, he's not so sure. Yes, he has these

religious fanatics, these Protestant fanatics, in the United States, who are the main force backing the idea of religious war in the Middle East. They are an important part of Bush's base. But Bush has changed, on this issue. There are important developments. We have seen a change in the Senate, in the United States. The change was a good one, but, sometimes, for me, disappointing. Daschle has disappointed me greatly, of late.

But, nonetheless, these changes are occurring.

More changes will occur: Europe is going to change. When you see the leading Swiss newspaper, the *Neue Zürcher Zeitung*, saying that the only solution for Argentina is a debt moratorium, that's the voice of the Swiss bankers. And you look around Europe, at intelligent people in leading positions in England, in France, Germany, and elsewhere, think the same thing. So, the mood is swinging away from the IMF system, and swinging in the direction of new ideas. Because people in positions of power, particularly if they are in relatively powerful nations, or combinations of nations, tend to see opportunities more quickly, than people in governments which feel themselves on the bottom of the heap, in terms of political influence.

My concern here, is that Mexico should realize, that it is not at the bottom of the heap. It may appear to be, in some respects, but it's not at the bottom of the heap. Mexico is an important country; in population, one of the largest in South and Central America; very important with respect to the United States. The welfare of Mexico is a very important security concern for the United States. Mexico cannot be ignored. And, how the United States deals with Mexico will determine, largely, how the rest of the hemisphere looks at the United States. And so forth and so on.

The situation is not a hopeless one. I would suggest that

when ideas collapse, when the tyrants collapse, then things can happen. And we must keep our hopes, our expectations, up, but clear-headedly, and proceed confidently.

You know, sometimes, it's like with a great discoverer. In the case of Columbus' discovery of the Americas, which was a re-discovery. But, Columbus was not stumbling across the Atlantic. Columbus knew what he was doing. Because Columbus was operating on the basis of a letter, which was written by a friend of Cardinal Nicholas of Cusa. The letter was found in Portugal; one of Cusa's friends in Portugal, made it accessible to Columbus, who was at that point, a Portuguese captain. Columbus, then, entered, in the 1580s, into correspondence with Toscanelli, the geometer; read Toscanelli's map of the world; discussed the problems with Toscanelli. Columbus knew about the nature of ocean currents; that is, he knew about what we call today the Coriolis forces and ocean currents; and knew by calculations that Toscanelli must be right: There must be land at a certain distance across the Atlantic. And, Columbus carried a map, which was an ancient route, probably travelled by the fabled Ulysses, who probably went through the "Pillars of Hercules," through the Caribbean, in the same way that Columbus did, across the same currents that Columbus used, to get to what we call Santo Domingo.

So, sometimes, like Columbus, or like other great discoverers, you have to proceed from scientific certainty, rather than trend lines. And you have to proceed with optimism, based on scientific certainty. Knowing what you have the ability *to make come true*, what you believe is possible.

And, all I can hold out to Mexico today, is, I know these things are ripe. I know these things are possible. And, what is needed is to encourage people to see that possibility, and to seize it. And, to move ahead, to make the possible, become the actual.

LaRouche's Closing Remarks

Marivilia Carrasco: Well, Lyn, first, I would like to thank you for the effort you have made to bring about this conference. I have in front of me several dozens of written questions from the audience which, because of the time, you are not going to be able to answer all.

However, I would like to summarize, in due respect for the people who are present, the areas of interest raised.

One of the first major areas of interest in the questions is: How can you prove that this is a systemic crisis, and not a cyclical crisis? How can you scientifically demonstrate that we are at the end of globalization? What are the facts and elements involved in this? What is the role the United States is playing in changing this situation? And if this doesn't occur, if the United States does not respond, what will the alternative be for a country like Mexico, in the face of this great crisis?

The second area of interest has to do with Mexico as such, and that is the largest number of questions submitted. There is great concern to know, first, if you feel that the current national banking system is in as serious shape as the global

financial system. Who will generate the credit? How will the credit be directed to cause a reactivation of the economy? How could this credit, combined with infrastructure projects, get the economy to react, and generate an economic recovery? How would this policy affect the population? What is it that Mexico should do with its electrical industry and its oil industry? Are there hopes that the fiscal reform that the Vicente Fox government is proposing, can contribute to resolving some of the problems Mexico has?

And finally, with less emphasis, but of no less importance, it seems to me, are the questions about what should an education policy, a cultural policy, be that could accompany these economic programs you propose? If the current crisis is part of a cultural crisis, how can patriotism be revived? What kind of culture is needed to bring about economic development? What is the role of professions such as engineering or architecture, with regard to the design of infrastructure? How to supersede atavisms that prevailed in prior attempts to develop industry and infrastructure, and that should not be repeated now?

If you have any concluding remarks to make, I think there will still be an opportunity to do so. Or, perhaps you could write a document for us, as you choose. There are many people here who would be very interested, I think, in reading it.

I want to thank you again, and also take this opportunity to thank everyone here today, and to thank Dr. Héctor Luna de la Vega, who sponsored this event, who judged it of the utmost importance for our country, at this moment of serious crisis.

LaRouche: Thank you very much, to all of you. We have had some technical difficulties in doing things the way they were planned. But, I think we can forgive whatever happened.

Anyway, I think the most important thing is to respond to the list of three types of questions as my closing remarks.

First of all, this *is* a systemic crisis. That means, for example, look at the model of a Euclidean geometry, a classroom geometry, in which the students are told to believe, on faith, certain definitions, certain axioms, and also certain postulates. They are then told by deduction, to arrive at theorems, which must all be consistent with those definitions, axioms, and postulates. That is the general idea of a system. Now, it's not a very good system, because it doesn't correspond to physical reality, but it's what we generally mean by use of the term "system," as an *intellectual system*.

And, when we say a systemic failure, we mean that the set of definitions, axioms, and postulates, or the equivalent, on which a society, or some function or company, for example, is operating, is doomed, because it has the wrong set of definitions, axioms, and postulates; or, the wrong method.

So, the system is collapsing, not because it's a cyclical crisis or a conjunctural crisis; it's not that at all. We've had those before. This is a genuine, global breakdown crisis, in which the assumptions of free trade; the assumptions of ending the sovereign nation-state, in favor of globalization of free trade, and that sort of thing—NAFTA, for example; the

assumptions of no more technological progress; or the lunatic assumption of information theory and systems analysis—these kinds of new assumptions, which were introduced in part in the postwar period, or sometimes earlier, but which became a *system*, over the period from about the middle of the 1960s—these ideas together, represent a system that is doomed.

Now, the problem is this: A modern economic system is based on long-term capital improvements. I'm not talking about monetary improvements, but *physical improvements*, like basic economic infrastructure, transportation systems, irrigation systems, water management systems, school systems, educational systems, investment in industries, whole classes of industries, training of the labor force in certain skills—these are all capital. For example, it takes 25 years to bring a newborn infant into full adult maturity, as a modern adult, with modern skills, modern professional competence. So that's an investment. If you make mistakes, starting from birth, with children, starting from birth, you may pay the penalty 25 years later. The same thing, if you don't maintain infrastructure, it wears out. If you don't replace and improve it, it collapses on you.

So, what's happened is, over the past 35 years, a series of changes in the way policy has been made, has depleted and looted the buildup of assets, human capital, physical capital, which we built up over previous centuries.

So, that's what the problem is. *We've come to the end of the system*. And, unless we change the definitions, axioms, postulates, and method, by which we operate, we'll collapse.

Whereas, going back to 1945-1964, the system then, was based upon certain definitions: such as, improvements in infrastructure, which continued in the United States until the late 1960s. We made a net improvement in investment in economic infrastructure, especially long term. Investment in science, scientific progress; training engineers and scientists to utilize scientific and economic progress. Increasing the stability of the family household, with stable communities. With building families, with a family orientation within the household. This kind of thing: with the idea of Classical education, Classical entertainment—that is, forms which are rational, which are based on reason, which are inspirational in their effects—Classical music, Classical art, Classical literature, that sort of thing.

So, we built up a population which, in net effect, had actually an increase in per-capita capability, in the United States, for example, over this period. The same thing was true, I believe, in Mexico. There was an increasing capability, per capita, in much of the population in Mexico, and of Mexico as a whole. Yet the potential was aborted. Foreign pressures prevented them from being fully realized, but it was there. The same thing was true in Europe, until the middle of the 1960s. There was a general improvement, in recovery from the disastrous state in Europe at the end of the war. In the Soviet Union, there was similarly improvement, despite all the problems there, net improvement in conditions from the

end of the war.

So, you had a system then, which, with many imperfections in each case, *worked*. But, the system we've had since the middle of the 1960s, especially since 1971 with the introduction of the floating-exchange-rate system, has not worked. And, what we're seeing, is, *the world cannot continue to survive, unless we abandon this system*. The system is what's killing us, and that's what I mean by systemic crisis.

The Mexican banking system doesn't worry me, because if nothing is done to change the situation, it's going to collapse. So, if the system dies, you don't really worry too much about the cause of death, unless you have a new system to worry about, and you don't want it to die the same way.

The question of the Mexican banking system, is how to save it, because I believe that Mexico needs a National Bank, under these conditions. Without a National Bank, I don't think adequate internal development is possible.

But, you need a network of private banks, which have a close relationship to the savings practices of the population; which are close to local borrowers, local firms, local businesses, which are an integral part of the community. And, they are a vehicle for assembling credit, administering it, or dispensing loans, and managing the loans, as adjuncts of the national financial monetary system. And, therefore, what you have to do with the Mexican banking system, is *save it*, by whatever reorganization methods are necessary to save it.

As for the electricity and so forth: Look, the United States does not need Mexico's energy. We have an energy crisis in the United States, which is largely a result of Carter, President Jimmy Carter. And, people since then haven't done too well with it. We have a shortage of energy. We used to have a well-regulated energy system in the United States. We destroyed it. We are now suffering as a result of that, plus wild-eyed speculation.

Mexico never had an adequate energy system developed. There were attempts around Pemex to build it up. For example, during the earlier years of the Presidency of President López Portillo, there were still plans, which had been accumulated under his government, to develop nuclear energy in Mexico. It was very sane, because nuclear energy is a high-density energy, and it's better to shift, in the long run, from the use of petroleum-burning for fuel, to use petroleum as a chemical feedstock. And shift to other types of energy, which have higher energy-flux density. For example, you would not want to desalinate, unless you had very cheap petroleum, with the use of petroleum. You would prefer to have a high flux-density energy, like a high-temperature gas-cooled reactor; or fusion energy, if we had it available, yet.

So, what Mexico needs is the development of its own internal energy system. It does not need the United States' energy, if the United States does what it should do. Yes, some Mexican oil can be sold in the United States, that's not a problem. The problem is to rebuild the Mexican overall energy infrastructure and energy production infrastructure, and similar kinds of reforms.

As to the fiscal reform: Essentially what's needed is a bankruptcy reorganization of the international system, and obviously we need a stable fiscal system in Mexico.

But, as was said by Wilhelm Lautenbach in Germany, in 1931, at a meeting of the Friedrich List Gesellschaft, where a proposal was made which would have prevented Hitler, if it had been implemented—the proposal was that, in case of depression: *You never go to fiscal austerity under conditions of depression*, you do the opposite. What you do is, you mobilize public pressure to provide large-scale employment in *useful forms of infrastructure*, and use the infrastructure investment as a stimulus for industrial investment in the private sector generally, and in recovery.

So, what's needed in Mexico is not an overdose of fiscal austerity. Mexico has already *had too much fiscal austerity*. It is fiscal austerity which often drives citizens of Mexico across the border into the United States, in desperate seeking of employment, which is not available in Mexico. You look at the United States: It's collapsing, as an importer of last resort for Mexico. If you look at the percentile of the total Mexican output in employment, which depends on exports into the United States, recognize that this is largely a result of *too much fiscal austerity* in Mexico—that is, not enough investment in Mexican job creation—we already have an overdose of it. What we need is *fiscal responsibility*, in the sense of using resources, managing resources, to target benefits for the general welfare of the country.

As to a cultural crisis, yes, we do have a cultural crisis. We have a global cultural crisis, not a Mexican cultural crisis. The question is—and this gets to an area of religion, and I'm not much for single-issue religionism, or that sort of thing, or the kind of stuff we have too much of in the United States. But, nonetheless, there's a fundamental question, the question of the difference between man and the animal. And, as an economist, and particularly in my specialty in physical economy, this is crucial for me. It's a crucial point of economics. The essential difference between man and the beast, as a species, is that no animal is capable of discovering and effectively utilizing a universal physical principle. Only a human being, only the human mind can do this. This constitutes a fundamental difference between man and the beast.

So, we start with morality and culture from the question: What is the nature of man?

Now, if we make a discovery in principle, and I often use the case of Archimedes' discoveries, because Archimedes is a nice figure to use for this. Archimedes was a great discoverer. If you know French, you can read French translations of his collected works, which are great fun. But Archimedes was killed in 212 B.C. by Roman soldiers—a great mind, a great loss to humanity. But Archimedes made the discovery which a child in a school today, can reenact—discoveries of universal physical principles. That child, in that sense, is able to recapture the living thought of Archimedes' act of discovery, and make that thought the child's own thought.

Now, in a good educational system, in a good society, we

don't exchange information, we exchange ideas, like the great scientific discoveries of Archimedes and others, which we try to impart to our children. For example, I presume in Mexico, any good school will teach Cervantes to children, as part of the educational program. Especially, I understand, Part II of *Don Quixote* is especially significant. And, these great Classical works of that type, or like the great works of Rabelais in French, they may not be acceptable in Spanish, but they're acceptable in French.

These are things which communicate *ideas which have the same character as discoveries of scientific principles, from one mind to the other*. The child is able, through such great literary works, and other Classical works, to reach back to previous generations, to recapture the *mind* of some living person then, who discovered an idea, and the child is able to reenact that discovery. Like a child who studies Rembrandt, or who studies how to work like Leonardo da Vinci, or like a great musical composer.

So, in a good culture, we celebrate that about us, which makes us human, as distinct from animals. We celebrate our ability to replicate the greatest discoveries of science and art, of mankind before us. We enjoy sharing those ideas with our friends, and talk and work with our friends, in the same way we would like to work with the great scientists or artists of the past.

Then, we have respect for one another, because we have respect for what we are: human beings. And, we realize that all human beings are really the same. They are all born with the same potential. And, they're equally potentially loveable (if they're decently educated and raised properly).

And, we look at nations, we realize that nations can best order their affairs, if they're perfectly sovereign. But, we don't look at the difference between our sovereign nation and another sovereign nation, as some reason for hatred, for conflict. We view that as an advantage. But, if we can bring our affairs in order, and the other nation can bring its affairs in order, and we can work together, we can truly have a relationship across borders, which is a truly human relationship.

To me, that is culture.

What we have today, in my view, we have a culture of greed, an ahistorical view. We have a culture based on a corrupt form of entertainment, and I think we are much more destroyed by our entertainment industry, than anything else. Because we have forms of entertainment which are bestialized, which an animal could better do than we.

And we have lost sight of those aspects of human cultural relations, which remind us that the person behind those eyes across the room, is on the inside, a member of a special species, the human species, exactly like us. And we care for them, not only because they are like us, in that respect, but we care for them also because we all know that we're going to die. And, our ability to contribute the best that we have to give, to future generations, is really the meaning of our life.

And that is what we've lost. And, that is, I think, the essential cultural crisis.

Sinking Mexico Debates Survival With LaRouche

by Gretchen Small

On Aug. 15, Mexican Treasury officials announced that Mexico's Gross National Product grew by precisely 0.0% in the second quarter—and that, as calculated by notoriously padded official accounting procedures. The GNP statistic, vastly underestimating the accelerating destruction of the real economy, merely confirmed what Mexican business, labor, farm, etc., leaders had warned more forcefully: Mexico's economy is disappearing.

The crisis, acknowledged by all in the country but its President, Vicente Fox, has set off an intense debate on the most fundamental issue: Will the government stick dogmatically to the free trade, neoliberal, globalization policy which is destroying the country, or is there an alternative policy which Mexico can adopt, to ensure its continued existence as a nation?

That was the question which *EIR* founder and U.S. Presidential candidate Lyndon LaRouche was invited to address in his Aug. 2 videoconference at the prestigious World Trade Center in the Federal District, and that was the gist of all the questions posed to him during that conference, by the prominent Mexicans who joined the panel with LaRouche, and by the 65 of the 350 attendees who submitted questions, too.

LaRouche's explanation that there is an economic and financial alternative, has fueled this life and death debate nationwide. Groups have gathered in various places to listen to tapes of the conference; others, including in many other Ibero-American nations, are reading the transcript (in English and Spanish) posted at *EIR*'s website, www.larouchepub.com. Media attention to LaRouche has zoomed following the conference. Numerous radio interviews with LaRouche spokesmen in Mexico were set up in its wake, with some stations arranging for weekly or even daily briefings with LaRouche's people.

Major Dailies Report the Crisis

La Crónica was one of three Mexican national dailies which ran substantial coverage on what LaRouche had laid out. In a full-page article published Aug. 3, headlined "We're Not On the Edge of the Abyss, We're In It," *La Crónica*, focussed its coverage like that in *El Financiero* and *Milenio*, on LaRouche's emphasis that the collapse of this global financial system is "inevitable," but that under an international agreement like that of Bretton Woods, a new system can be

created, geared "to the development of great infrastructure projects, typified by the Eurasian Land-Bridge . . . whose conception of development corridors has universal validity applicable to the development of regional and national infrastructure."

La Crónica's coverage acknowledged, in its own way, the long history which LaRouche—who visited Mexico four times between 1979 and 1982—has in Mexico. Reporting that the conference discussions were led by Francisco Javier Alejo, Julio Zamora Bátiz, Marivilia Carrasco, and Hector Luna de la Vega, president of the National Institute of Public Accountants which sponsored the event, *La Crónica* seemed surprised at LaRouche's extensive influence in Mexico. "This assembly of individuals would have been unthinkable in the 1970s," the paper noted, "when 'the young economist' Francisco Javier Alejo was an official of the Luis Echeverría administration, and Marivilia Carrasco headed one of the most controversial groups in Mexico, the Mexican Labor Party."

Death of an Economy

Mexico, with its acquiescence to the North American Free Trade Accord (NAFTA), served as a poster child for "neoliberalism," as globalization, free trade, deregulation, privatization, are called. Thus, as the global system disintegrates, into which Mexico had thrown itself so entirely, Mexico is now following fast on Argentina's heels as poster child for the global collapse.

Unemployment in Mexico is "dangerously close" to the levels of the 1995 blow-out, when over 611,000 jobs were lost, researchers from *Universidad Obrera* reported at the end of July. According to their count, 400,000 people were fired in the five months between last December and this May—239,000 of them in manufacturing.

The government's official statistical agency, INEGI, admits that the number of Mexicans employed in manufacturing was 3.8% less in May 2001 than the same month a year ago: the greatest contraction in monthly employment since 1995. Every sector of manufacturing has been hit: Employment in the wood and lumber industries in May 2001 was down 9.4% over May 2000; textiles and clothing, down 7.8%; metals, machinery, and equipment, 5.2%. Nor have the *maquiladoras* been spared (the cheap-labor assembly plants that grind up Mexican workers to supply the foreign market). The *maquiladora* "industry" was operating at 60% of its capacity in July, according to industry spokesmen, and had eliminated 70,000 jobs in the first half of 2001.

Bad Decade Gets Much Worse

Mexico's unemployment crisis did not, by any means, begin with the Fox government. The director of economic studies for the Canacindra industrial federation, Alfredo Camhaji, reported in mid-August that for the last ten years, only 300,000 of the 1.35 million Mexicans who joined the

Economically Active Population each year found employment. Seven hundred thousand others were forced to survive in the trash bin of the misnamed “informal economy,” while 350,000 more left to search for work in the United States. What has changed, is that *no* new jobs are being created, he said.

The situation in agriculture is no better. The Economics Research Institute of Mexico’s National Autonomous University (UNAM) released a devastating report in July on the destruction of Mexico’s rural sector, charging that it was the direct result of neoliberal policies imposed since the 1980s. With many farmers who don’t even make 10 pesos a day (i.e., not even a dollar), of the 21.3 million people in Mexico’s rural sector, 70% can no longer find work in agriculture, “and there is insufficient capacity to absorb them into other parts of the economy.” Mexico’s farmers, says the report, “have become excess.”

The situation in the state of Sinaloa is exemplary of how the crisis has become exacerbated this year. Producers have been unable to place 2.3 million tons of corn on the national market, because of a flood of cheap imported corn produced for cattle feed, but which is being sold for human consumption in place of Mexican corn. Farmer protests forced Sinaloa Governor Juan Millan Lizarraga to declare an emergency in the state in early July, as he told *La Jornada* July 7 that “these protests could lead to the total collapse of Mexican agriculture.” The Governor demanded that the Fox government stop its “obsessive” free-import policy, which is leaving farmers “at the mercy of the market forces.”

Accelerating the rate of collapse, is the Mexican Treasury Secretary’s policy of cutting government spending by the same amount as government revenues fall. As the economy plummets, so have government revenues, and so, thus, has government spending in the national economy, compounding the crisis. Never cut, however, are debt payments. The government paid over \$13 billion in debt service in the first half of the year: a policy re-run of Argentina, which will lead to the same bankruptcy.

Economic Realism, Please!

The government’s refusal—President Fox’s, in particular—to admit reality, is adding an explosive political factor. Some joke that while LaRouche made nine accurate long-range forecasts over 40 years, Fox—who took office promising 7% annual growth—has made five short-term revisions of his growth forecasts in nine months, arriving now at zero, while still berating anyone who said Mexico wasn’t heading toward miraculous growth.

Peppered with questions on the second quarter’s zero growth during the Aug. 17-18 Santiago summit of the Ibero-American Rio Group, Fox stood firm: There is no crisis, and his government would take no action. What we face is only “a lack of growth,” he said. The term “recession . . . is something that doesn’t matter, because it doesn’t change things.

. . . There is no urgency for credit, nor to do anything more than to hope that things start to grow again. I think it is very clear that in Mexico, we have a much calmer situation.” In any case, this “was just the results of a quarter. . . . It shouldn’t be confused with the six-year goals we have proposed,” he went on.

In his Aug. 18 regular broadcast of his “Fox En Vivo, Fox Contigo” radio show, Fox called upon Mexican businessmen not to lay off workers, saying “the good times are near, and they are going to need those jobs.”

Three days later, in his frenzy to quiet the storm brewing about his administration, Fox demonstrated that he, like his good friend and political ally, George W. Bush, cannot speak his own language. Berating businessmen for being “fearful” and “apathetic” when Mexico is “enjoying economic stability,” he said this was no time to *apanicarse*, although panic doesn’t exist as a verb in Spanish. The President reassured no one, but generated a score of mocking newspaper cartoons across Mexico.

Business leaders meeting the next day with Fox’s Coordinator for Public Policies, Eduardo Sojo, pounded him on the need for more “realism.” “We industrialists prefer that [the government] speak truthfully to us,” the head of Canacintra, Raúl Picard, told Sojo. Javier Prieto, head of the Concamin industrial federation, said flatly that there is no sign that the economy will recover this year. What worries us, he said, is that the President insists that the government is making the expenditures allocated in the budget, but we monitor the situation, and we know that there are no highway projects under way, no important projects being carried out by the Social Security Institute (IMSS), and only partial projects by the state oil and electricity companies.

The crisis is driving key Mexican business leaders—advocates until recently of neoliberalism’s elimination of state “interference” as the path to economic salvation—to rapidly rethink their ideology. There are signs that they are dragging sections of Fox’s government along with them. Some startling new arguments were heard from Fox’s Economics Minister Luis Ernesto Derbez, in a speech at the University of Monterrey on Aug. 17. Admitting that Mexico “hasn’t grown, because 90% of its exports depend on the U.S. market,” Derbez said he would promote a policy of “import substitution,” and called government aid to promote productivity urgent.

With top leaders of the Monterrey business group at his side, Derbez outlined a different policy: “We believe in market conditions, but under government action to avoid its excesses. . . . We are prepared to have as much [government] intervention as conditions require. . . . I disagree that neoliberalism implies that the government does not intervene to create equilibrium conditions.”

Although Derbez was careful to say the “model” of neoliberalism was not the problem, just its implementation, the Mexican daily *Milenio* headlined the import of Derbez’s speech: “Neoliberalism Failed.”

NATO Reaches Nadir: Protects Ethnic War in Macedonia

by Umberto Pascali

One of the most cherished religious and artistic treasures of Macedonia and the whole Balkan region, the 13th-Century Monastery of St. Athanasia (Sveti Atanasi), was bombed and demolished on Aug. 21. The Monastery, located in Lesok near the martyred city of Tetovo, had fallen into the hands of the Kosovo Liberation Army (KLA) narco-terrorist gangs, as has a large area immediately north of the capital, Skopje. In the days following, it was discovered that another Macedonian Orthodox treasure, the Ninth-Century Church of St. George, just at the outskirts of Tetovo, had been destroyed. Immediately after the blast, the ethnic cleansing of the ethnic Macedonians escalated. In the North of a country with 2 million people, it is calculated that 100,000 refugees have fled.

The shock for the Macedonians, and in fact for any rational citizen, was that even more than the massacres committed by the KLA, the destruction of the monastery gave Macedonians a sense that they were facing forces determined to commit ethnic cleansing. Macedonian officials again compared the KLA to the Taliban of Afghanistan, not only for the heroin connection between the two, but also for their propensity to destroy the revered religious monuments of the “enemy.” What’s more, the crime was conducted under the eyes of NATO, just at the end of the day in which NATO deployed the vanguard of its British-led 3,500-strong “Operation Essential Harvest” mission.

On Aug. 20, NATO’s Supreme Allied Commander, Europe (Saceur), Gen. Joseph Ralston, visited Macedonia, amid uncontrollable enthusiasm from the KLA gangs. Ralston had stated that in his opinion, the situation was under control, and the KLA was behaving, so the deployment was to take place. Capt. Gareth Hicks, the British Army liaison officer from the 16th Air Assault Brigade—the special forces military body that led the operation—visited the top KLA leaders that day,

assembled in the village of Nikustak. Reportedly they assured him that NATO had nothing to fear; they would “protect” it! As the *Guardian* of London reported, the attitude of the narco-terrorists was triumphalist. “For the [KLA] it was a day to savour. The Macedonians were routed; NATO was on its way. They had pulled it off. They had won.”

It was at the end of the KLA day of “victory” that the monastery was destroyed. The KLA brushed the bombing off, saying that it was committed by people “outside” their jurisdiction. And NATO diplomatic officials told reporters the same thing: Indeed, it was an act committed by those who “do not want the NATO deployment, do not want peace.” One NATO official stressed his surprise, because “never before” had the KLA hit any religious symbol. But in fact, the KLA had attacked, defaced, and bombed several churches previously, and had taken over Macedonian Christian Orthodox monasteries, using them as headquarters and arsenals. The narco-guerrillas, based in Kosovo under NATO jurisdiction, have the known habit of scribbling their organizational initials on ancient precious frescoes.

‘We Will Draw From Our Suffering’

“If some psychological warfare center would have studied a way to hit our religious and national identity, to undermine our spirit of moral resistance, I don’t think they could have done better than this,” an informed Macedonian source told *EIR*. In fact the Macedonian population felt increasingly abandoned, after the government in Skopje was not able to react to the terrible act, committed in what had just become “NATO’s area.”

On the contrary, the Defense Ministry announced that all armed forces and police were being withdrawn from the area de facto occupied by the KLA. The official reason? “In order to create the necessary conditions to launch [NATO’s] Opera-

tion Essential Harvest.” As a further step to increase “confidence-building,” the Macedonian government decided to avoid any flight of its fighter planes and gunship helicopters over the “frontline areas.” This “no-fly zone” was, incredibly, a self-imposed limitation of sovereignty. The northern part of the country was left to NATO and the KLA. It seems that this was an unspoken condition imposed on the government.

Prof. Nestor Oginar, a leader of the Macedonian diaspora in North America, told *EIR*, “They want to destroy history; they want to strike at our Macedonian Christian Orthodox soul. They want the Macedonians to react in some uncontrolled way to justify an increased presence of NATO, the partition of our country, the end of our national sovereignty. But despite our pain, we are not going to do it. *They want to push us into a religious war*, into a clash of civilizations. It will not happen! We will not fall prey of irrational rage or hysteria as the puppet masters of the KLA want. We will draw from our suffering a greater strength and a greater virtue.”

“When a work of art is savagely destroyed, it is not just a loss for us,” said Oginar, “it is a loss for the many generations before us who contributed to leave us this testimony of greatness and beauty; and it is a loss for future generations. . . . This is most certainly the nadir of NATO, and I urge the world to wake up and ask NATO to stop their obnoxious posturing, as the guardian of peace in the Balkans.” He appealed to Macedonians, “We have to redouble our efforts. We have to keep a spirit of resistance. . . . There is a greater law, there is a divine law; that law will give the strength to resist and overcome these horrors.”

Fight Inside NATO

That the KLA is attacking Macedonia from within Kosovo, where it is under NATO’s wing, is so obvious as to have now become a commonplace of international media reports. Given the powerful drug-running mafias involved in the KLA (see *EIR*, June 22, 2001), NATO is, in effect, protecting the expansion of the heroin trade into Europe. As Lyndon LaRouche has stated, today’s NATO has little to do with the NATO of the Cold War. It is dominated by an Anglo-American group that is determined to realize the Armageddon-style strategy of Zbigniew Brzezinski and Samuel Huntington, the “clash of civilizations.”

Some NATO-member countries are showing increased signs of resistance to this insanity. According to observers, the many discussions held behind closed doors at NATO headquarters in Brussels, are a symptom of growing uneasiness with the Brzezinski doctrine. Another, was the London *Times* Aug. 22 commentary by Simon Jenkins, denouncing the KLA as “a NATO puppet” and Essential Harvest as “the craziest mission British soldiers ever endured at the hand of politicians.”

“Political leaders of many countries know how suicidal this support for the KLA can be,” said another Balkan observer. “The whole NATO apparatus, with its mystique, is much more fragile than people think.”



Frescoes in the nave of Macedonia’s 750-year-old St. Clement’s Church. Another Orthodox Christian church from the same 13th Century, St. Athanasia in the city of Lesok, was bombed and destroyed by the KLA on Aug. 21, after NATO assumed “control” of the area.

Essential Harvest is supposed to collect weapons from the KLA in 15 collection centers. NATO’s Lord Robertson has already decreed that the Macedonian government disappear from the areas of “NATO competence.” However, there is no guarantee (actually the opposite) that the KLA will deliver all its weapons. KLA spokesmen have declared they have an arsenal of 2,000 weapons, while the estimates of intelligence agencies range to 100,000! Furthermore, the KLA is part of the broader apparatus of the Albanian Mafia, dealing with weapons traffic estimated in the billions of dollars. In the purely theoretical case where the KLA were to give up its weapons, they could rearm from their base in Kosovo in days.

Macedonia’s government is under pressure from NATO, U.S., and British organizations, to request a longer NATO presence to “protect” Macedonia from the KLA. NATO’s mandate is 30 days, but can be prolonged at Skopje’s “request.” NATO’s International Crisis Group is publicly pressing this. “I read in the *Washington Post* that \$250,000 is being pumped from the U.S. to Macedonia to finance a campaign, and ‘convince’ political representatives and the public to support the constitutional changes in the framework agreement, as condition for NATO to deploy,” says Emilija Geleva, a government adviser. “I consider this an obvious interference in our domestic affairs. Imagine if the Russian government would finance a similar campaign in the U.S.! We had our problems, normal problems, but they escalated. . . only because of the Kosovo disaster.”

Prince Philip's WWF Tries to Muzzle EIR

This press release was issued Aug. 24 by EIR.

In response to legal charges filed last July 25 by the Brazilian affiliate of the World Wide Fund for Nature (WWF), Rio de Janeiro Judge Paulo Mauricio Pereira on August 3 ordered the seizure of all copies of the book *The Green Mafia: Environmentalism at the Service of World Government*, published in Brazil by *Executive Intelligence Review (EIR)*, the international newsweekly founded by economist and year 2004 U.S. Presidential pre-candidate, Lyndon H. LaRouche, Jr. As of this writing, the judicial order has not been executed by local authorities.

This legal assault by the WWF, the international environmentalist NGO headed by Britain's Prince Philip, occurs as Lyndon LaRouche's influence grows by leaps and bounds internationally, including in Brazil, in light of the ongoing disintegration of the global financial system. Brazil is facing a particularly dramatic situation, given the brutal economic and political crisis that is wracking neighboring Argentina, and which could have devastating consequences for Brazil's financial situation. LaRouche has not only been offering programmatic solutions to the international financial and monetary crisis—concretely, his well-known call for a New Bretton Woods—but he has also been organizing those forces which are capable of implementing those solutions, and putting London and Wall Street's usurious financial system through enforced bankruptcy reorganization. The WWF suit reflects the hysteria that has spread among the international financial oligarchy, as well as their desperation to silence LaRouche, even by taking recourse to measures that are a blatant violation of freedom of expression.

The book *The Green Mafia* has kicked up a storm inside Brazil. Since its publication in March 2001, nearly 5,000 copies have been sold throughout Brazil, and the book has circulated widely in policy-making circles across the country. It became the center of national debate in May, when a Parliamentary Investigative Commission (CPI) set up by the Senate to investigate the non-governmental organizations (NGOs), held hearings and invited Lorenzo Carrasco, *EIR*'s correspondent in Brazil, to testify at its opening session. The official Senate daily published a summary of Carrasco's remarks, as did various other Brazilian media, all of which identified him as the author of the *Green Mafia* book.

In January 2001, WWF-Brazil obtained a court temporary restraining order (TRO) which prohibited the Ibero-American



EIR Brazil representative Lorenzo Carrasco notified the Brazilian Senate of the attempt by Prince Philip's World Wide Fund for Nature, to suppress Carrasco's book, The Green Mafia. Carrasco's statement was read at the Aug. 23 session of the Senate Investigative Committee probe into the NGOs in Brazil.

Solidarity Movement (MSIA), a Brazilian political movement founded by co-thinkers of LaRouche, from campaigning against the WWF, or even from publishing any truthful statements about their genocidal intentions and actions. At the time, Brazilian authorities raided the MSIA's offices in Rio de Janeiro, where they seized the remaining copies of various MSIA pamphlets which denounced the WWF's assault against economic development and the nation-state.

The new legal filing of WWF-Brazil is patently absurd. According to the WWF, *EIR*'s book is circulating in open contempt of the TRO against the MSIA, since *EIR* is alleged to be no more than a front for the MSIA, since *EIR* "acts through the Ibero-American Solidarity Movement and its organizing committee." The WWF argues that the fact that the book's authorship is attributed to "an *EIR* investigative team" proves the MSIA's hidden intentions, which "at the very least are strange."

The fact of the matter is that neither *EIR* nor its representatives in Brazil were ever part of the WWF's original suit, whose scope they are now attempting to illegally broaden.

The height of absurdity of the WWF's filing can be seen in its allegation that the MSIA tried to conceal the fact that the publication of the book was in violation of the court order, by not listing the WWF under the letter "W" in the book's index. Naturally, if these Anglophiles had bothered to look under the letter "F," they would have found the WWF listed as it is properly translated into the language of Brazil: Portuguese.

On Aug. 20, lawyers for the MSIA filed legal papers before Judge Pereira, arguing for the prompt denial of the WWF's intimidatory suit.

Eurasian War Threat Rises in Caucasus

by EIR Staff

As the international financial collapse worsens, the immediate threat of general war is spreading from the Mideast theater to the southern Caucasus; it is ignited by Western geopolitical factions determined to have Eurasian war, and not Eurasian Land-Bridge development of a new economic order.

Within the broader drive for Mideast warfare, aimed to engulf the Islamic world, provocations have recently targeted Iran: key to this is the U.S.-Azerbaijan Chamber of Commerce (USACC) of Zbigniew Brzezinski, Henry Kissinger, James Baker III, and Richard Armitage (see *EIR*, Aug. 10, 2001, "BP Provokes Iran To Attack Eurasia Progress"). This grouping of influential "geopoliticians" linked to British and U.S.-based oil interests, has transformed U.S. relations with the small former Soviet republic of Azerbaijan, into a major source of Caspian Sea tensions. In addition, Turkey, with its economy and currency collapsed, has been pressured by the International Monetary Fund and United States to suspend its natural gas deals with Iran in an atmosphere of escalating bilateral tension.

The dispute within Iran which delayed President Mohammed Khatami's second inauguration, though given great play by Western media spin-doctors, was resolved in a constitutional manner and did not destabilize the country. That is threatened by economic problems arising from the global economic malaise, and by regional provocations of the "Eurasian war party" centered in the West.

New and Sharp Warnings

On Aug. 17, new warnings of worsening threats in the southern Caucasus region, came from two publications in Russia. *Nezavisimaya Gazeta*, published by Russian "oligarch" Boris Berezovsky, headlined "World War III Could Begin in the Southern Caucasus." The report began by noting the escalating tension between Iran and Azerbaijan, over the last three weeks. Iranian warplanes have allegedly been regularly flying into Azerbaijan airspace, coming closer and closer to the capital, Baku, while, on the other side, Azerbaijan is threatening to push for a "unification" with the northern Iranian regions with largely Azeri ethnic population. The tension is aggravated by the strong pro-West stance of Azerbaijan, and its "special relationship" with Turkey. The history of conflicts and tension between Turkey and Iran, on the other hand, goes back for centuries.

Add to this, the crisis in the Armenian enclave of Nagorno-Karabakh inside Azerbaijan, where Iran has been supporting Armenia, against a virtual naval blockade from the side of Turkey. And in the conflict over petroleum rights and transport corridors in the Caspian Sea region. Washington and Ankara are beating the drums against Tehran, and Turkish leaders have openly threatened their neighbors with military force. In this situation, the forthcoming Caspian Sea summit meeting in Turkmenbashi, organized by Russia, promises to be extremely difficult. If the summit fails, a disaster could ensue. A military blowup would threaten all international transport and energy projects in the region.

Also according to *Nezavisimaya Gazeta*, a new report by the U.S. Department of Defense concludes that "the probability of a full-scale war over Nagorno-Karabakh is extremely high." The Pentagon study allegedly claims that Azerbaijan and Armenia will never reach a peaceful resolution of the Nagorno-Karabakh conflict, and that the resulting conflict will automatically bring a whole array of external forces into play.

This warning was seconded by the Russian business magazine *Ekspert*, which wrote, "The Caspian Sea is full of the noise of fighter planes and warships." *Ekspert* emphasized the lack of agreement about the legal status of rights to exploit the resources of the Caspian, as a potential trigger for regional war.

Prior to World War II, Iran and the Soviet Union reached two agreements on this subject, but since the Soviet breakup, instead of two, there are now five nations involved. Back in the 1970s, the Soviet government allotted jurisdiction over the Soviet-controlled Caspian Sea area among the governments of the Soviet Republics of Russia, Kazakstan, Azerbaijan, and Turkmenistan, with Iran controlling the remaining 14%. After the split-up of the Soviet Union, Iran proposed a different division, which would give each of the five nations 20%, and also proposed joint exploitation.

But Azerbaijan has essentially refused to cooperate, insisting in particular on unilateral control over the Araz-Alov-Shart fields which lie in the area claimed by Iran. The recent escalation came when an Azeri ship, with a team of experts from British Petroleum, moved into the area to carry out geological investigations, without consultation with Iran, and was forcibly turned back by Iranian gunboats. *Ekspert* also concluded that if the upcoming Caspian Summit fails, a military escalation may be inevitable.

Iran's Progress Embattled

These incited regional tensions clearly strengthen those forces within Iran which are not applying President Khatami's "Dialogue of Civilizations" approach to the Mideast conflict. Thus they also make more difficult, the urgent initiatives needed to stop a general religious war conflagration in the Mideast. Iran's crucial economic role in Eurasian Land-Bridge development is also targeted: It has been completing and developing the railroad links connecting landlocked Cen-

FIGURE 10

Southern Caucasus Region and Iran



tral Asian republics to the Indian Ocean, and Chinese western railroad corridors toward Europe. Iran is the “corridor” for Russia’s intended “north-south” Eurasian Transport Union bridge from European Russia to India.

What happened in Iran between Aug. 5 and 8, by comparison, was a relatively normal constitutional series of events. On the one hand, the pro-reform forces in the country, those lining up behind President Khatami, enjoy the support of an overwhelming majority of the population. This was expressed in Khatami’s first electoral victory in 1997, followed by his second victory this year, scoring 77% of the votes cast. The same fact is expressed in the majority now ruling in the Majlis (parliament), two-thirds of which is dominated by reformers. On the other hand, crucial institutions in the system of the Islamic Republic, still remain under the control of the opposition, conservative forces. These include the judiciary, intelligence, and security, and parts of the Armed Forces. The institutions still under conservative control are powerful enough to slow, or even thwart progress. Khatami, aware of the delicate balance existing in this paradoxical relation of forces, has insisted that progress must be achieved, within the parameters of the Constitution and its institutions.

Supreme Leader Khamenei postponed the Aug. 5 inauguration ceremony for President Khatami, because there was a

Constitutional “ambiguity.” The Majlis had been called upon to vote on two new candidates to the Guardian Council, an institution which oversees laws passed by the Majlis, to ensure they are in conformity with Islamic teachings and the Constitution. The candidates presented to the Majlis are proposed by the judiciary, which is firmly under control of the conservatives. The Majlis twice rejected the candidates presented them, leaving the Guardian Council with only ten members.

To break the deadlock, Supreme Leader Khamenei on Aug. 5 assigned the Chairman of the Expediency Council (Khatami’s predecessor, former President Ali Akbar Hashemi Rafsanjani), to convoke an urgent debate of that body, for Aug. 6, to issue proposals to resolve the clinch between the Judiciary and the Legislative branches.

Rafsanjani’s proposal was presented to Supreme Leader Khamenei, and thereafter, another vote was held in the Majlis on the disputed candidates. This time, only a relative majority of votes were required, to confirm the candidacies. The Majlis this time handed in 160 blank ballots; of the remaining, small number of votes cast, fewer than 70, were sufficient to establish a relative majority, and elect the candidates.

Though the conservatives “won,” in that their candidates were elected in the end, and the Guardian Council remains in their hands, the most eloquent statement about the relation of forces, is to be read in the number of blank ballots cast.

The Economy Is Really the Issue

Once the technical impasse was broken, Khatami was formally inaugurated on Aug. 8 to his second term, swearing “not to give up to any pressures, in my capacity to defend the basic rights of the people, legitimate freedoms, liberal press as well as civil institutions,” and not to submit to any “violent currents.”

Most important, Khatami stressed his commitment to improve the economic situation. Iran has a population of 63 million, over half of whom are under the age of 30. Inflation is estimated at 11%, and unemployment at 13%. Foreign debts are said to be \$7 billion. Despite significant progress toward developing the non-oil sectors of the economy, Iran’s economy is still 80% dependent on oil revenues.

In his inaugural address, Khatami expressed his commitment to bring about a “political, cultural, social, and scientific development as a prerequisite for economic development.” Iran, he said, should exploit all its “abundant moral and material potentials” to overcome “chronic social, economic, and technical backwardness”; this will involve implementation of his reform plans both in government and in the public sector.

Khatami defended his first four-year term, citing the “big strides” being made, for example, in increased state revenues, declining unemployment rates, progress in banking, and payment of significant parts of the national debt. He struck an optimistic note, saying, “Although the problems of the country are enormous, I see hopeful prospects for the country.”

Pope John Paul II in Ukraine: Appeal for Reconciliation

by Elisabeth Hellenbroich

In the wake of Pope John Paul II's June 24-27 visit to Ukraine, Russian President Vladimir Putin commented that the Pope's recent trips to Eastern Europe have shown some "positive elements." "I would be truly happy," Putin said, "if the relations between the Russian Orthodox Church and the Holy See would develop the potential of opening new horizons." The remarks came as the Pope is making renewed efforts to intensify relations between the Catholic and Orthodox churches in the East. On Sept. 22-27, the Pope will travel to Armenia, where he will celebrate the 1,700th anniversary of the arrival of Christianity.

Pope John Paul II's pilgrimage to Ukraine, which included stays in the cities of Kiev and Lviv, was of historic significance: It was the first journey by a Pope to Ukraine since the great schism between the Western and Eastern churches in 1054 A.D. With it, John Paul II fulfilled an invitation which Ukrainian President Leonid Kuchma had issued in 1998.

In this mostly Orthodox Christian country, in which live some 6 million Catholics, from the Greek Catholic and the Latin Roman Catholic rites, the Pope's trip generated great interest, and furthered a debate over the meaning of Christianity for the social and national development of Ukraine.

The Ukrainian Orthodox Church under Metropolitan Vladimir of Kiev, closely bound to the Moscow Patriarchate, had pronounced itself most strongly against the Papal visit. Vladimir, in contrast to the representatives of both other Orthodox branches in Ukraine, demonstratively stayed far away from ceremonies including the Pope. Russian Orthodox Patriarch Aleksii II also expressed strong disapproval of the trip. The journey would contribute neither to peace, stability, nor reciprocal relations, he declared.

Nonetheless, the Pope, whose mission springs from his deep love of his fellow man — which he turns upon *all* Christians, and all humanity — succeeded in building a bridge of understanding, and showing the way to reconciliation and ecumenical dialogue. The Pope repeatedly called upon all Christian confessions to preserve peace among themselves. They should turn to their common inheritance, and not to what separates them, he exhorted, in order to direct themselves to their true task, that of building the nation, which must rest on the principles of love and justice.

The harsh reaction toward the visit by the Russian Ortho-

dox Church and by the Ukrainian Orthodox Church branch subordinate to Moscow, stood in sharp contrast to the positive reaction of the ordinary people of Orthodox belief. The Orthodox hierarchy had no substantial arguments against the visit to put forward. With this attitude, the Moscow Patriarchate threw away a unique historical chance on the path toward dialogue and ecumenicism. The effect of the visit, whose leitmotiv was "reconciliation and forgiveness" within the common cultural roots and evangelical Christian mission, will grow over a long period, and strike its roots in the hearts of the Ukrainian population.

Strife Among the Orthodox

The Pope travelled in a land in which half the population are Orthodox believers, but belong to distinct and rival tendencies — while some 40% are unbaptized atheists.

One bone of contention between the Russian Orthodox and Catholic churches, constantly brought up from the side of the Russian Orthodox, is the Uniate Church.

When, during the 1990s, the Eastern Rite Catholic Church (today with about 5 million members in Ukraine) experienced a renaissance after decades of oppression by the Soviet regime, strife arose in many places between Orthodox and Eastern Rite Catholics over the building and direction of churches.

Further conflict concerns tensions within the Ukrainian Orthodox Church. In the post-Soviet period, three currents have crystallized out of it, which today are in confrontation with one another:

1. The Ukrainian Orthodox Church (UOK) under the leadership of Metropolitan Vladimir of Kiev, which is combined in canonical association with the Patriarchate of Moscow and recognized by the Orthodox communion.

2. The Ukrainian Autocephalic Orthodox Church, which had always refused to recognize the Soviet regime, and whose leadership was taken up, during the decades of communism, by the Ukrainian diaspora in North America.

3. The Ukrainian Orthodox Church-Patriarchate of Kiev, which separated itself from the UOK, under the leadership of the earlier Metropolitan of Kiev, and former Exarch, Filaret. Since 1995, Filaret has been designated as Patriarch of the Ukrainian Orthodox-Patriarchate of Kiev.

Neither of the last two churches are recognized outside

Ukraine, nor does the Vatican support bilateral relations with them.

‘That All May Be One’

In his encyclical *Ut Unum Sint* (“That They May Be One”) of 1995, which was built upon the leitmotiv of a journey, the Pope wrote: “God wills the Church, because he wills unity, and in unity the entire depth of his ‘*agapē*’ comes to its expression.” He would come as a pilgrim and not with the design of converting those who believe differently, the Pope declared upon his arrival in Kiev. In common with all Christians, he wished to give testimony for Christ.

Between the Orthodox and the Catholic churches there have been times of positive relations, but also times of sadness. Thus it is important to recognize the mistakes of the past and to seek forgiveness. “The burning wish of my heart is that the errors of the past not be repeated in the future.” Addressing himself to the Ukrainian people, he declared: “I embrace you all, beloved Ukrainians, from Donetsk to Lviv, from Kharkiv to Odessa and Simferopol. In the name Ukraine, is planted the memory of the greatness of your country, which with its history is witness to its unique calling as the gateway between East and West. In the past centuries, this nation was the dividing-line between different cultures, the meeting-point of the spiritual treasures of the East and West!”

In his address to representatives of politics, culture, economy, and science in the Presidential palace, John Paul II spoke of Ukraine as a cradle of Christian civilization. In remembering the painful times of oppression and destruction, especially in the 20th Century, the Pope emphasized the meaning of the fundamental expression contained in the Ukrainian Constitution, “responsibility before God.” It is important, he said, to fill this principle with new life, and to erect a society building upon the values of the Gospel. Turning to the politicians, the Pope quoted the words of Crown Prince Wolodymyr Monomach (born 1125), who in his book *Instruction to His Children*, wrote: “Do not allow the powerful to destroy humanity.”

The Pope pointed to the three pillars of human civilization, which are vital to preserve as the foundation of human society: the recognition of divine authority as the source of natural law and the moral principles of society; respect for the worth of the human being as the image and likeness of God (*I Genesis 1:26-27*); and the duty to view power as a tool for the service of the weakest and poorest in society.

In this speech, the Pope addressed the conscience of political leaders, admonishing that they should learn from history: “Your task is to serve the people, and to ensure peace, and at the same time justice, for all. This is in opposition to any attempt to misuse power for personal aims. Take care for the necessities of the poor, and work so that every human being has a share in the lawful growth [of society]. You are heirs of a great history. I think, above all, of the Orthodox Archbishop of Kiev, Metropolitan Peter Mohyla, who in the 17th Century founded the Academy of Kiev, which is remembered to this

day as a beacon of humanist and Christian culture.” By this, the Pope referred to the heritage of important Orthodox churchmen and great humanists, who set in motion a far-reaching work of reform of the Orthodox Church, as well as of education.

In another talk, the Pope reminded the Roman Catholic bishops of the Greek Catholic and Latin Rites, of their responsibility to act as witnesses of faith, as true “shepherds,” who should be led by the burning wish to live their lives in the imitation of Christ, to bear witness as once the great saints and martyrs of Ukraine bore witness. The Pope spoke of the church as breathing with the “two lungs of the Eastern and Western traditions.” As members of one church—although with different rites—they might take a unique opportunity to contribute to this process, of bringing about “unity” within multiplicity.

The Measure of Progress

Meeting with representatives of the General Ukrainian Council of Churches and of other religious organizations, among them also a representative of the Kievan Orthodox Church, the Pope pointed to the general tasks of all religions: These, he said, consist in creating a social and moral society from the truth of the inviolable freedom of the individual person.

And in another meeting, with youth, John Paul II pointedly demanded of them that they not run after false gods and take refuge in materialistic hedonism, but courageously swim against the “stream of the time,” to work together in building a just society. “Ukraine needs men and women who are determined to serve, and whose goal it is to support the rights and welfare of all, especially the weakest and most deprived. That is the logic of evangelism, but also the logic which allows the civil community to grow. True civilization is measured not only through scientific progress, but also, and above all, through the human, moral, and spiritual progress of humanity.”

Interview: Father Romano Scalfi

The Pope in Ukraine Sought a True Friendship

Roman Catholic Father Romano Scalfi is chairman of the Milan, Italy-based organization “Russia-Christiana,” which he founded in 1957. Its aim is to make known to the West the spiritual and cultural tradition of Russian Orthodoxy, to promote ecumenical dialogue, and to contribute to the Chris-

tian mission in Russia. Father Scalfi is also the chief editor of Nouva Europa magazine. He was interviewed on July 30 in Italian by Elisabeth Hellenbroich and Claudio Celani; translation is by Andrew Spannaus.

EIR: Father Scalfi, how do you see the Pope's recent visit to Ukraine, the first such visit by a Pope since the Great Schism of 1054?

Father Scalfi: I think that the fears that this visit would not be like the others have been overcome by the reality of what took place. A visit which, despite all that happened, was well received by a large majority of the population. And as the visit neared, the number of people who openly said that they were positively impressed by this visit grew. In fact, a few months before the visit, 40% of the people said they were in favor of it, a large majority professed indifference, and about 4-5% were against it. After three months, we reached a point where 60% of the population was openly positive about the Pope's visit.

After this visit, I was able to speak with Russian journalists who were very positively impressed. For example, Maxim Shevchenko, who said: This man is a true "*Starik*." *Stariki* are those Russian saints who were venerated by the population and were considered the spiritual fathers of Russia. But also many simple people; an Orthodox priest who had gone [to hear the Pope] with his wife, said, "I didn't expect something as beautiful as what I saw." Therefore, my evaluation of the Pope's visit is very positive. Sure, there were some voices, above all some official voices, which were contrary. . . .

EIR: For example, there was the Patriarch of the Russian Orthodox Church, Aleksii II, and also Vladimir from the Ukrainian Orthodox Church, which is linked to the Russian Orthodox Church. Why such a sharp reaction against the Papal visit? Yet on the other side, there was Russian President Vladimir Putin, who, in an interview with the Italian daily *Corriere della Sera*, said that the Pope's visit to Eastern Europe, including Ukraine, expressed a "positive dynamism." Putin emphasized that he can speak only as a head of state; as a Christian, on religious questions he must defer to his Patriarch, Aleksii II. Nonetheless, he expressed the hope that the relations between the Catholic and Orthodox Churches improve. How do you see this? Is this a difference with Aleksii II?

Father Scalfi: Putin, certainly, as I have learned from other journalists, was very impressed by the impulse which the Pope provided. Therefore, he also believes that, if the Pope were to come to Moscow, it would not be contrary to, shall we say, a national vision—in a positive sense, of course—of Russia; rather, it would be in support of the current position of the government.

He obviously thinks this way for political reasons: He is a man of government, and we can't ask more of him. Patriarch Aleksii II, on the other hand, as well as his representative in

Ukraine, Vladimir, repeated the accusations which he has been making for five or six years, but which are unfounded: that "the Pope cannot come to our land until we have eliminated the two great dangers: proselytism and uniatism" [Uniate or Eastern Rite of the Roman Catholic Church—ed.]. Now, these are unfounded accusations.

Let's take the question of proselytism: Even recently, Shlyapin, who is one of the Moscow Patriarchate's representatives for relations with non-Orthodox Christians, expressly said . . . that proselytism in Russia has yielded very poor fruits. Illarion, another representative of the Patriarchate, said that the converts from Orthodoxy are very few. Therefore, one cannot talk about Catholic Church proselytism which represents a danger for Orthodoxy, the more so because the majority of us, missionaries, are not worried about converting the Orthodox to Catholicism, but rather ensuring that the Orthodox be really Orthodox. And this is sufficient for us; so much so, that in our very small communities in Siberia, in Russia, there are Orthodox who attend, but who have found Orthodoxy through us. Therefore, these criticisms are formulations which have become standard and repeated, and are unfounded.

The question of Uniatism is more complicated, because for certain Orthodox circles, the so-called Uniates . . . shouldn't exist. However, they do exist, and this must be accepted. Without counting the fact that the Moscow Orthodox Church did everything possible to exterminate this population. There were 5 million Uniate Orthodox and they were exterminated in 1946, certainly directly by Stalin, but also with the specific and repeatedly stated benediction of the Patriarchate. Thus, we are waiting for the day in which the Patriarchate will ask forgiveness for the misdeeds against the Greek Catholic Church.

. . . I'm not saying that at times the Uniates didn't use heavy methods to re-take churches which were theirs, but those were churches that belonged to them. They belonged to the Moscow Patriarchate only for a few years, because the government allowed it, the KGB, that is. Thus, it's difficult to understand why they insist on speaking of proselytism by the Uniates. I met some of them recently, and Hussar, who is the Archbishop for the Greek Catholics in the Ukraine, was here a few months ago. And I want to say, that they truly desire a dialogue and relations with the Orthodox, but they find obstacles, especially in the church which depends on the Patriarchate of Moscow.

EIR: What possibilities do you see then, that good sense will prevail in the Russian Orthodox Church; that their position will evolve, including in light of Putin's words, which express, I think, not only the personal thinking of the President, but also a possibly important part of that which the elite, the Russian population, and even some groupings inside the Church, think? Do you know something about this?

Father Scalfi: I think that patience is needed, because the

voice of the Patriarch and some of the officials of the Patriarchate do not express the voice of the entire Orthodox Church. Certainly, the loudest voice, which protests, is a minority, but the Patriarch must consider it, because—I often say—he must preserve the unity of his church. But the further forward we go, the more—especially among intellectuals, people who study and observe—the understanding and the desire of a common collaboration in the field of evangelization grows.

Shlyapin also told me recently, after the visit of the Pope: “Today there is a crisis in the dialogue between Catholics and Orthodox. It is a difficult moment, but nonetheless, collaboration to deal with the challenges of the new millennium is necessary, especially now in the period of globalization and internationalization of power in the world.”

EIR: It was announced that the Pope will visit Armenia and Kazakstan in September. Does this indicate a new strategy by the Vatican in Eastern Europe?

Father Scalfi: Yes, the Pope will go to Armenia and Kazakstan. I think that at a certain moment, the prospects for a more serious dialogue must be opened. Certainly, I think that the point must be reached in which there are not simply ecumenical parades, but also collaboration in the missionary field. Until we reach this point, I have the impression that this will act as a dead point, which must be passed. What I mean, is a point where a true and authentic friendship is missing. There is fear of speaking clearly to each other, and when we speak, we offend.

Rather, we must, including on the Catholic side, go beyond the compliments and good manners, and arrive at a “true friendship.” In a “true friendship” you speak clearly. . . .

When we met some months ago the Greek Orthodox Archbishop Hussar, he said, that our goal is not to reach a point where we sign a union, but we must prepare the people for an authentic friendship. Our goal is this, and I think that the Pope, with his trip (which overcame many rumors and contrasts) shows the way of a true friendship, in the name of an “authentic mission”; a collaboration to respond to the challenges of this new situation in the world.

EIR: This is in contrast to the scenario of Samuel Huntington or Zbigniew Brzezinski, who want to foster religious divisions and stage a “Clash of Civilizations.” . . .

Father Scalfi: Certainly.

EIR: And here also the question concerning the Ukrainian Orthodox Churches comes into play. There are three currents which developed in the post-Soviet era. First, the Ukrainian Orthodox Church under the leadership of Metropolitan Vladimir of Kiev, which is directly linked to the Russian Orthodox Church and recognized by the whole Orthodoxy. Then there is the Ukrainian Orthodox Church-Patriarchate of Kiev, which split away from the Ukrainian Orthodox Church, and which since 1995 is under the leadership of the former Metro-

politan of Kiev, Filaret. And there is, thirdly, the Ukrainian Autocephalous Orthodox Church, which is very much supported by the diaspora in North America and Canada. There are people like Paul Weyrich from Christendom College in the United States, who really are interested in inciting religious war. The two latter churches are neither recognized by foreign countries, nor does the Vatican have any bilateral relations with them.

Father Scalfi: I think that when a church is divided within itself, it will have difficulty to create unity with the other (this is also valid for the Catholic Church). The main obstacle for an authentic dialogue, is that within the Ukrainian Orthodox Church, there are these three currents fighting each other. And now the prospects are even more serious, because these two churches—that of Filaret and the Autocephalic one, which has deep roots in Canada—are attempting to obtain the protection of the ecumenical Patriarch, Bartholomew I. If there is a union between them, then the hostility between the Orthodox Church of Moscow and the other Church which is recognized by the Moscow Patriarchate—and thus the division—will grow.

We would very much like for this internal division to be overcome and for them to arrive at a fraternal relation among all the Orthodox Churches, because this would make it easier to collaborate and talk. Think of the fact that the contrasts between the various Orthodox Churches are stronger than those between the Greek Catholic Church and the Orthodox Church: So this does not help the dialogue. The conflict is always carried forward because of an exaggerated nationalism, and here there are the ex-Communists who, in the name of a by-now miserable patriotism, are blandished also by some circles in the Orthodox Church. But, in my view, they have no prospects, because they are not based on reality, but rather on a type of sentimentalism which is now useless.

EIR: In Ukraine, the Pope talked about Grand Duke Wolodymyr Monomach (born 1125 A.D.) who wrote in his book for the education of his children, “Don’t allow the powerful to destroy mankind.” The Pope also made reference to the Orthodox Archbishop of Kiev, Metropolitan Peter Mohyla, who, in the 17th Century, founded the Academy of Kiev, a beacon of humanist and Christian culture. He made reference to those outstanding figures in the context of his speeches, in which a recurring theme was his warning to the politicians, that they have the responsibility to promote the “Common Good,” to serve the people and secure peace and equal development for all.

Referring to the common Christian roots, he said that the powerful should not abuse their power, but serve the people so that each individual can participate in just economic growth. What is the significance of his mentioning these saints?

Father Scalfi: Wolodymyr Monomach is one of the descendants of Prince Vladimir, who truly led a profoundly spiritual life, which can be seen also in the famous “testament to his children”; and this in a period when the Rus was concentrated

in Kiev. Peter Mohyla, on the other hand, is from a later period; he was very open toward the Catholics and created very beautiful relations and reciprocal aid. In the Ukrainian tradition, there exists this tradition which is open to a dialogue and reciprocal collaboration, which does not work if you instead insist on a pan-Russian nationalism.

I think that the Orthodox Church of Moscow, at a certain point, will have to recognize a great autonomy of the Ukrainian Church, because it has always been so, in the Orthodox tradition: When a state is independent, it gradually becomes also religiously independent. But these are internal questions which they must resolve, which are not for me to judge. I wish only that a certain pan-Russian nationalism, which has no reason to exist, and which is still a consequence of pan-Sovietism, can be superseded. . . .

EIR: To return to the theme of the intellectuals, which we touched on earlier. There was an interesting article published in the Russian magazine *Zavtra*, which favorably describes the thinking of Lyndon LaRouche, as “a new Theodicy.” This comes just days after the late June visit LaRouche made to Moscow, which was widely reported on in the national media. I think that you are familiar with LaRouche’s thinking: He is not only an economist but also a philosopher who attempts, as a layman, to contribute to finding solutions for ecumenical dialogue. How do you see the role of laymen in the ecumenical dialogue, both in the West and in Russia?

Father Scalfi: I know LaRouche. He has come here to Milan, and visited us. I can’t judge his economic theories, due to my ignorance, but he certainly seems to be moved, from what I can say, by good intentions; and he is able to find, including in the government of the United States, the possibility of an agreement. That is, if we want Russia to come into the sphere of a European vision, I think that in some way Russia will have to be given the possibility to express herself, to have a greater influence than she has had until recently.

Putin recently signed a friendship treaty with China, which is not a military treaty; yet we must act so that in Europe, Putin finds that comprehension which allows the creation of an authentic collaboration between European countries and Russia. After which, he can make all of the friendship treaties he wants; but it seems to me that the most natural treaty, in the current situation, should be with his European partners. I’ll stop here, because this is a political issue.

Concerning the role of the laymen, it should be said, that it was the laymen who were the first to recognize the right of the Greek Catholics to exist, this was before the Moscow Patriarchate. And the Moscow Patriarchate did listen to the declarations and criticism of the Russian laymen, and they recognized the legitimacy of the presence of the Greek Catholic. Recently, in *Nezavisimaya Gazeta*, a newspaper considered independent, there was a long interview with Maxim Shevchenko, after the Pope’s trip to Ukraine, in which he openly applauded the Pope’s trip, and said that it was positive and that its effect must be considered.

Moscow Patriarch Greet Hungary’s Christians

Aleksi II, Patriarch of Moscow and head of the Russian Orthodox Church, sent Kyrill, Metropolitan of Smolensk and Kaliningrad, to greet Hungary’s Christians and to attend the celebrations of 1,000 years of Christianity, introduced into Hungary by King Stephan. These celebrations have been going on for the last 12 months, and were concluded on Sunday, Aug. 19. Aleksi’s message, which was read by Kyrill, praised King Stephan, the first King of Hungary (canonized by the Roman Catholic Church in 1083, shortly after the schism of 1054 which split the Orthodox and the Catholic churches), as a “genuine Christian ruler.”

Even more significant is Aleksi’s statement, that “Christians in Hungary and Russia suffered equally under Communist regimes, but Christianity survived and even strengthened in the life of the two nations, providing people with the spiritual food of patience and wisdom.” This clearly echoed statements made by Pope John Paul II during the Pope’s visit to Ukraine, which, at the time, had provoked strong criticism by the Russian Orthodox Church. Even though Aleksi’s statements did not refer to the Pope, this is obviously a signal that the Pope’s message to the Orthodox Churches did not fall on deaf ears. Aleksi also expressed his wish that ties between Christians in Hungary and Russia should grow stronger. —*Alexander Hartman*

As well, there is a whole group of laymen who are in favor of an understanding which no longer depends on simple nationalistic reasons, but which truly becomes a “Common Good.” I think that the laymen will have more and more of a role.

Today, it seems to me that the Synod of the Patriarchate of Moscow, for the most part, is not in favor of a union with the Catholics. The Patriarch is personally, I think, more open, but he is worried about breaking the unity of the Church, and he often expresses more the mentality of the Synod than his own mentality. If there is a lay world which can help him go beyond certain prejudices and reinforce that, which I think is fundamentally his will, I think this can be very useful.

EIR: As Vatican spokesman Joaquín Navarro-Valls put it after the Pope’s visit in Ukraine: Sometimes God finds strange ways to solve a paradox. Are you optimistic?

Father Scalfi: Yes, I am, despite the situation, optimistic. One must have patience, and above all, support for the authentically human and religious voices.

Israeli Spies: ‘Mega Was Not An Agent—Mega Was the Boss’

by Jeffrey Steinberg

For a brief period of time in early 1997, the Central Intelligence Agency, the Federal Bureau of Investigation, and the National Security Agency engaged in a frantic mole hunt for an Israeli spy, believed to be operating inside the highest levels of the Clinton Administration national security establishment. By the time the mole hunt was made public—in a May 7, 1997 *Washington Post* leak—the hunt had been abruptly ended, and for all intents and purposes, the story disappeared from the news within a matter of days.

According to the *Post* account, in January 1997, the National Security Agency (NSA) had intercepted a phone conversation between an Israeli official at the embassy in Washington, and Danny Yatom, the head of the Mossad, Israel’s foreign intelligence service. The official sought permission from the spy boss to “go to Mega” in order to obtain a copy of a confidential letter that had been sent by then-U.S. Secretary of State Warren Christopher to Palestinian Authority President Yasser Arafat, concerning U.S. assurances about a recently negotiated agreement for an Israeli military withdrawal from the Hebron area in the West Bank. Yatom, according to the NSA intercept, rejected the request, admonishing his agent, “This is not something we use Mega for.”

The idea that the Israeli government was running another spy operation inside the U.S. national security establishment created a tremendous stir. The *Washington Post*, in its May 7, 1997 leak, had reported, “One official with knowledge of the FBI investigation into the identity of Mega cautioned that much remained unknown. But the official said that if it turned out that a senior U.S. official was passing sensitive information to Israeli authorities, it could prove more serious than the espionage case involving Jonathan Jay Pollard, a former Navy

analyst who was convicted in 1986 of selling U.S. military intelligence documents to Israel.”

To this day, the Pollard affair is a hot-button issue inside the U.S. intelligence community. At the time of Pollard’s arrest in November 1985, it was known that the Navy analyst had been “tasked” to obtain specific U.S. military intelligence secrets, by someone much higher up in the U.S. intelligence community. To this day, the hunt for “Mr. X,” Pollard’s inside controller, continues. In 1986, *EIR* had revealed the existence of not merely a “Mr. X,” but an “X Committee,” made up of nearly a dozen top-level Pentagon and National Security Council officials, all suspected of having been part of the Pollard spy network.

Given the seriousness of the Mega security breach, the abrupt shutdown of the mole hunt naturally prompted some wild speculation about the circumstances under which the search for Mega was abandoned. In March 1999, British author Gordon Thomas released a book, *Gideon’s Spies*, which alleged that Israel had blackmailed the Clinton Administration, with the threat to release tapped telephone conversations between the President and Monica Lewinsky, to force Washington to abandon the Mega hunt. Indeed, in her testimony before independent counsel Kenneth Starr, Lewinsky had reported that the President had warned her, on March 29, 1997, at the height of the Mega hunt, that he suspected the White House telephones were being tapped by agents of an unnamed foreign country.

Years later, it was revealed that the White House communications system had been overhauled and modernized during the early Clinton era, and one of the main outside contractors involved in the project was an Israeli firm, Amdocs. Accord-

ing to a May 2000 story in *Insight* magazine, Amdocs employees would have had nearly unfettered access to White House telephone lines and other super-sensitive communications equipment. However, the nature of the request from the Mossad man in Washington to Yatom—to obtain a confidential State Department document—rules out the possibility that Mega was an electronic eavesdropping source.

Mega-Suspects

Even though the Mega hunt was formally called off, still in some U.S. intelligence quarters, the effort to unearth the suspected Israeli spy cell apparently continued. In September 2000, a CIA team of counterintelligence specialists arrived in Israel, after U.S. Ambassador Martin Indyk had his security clearances temporarily lifted. Ostensibly, Indyk had breached security guidelines by bringing classified U.S. government documents to his residence in Tel Aviv. But it later was revealed that the CIA probe was triggered by an August 2000 unauthorized meeting between Indyk and the former head of the Mossad, Ephraim Halevy, which the ambassador had never reported back to Washington.

If there were anyone in the Clinton Administration's political hierarchy who was a prime candidate to be the Israeli spy Mega, it was Indyk. A British-born Australian citizen, Indyk had been Australia's top Mideast security official in the late 1970s, as deputy director of current Mideast intelligence at the Australian Office of National Assessments, the equivalent of the U.S. National Security Council. But, Indyk abruptly quit the post after just ten months, prompting speculation that he had come under suspicion of spying for Israel (he had lived in Israel while completing his dissertation on "The Power of the Weak: The Ability of Israel and Egypt to Resist the Policies of their Super-Power Patrons"). According to British journalist Kevin Dowling, Indyk next surfaced in Israel, as a "media consultant" to Israel's Likud Prime Ministers, Menachem Begin and Yitzhak Shamir.

In 1982, Indyk came to America, ostensibly on a six-month sabbatical from his duties with the Office of the Israeli Prime Minister. Based out of Cornell University, Indyk formed a research department for the America-Israeli Public Affairs Committee (AIPAC), the "official" Israeli lobby in the United States. Within a year, AIPAC had ponied up \$100,000 to Indyk to hive off the research unit as the Washington Institute for Near East Policy (WINEP). Pro-Israel luminaries in Washington, including former Vice President Walter Mondale, former Secretaries of State George Shultz and Alexander Haig, and former United Nations Ambassador Jeane Kirkpatrick, were among the initiating members of WINEP's advisory board, according to Dowling's Sept. 27, 2000 account of the Indyk counterintelligence probe.

Indyk's "six-month sabbatical" never ended, but it was not until 1987 that the Australian got his first green card, permitting him to work in the United States. Indyk was made a U.S. citizen on Jan. 12, 1993—just eight days before he was

appointed to the incoming Clinton Administration's National Security Council (NSC) staff as Senior Director for Near East and South Asian Affairs. Indyk had already been an informal Mideast policy adviser to President George H.W. Bush, at the initiative of Dennis Ross, Bush's Assistant Secretary of State, previously a deputy to Indyk at WINEP. At the time of the Mega hunt, Indyk had Ross' old job as Assistant Secretary of State for the Near East.

Another prime suspect in the Mega mole hunt was Leon Fuerth, Vice President Albert Gore's national security adviser, and another well-known pro-Likud fanatic. The *Washington Post*, in a 1998 profile of Fuerth, reported that he was suspected by U.S. intelligence officials of passing sensitive U.S. policy information to Israeli Prime Minister Benjamin Netanyahu (Likud), a passionate, personal enemy of President Clinton, who was suspected of activating the Mega spy operation.

Also on the Mega list of suspects inside the Clinton national security apparatus was Richard Clarke, the National Security Council "counterterrorism czar," who was fired from the State Department and brought onto the Bush Administration NSC in 1992, after he was accused by the State Department's Inspector General of concealing illegal Israeli arms sales to China.

The Purloined Letter Principle

While all of the above-mentioned Bush- and Clinton-era national security operatives may have been, indeed, secretly, or not-so-secretly passing critical American policy papers and classified documents to the Likud faction in Israel; and, while then-Israeli Prime Minister Netanyahu and his Mossad mandarins may have been attempting to blackmail the President, there is a much simpler answer to the Mega puzzle: Mega was not a deep mole inside the White House. Mega was a far more visible, far more powerful entity, known among its several dozen members as "the Mega Group."

The existence of the Mega Group came to light, almost exactly a year after the *Washington Post* revealed that the mole hunt was under way. Yet, the story of the Mega Group, which appeared in the *Wall Street Journal* on May 4, 1998, made no mention of espionage, and did not mention the Mossad, the CIA, or Monica Lewinsky, even in passing. Despite that, the Mega Group precisely fits the story of the illusive mole hunt, in a manner that has profound policy implications to this day, as President George W. Bush struggles to avoid an outbreak of war in the Middle East, which would have devastating consequences for the entire planet.

Under the innocent headline, "Titans of Industry Join Forces To Work for Jewish Philanthropy," *Wall Street Journal* staff reporter Lisa Miller reported on an April 1998 gathering of some 20 Jewish billionaires, at the Manhattan apartment of hedge-fund manager Michael Steinhardt. That gathering involved some of the most powerful names in the Jewish lobby in America, starting with Edgar Bronfman, the

chairman of the World Jewish Congress. Others included: Charles Bronfman, Edgar's brother and a top executive of the family's flagship Seagrams Corp.; Leslie Wexler of Limited, Inc.; Charles Schusterman, chairman of Samson Investment Co. of Tulsa, Oklahoma; Harvey "Bud" Meyerhoff, a fabulously wealthy and powerful Baltimore real estate magnate; Laurence Tisch, chairman of Loews Corp.; Max Fisher, the Detroit oil magnate and Republican Party powerhouse; bagel magnate Max Lender; and Leonard Abramson, the founder of U.S. Healthcare.

According to the *Journal* account, the Mega Group was founded in 1991 by Wexler and Charles Bronfman, to add greater clout to the Israeli lobby, by establishing an informal, but all-powerful policymaking group, able to deploy billions of dollars in "charitable" funds for the maximum effect on U.S. policy toward Israel, the Mideast, and other issues of paramount importance to the Jewish megabillionaires. The Mega Group convenes twice a year, for two-day sessions, where, behind closed doors, the members make life-and-death decisions, affecting U.S. policy. Membership is by invitation only; the meetings are secret (the *Wall Street Journal* story was the only coverage to ever appear in the U.S. media about the existence of the Mega Group, before the publication of this *EIR* account); and the members each kick in \$30,000 in annual dues, to cover "operating expenses" for the twice-yearly sessions.

Charles Bronfman reflected the Mega Group's propensity for secrecy, when he told the *Journal's* Lisa Miller, "From the beginning we didn't want to be seen as a threat to anybody. And that still pertains. We don't want to be seen as the Sanhedrin," a reference to the highest court of the ancient Jews. "We don't want to be looked at crooked." Charles' far more sinister and slick brother, Edgar, tried to dismiss the activities of the Mega Group, telling Miller, "We want to make it cool to be Jewish."

Not So Cool

But then, a March 13, 2001 dispatch by the Jewish Telegraph Agency revealed that the Mega Group is more than a loose bunch of Jewish billionaires out to do good. The JTA reported that newly installed Israeli Prime Minister Ariel Sharon was about to launch a two-pronged propaganda offensive inside the United States, aimed at winning American support for his plans to overturn the Mideast peace process. First, the JTA revealed, the Sharon government announced that it was hiring two U.S. public relations firms—Rubenstein Associates and Morris, Carrick and Guma—to peddle the Israeli government "spin" inside the U.S. media and in policy-making circles in New York and Washington.

The JTA wire continued, "More controversially, a handful of Jewish mega-donors has created a think-tank they hope will generate long-term strategies for presenting Israel in a favorable light."

The new think-tank, Emet (the Hebrew word for "truth"),

JTA reported, is the collective brain-child of Leonard Abramson, Edgar Bronfman, and Michael Steinhardt—three of the leading Mega Group members (JTA made no mention of Mega). The Mega Group is expected to kick in \$7 million to launch the new organization, with the Israeli Foreign Ministry also pledged to pony up \$1 million in startup cash. But, lest there be any confusion about who's in charge at Emet, JTA revealed that "the group consulted with [Malcolm] Hoelein, [Abe] Foxman and other Jewish activists—and only then notified Israel's Foreign Ministry, Foxman said." Hoelein, the executive vice president of the Conference of Presidents of Major American Jewish Organizations, is a fanatical backer of the Sharon war-drive, a view he shared with the just-retired president of the group, Ronald Lauder, a big Sharon financial backer who met with Sharon in September 2000—just before the latter staged his provocation at the Islamic holy sites on the Temple Mount/al-Haram al-Sharif in Jerusalem, triggering the ongoing violence.

The Emet project has been criticized inside Israel, by Foreign Ministry officials and peace activists alike. As JTA reported, "Some Foreign Ministry officials grumbled that American Jews were poaching on their turf. Not surprisingly, they would prefer that any extra money be funneled to the ministry's efforts. . . . Israel's left appeared concerned that hawkish American Jews will use Emet to push a hard-line approach to the peace process." Steinhardt, Bronfman, and Abramson refused to talk about the project. But the enthusiastic endorsement for Emet from Morton Klein, president of the hawkish Zionist Organization of America, is strong confirmation that the outfit will peddle Sharon's war line. As *EIR* reported recently, Klein led a delegation of right-wing Zionists and evangelical Christians in a White House meeting, where they threatened a Presidential representative with a cutoff of support, if Bush attempted to interfere in Sharon's war schemes (see Anton Chaitkin, "Temple Mount Fanatics Seek To Blackmail Bush," *EIR* Aug. 24, 2001).

The Power of Money

The Mega Group story came full circle on May 5, 2001, with the publication of a story in an obscure Israeli online publication, Media Monitors Network, by writer Israel Shamir. Shamir noted, with no lack of irony, the meeting of the Mega Group, which had taken place the previous day at the Manhattan mansion of Edgar Bronfman.

Shamir first described a meeting he had recently had with a Vermont-based psychoanalyst, the nephew of Israel's first Prime Minister, David Ben-Gurion. The nephew prided himself on the fact that his closest friends were Palestinians, and that he rejected the idea of a Jewish "tribal" identity, preferring to view all human beings as brethren.

Shamir observed, "That is the last thing the bosses want. I would not be amazed if they discussed it yesterday, when they met in the Edgar Bronfman mansion in Manhattan. The head of the World Jewish Congress hosted a meeting of the

50 richest and most powerful Jews of the U.S. and Canada. There was no press coverage, no limelight, just a few lines in the newspapers. . . . They agreed to launch a PR program under the Orwellian codename of 'Truth' with the purpose of influencing American public opinion regarding Israeli policies."

Shamir continued, "The megabucks call themselves 'Mega group.' This name appeared in the media a couple of years ago, as a name for the secret Israeli mole in the upper reaches of the U.S. establishment. It came up in an overheard phone conversation, later denied by the Israeli embassy in Washington, D.C. The newshounds and spook watchers got it wrong. 'Mega' was not an agent, Mega was the boss."

With some bitterness, Shamir wrote, "Megabucks influence us, even more than they influence the U.S. Our politicians are as weak and corrupt as America's and they are easier to swing. Even relative small-timers can cause eruption and bloodshed, like the California bingo-parlor owner [Irving] Moskowitz, who pushed our ex-prime minister Netanyahu to open the tunnel under the Haram al Sharif. . . . The Megabucks can buy Israel with their spare change. If they wish, we would have peace in Palestine today. But they are not interested in Israel per se. . . . Megabucks care for themselves, and they need Israel in order to keep the American Jews together, supporting them. That is why they do not mind bloodshed in Palestine, and even a bloody regional war does not scare them."

Shamir concluded: "In my opinion, Megabucks, rather than forces of Caballa, move the events in the Middle East. It is not magic, just money—but a lot of money. They do not rule America or Israel, but they exercise a lot of influence. Fifty multibillionaires united in one framework present a very real force in the world."

Of course, Shamir does not have the picture precisely right. The Bronfman-centered Mega Group is but one component of an insane and desperate element within the transatlantic financial establishment that is now pressing for a "Clash of Civilizations," as a means of responding to the collapse of their global financial empire, and the threat of a new set of Eurasia-centered cooperative arrangements among nations supplanting their power. But, as far as the Mega puzzle is concerned, Shamir has solved the mystery.

No wonder Mossad boss Yatom scolded his Washington-based underling with the warning, "This is not something we use Mega for."

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Is Rail Union Pension Moynihan's Precedent?

by Anita Gallagher

On July 30, legislation which repeals the Roosevelt-era Railway Act of 1934, by allowing some pension fund assets of railroad workers to be invested in private securities, sailed through the House of Representatives with 384 votes. The new Railroad Retirement and Survivors Improvement Act of 2001 was supported by the AFL-CIO. But it may well be used by the Bush Administration as a precedent for the privatization of Social Security monies, which the same union leadership intends to demonstrate *against* in the Fall.

A fight for the right to invest pension money in bankrupt Wall Street is reality-avoidance of the worst kind. As Lyndon LaRouche, candidate for the Democratic Presidential nomination in 2004, recently stated, "The only question being asked by alert and sane people around the world, is, 'Since the crash is now here, what do we do now?' The only significant issues before both the U.S. and world populations, are the political issues. . . . [Have the American people] still that instinct for survival once seen in the support for President Franklin Roosevelt's leadership out of the Coolidge Depression?" For the AFL-CIO, the answer is doubtful.

The Wall Street establishment desperately needs to employ the Bush Administration to vacuum new suckers into the financial markets, even while the *Wall Street Journal* frankly reported on Aug. 16 that, "The companies listed on the market that symbolize the New Economy haven't made a collective dime since 1995." The "Old Economy" is hardly tanking any less. The 85-15 ratio of new investments in mutual funds versus savings accounts has already flipped in one year, meaning that 85% of the population is now seeking the safety of savings accounts. For the first time since they were created, the average 401(k) private pension account lost 11% in the last year. The Virginia Retirement System lost \$3 billion of its capital—7%—in fiscal 2001. Including 401(k)s, pension funds comprise 25% of all U.S. stocks traded—more than \$5 trillion.

Financial Establishment Like Dracula

Whatever "visions of sugarplums" were in the heads of the Democrats and labor leaders who supported this rail legislation, the financial establishment operated to expedite what they hope will be a precedent for their Social Security "blood drive."

On July 30, the Opus Dei-connected columnist Robert

The latest recommendations by the President's Commission to Strengthen Social Security will lead to the further gouging of America's senior citizens. As this publication reported in its Aug. 10, 2001 issue, the commission should be truthfully called, "Throwing Social Security to the Stock Markets." It is recommending the privatization and looting of Social Security by Wall Street, which needs this largest source of still-untapped funds to help feed its unsalvageable financial debt bubble.

After the commission's Aug. 22 meeting, they are recommending a new way to cheat: looking at ways to cut the scheduled payout to those who retire after the next ten years. Recommended was a change in indexing, from wages to inflation. A change in indexing would decrease benefits, as official inflation figures have been shown to be fudged downward. According to a Congressional Re-



search Service Report, the change would reduce benefits by 12.9% by 2030, and 40.8% by 2070.

Commission Co-chairman Daniel Patrick Moynihan (right), and Chairman Richard Parsons, are shown at a media availability before the Aug. 22 meeting.

Novak revealed in the *Washington Post* that "this remarkable piece of legislation" had been "quietly" cleared for action by House Speaker Dennis Hastert (R-Ill.). Hastert had suspended the rules, which meant minimal debate and no amendments allowed, despite the fact that Republicans had killed a similar bill in the Senate last year. Further, Novak says, the bill violates President Bush's stated principle that there be no government—as opposed to individual—investment of retirement money into private capital markets. Why would Hastert, Bush's majority leader, support what Novak calls "a bad bill" that violates Bush's principles? Because Hastert needs alliances, and the bill was championed by fellow Republican "old bull," Rep. Don Young of Alaska, Novak answers. Right.

Bush's "opposition" to these Republicans, reminds one of Brer Rabbit's refrain, "Please don't throw me into that briar patch"—which is, of course, exactly where Brer Rabbit wants to be. Novak's claim that the bill is a budget buster is all a diversion. What those supporting the bill want is a precedent for "scoring"—that is, counting—pension money privately invested, as simply "reallocated" trust money that is still available, as if it were as safe on Wall Street, as in the old mandated investment in U.S. Treasury bonds.

This same "scoring" question is at the heart of the Social

Security debate: to allow Social Security money invested in Wall Street to be counted just as if it were invested in U.S. government securities. The 1934 Railroad legislation created a separate social security system for railroad workers, which predates the Social Security system that covers Americans today. The railroad trust fund contains "tier one" money, which parallels the Social Security system, and "tier two" money, which parallels the additional pension a union worker would receive above Social Security.

The sugarplum used to gain the union support is that added benefits could be financed by "greater rates of return" in private investment—an idea that ignores all the evidence of painful reality. But, as the bill's proponents cheerily point out, if the investment reserves fall below the mandated level, contributions from workers can be increased. That's like saying, if your stock portfolio's value shrinks, you can always stop eating—or get two more jobs—and restore it to its old level: your own "personal guarantee!" It is also not impossible, if the investments are, at first, sufficiently limited, that some brief profits could be managed for the rail workers' fund this year, and be used as bait when the fight on Social Security itself begins in Congress.

Isn't it time for sane people to face reality—especially when even the insane bankers admit they need a fix?

ABA Says Death Penalty System 'Broken' in U.S.

by Marianna Wertz

The American Bar Association, the world's largest legal group, with 400,000 members, on Aug. 3 urged the U.S. Congress to stop Federal executions until it has enacted laws to ensure fairness in application of the death penalty. Speaking just prior to the ABA's annual convention in Chicago, outgoing president Martha Barnett said that the ABA is neither for nor against the death penalty, "but we now have empirical data that show, in fact, this system is broken."

In fact, many of the ABA's members oppose the death penalty on principle and are active in anti-capital punishment organizations. The ABA is on record opposing the death penalty for anyone under 18 at the time of the crime, and for the mentally retarded.

In 1997, the ABA's policymaking body voted to support a moratorium on the death penalty, and last year, the group wrote to President Clinton to ask for a suspension of the death penalty on the Federal level. In this latest initiative, Barnett asked the Senate and House Judiciary committees to support the National Death Penalty Moratorium Act and the Innocence Protection Act, two pieces of legislation before the U.S. Congress, which aim at minimizing the risk of executing innocent people.

At her press conference, Barnett noted that, in the last 18 months alone, 11 defendants on Death Row have been exonerated, bringing the national total to 90 since capital punishment was reinstated in 1976.

Four Cases

Proof that the system is indeed "broken" is glaringly evident in four recent developments:

- The decision on Aug. 15, by the Texas Court of Criminal Appeals, to stay the execution of Napoleon Beazley, who was 17 when he committed the murder for which he received a death sentence;
- The refusal of a Philadelphia Federal judge, in the case of Mumia Abu-Jamal, to admit as evidence a signed confession to the crime by a mafia hitman, which would prove Mumia's innocence;
- The U.S. Court of Appeals ruling Aug. 13, in the case of Texas inmate Calvin Burdine, that Burdine's Sixth Amendment right to counsel was violated when his attorney slept through parts of his trial; and
- The overturning, also Aug. 13, in Oklahoma Federal court, of Alfred Brian Mitchell's death sentence, on grounds

of false and misleading testimony given at his trial by a police chemist, and because the prosecution withheld exculpatory evidence from the defense and deliberately misled jurors.

Stay for Beazley

Napoleon Beazley's case involves the fundamental moral issue of executing minors (in which the U.S. stands alone among "civilized" nations). It grabbed headlines internationally in mid-August, when, less than four hours before he was to be executed, the Texas Court of Criminal Appeals granted a stay, based on an appeal from Beazley's lawyers. The court offered no reason for the stay, which remains in place until the court takes further action. The case is also before the U.S. Supreme Court, on the question of the constitutionality of executing minors.

Beazley, an African-American, now 25, was 17 when he murdered John Luttig, the father of J. Michael Luttig, a Federal judge with ties to Supreme Court Justices Antonin Scalia, Clarence Thomas, and David Souter. In fact, these three justices recused themselves from voting when Beazley's request for a reprieve came before the court, leaving a 3-3 split vote, which, according to court regulations, meant no reprieve. Beazley's age, his clean record before the murder (he was president of his high school senior class), and possible undue influence by the victim's influential son, have prompted protests internationally against the planned execution.

The European Union protested in an Aug. 14 letter to the chairman of the Texas Board of Pardons and Paroles, saying, "The death penalty should not be imposed on persons under 18 years of age at the time of the crime, in the spirit of Article 6 of the International Covenant on Civil and Political Rights."

Despite international law, the U.S. Supreme Court, in a 1989 ruling, found death sentences for defendants as young as 16 to be Constitutional, and that ruling stands as American law.

Beazley's attorney, Walter Long, said Aug. 16 that he will again ask the Texas Board of Pardons and Paroles to commute the sentence to life in prison, and will include in his request, a letter from the presiding judge in the case, who recommends commuting Beazley's death sentence.

Beazley would be the 19th U.S. prisoner to die since 1976 for a murder committed when the killer was younger than 18.

Mumia Another Herrera?

The case of Mumia Abu-Jamal, who has been in Pennsylvania prisons and Death Row for 20 years, has become a *cause célèbre* among death penalty opponents and the left internationally. A journalist and former Black Panther, Abu-Jamal was sentenced to death for the 1981 shooting death of Philadelphia police officer Daniel Faulkner, a crime which Abu-Jamal has denied from the beginning.

On Aug. 17, about 1,000 supporters protested in the streets of Philadelphia as Abu-Jamal's attorneys pursued a last-gasp state appeal on his behalf. The attorneys argued that new



A rally opposing the execution of Mumia Abu-Jamal. A Philadelphia Federal judge refused to admit as evidence a signed confession to a murder by a mafia hitman, which would prove Mumia's innocence.

evidence—a signed affidavit from a mob hit-man, stating that he had been hired by the mob to kill Faulkner—should clear Abu-Jamal and set him free. Judge Pamela Dembe barred Abu-Jamal from the hearing and directed lawyers for both sides to file briefs on whether she should have jurisdiction over his petition for a new trial, refusing to immediately schedule oral arguments.

In July, Federal Judge William H. Yohn, Jr. refused to allow the hit-man, Arnold Beverly, to testify in court, saying the confession was “time barred.” Yohn cited the notorious 1992 Supreme Court decision in the case of Leonel Herrera, a Texas Death Row inmate. In that case, the Supreme Court ruled that it *is Constitutional* to execute a person who has been convicted of murder, but who is actually innocent, if the time limit for his appeals has run out!

Beverly made his confession, not just lately, but to Mumia’s original attorneys in the case, who said it was not credible and refused to pursue it. But Beverly has passed a lie detector test on his confession. His affidavit, according to www.mumia2000.org, said he was hired and paid to shoot and kill Faulkner by the mob and corrupt elements in the Philadelphia police force, because Faulkner “interfered with graft and payoffs. . . .”

Mumia’s attorneys asked Judge Yohn, “In what case, in what court, anywhere in this country, has any jury ever convicted a defendant of a crime after the true perpetrator voluntarily came into court and testified under oath that he, rather than the defendant, was the guilty party?”

Sleeping Lawyer Case

The Burdine case is “classic Texas,” George W. Bush’s home state. According to The Justice Project, on Aug. 13, the U.S. Court of Appeals for the Fifth Circuit ruled that Texas

Death Row inmate Calvin Burdine’s Sixth Amendment right to counsel was violated when his attorney slept through parts of the trial. The full court’s decision reversed an earlier ruling by a three-judge panel of the same court, which had said that Burdine’s conviction could stand because his lawyer, Joe Cannon (now deceased), did not sleep through “crucial” parts of the trial and because Burdine did not, on his own accord, make a record of Cannon’s sleeping! The State of Texas has 90 days to decide if it will appeal the decision to the U.S. Supreme Court.

Burdine’s current attorney, Robert McGlasson, told The Justice Project, “The court’s opinion establishes the simple truth that the right to counsel surely must mean an attorney who not only stays awake, but indeed provides vigorous advocacy throughout all phases of the criminal proceeding, and especially during the trial.”

Burdine was the secondary actor in the 1993 murder of W.T. Wise. The primary perpetrator, Douglas McCreight, served eight years in prison after pleading guilty to murder, and is now free on parole. Burdine was not allowed to make a plea bargain and went to trial, only to have his attorney sleep for prolonged periods during the relatively short trial. During the state’s entire cross-examination of Burdine (the transcript was 80 pages long), his attorney said absolutely nothing.

The Innocence Protection Act, which the ABA endorsed in its call for a moratorium on executions, would institute basic and enforceable standards for court-appointed counsel, and includes reasonable measures encouraging states to provide qualified and experienced lawyers to all defendants facing the death penalty.

Prosecutorial Misconduct

The Innocence Protection Act would also institute safeguards against prosecutorial misconduct, another of the “broken” aspects of the death penalty system in the United States.

According to the Death Penalty Information Center, on Aug. 13, a Federal court overturned the sentence of Oklahoma Death Row inmate Alfred Brian Mitchell, because of the false, and misleading testimony by Oklahoma City police chemist Joyce Gilchrist at trial. The court said that Gilchrist, who is currently suspended while state and local agencies review cases in which she testified, knew her testimony was false, because of other evidence that was withheld from the defense. The judges also denounced prosecutors for withholding exculpatory evidence from the defense and for deliberately misleading jurors, stating that such conduct “strikes a heavy blow to the public’s trust” of prosecutors. The prosecutor’s duty is not to win cases, said the court; it is to see “that justice is done.”

If the United States is not yet prepared to join the rest of the “civilized” world, in renouncing the death penalty, it should at least do as the ABA has proposed, and impose an indefinite moratorium on executions, while the “broken” aspects of the system are fixed.

Rep. Tom Lantos: George Soros' Walking 'Clash of Civilizations'

Part 1, by Scott Thompson

Tom Lantos, the Democratic U.S. Representative from the California district encompassing San Mateo and part of San Francisco, became the ranking minority member of the House International Relations Committee, this year. Although himself a victim of the Holocaust that claimed 500,000 Jewish lives in his native Hungary, Lantos has acted as a virtual walking "clash of civilizations" (i.e., Samuel Huntington's attempts to foment ethnic and religious warfare around the globe), threatening Palestinians and China, Russia, and other nations with sanctions that would destroy any potential alliance with the United States, and heighten the danger of World War III.

Not only has Lantos been working hand-in-glove with such organized-crime-linked entities as Edgar Bronfman's World Jewish Congress and the Anti-Defamation League (ADL) of B'nai B'rith, but, ironically, Lantos has also been in the pocket of "British Golem," mega-speculator George Soros, who has twice admitted that he learned how to carry out his speculative looting on behalf of his offshore hedge funds by serving as a small cog within Adolf Eichmann's Nazi genocide machine in Hungary (see last week's *Feature* story). Lantos aided and abetted Soros in destabilizing the Hungarian government of Prime Minister Jozsef Antall in 1992, partially through his work on the board of Soros' Central European University, based in Budapest. The reason for this action was that elements in the Hungarian government opposed the sort of International Monetary Fund (IMF) "shock therapy" then being peddled by Soros throughout the former East bloc. The two carried out their task by painting as "Nazis" precisely those who stood in the way of the kind of austerity which the IMF borrowed



Rep. Tom Lantos (R-Calif.)

straight from Nazi Economics Minister Hjalmar Schacht.

In a forthcoming article, we will review Lantos' close ties with Soros and the Zionist Mafia. Here we review some of Lantos' recent legislative history from the 106th and the current 107th Congress.

The Middle East

In March 2001, Lantos was one of the leading sponsors of the Middle East Peace Commitments Act (H.R. 1795), that he and 209 other Congressmen described in a letter to President George Bush as expressing that "it is time for the United States to require that the leadership of the Palestinians speak and act against the continuing violence and terrorism, or face a significant change in our relationship with them."

Rep. Gary Ackerman (D-N.Y.), joined by House International Relations Committee Chairman Rep. Benjamin Gilman (R-N.Y.) and Lantos, who were the primary sponsors of H.R. 1795, wrote a letter to their House colleagues stating: "The continued refusal of the Palestinian leadership to live up to their explicit commitments—all publicly signed and witnessed by the President of the United States—to resolve their conflict with the State of Israel by exclusively peaceful means requires a decisive U.S. response."

The legislation requires the President to report to Congress that the Palestinians are living up to what the legislation determines is "their obligations," and, if they are not in compliance, all or some of the following sanctions would be imposed, including: barring from entry to the United States all Palestine Liberation Organization (PLO) and Palestinian Authority officials; downgrading the status of the PLO office in Washington; designating as Foreign Terrorist Organizations the PLO or entities associated with the PLO (including Fatah and Tanzim) and the Palestinian Authority (including Force 17) which have engaged in attacks on Israelis; and cutting off all non-humanitarian aid to the West Bank and Gaza. The President has the authority to waive any or all of the sanctions, if the waiver is determined to be in the national security interest of the United States.

Somehow, H.R. 1795 became attached as a rider to the House version of the 2002 Foreign Operations Appropria-

tions bill. During the week of July 23, Congress thus exacerbated the danger of Middle East war, by approving sanctions language against the Palestinian Authority by a vote of 381-46. There was very little debate in either house on the bill, and there are several other anti-Palestinian bills being pushed in Congress. Shortly after the House overwhelmingly approved the sanctions against the Palestinians, Sens. Mitch McConnell (R-Ky.) and Dianne Feinstein (D-Calif.) introduced parallel legislation in the Senate, whose passage *EIR* experts on Capitol Hill believe will have a similar overwhelming response.

Lantos and Gilman also co-sponsored H.R. 426 on Oct. 24, 2000. It stated: "Arafat has encouraged, promoted, and abetted violence and refused to engage in future negotiations."

Lantos, who is on record in favor of cancelling annual foreign aid payments to Egypt that are recompense for maintaining its peace agreement with Israel, took part in a press conference with ADL Executive Director Abe Foxman on March 29, 2001, on the eve of Egyptian President Hosni Mubarak's official visit to the United States on the peace process. They called upon the Egyptian government to halt the alleged anti-Semitism appearing in that nation's press; however, what they included in this category were cartoons that described Israeli Prime Minister Ariel Sharon's "collective retribution" and assassination policy toward all Palestinian factions "as ruthless aggressors and Nazis."

But perhaps most significantly, Lantos revealed himself as allied with those seeking to promote a religious war in the Middle East similar to the Thirty Years War in Europe, when, on Oct. 1, 1999, he praised Dorothy Davidson Gerson and Byron Gerson. These two people, according to Lantos, had funded reconstruction of the eastern Huldah Triple Gate on Jerusalem's al-Haram al-Sharif (a.k.a. Temple Mount), Islam's third most holy site, and the stairway to the Second Temple on the Mount and an observation deck. It was Sharon's Sept. 29, 2000 visit to the Temple Mount that sparked the latest, most deadly outbreak of irregular warfare known as the Al Aqsa Intifada, when he approached the Al Aqsa Mosque during Friday prayers, accompanied by a heavy police escort. Jewish terrorists had already been caught trying to blow up the Al-Aqsa Mosque and Dome of the Rock, in order to rebuild the Third Temple. The Gersons' project is the first known attempt to rebuild the Third Temple. The goal of certain members of the Anglo-American establishment, and their puppets among Jewish radicals and Christian fundamentalists, is to trigger a new Thirty Years War (see "Who Is Sparking a Religious War in the Middle East?" *EIR Special Report*, September 2000).

Russia

Lantos has repeatedly attacked Russia under President Vladimir Putin, for "human rights abuses" and its "lack of freedom of the press and democracy." The latter comment

specifically refers to Putin's strong steps against the organized-crime-linked "oligarch" Vladimir Gusinsky, who owned NTV. (This was embodied in H.R. 352, introduced on June 14, 2000.) In a press conference on June 1, 2001, Lantos stated that he was introducing a bill, the Democracy Act for Russia (H. Cong. Res. 128), which would devote \$50 million toward building a "free press" and buttressing non-governmental organizations (NGOs) that oppose Putin. Throughout his speech at the National Press Club, Lantos praised the work of Soros and called upon Russia to be thrown out of the Group of Eight (G-8).

Confronted by this author on how a Member of Congress could possibly speak for the six other sovereign members of the original G-7, Lantos responded: "It is always important to take a look at the second aspect of my proposal, namely, suspending Russian membership in the G-7. When [former Russian President Boris] Yeltsin was invited as the eighth member of the G-7, transforming it to the G-8, we had no illusion that Russia was economically ready to be on the same level with Japan and Germany and the United States. Nor was Russia, in terms of its democratic comportment, anywhere near at the same level. But, this was an expression of hope and confidence that it would build. . . . And, the time has come to face up to this. Putin, obviously, very much craves to be a member of the G-8, because this gives him prestige, which he desperately is hungry for. . . . While wholly in favor of engagement, I think the time has come to put an end to the charade of treating Russia as an important economic power with a democratic form of government. My Act on this is clear."

Asia

Lantos has consistently been one of the strongest Democratic opponents of permanent normal trade relations (PNTR) with China, and has also opposed renewal of normal trade relations (cf. his H.R. 57 of June 7, 1999). This is undoubtedly why organized labor, that has gone insane on this issue, was the largest contributor to Lantos' Y2000 reelection campaign, contributing \$78,000 in political action committee money.

Lantos' efforts to make a new "enemy image" of the Chinese have not stopped there. On several occasions he has passed resolutions to strengthen the Taiwan Relations Act, including provision of the most modern weapons possible, the training of Taiwanese military officials, and so forth. Lantos has also co-sponsored a resolution to give Taiwan a separate seat in the UN, and spoken frequently against Chinese "human rights abuses, whether it be the crackdown on the Falun Gong cult or alleged repression of the Tibetans, who had been living under conditions of serfdom before the Chinese liberated them from the theocracy of the Dalai Lama.

As the second part of this profile will show, there are two entities behind Lantos' "Ugly American" legislative agenda: a literal Zionist Mafia, and Soros.

National News

Neo-Con Podhoretz Stumps for Al Gore

Al Gore would be the strongest candidate that the Democrats could field in 2004, claimed *New York Post* columnist John Podhoretz, himself a neo-con, Kennedy-hating Republican, on Aug. 21.

Podhoretz acknowledges that many Democrats are against Gore, and would like to dump him, the same way many Democrats turned against Walter Mondale and Michael Dukakis after their failed bids in 1984 and 1988, respectively. But it would be foolish for Democrats to turn against Gore, Podhoretz slyly advises, claiming that Gore is in the best position, because he's the best known, that he comes with a great story—"The Rematch Following the Closest Election Ever"—and that he could even come at the nomination as an "outsider," this time around.

Backlash Against Use of Ritalin

Opposition is growing to the use of Ritalin and its competitor drugs for childhood "attention deficit" disorders, according to a *New York Times* report on Aug. 21. Several states have acted to prevent schools and social service agencies from mandating such drugs, and a backlash is occurring over the move by Ritalin's competitors to advertise their drugs for Attention Hyperactivity Deficit Disorder directly to parents, rather than only to doctors.

Minnesota is the first state to bar such mandating by state agencies. Connecticut will enact an even tougher law in October, and there are bills introduced in Arizona, New Jersey, New York, Utah, and Wisconsin.

The use of Ritalin and its competitors has taken off in recent years, going from 13 million monthly prescriptions in 1995, when it was approved, to nearly 20 million in 2000. Sales of the drugs in 2000 rose 13% over 1999. Young boys, in particular, are victimized by schools and other agencies that attribute their restiveness to this syndrome. Yet Ritalin (and its competitors) are

Schedule II controlled substances, which are seriously addictive.

Prueher Says China No Threat to U.S.A.

Former U.S. Ambassador to China Adm. Joseph Prueher, during a speech in Seattle on Aug. 17, played down the capabilities of China's military, the *South China Morning Post* reported on Aug. 18. "Is China a threat?" he asked. "As a military person, I say, not really."

Prueher said that the People's Liberation Army is "not very potent" as a fighting force, even though China yearns for a strong military to match its position in the world. He said that the United States should negotiate with China from a position of strength, but that it should also treat China with respect. He also warned against pressuring China too hard on "democratic reforms." "If we push too hard for openness, there'll be resistance."

Iran-Contra Players Join Administration

There is growing controversy in Washington, over the fact that President George W. Bush has appointed a number of "Iran-Contra" bigshots to senior positions, reported Duncan Campbell, Los Angeles correspondent for the London *Guardian*, on Aug. 20.

Most controversial, is the appointment of Elliott Abrams, former Assistant Secretary of State under President Reagan, to head the National Security Council's Office of Democracy, Human Rights and International Operations. Campbell notes that Abrams described himself as a "gladiator" for the Reagan-Bush policies in Central America. During the late 1980s Senate hearings about concealment of information regarding illegal government activities, Sen. Thomas Eagleton (D-Mo.) warned Abrams that lack of cooperation could lead to "slammer time." Abrams responded, "You've heard my testimony," to which Eagleton replied, "I've heard it, and I want to puke."

Other appointments include John Ne-

groponde, Iran-Contra era U.S. Ambassador in Honduras, where the Nicaraguan Contras were based, as Dubya's UN Ambassador; and Otto Reich as Assistant Secretary of State for Western Hemispheric Affairs. Abrams didn't need confirmation, but there will be a big battle over the Negroponte and Reich appointments, the *Guardian* says.

One Washington source cited by Campbell warned about bringing back the "Contra Alumni Association" into the U.S. government.

New Bush Assault on Medicaid Beneficiaries

Health and Human Services Secretary Tommy Thompson on Aug. 4 announced a ruthless new attack on Medicaid beneficiaries. The "Health Insurance Flexibility and Accountability Initiative" will allow states to cut benefits of Medicaid patients and force them to pay higher co-pays for treatment and medications. Medicaid is the Federal-state health insurance program for indigent families, the elderly, and about 7 million disabled individuals.

HMO protector Bush will deny basic life-saving protections to some 20 million patients in Medicaid managed care plans, and will defer regulation of managed care plans that contract with Medicaid. The regulations had been announced by President Bill Clinton, and would assure Medicaid managed care patients basic rights, such as the right to emergency care at any hospital without prior authority by their HMO, the right to timely specialist care, and the right to appeal negligent decisions by HMOs. Another regulation provided that the Medicaid HMO/managed care plans must have enough physicians to care for all the needs of the population. It is well known that once that an HMO has a Medicaid contract, utilization of medical services by Medicaid patients is slashed.

The Clinton regulations were part of a 1997 deal that gave states the right to force Medicaid beneficiaries into cheaper managed care plans without Federal approval, in exchange for substantial new protections for Medicaid patients. Now these protections, like those included in the Bipartisan Patient Protection Act which Bush is working so hard to kill, are to be deferred.

Senators, Have You Seen The State Budgets?

Over the weekend of Aug. 18-19, the Democratic Party leadership announced with great fanfare, that it has found a new way *not to fight for the general welfare of Americans, and to deny that the problem is economic depression*. Instead, the Democratic leadership announced it intends to spend the Fall campaign season, attacking President Bush for a tax cut which the same Democratic leadership supported only a few months ago, in everything but degree. This decision by Sen. Tom Daschle (S.D.), Rep. Richard Gephardt (Mo.), and others would be comic, if it were not a continuing tragedy. It brings to mind the courtier Osrick in *Hamlet*, who would repeat whatever a nobleman (in the Democrats' case, whatever the popular opinion polls) said to him: "I thank your lordship, it is very hot. . . It is indifferent cold, my lord. . ." and so on.

Only this Spring, the Democratic leaders were "going along to get along," agreeing that a tax cut was just what the ailing economy needed, and haggling only over the amount of such a cut. Now they've discovered that the tax cut has destroyed the surplus and is threatening Social Security.

The huge, endless budget surplus—which Al Gore preached and praised much more loudly than George W. Bush during the 2000 campaign—is all gone. But Lyndon LaRouche, in the same campaign, insisted that there was no budget surplus, but only an oncoming financial crash about to sweep the budget away. The Democrats insisted that was impossible, suppressed LaRouche's campaign, stole his votes and delegates, and gave them to Al Gore.

LaRouche was right, and Gore was wrong about the "surplus" and the economy; but the Democratic leadership will not admit that, and without admitting it, they cannot lead a fight for recovery from the depression.

Thus the latest ridiculous Democratic "practical tactic"—so transparent that it will evaporate by the Fall—is to charge Bush with losing the non-existent surplus, by a tax cut.

Have none of the Senators noticed the current condi-

tion of the *state* budgets of the nation, including those of their own states?

Let Senator Daschle read our report on the collapse of the states' budget "surpluses," on page 10 of this issue—or let him go back to our May 4, 2001 issue, where precisely this development was accurately forecast. Huge holes have suddenly opened up in the budgets of at least half the American states—because they enacted tax cuts? No, because the collapse of stock capital gains, business sales, the employment of workers and the worth of their 401(k) pensions, has suddenly knocked the stuffing out of the states' revenues. They have been hit, one and all, by economic depression.

This the Democrats deny—not only their national leaders, but many, if not most, of the local elected officials and organizers who are, along with those they represent in their constituencies, directly bearing the brunt of it. "It can't be getting that bad. . . Things are going down, but it'll turn around again, it's got to. . . I can't be thinking about that. . ." they say. While they keep saying it, the Democratic Party is disqualifying itself as a leadership for Americans who are—if they will admit it themselves—scared to death of the economic collapse.

Compare the Democratic leadership's latest announced campaign "posture," with what a real leadership should be fighting for: national re-regulation of energy and other industries ruined by deregulation; reopening and rebuilding the disappearing hospitals and public health capabilities of the nation; reconstructing economic infrastructure as FDR once did; above all, demanding the United States convene a New Bretton Woods conference to replace the chaotic and sinking international financial and monetary system—without that, real recovery from this economic collapse cannot take place.

These are the serious matters on the nation's and world's agenda. They mark the difference between LaRouche's leadership, and the antics of the Democrats who will try anything but to face reality.

EIR SPECIAL REPORT

THE 'NEW ECONOMY' IS DOOMED

The Fraud of the Information Society

While the suckers were still betting that the Nasdaq bubble would never burst, EIR said that a systemic breakdown was coming on fast.

We were right, and the suckers lost trillions.

How did we know?

This Special Report rips apart the fraud of the Information Society, and tells what must be done to restore economic health to nations whose energy, health-care, transport, and water infrastructure is collapsing.



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