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Money-Pumping Won't Stop Industrial Collapse
Italian Senators Call for New Bretton Woods
Investigation: Why the CFR Now Wants War

Steel Tariff Puts Real Economy on the Agenda

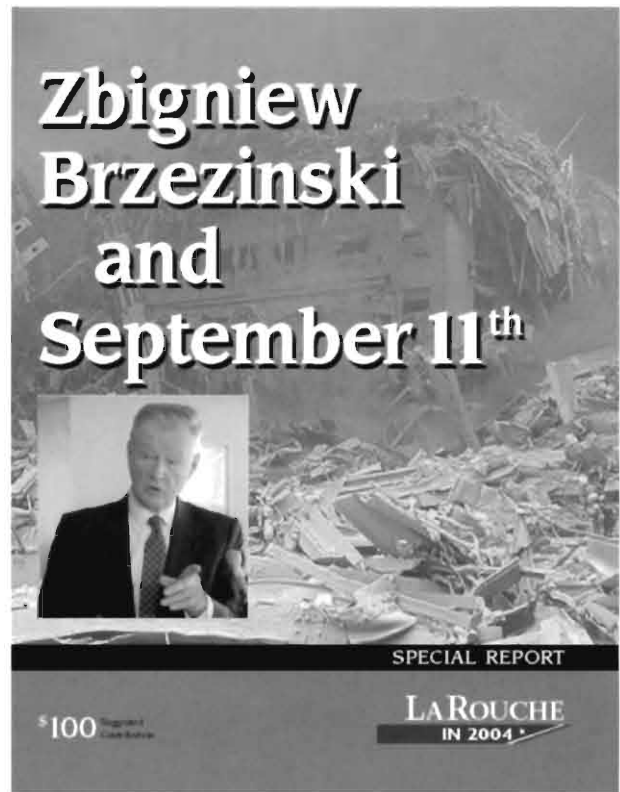


Zbigniew Brzezinski and September 11th

A Special Report featuring Lyndon LaRouche's analysis of September 11th as an attempted coup d'état against the government of the United States, intended to bring about the 'Clash of Civilizations' central to the world-imperialist thrust of the circles of Zbigniew Brzezinski and Samuel P. Huntington.

INCLUDES:

- By LaRouche: Jan. 24, 2002 webcast, "And Now, A Year Later"; "Continue the American Revolution!"; "Zbigniew Brzezinski and September 11th";
- Dossiers on the theoreticians of the Clash of Civilizations; the principal think-tanks and foundations gunning for global war; the "Mega" apparatus of Israeli spies and agents of influence;
- Appendices: H.G. Wells' *The Open Conspiracy*; Henry Kissinger's 1982 Chatham House speech; "The Enigma of the Fulbright Memorandum"; and a speech by Egyptian Maj. Gen. (ret.) Dr. Mahmoud Khalaf, on the events of Sept. 11.



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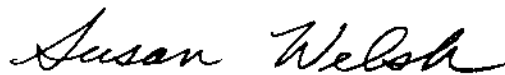
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From the Associate Editor

The paradigm-shift expressed by President Bush's decision to impose a steel tariff, should not be assessed by America's trading partners as indicating a conflict of interests with the United States, leading toward trade war, but rather as a sign that reality has finally caught up with us. This is good news! The time is ripe for Lyndon LaRouche's New Bretton Woods financial reorganization. LaRouche has been telling you that free trade would destroy the economy, and now it is there, before your eyes. For LaRouche's comments on the tariff, see p. 7.

In his recent article "Economics: At the End of a Delusion" (*EIR*, Feb. 8), LaRouche laid out the path we must take: "Now, if our nation is to survive, we must acknowledge, that the leading trends in policy-influencing opinion, over the recent thirty-odd years, have been cumulative disastrous in their net effect." Yet still, the delusions persist. LaRouche takes them on, in his interview with Utah radio host Jack Stockwell, our *Feature* this week. He particularly explains how the money-pumping operation by Wall Street and the Federal Reserve is creating a "suckers' rally"—preparing the way for an even worse crash to come. In *Economics*, see the articles by John Hoefle and Jonathan Tennenbaum, for pungent analysis of current delusions with respect to economic policy. As to how they might be overcome, a group of Italian parliamentarians has submitted a motion for a New Bretton Woods (p. 9). And see *National*, for LaRouche's discussion of President Clinton's error in the Camp David talks: the economic dimension that is indispensable for putting an end to the carnage in Israel and Palestine.

Fuelled by the global economic collapse, the "utopian" faction of elite policymakers is escalating its "Clash of Civilizations" drive for war, in the Mideast and elsewhere. As we go to press, we learn that former Iranian President Hashemi Rafsanjani has quoted LaRouche's analysis of the events of Sept. 11, naming Henry Kissinger and Zbigniew Brzezinski as ideological architects of the war against Islam. See our *Investigation* for new intelligence on those who are pushing this insane and suicidal policy, including the New York Council on Foreign Relations, and assorted propagandists for the idea of an "American Empire"—modelled, of course, on the British one.



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By Lyndon H. LaRouche, Jr. President Bush's decision “portends what will probably become, rather suddenly, the most portentous, systemic shift in world-wide economic policy in thirty years. . . . Does the increased tariff on steel imports mean a collapse of Europe's exports to the U.S.A.? In and of itself, the answer is: ‘It does not constitute such a threat.’ ”

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In the United States, Wet Dreams of Recovery Run On

by John Hoefle

The Recovery is coming! The loud refrain of a growing gaggle of financial Chicken Littles, is based on the very real fear that the global financial system is coming down. They are desperate to keep their failing bubble going, and to head off the only viable alternative available, the New Bretton Woods proposal of Lyndon LaRouche.

Take the case of the Chicken Little in Chief, Federal Reserve Chairman Alan Greenspan, who told the Congress on Feb. 27 that “despite the disruptions engendered by the terrorist attacks of Sept. 11, the typical dynamics of the business cycle have re-emerged and are prompting a firming in economic activity.” The Chairman of the Bubble did concede, though, that “an array of influences unique to this business cycle, however, seems likely to moderate the speed of the anticipated recovery.”

While we hate to disagree with such an august personage, we can only say, in as polite a term as possible: bunk! Far be it from us to point out that Greenspan and his cronies are whistling their way deeper into the graveyard where the banks and other financial institutions are buried, and fresh graves being prepared by the score. The tombstones of the biggest banks do not say “deceased,” but rather “merged.” As in, “Here lies J.P. Morgan & Co., Merged 2000.”

We can sympathize with the financier class, holding onto their fading power by their fingernails, puffing themselves up like those lizards that inflate their pouches in order to seem huge and powerful to predators. Sometimes it works.

The problem is that the present geometry is not defined by Mr. Greenspan’s cycles, but by Mr. LaRouche’s Triple Curve/Typical Collapse Function schematic, depicting falling production, soaring financial claims, and hyperinflation-

ary monetary policies. There is no recovery! As *EIR* has documented exhaustively over the years, the statistics are frauds, the interpretations incompetent, and the conclusions outright lies.

Delusions Abound

Pick up the business section of any major newspaper, and you will see that the consensus of the experts is that the recovery is a done deal. They may quibble a bit over the details, but that’s just to make it seem like a real debate is taking place. Some argue that the recovery has already begun, while others say it is just around the corner, and there are minor disagreements over the speed with which the economy will grow. Some say the economic chart will look like “V,” with a sharp rise following the recession, while others argue that it will look like a “U,” with the recovery taking a bit longer to kick in. A few pessimists even believe the economy will pull a “W,” with a dead-cat bounce before the real recovery kicks in.

And there are a brazen, imperial few, such as Treasury Secretary Paul O’Neill, who refuse to admit *anything* has happened to the economy since Election Day 2000. “It seems quite clear now that our economy never suffered a recession,” O’Neill proclaimed on March 5, during a visit to Kuwait. He claimed that the National Bureau of Economic Research erred in decreeing that the recession had begun in March 2001, and that the “economic fundamentals are moving back into place.” By the end of 2002, O’Neill insisted, the United States will have an annualized growth rate of 3.5%.

Among the cited signals of recovery:

- Industry: “The badly battered factory sector roared

out of its 18-month recession in February, generating activity robust enough to signal 4.4% economic growth in the overall economy, according to the Institute for Supply Management.”

- Experts: Merrill Lynch “economists told clients last week that the latest data vindicate their ‘way-above consensus outlook for 2002,’ which has the economy growing at 4.3% and maybe better this year. Merrill Lynch points to ‘resilient’ consumer spending, which pessimists thought would turn negative after a big surge late last year.”

- Spending Power: “Treasury data ‘show an upward explosion in income tax refunds,’ that is ‘providing fresh fuel to consumers,’ ” *USA Today* quotes John Youngdahl, economist at Goldman Sachs.

- Press: The *Washington Post*’s senior economics writer, John M. Berry, declared, “The U.S. economy not only has begun to grow after last year’s slump, but it is apparently doing so far more quickly than even the most optimistic forecasters were expecting just a few weeks ago,” “It’s all but official: ‘R’ is for recovery, not recession,” the British Empire’s Reuters news service reported March 1, citing Richard Berner, the chief U.S. economist at Morgan Stanley, as saying: “Recovery is here and it is here more forcefully than I think just about anybody expected.”

Reality Can’t Be Fooled

The “R” certainly isn’t for reality among this crowd. Behind the façade, the system is crumbling, with indications of a major derivatives crisis and the bankruptcy of huge institutions—and the system itself—coming with increasing speed.

But that “R” could stand for one of their worst nightmares, a run. Few things send shivers down the spines of bankers faster than the thought of runs on their banks, in which worried depositors withdraw their funds in a panic. Even solvent banks can be wiped out by runs, and insolvent ones don’t stand a chance. Project that fear to the system as a whole, and you get the idea why the lizards are puffing up their “recovery” with such determination. Imagine the effects of investors pulling out of the stock and bond markets *en masse*, looking for safer havens such as real estate, gold, commodities and other hard assets, and the deflationary effect that such a run would have on the overpriced value of financial assets, and on the extraordinary level of derivatives leveraged upon those overpriced assets.

They should be scared, and so should the public, because the consequences of three decades of economic stupidity and willful violation of basic physical-economic principles have been unleashed upon us, like the furies. Natural law is not impressed with press releases or faked statistics.

Reality is that the productive capability of the U.S. economy has been systematically dismantled over the last 35 years or so, cannibalized by a speculative financial system under the guise of moving into the fantasy of the “new

economy.” We cannot produce what we used to, measured by a market-basket of production and consumption of physical goods per household and per capita, while that shrinking productive capacity is burdened by record levels of debt and other financial claims which simply cannot be paid. No recovery is possible under such a system. The system itself must be replaced.

Rather than face reality, the bubbleheads have chosen to define everything as a sign of “recovery,” and to make up the facts to support that claim.

Exemplary is the way the Lazard-controlled *Washington Post* treated the U.S. Labor Department’s January jobs report. According to that report, 587,000 people left the workforce in January—in total, there has been a reduction of 2.4 million workers in the labor force in 12 months—and there were 4 million part-time workers who wanted full-time jobs. The number of manufacturing workers fell by 89,000, bringing the total of manufacturing jobs lost over the past 12 months to 1.2 million.

By any reasonable standard, this is horrible news, representing shattered lives, wasted talents and lost capabilities. But in the *Washington Post*, it is a sign of recovery. “The U.S. unemployment rate unexpectedly dropped to 5.6% in January, even as the nation shed more jobs,” the *Post* proclaimed, presenting this as a positive development. However, for those who read beyond the headlines, a different picture emerged, with the paper admitting that the drop in the unemployment rate from 5.8% in December “was primarily due to the large number of people who dropped out of the workforce in January.” (It is amazing how often the details buried at the end of articles contradict the happy headlines.)

‘Turnaround’ or Layoffs?

Another widely touted sign that the recovery has begun are the jumps in the indices compiled by the Institute for Supply Management. The ISM, formerly known as the National Association of Purchasing Managers, claimed that “February signals the turnaround for manufacturing,” and that “the overall economy grew for the fourth consecutive month.” However, it also admitted that “manufacturing employment continued to decline in February.”

The underlying assumption in the ISM’s proclamation of recovery, is that the excess inventories of manufacturers have now been depleted, and therefore production will begin to ramp up, triggering an economic rebound. Underlying that, in turn, is the assumption that we are in a geometry defined by Mr. Greenspan’s business cycle, and that what goes down, must go back up in a fairly predictable manner.

There is, however, an alternative to collapse, but that alternative begins with giving up the delusions of business cycles, information theory, financial manipulation and other forms of economic masturbation, and returning to sound principles of physical economy. Let us end the bankers’ wet dreams before they become a nightmare for us all.

Bush's Action on Steel Tariffs Means The Real Economy Is Back on the Agenda

by Anita Gallagher

Economic reality is finally impacting national politics in the United States, as the near-collapse of the U.S. steel industry forced President George Bush to shift from a “free trade” to “fair trade” position to save the U.S. steel sector on March 5.

U.S. Democratic Presidential pre-candidate Lyndon LaRouche called Bush's announcement of protective tariffs for the steel industry “a major development,” which will have highly significant consequences, both internationally and inside the United States. Bush's decision is, in fact, a repudiation of free trade, in favor of fair trade. The two policies are absolutely different, LaRouche stressed.

Internationally, after decades of the United States hammering away at the rest of the world, demanding obedience to the gods of free trade, now the United States itself is adopting a “fair trade” policy. Soon other nations will re-orient to economic reality.

Bush's decision has far-reaching implications inside the United States. When the disastrous 1996 agriculture bill (the so-called “freedom to farm” act) expires in September, it is very likely that agricultural policy will be fought out along the same lines: the paradox between “free trade” and “fair trade.” Other sectors of the U.S. economy that have been devastated by globalization and free trade policies of the past three decades will also demand “fair trade.”

LaRouche warned that the mergers and consolidation of bankrupt steel producers in the U.S. steel industry must be watched closely, so that no “Herman Goering” approach results, where the pension and health benefits of the 600,000 union retirees and their dependents are stolen, and more layoffs inflicted on the current workforce. Goering is identified with the Nazi policy of starving and “using up” concentration camp laborers, then letting them die. The pension and health benefits of retirees—which Bush did not address—remain a major issue dividing the unions, the steel producers, and the Bush Administration, which will be fought out before the November 2000 Congressional elections, he said.

The United Steel Workers of America (USWA) pointed to this coming battle, noting on March 5 that “President Bush's decision . . . sets the stage for legislation necessary to protect the health-care benefits of 600,000 steelworker retirees whose benefits are at risk,” and presents a “crucial challenge” to Congress. In November, the entire 435-member House of Representatives and one-third of the Senate face election. The Democrats control the Senate by one seat, and the Republi-

cans control the House by a mere six. Key steel-producing states—such as West Virginia, Pennsylvania, Ohio, and Michigan—are the political “swing” states that could determine which party controls Congress. USWA spokesmen at “Stand Up for Steel” rallies have repeatedly stated that political calculus, as their “leverage” on President Bush.

Sen. Jay Rockefeller, a Democrat from West Virginia, will introduce legislation to deal with retiree health costs (“legacy costs”) by mid-March, according to the USWA—West Virginia being perhaps the foremost of these “swing” states. Rockefeller's response to Bush's partial, versus full, tariff imposition was “the steel industry is still at risk,” and the President “must now address the tough issues of legacy costs” and the labor issues involved in consolidation.

The United States and the whole world are in a financial collapse of hundreds of trillions of dollars, which can only be solved by the the kind of bankruptcy reorganization measures undertaken by Franklin Roosevelt, using national credit to rebuild the United States, and exporting high-technology products to developing nations. But the “free trade” versus “fair trade” debate is useful, and will become a determining factor in world politics.

Real Politics at Last

The USWA demanded 40% tariffs over four years—the high end of the package of recommendations made by the U.S. International Trade Commission, which had issued a finding that rising foreign imports had harmed American steel companies. On March 3, both the Democratic and Republican U.S. Senate leaders, Tom Daschle of South Dakota and Trent Lott of Mississippi, endorsed 40% tariffs. Reportedly, Bush's political aides, like Karl Rove, won out over economic aides, like Larry Lindsey, in Bush's decision to impose partial tariffs.

President Bush's protective tariffs take effect on March 20, and range from 8 to 30% on ten steel products. While a 30% tariff covers hot-rolled bar steel, cold-finished bar steel, tin mill steel, and flat steel products, it drops to 24% and then 18% on tin and flat steel in the second and third years. Flat steel represents about 60% of American steel production, and is used in autos and appliances; e.g., flat steel was produced in now-bankrupt LTV's Cleveland mill. “Our view is that by focussing relief on the flat product, we picked up areas of most concern to steelworkers,” said Grant Aldonas, Commerce Department Undersecretary for International Trade.

Stainless steel bar and rod, certain tubular steel, and rebar will be subjected to 15% quotas. Stainless steel wire will have an 8% tariff; carbon and alloy fittings, 13%. Steel slabs—flat steel that has to be processed further—will be tariff-free up to 5.4 million short tons of imports (the 2000 level), and only after that, subject to a 30% tariff.

Catalyze International Revolt

Most directly affected by the tariffs will be China, Japan, South Korea, Russia, and Ukraine. European Union Trade Commissioner Pascal Lamy claimed the EU was the “foremost victim” of the U.S. measures, since its 15 members account for 25% of steel imports. But what the Europeans fear much more is that the European market will be flooded with Japanese and South Korean exports, now diverted from the United States. Canada and Mexico are exempted from the tariffs, under the North American Free Trade Agreement, along with developing nations such as Argentina, Turkey, and Thailand.

On March 6, the British Broadcasting Corporation screamed, “Trade War Looms Over Steel Dispute.” European Commissioner Lamy said the move by the Bush Administration flouted international trade rules, and a complaint has been filed with the World Trade Organization. British Prime Minister Tony Blair, that great ally of the United States, announced retaliatory action to reverse U.S. steel tariffs “as soon as possible.”

LaRouche noted that in fact, the contrary will happen: the U.S. action will lead to further efforts to reestablish protective tariffs worldwide. This is likely to result in the WTO going into a real crisis, and it could even kill the Euro/Maastricht common currency agreement, which “can’t function, and won’t work.”

Legacy Costs and 2002 Elections

According to the USWA, 32 steel companies in the United States have filed bankruptcy since 1997—including integrated steel giants Bethlehem Steel and LTV—and 17 of these have been liquidated. Some 46,700 jobs have been lost nationally since January 1998, and steel prices are the lowest in 20 years. USWA Local #2609 President John Cirri told a steel rally in Baltimore on Feb. 20, that 100,000 of the 600,000 steel retirees have already lost their health benefits. By March 31, the health benefits of 85,000 retirees of bankrupt LTV, and their dependents, will cease. The USWA says most retirees have already been paying from 25 to 40% of the cost of their modest health coverage, despite limited pensions in many cases. The majority of surviving spouses receive less than \$100 a month in pensions. This is far less than health insurance would cost them if the company their husbands worked for shuts down.

A portion of the pensions of retirees whose companies have declared bankruptcy, will be paid by the Pension Benefit Guaranty Corporation. But the health benefits of retirees, and their surviving spouses, are not assumed even if the liquidated

company is purchased. As the CEO of Bethlehem Steel characterized Bethlehem’s situation, “We are like a \$100,000 house with a \$200,000 mortgage.” Without Federal aid to cover retiree legacy costs, U.S. Steel’s offer to buy Bethlehem Steel and National Steel will be withdrawn. Bethlehem has announced that on March 13, its Board will meet and plan how to offer individual plants for sale as joint ventures, or offer cannibalistic “item” choices for “the market,” from among its integrated furnace, forge, and milling operations. Bethlehem is one of only two U.S. companies that still make rails, desperately needed for rebuilding the infrastructure of the United States.

The tariffs enacted by President Bush will clearly not, in themselves, solve these problems, because they do not affect the huge underconsumption of steel in the world’s broken-down physical economies. But they do put the issue of those economies’ condition back on the political agenda, where it has been ignored during the years of the “New Economy” fraud.

The Tariff Itself Is Not Europe’s Problem

by Lyndon H. LaRouche, Jr.

March 7, 2002

Clearly, the ongoing shift in U.S. tariff policy, is a direct threat to the WTO and, implicitly, to the continuing Maastricht agreements. However, it would be a potentially fatal delusion, to believe that this change in tariff policy, with its now obvious short-term effects, was not more or less inevitable at about this time. On balance, this portends what will probably become, rather suddenly, the most portentous, systemic shift in worldwide economic policy in thirty years.

Since I am an institutional figure within the U.S.A., and the most vindicated of the publicly known long-range economic forecasters of the past several decades, it is my duty to intervene at this moment, to speak frankly to both relevant circles in my own country, and also relevant, thinking circles in Europe and elsewhere abroad. I pose the following question to you: What is the actual, systemic significance of the recent U.S. Presidential decision which, implicitly, signals an abrupt dumping of more than three decades of “free trade” policy, toward what has been accurately identified by U.S. Senate leader Daschle as a “fair trade” action?

As was made clear by the broadcast colloquy among CNN’s interviewer and Senators Daschle and Lott, the action being taken now on steel, portends changes of a similar character in many categories of trade and related matters. You, around the world, as in the United States itself, must recognize the fact, that either the United States continues to make



The USWA and AFL-CIO unions mobilized an estimated 25,000 steel workers, from the Midwest steel belt and the East Coast, for the Feb. 28 "Countdown to Justice" rally at the Ellipse in Washington (above). This followed nationwide "Stand Up for Steel" feeder rallies. An estimated 280,000 unionists from 700 locals sent personal letters to the President urging protective tariffs.

changes in that same direction implied by Daschle's characterization of the new turn in the Bush Administration's economic policy; or, the U.S. economy will continue the preceding, post-1965 drift into general disintegration. You, in the United States and outside, must view this turning-point in decision-making, in light of the actual implications of the inevitable collapse of the Enron-centered financial-derivatives bubble.

The U.S.A. could not long survive with a continuation of the recently accelerating trends, toward continued loss of its vital strategic sectors of industry and agriculture to the combined effects of rampant globalization and the ruinous reign of John Law-style financial super-bubbles. The issue of steel was only the beginning. No one, in the U.S.A. or Europe, could put this issue "back in the bottle" of recent pro-globalization trends.

The following are among the leading considerations which must be taken into account, on this issue, of a shift back toward protectionist "fair trade" policies, by all responsible leading circles within and outside the U.S.A.

Europe's Steel Industry

To bring some of the diversionary issues into proper focus, consider the assumed threat the new Bush policy represents for Europe's steel industry. Does the increased tariff on steel imports mean a collapse of Europe's exports to the U.S.A.? In and of itself, the answer is: "It does not constitute such a threat." Think realistically; what are the facts?

Will the United States consume less steel as a result of that tariff? Not because of the tariff itself! The United States must import steel from places where it is available, relying chiefly on currently traditional lines of supply. In and of itself, that change would mean simply, that the American consumer

pays a higher average price for steel products. That higher price for domestic consumption of steel and related products will mean an increase in the concentration of purchasing power in the physical-goods producing sector, to the relative disadvantage of the economy's "funny money" sector. This will also mean, a tendency toward a higher rate of capital accumulation in Europe's hard commodity production-sector, as well.

The threat does not come from this, nor from the high probability of additional tariffs, as well. The threat comes from the fact that the world is gripped by the ongoing general collapse of the present global monetary-financial system. The real economy, where physical goods are produced and consumed, is being looted to the bone by the costs of maintaining an inherently, systemically bankrupt, post-1971 "floating exchange-rate" monetary system.

Just as the discussion among Daschle, Lott, and the interviewer emphasized: the issue is not the tariff as such. The issue is the shocking, but unavoidable shift, away from a "free trade" form of globalist monetary policy, back to the kind of "fair trade" policies which typified the 1945-1964 period of post-war economic reconstruction in the Americas, western Europe, and Japan. The world has travelled for more than three decades, down the utopian "free trade" road. It has reached the utopian bridge across the chasm, to discover that that bridge never existed. It has the choice, therefore, of attempting to cross that bridge, or turning back to the real world.

For the typical, mass-media-conscious political figure, such as Senator Daschle, the issue is clear. Think of the proverbial "horns of a dilemma;" Daschle is still defending "free trade" with his political mouth, but his hands are moving toward a return to "fair trade" policies of practice. The U.S. political figures involved, did not change their philosophy; reality is changing it for them. Enron was not the cause of this change; it has been, as things turned out, more or less the proverbial "last straw."

The problem posed by the new U.S. tariff policy should not be assessed as a conflict of interests between the U.S.A. and Europe. It should be recognized as signalling the immediate inevitability of a necessary, global change from the follies of a "consumer society," back to that of a "producer society." Rather than fighting over the dwindling remains of global economic "road kill," the U.S.A., Europe, and others, must consider the quickest and best way to return to the kinds of policies which President Charles de Gaulle represented for France and Europe generally, during the period of his close collaboration with Chancellor Adenauer, and the collaboration of both with President John Kennedy.

In the meantime, this shift within U.S. policy should have surprised no one who was alert to the economic realities building up during the past decade. The reality of the U.S. and world economy has intervened into all other areas of national and international policy-shaping issues. Economics has announced, "Move over; we are taking charge!"

Italian Senators Call For New Bretton Woods

On Feb. 26, nine Italian Senators introduced a motion calling for an international conference to prepare a New Bretton Woods system, as the only solution to the crises in the world financial system typified by that in Argentina.

The Senators are: Oskar Peterlini (first signer and member of the Senate Labor Committee), Helga Thaler Ausserhofer (Finance Committee), former Prime Minister Giulio Andreotti (Foreign Affairs Committee), Alois Kofler (secretary of the Constitutional Affairs Committee), Mauro Betta (vice president of the Education Committee), Renzo Michelini (Budget Committee), Augusto Arduino Claudio Rollandin (Environment Committee), Francesco Salzano (Industry Committee), Giuseppe Ruvolo (secretary of the Agriculture Committee).

The text of the motion, which was submitted to the Senate the day after, was prepared with the assistance of Paolo Raimondi, president of the International Civil Rights Movement Solidarity, Lyndon LaRouche's collaborators in Italy; and of Nino Galloni, General Director of the Italian Labor Ministry. The resolution text has been introduced in a different form in the Chamber of Deputies as well, by Reps. Gabriella Pistone and Marco Rizzo. The nine Senators are members of the Group of the Autonomies, which includes representatives of sections of the Italian population who speak German, such as in South Tyrol, and French, as in the Aosta Valley, north of Turin. Some Senators, such as Giulio Andreotti from Rome, joined the Group in order to reach the minimum quorum of ten members required to establish a recognized Group and thus give it a special status and rights in the Senate.

In the meantime there are other ongoing activities to increase the number of signers and to get the same motion into the lower house. For the Senate, the target is to exceed 50 signers soon. Already, two additional Senators have signed the motion: Tino Bedin (Defense Committee), from the Italian People's Party (PPI), which is oriented toward the social doctrine of the Catholic Church; and Amedeo Ciccanti (Budget Committee), of the government coalition party *Unione Democristiana e di Centro* (CDU).

After a debate on the Senate floor, the motion could be voted on, and if it gains majority support, could mandate the government to act accordingly, and eventually become a formal bill.

From the very beginning of the explosion of the Argentine crisis, Italy has been very active in helping Argentina find a way out, and in organizing international support out-

side of the usual austerity conditionalities of the International Monetary Fund (IMF). Already at the end of December, Italian Undersecretary of State for Foreign Affairs Mario Baccini, after visiting Buenos Aires, gave a number of interviews announcing that, among various measures of economic support, the Italian government was applying the policy of debt cancellation, as formulated in a decree unanimously voted by both Chambers during the second half of 2000,

The decree, demanding that Italy grant a debt moratorium to the developing countries, had been presented by Member of Parliament Giovanni Bianchi (PPI), who during the same period had invited Lyndon LaRouche to testify before the Foreign Affairs Committee of the lower house, and to speak about his New Bretton Woods proposal at a public conference held in the premises of the Parliament (see *EIR*, July 7, 2000). Baccini in his remarks stated that "debt conversion means to act by reducing the debt and converting it into development projects. Therefore, the debtor country invests in social works, environmental projects, and schooling, with control from the Italian government over the implementation of the programs. . . . Of course, this involves some costs, but it is also an investment in the new generations, . . . giving birth to a sort of permanent 'Marshall Plan' on the infrastructural and human level. It is a way to put into practice Pope John Paul II's exhortations on globalizing solidarity."

Text of the Motion

WHEREAS:

The crescendo of international financial and banking crises beginning in 1997 with the crises in Asia, Russia, and Latin America, up to the more recent crash of the New Economy in the United States, to the gigantic Japanese banking crisis currently under way, and the bankruptcy of Argentina, cannot but worry populations, leadership, companies, and investors, since this is not a series of isolated situations, but rather the manifestation of a crisis of the entire financial system which is characterized by out-of-control financial speculation;

The world-wide financial bubble has reached the level of \$400 trillion (of which \$140 trillion is in the U.S.A.) compared to a world GNP of about \$40 trillion, and this gap has been growing especially in the recent years;

The financial crisis threatens to provoke an enormous crisis in savings, and in particular for pension funds;

The monetarist policy of the IMF toward the so-called developing countries such as Argentina has been directly responsible for the worsening of the situation in those countries, to the point of bankruptcy, forcing the payment of high interest rates and cuts in spending and productive investment which have seriously affected the domestic output of the

real economy of those nations;

The policy of privatization demanded by the IMF has been shown not to be effective in all situations, as demonstrated by the reconsideration of privatization under way even in England (for example, that of the railways), the nation which first championed this orientation;

The continuous payment of interest on the debt imposed by the IMF has strangled the Argentine economy (in 1998 the interest payments were equal to 11% of the national budget; in 2000, 15%; and in 2001, 18%. This draining of wealth and investments has increasingly had negative effects on tax revenues, which have plunged 33% compared to the previous year);

Ibero-America as a whole, in recent years, has already paid the total of its foreign debt several times over: In 1980 that debt was \$259 billion, and in 1999, after having paid a total of \$628 billion, \$793 billion in debt was "left over" to pay (data from the World Bank);

The crisis in Argentina, therefore, is not specific to that nation, but regards the entire Ibero-American continent, where Mexico and Brazil (in which the devaluation has not resolved the debt problem; on the contrary, it has created situations of tension with other countries of the continent), for example, have been led by the IMF to the brink of a crash like the one in Argentina or other countries such as Turkey and Poland, in a forceful demonstration of the crisis of the entire system which is increasingly evident and tangible also in the U.S.A., in Japan, and in Europe, for which a lasting solution for Argentina can only exist in the context of a total reorientation of production and a reorganization of the international economic and financial system;

The crash in Argentina cannot simply be ascribed to national corruption, but rather to the "political" system of the IMF, which, instead of supporting true participation in the development of the nation, introduced monetarist mechanisms which favored various forms of corruption. For example, Parliamentarians of the Argentine party ARI, on Dec. 31, 2001, presented detailed documentation on the "parallel bank structure" which, between October and December 2001, illegally organized a flight of capital, as well as money-laundering on the level of many billions of dollars, the which operations could not have taken place without the knowledge of the IMF. Buenos Aires Judge Maria Servini de Cubria has opened an investigation of these events;

The Argentine Catholic Church has taken a very clear position regarding the crisis. The Archbishop of Rosario, Mons. Eduardo Mirasha, said on Nov. 17, 2001, "A people cannot die to pay the debt." On Dec. 20, 2001, Mons. Hector Aguer di La Plata circulated an open letter on the question of the foreign debt, in which he denounced, among other things, the "zero-deficit" policy (imposed by the IMF), which has drastically reduced the general welfare, with the aim of paying the interest on the debt to the "usurers"; the people, in fact, are dying for debts contracted by others, and for

motives clearly not in the national interest.

Various political, social, economic, and religious forces in Argentina have placed at the center of the discussion the proposal for a program for reconstruction and national sovereignty which consists of the following points:

1. The decoupling of the peso from the dollar without a devaluation or other forms of dollarization, thus creating, de facto, a new currency, without obligations to the current system;
2. Controls on the movements of exchange and capital like those in place in the 1950s, which proved capable of protecting the currency;
3. The creation of a "national bank," to emit new, long-term, low-interest credit for expanding productive investments in industry and agriculture, in particular in medium-sized industries;
4. The freezing of all foreign debts and the opening of an investigation into the legitimacy of the debt still owed;
5. The creation of a coordinating mechanism with other Ibero-American countries for the defense and creation of an Ibero-American common market;
6. The reintroduction of the inviolable principle of national sovereignty against any form of interference from the supranational structures of globalization,

THE MOTION REQUIRES THE [ITALIAN] GOVERNMENT:

1. Regarding Argentina directly:

To in every way support this process of reacquisition of national sovereignty in the formulation of an economic policy in the interest of the Argentine people, as mentioned above;

To especially support the request for a moratorium on the foreign debt;

To support, including through direct participation, the projects for relaunching investment in the productive economy;

To bring this mobilization also to the institutions of Europe, so as to transform this Italian support into European support, and thus concretely relaunch the European position of support for Ibero-America through support for the Mercosur project;

2. Regarding the crisis of the entire international financial and monetary system:

To carry forward, in every aspect, the request for a complete revision of the role and the policies of the IMF;

To take the specific initiative of proposing the convocation of a new international conference among Heads of State and Government, like the conference held at Bretton Woods in 1944, with the aim of founding a new international monetary system and taking those measures necessary to eliminate the mechanisms which have led to the creation of the speculative bubble and the systemic financial crash; and to begin programs of reconstruction of the world economy.

Argentina Driven To Ungovernability

by Cynthia R. Rush
and Gerardo Terán Canal

Daily life in Argentina has become a nightmare—full of horrors unimagined even six months ago. In a country where most people have no bank accounts, and transactions are carried out in cash, the freezing of bank deposits on Dec. 3, 2001, the infamous “*corralito*,” has driven people to despair. Coming in the midst of soaring unemployment (now at 22%), growing impoverishment, and declining consumption, the freeze denied Argentines the most basic necessities of life—food, medicine, clothing. Mass desperation is now played out in daily, increasingly violent protests, road blockades, and pots and pans demonstrations (*cacerolazos*) seen in major cities around the country.

Imposed by then-Finance Minister Domingo Cavallo to stem the collapse of a banking system which had hemorrhaged \$25 billion in the preceding months, the “*corralito*” was the final blow to a nation whose physical economy had been ravaged by more than a decade of free-market looting. Anger over the incredible frustrations of a daily existence in which no one has any money and vitally needed products are in short supply or overpriced, came to a head on Dec. 20, in a popular uprising which drove the despised President Fernando de la Rúa and Cavallo from office.

The crisis, which has deepened since then, has been steadily driving the Argentine people insane, pushing the country toward a dangerous state of ungovernability and chaos, which threatens not only its own existence but that of its South American neighbors as well. In a statement of concern issued on Feb. 11, Pope John Paul II warned that the nation’s “profound social and economic crisis which affects all society, endangers democratic stability and the solidity of public institutions, with consequences which go well beyond its own borders.”

But in one respect, Argentines had already been insane. They bought into the lie, initially peddled in the early 1990s by President Carlos Menem and his Finance Minister Domingo Cavallo (who returned to the same post in March 2001), that the International Monetary Fund’s (IMF) murderous policies would guarantee their personal security, if not the welfare of the nation. The U.S. dollars available to them under the currency board system known as “convertibility,” became the guarantor of that security, even as the state, the only institution capable of defending the general welfare, was smashed by the

“magic of the marketplace,” and dirty bankers and corrupt politicians robbed the country blind, with the aid of their foreign cohorts.

In 1991, *EIR*’s Buenos Aires bureau began to expose the real nature of Argentina’s much-heralded “model,” and has continued to do so ever since. It warned that the model’s only beneficiaries were the drug-money launderers posing as bankers, and speculators of the ilk of George Soros. But as long as no implosion of the model were immediately evident, people preferred to cling to their delusions. Now they are paying the price, just as Americans and others will pay, should they fail to heed U.S. Presidential pre-candidate Lyndon LaRouche’s warnings that the collapse of the global financial “model” is under way, and his proposed programmatic solutions to rebuild the world’s economy.

Afghanistan Without the Bombs

Argentina hasn’t been subjected to the horror of 20 years’ bombing that Afghanistan has suffered, but it might as well have been. The country is shattered, physically and psychologically.

The significance of the bank deposit freeze imposed last December wasn’t just that people couldn’t withdraw funds from banks—this was restricted to a specific amount each week. Most people didn’t have bank accounts, and were accustomed to doing business in cash. This was especially true of the poor working in the “informal economy,” or workers employed and paid off the books, in cash. The fallacy of the government’s argument, that people could carry out transactions by using checks or credit or debit cards, became immediately obvious.

Millions of people rushed to banks to open accounts, as general chaos ensued. Banks remained closed, and ATM machines didn’t work. Hysteria set in as state-sector employees or pensioners, whose wages and pensions are deposited directly into the banks, couldn’t access these funds. As cash and credit disappeared, the payments chain also broke down. Tens of thousands of checks couldn’t be cleared, wreaking havoc throughout the economy. The government stopped paying suppliers, to whom they already owed hundreds of thousands of dollars, forcing many to close their doors.

Foreign trade also came to a standstill, as payments abroad were restricted or halted altogether. Exports dropped by 19% in December, and imports dropped a precipitous 55%. The use of overdrafts disappeared. The grain trade, the country’s chief source of foreign exchange, was paralyzed, further constricting the depression-wracked economy. Moreover, on the expectation that the new President, Eduardo Duhalde, was going to devalue the Argentine peso, and let it float freely—which happened officially on Jan. 11—farmers stored wheat in their silos instead of selling it, waiting for what they considered to be a fair price.

This drove up the international wheat price by 70%, which was then passed along to the price of flour and to the prices

of many basic foods prepared with grains, such as pasta, crackers, breakfast cereals, and rice. Bread prices rose 30%. Many other producers also speculated on the exchange rate, and withheld goods from market in anticipation of a collapse of the peso following the devaluation. In early February, prices on key food and other household items—flour, sugar, cooking oil, cleaning products, beef, and chicken, all crucial to the family market-basket—rose anywhere from 10% to 40%. Many supermarket shelves were empty.

The result was an immediate decline in consumption. Supermarket sales dropped by 14.4% in December, but overall food consumption dropped by an incredible 19%! In January, supermarket sales dropped 12% overall, but by 14% in the federal district of Buenos Aires. Argentina is one of the world's premier food producers, but on Jan. 16, the Duhalde government was forced to declare a national food emergency, to purchase food "with priority attention paid to the basic needs of the most vulnerable sectors of the population."

Every sector of the economy suffered. In December, use of public services dropped 12.9%, compared to December 2000; and for all of 2001, the decline was 1%—the first time that public services consumption has dropped since 1993. Despite the fact that it is Summer, electricity demand dropped 10.5% in December. Where there was once a thriving middle class, 47% of the population is now classified as "poor and indigent" by the national statistical agency, Indec. Impoverished citizens are resorting more and more to stealing food and animals from farms, a crime practically unheard-of in this food-producing country. As hunger spreads, people have become increasingly bold about stealing, and it is not uncommon to see caravans of people on bicycles who raid farms in broad daylight.

A Killing Spree

Nowhere is the trampling on the general welfare more visible than in the way the elderly have suffered under the *corralito*. The inability to obtain cash, meant that people couldn't purchase medications, a problem aggravated by the fact that most drugstores weren't set up to accept payments by credit or debit card. In the week following imposition of the deposit freeze, 22% of residents in Greater Buenos Aires and the federal district stopped buying medicines because they had no cash; 30% greatly reduced purchase of heart medications, and many people resorted to buying one pill at a time, because that was all they could afford.

That crisis was exacerbated after the Jan. 11 devaluation, which made the imported components of many medications more expensive, translating into higher prices. Shortages are acute. On Jan. 24, the Argentine Chamber of Generic Medicine Producers (CAPGEN) warned that there would shortly either be shortages, or no supply whatsoever, of 80% of some medicines, including anesthetics and antibiotics, used in public hospitals. This is because letters of credit

used to purchase supplies from abroad, "are locked in the *corralito*."

On Feb. 8, some 120,000 drugstores nationwide shut down for six hours to protest price increases, shortages of such vital medicines as insulin, and non-payment of funds owed them by PAMI, the bankrupt state-run agency in charge of providing health insurance to retirees. Many retirees were forced to pay for their own drugs and medical care, or go without.

Public hospitals, once the pride of the Argentine health-care system, are on the verge of collapse. Suppliers who haven't been paid, or can't get the higher prices they say they need, have stopped deliveries, causing shortages of medicines, food, and other supplies. PAMI's inability to pay hospitals has led CAPGEN to suspend supplies to 80% of public provincial hospitals, because of unresolved payment disputes. Surgery is being cancelled in many cases, as are kidney dialysis services, because of a shortage of supplies.

In early February, the Health Secretary of the city of Buenos Aires warned that if the situation isn't resolved shortly, "we will be at the stage of maximum alert." Jorge Jacobsky, president of the Inter-Hospital Suburban Commission in Buenos Aires province, has reported cases of several people who have died only because they had been denied vital medical services.

Who is to blame for ripping apart the nation? Argentines point to politicians, who are now so discredited that they cannot appear in public for fear of being assaulted, or made the object of *cacerolazos*. Sen. Eduardo Menem, brother of the former President, recently punched a fellow passenger on a plane, after the latter insulted him; and Foreign Minister Carlos Ruckauf had to get off a plane in Madrid, during a trip to Spain, after Argentine passengers started booing, shouting, and insulting him. National and provincial legislators of all political stripes, are daily hounded out of restaurants, theaters, and beaches by irate citizens.

In this desperate situation, imprisoned Argentine Malvinas War hero Col. Mohamed Alí Seineldín, who could provide leadership by virtue of his proven national commitment and support of Lyndon LaRouche's economic policy, has been targetted by slanderous rumors of a "military coup." These have not been limited to the Argentine press; most significant was the warning against Seineldín in the Feb. 27 *London Financial Times*, mouthpiece of bankers who have ruined Argentina. Seineldín countered in *La Nación* March 3, that the only coup threatened is an "international" one.

Absent any conception of a programmatic solution to the crisis, one that looks at Argentina's crisis from the standpoint of the bankruptcy of the global financial system, this display of rage, especially manipulated by leftists and terrorist provocateurs, can quickly become anarchy or even civil war. As one legislator, whose house was burned down by protesters at the end of January, put it, "What is happening to Argentines? Why this madness? Not all politicians are thieves."

IMF Devastation Brings Dengue to the Americas

by Paul Gallagher

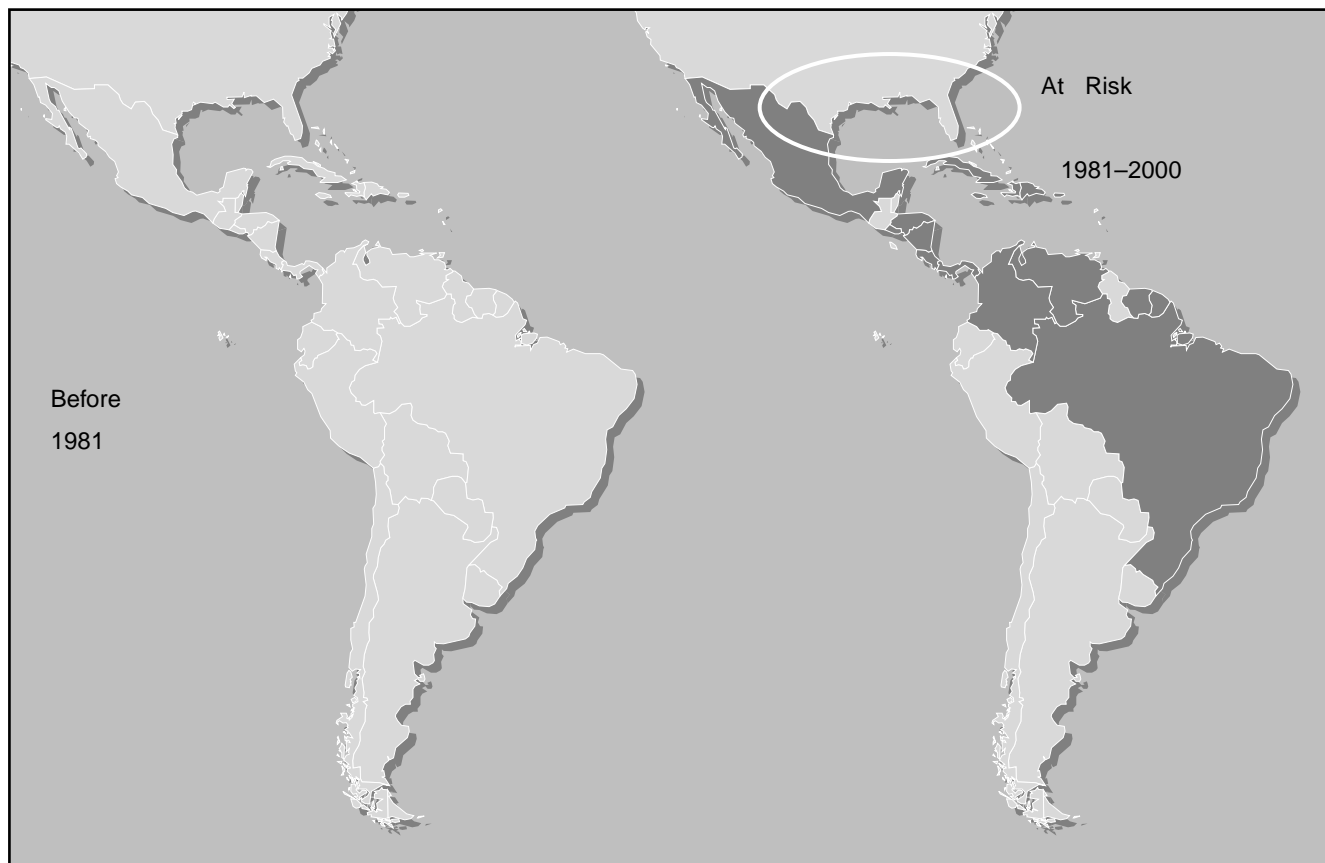
The IMF-driven collapse of the economies of Argentina, Colombia, Venezuela, and even Brazil has now triggered the second epidemic, rapidly spreading in early February and March, of a feared disease never present in the Americas before 1980: dengue fever.

Dengue—painful “breakbone fever” in its general form, and mortal in its hemorrhagic form—is transmitted by the *Aedes aegypti* and *Albopictus* mosquitoes, but sponsored by the International Monetary Fund-imposed “free-trade” policies which have wrecked the primary South American econo-

mies since 1980. The Pan American Health Organization (PAHO) calls dengue, which is now spreading out of control in Brazil and has entered Argentina’s North, “basically a problem of domestic sanitation”; its causes “reinfestation of *Aedes aegypti*, lack of good, inexpensive insecticides, lack of financial resources, deterioration in prevention and control programs,” and cutbacks in surveillance programs for the mosquito. In other words, the collapse of basic governmental health and sanitation programs due to IMF “reforms.”

The map shows the areas of the first appearance of dengue in South and Central America, particularly in a 1994-95 epidemic, which included 29 Texas cases and threw the Centers for Disease Control onto an alert. In a Feb. 21, 2002 communiqué, PAHO recalled that dengue fever “exploded . . . to more than 717,000 cases in 1998.” And this year, it has already infected 430,000 people in Brazil. Some 52,000 Brazilians were sick with dengue on March 4, showing a real “explosion” from Jan. 15, when the number was only 1,700. Nearly 10% of the state of Rio de Janeiro’s workforce have contracted dengue fever; a doctor working for the state’s Federation of Industries warned that smaller companies will be forced to

Dengue Fever in the Americas



stop production altogether.

The hemorrhagic form of dengue had caused 25 deaths in Rio and the capital, Brasilia, as of March 4.

According to *O Estado de São Paulo*, the mosquitoes were present in only 640 Brazilian municipalities in 1991, but have extended to more than 3,600 by this year. The paper's source, the National Health Foundation, Funasa, acknowledges the government resources allocated to combat the mosquito are inadequate, and so are the sanitation monitoring agencies and the public sanitation system.

The epidemic, even in January, spread to states north of Rio, such as Pernambuco and Goiás, as well as to Mato Grosso in the West. It is moving south, with 8,500 reported ill in the state of São Paulo. Argentina's daily, *Clarín* nervously reported on March 4, that dengue hemorrhagic fever has caused its first death in the Brazilian state of Paraná, much farther south than São Paulo, and bordering Argentina. On March 6, *Clarín* cited the Health Minister of the Argentine state of Misiones, Telmo Albretch, that there have already been four dengue cases reported there.

The U.S. Marines, who are conducting a military exercise in this region, have signed an agreement with the Health Ministry of Misiones, to track and control spread of dengue that might occur in the triple-border region of Argentina, Paraguay, and Brazil.

It is now late Summer in South America, but as the dengue epidemic moves south, it is heading out of tropical areas. What is most worrying Brazilian health authorities, according to *Clarín*, is that the *Albopictus* mosquito tolerates cold, and can live, and reproduce, in the Winter. The Health Department of Rio de Janeiro reports that the resistance of the virus—previously considered a tropical virus—has modified, which is complicating treatment, and making symptoms worse.

The fact that many areas have now been hit with multiple years of dengue epidemics, brings a further complication. Four serotypes (or strains) of the disease have been identified in the Americas. Infection brings likely immunity to *one serotype*, but later reinfection by *another* strain of dengue, puts the individual at increased risk for hemorrhagic shock syndrome, or the often fatal dengue hemorrhagic fever. So the incidence of the mortal form of this IMF-borne disease, has been rising.

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China Congress Told It Faces 'Volatile' World

by Mary Burdman

China's Prime Minister Zhu Rongji delivered a very sober "National Work Report" to the Ninth National People's Congress which opened its annual session in Beijing on March 5. His and other Chinese government leaders' speeches emphasized that China would strive to continue the fundamental economic, domestic, and foreign policies of, especially, the past five years. However, while confident these policies will sustain real economic growth in China, and improve international relations, particularly with China's neighbors, Zhu Rongji concluded that "this year, the work will be quite arduous."

"The international situation changed dramatically in 2001," Zhu told the Congress. China must "correctly size up the complicated and volatile international political and economic situation," to be able to continue building its economy at the rate essential for national security and stability. The warning on the "complex and volatile" world situation, was echoed by other Chinese leaders, especially State Development Planning Commission Minister Zeng Peiyang, at the Congress opening.

Zhu first reviewed the "good momentum of development" of China's national economy—something worth highlighting, given the drastic decline of the world economy during the year. He said Beijing's commitment to develop its huge domestic market, and its "unswerving implementation of the proactive fiscal policy and stable monetary policy"—launched in 1998 to counter the devastating financial crisis in Asia—have made it possible to create growth which can be sustained. Such astonishing "great projects" as the Qinghai-Tibet Railway to the "Roof of the World," and the west-to-east power transmission grid were launched; the "Move South Water North" project will be next on the agenda. No other nation is carrying out infrastructure construction on this scale.

Industrial/Rural Problems

Yet China has severe economic and social challenges, and, Zhu Rongji said, "we must be soberly aware of these problems that demand urgent solutions." The most urgent, is bringing China's vast 800-900 million rural population into a developing industrial economy. That is the *real* issue China faces; at the National Congress, it was presented more flatly, as the problem of stagnating incomes in the rural economy. At the same time, reform of the state-owned enterprises has meant growing unemployment for the urban workforce. For

the first time in so public a forum, Zhu Rongji acknowledged that, in some sectors, workers' wage payments are "seriously" behind.

The first task the Prime Minister laid out, was to "adopt all possible means to increase farmers' incomes and lighten their burden." The number of surplus workers in the countryside is estimated at between 100 and 150 million; they must have work. In the cities, most pressing are subsistence for laid-off workers from state-owned enterprises, and basic pensions which must be paid—even if "new construction projects have to be cancelled" or "reduced in scale," he said.

China remains burdened with an "irrational industrial structure," which the government has painstakingly been attempting to reform over years. And it has severe physical economic problems—primarily its lack of sufficient water, in the densely populated northern half of the country, and backward, and therefore inefficient and polluting, energy and transport sectors.

These problems can be solved—but China will need another revolution to do so. This will have to be a scientific revolution, which would bring the most advanced technologies online throughout the economy. Nuclear energy, the magnetic levitation (maglev) train, use of nuclear plants to desalinate seawater, are all there in China—which is building the first commercial maglev in the world—but on far too limited a level. Expansion of such capabilities should be the basis of China's cooperation with its neighbors, especially Russia, India, Japan, and South Korea. This, however, would require a world working on the principle of "common development," as China's President Jiang Zemin has advocated. The world, however, is heading rapidly in another direction.

Internally, China faces social problems: Zhu called them localism, "formalism and bureaucracy," and corruption. "Some of these problems are left over from the past, and some are associated with the shortcomings and mistakes in our work. We must attach great importance to these problems and take effective measures to solve them." He said China's intellectual and political leadership must be rallied to this, to the principles—national reunification, world peace, and common development—which President Jiang Zemin set forward in July 2001.

The Chinese leadership's commitment clearly remains to the "New Deal" program of national investment begun in 1998. This year, as last, Beijing will issue 150 billion yuan (\$18.1 billion) of long-term treasury bonds, to ensure "the necessary level of investment . . . to stimulate a relatively rapid growth" of national construction, especially in the western regions. Work on most of the projects begun since 1998 must be finished this year. China's leaders are confident about this construction program. Zhu said that "there is still room for issuing more long-term treasury bonds for construction without incurring great risks." It is more than safe; it is beneficial: "The investment of treasury bonds in construction of . . . projects urgently needed by society will not only help

stimulate economic growth and expand new sources of revenue, but also help pool resources . . . for accomplishing large undertakings, and improve the results of all investments."

However, China is also getting more and more enmeshed in world markets at their worst possible juncture. Zhu Rongji emphasized that China must adapt to being a member of the World Trade Organization (WTO), to which it was only finally admitted late last year. It must be a bitter irony to Beijing, that just after Zhu delivered his speech, U.S. President George W. Bush announced an increase of up to 30% in tariffs on steel imports, demonstrating the highly fragile condition of the WTO. Zhu Rongji made big—President Bill Clinton called them one-sided, at the time—concessions to the United States, to enter WTO. "We are facing new difficulties and severe challenges" due to WTO entry, Zhu Rongji said, correctly, on March 5. Even more than the industrial sector, agriculture will be hit hard by enforced imports of cheap grain and other products—if the WTO survives much longer.

'Virtue As Well As Law'

Zhu Rongji did emphasize fundamental principles which will help China face the "severe challenges." Education is a priority, especially as China has more than 10% of the world's illiterates, over 85 million people. China still has to strive to make basic education universal. Broadly, "we will continue to run the country by virtue as well as by law," those virtues being "patriotism and observance of law; courtesy and honesty; solidarity and friendship; diligence, frugality and self-improvement; and devotion and contribution," Zhu said.

The Prime Minister also emphasized that China will continue to modernize its military; a 17.6% defense budget increase was announced by the government. But reactions should be muted—the amount of the increase, is only 25.2 billion yuan (\$3.1 billion), and China still has, per capita, one of the world's lowest defense budgets.

Chinese international policy will continue to focus on building cooperation with its neighbors. Despite the dramatic changes in the world situation, "the trend toward a multi-polar world remains unchanged," according to Zhu, and China still has more opportunities than challenges in the world. Local wars, tensions, and turmoil, rather than general strife, is the world situation, he said. Unfortunately, while even this statement was relatively honest for a leading world political figure, the world's economic and strategic situation is far more dangerous than Zhu was willing to admit to the Congress. He stressed the measures of cooperation China had been taking. First was the Shanghai Cooperation Organization, founded by Russia, China, and four Central Asian republics last July, to promote regional security. Next, increased economic and other cooperation with the nations of Southeast Asia through ASEAN, and improving relations with both Koreas and the South Asian (Indian Subcontinent) nations.

Only finally, Zhu noted the improvement in relations with the Group of Seven nations, including the United States.

Keplerian Economics: Wealth as Curvature

Part 2, by Jonathan Tennenbaum

In Part I, “A ‘Keplerian’ Dialogue: What Do You Know About Economics?” (March 8, 2002 issue), Nerd brought with him three acquaintances to talk to Johannes about economics: Turbo, a stockbroker whom Nerd used to help with computer systems; Heavy Gripp, a former mining engineer, now unemployed, whom Nerd also used to do programming for; and Betty Gripp, Heavy’s wife, who, unknown to Heavy, had invested the family savings with Turbo, into “high-tech” stocks, and lost everything.

Heavy: Johannes, I must say that argument with you the other day really got me thinking. At first it just seemed *crazy*, what you were claiming, that real productivity in the U.S. economy has fallen and the U.S. economy has been shrinking over the last 30 years! All the statistics say exactly the opposite! I always thought modern production technologies had become so incredibly efficient, that we really don’t need many people any more, to provide the goods we consume. So after we were finished, I went over to ask an old friend of mine, Mr. Widget, who used to work in manufacturing. Widget couldn’t believe your statements about a “precipitous collapse of U.S. productivity,” either. I tried to bring in the points you had made about geometry and technology, but I couldn’t quite get your argument together. Maybe you can explain it to Mr. Widget yourself.

Widget: Sir, my friend Heavy spoke very highly of your expertise in economics.

Johannes: What do they say? A one-eyed man is King, in the land of the blind.

Cutting Production Costs Does Not Necessarily Generate ‘Profit’

Widget: I have quite a lot of experience in American industry, and I want to tell you that we have made enormous strides in cutting production costs, using state-of-the-art technology and modern organizational methods. That’s how we’ve been able to remain competitive on the world market. I suppose you have heard of “lean production”?

Johannes: Yes, indeed. It has been one of the main instruments for destroying what remained of U.S. industrial productivity during the 1990s.

Widget: You can’t be serious, sir!

Johannes: I am.

Widget: How can you say, that reducing production costs destroys productivity? Isn’t it exactly the other way around?

Johannes: Not necessarily.

Widget: Isn’t productivity the ratio of output to production costs? Either in terms of labor costs, in man-hours or wages, or taking into account other inputs to production—what they call “multifactor productivity”?

Johannes: No.

Widget: What do you mean, “No”? I got my definition from the textbooks!

Johannes: Think about it, Mr. Widget. If I take a skilled worker, and cut his salary by 30%, have I made that person more productive? Is he able to accomplish more? Does he have more skills, more knowledge, more experience and insight, by virtue of the fact that his labor has become cheaper?

Widget: Well, no.

Johannes: Then you better throw away those textbooks!

Heavy: You see, Widget, this guy’s on the ball.

Widget: However you want to qualify it or quantify it, our American industries and farms have done a fantastic job, during the 1980s and particularly the 1990s, in improving their performance in the face of stiff international competition. I am proud to say, that just before getting laid off, I was awarded a special citation for my contribution to “shareholder value.”

Johannes: Oh, my goodness!

Widget: Our management was far-sighted. They warned us in advance, that with globalization coming along, there were a lot of workers out there, in Asia and South America, who would be happy to do our jobs for 20¢ an hour or less. So if we wanted to keep our plant in operation, we were going to have to reduce our costs one hell of a lot.

Johannes: What did you do?

Widget: I got together with the other production managers and foremen, and we went over the whole production process. Streamline, streamline! No more fluff! We cut out all departments, all personnel, and all activities not immediately involved in getting out competitive products in the most cost-effective way. We slashed labor time, machining time, off time, and cut energy and materials consumption to an absolute minimum at each point, using computerized process control and total supply-chain management. The savings were enormous.

Johannes: Evidently. You ended up being eliminated, yourself!

Widget: I can’t bear any grudge. Our computer did it.

Heavy: Don’t believe that. There is a nerd behind every computer.

Nerd: I beg your pardon! Mr. Widget gave me the specifications for the program. Thanks to that, we’re all out on the street.

Nonlinear Curvature

Johannes: Gentlemen, don't waste time blaming each other. The problem lies in the idiocy of the whole way of thinking that has been running our economy in recent decades. After all, wouldn't you say, that the approach of "cost-effectiveness" and "lean production," is rather like choosing a straight-line pathway as the shortest distance between two points?

Widget: A pretty fair comparison.

Johannes: And this is the most effective?

Widget: Why not?

Johannes: But what if such a "straight-line" approach to optimizing production, in the way you have described, automatically eliminates exactly that feature of economic activity, from which productivity, growth, and even the survival of society depend? If so, then you shouldn't be surprised to find, as Heavy here has, that the profits of major industrial corporations suddenly evaporate, one after the other. Because there was no real net growth in the U.S. economy, from which profits might be derived.

Widget: How could that be?

Johannes: Because actual productivity—in the sense of a net creation of wealth in an economy—lies in the nonlinear *curvature* of the economic process. Following a linear optimum "cost-effective" pathway means reducing productivity to zero, and actually below zero!

Widget: Wait a minute! You are talking completely over my head. Take it again, step by step. First, what do you mean by the *curvature* of the economic process?

Johannes: It's nothing very exotic. Let me give you an example. You may have heard about a curve, called a brachistochrone, which was investigated by Johannes Bernoulli and other physicists 300 years ago.

Widget: Never heard of it.

Johannes: Among all possible curves joining any two given points lying in a vertical plane, there is unique one, for which a small ball, rolling down along that pathway from the higher to the lower of the two points, arrives at the lower one in the *least time*. That pathway Bernoulli called the brachistochrone. It's a kind of inversion of the catenary. See, I have a demonstration model right here.

Widget: Uh huh . . .

Johannes: You notice the curvature of the brachistochrone, don't you? It is not a straight line, nor does it contain any straight-line segments.

Widget: Obviously not.

Johannes: Now observe, how a second ball, made to roll on the straight-line path connected to the same two points, arrives *later*, than the ball following the curved, brachistochrone pathway. See?

Widget: Amazing! I wouldn't have expected the first one to arrive first, because the curved path is considerably longer.

Johannes: Exactly. And you note, if you follow the brachistochrone path, that its direction and curvature are con-



stantly *changing*, as you go along. It must, in fact, if the ball is to arrive at the bottom in the least time.

Widget: Obviously has to do with the force of gravity.

Johannes: But rather than talking about gravity, why not say this: The existence of the brachistochrone reflects a universal character of action or change in the universe, which violates what most of us would call "common sense." Namely, that the apparently simplest, most elementary, most self-evident pathway—the straight line—turns out *not* to be the quickest and most efficient one. All processes in nature follow pathways of everywhere-changing curvature. This had already been explored by Fermat, in his work on the refraction of light, and before him by Kepler and Nicolaus of Cusa.

Widget: But what does that have to do with industrial productivity?

Johannes: The essential notions of economy, such as "wealth," "growth," "productivity," and so forth, are all *non-linear magnitudes*. They are not susceptible to linear sorts of measure and cannot be expressed by simple arithmetic numbers. They are all associated with the *curvature* of the Riemannian-Keplerian trajectory or "orbit" defined by a society's cultural-economic development.

Widget: Why do you make it so complicated? Don't tell me you have to know Kepler and Riemann to understand what "wealth" means.

Johannes: Oh yes you do! If the disaster all around us is not enough to convince you, then I'll prove it to you another way, by showing you the kinds of *monstrous* paradoxes that are created, by any attempt to avoid the issue I just raised. But be prepared for an extended discussion.

Widget: The more the better. Heavy and Nerd here will help me, if I get into trouble.

The Source of Wealth

Johannes: All right. Mr. Widget, I suppose you believe industry actually does *produce wealth*, don't you?

Widget: Naturally.

Johannes: And you mean by that *net wealth*, over and above the wealth consumed in the production itself? In other words, if you take the gross output of your factory or plant, and subtract off the wealth that had to be *input* into the production process, in the form of labor, energy, materials, machinery, and so forth, then you would get a positive result, right?

Widget: Of course. Otherwise I would be operating at a loss.

Johannes: And if you left any of those costs out, when accounting for the net wealth-creation of your enterprise, then someone might rightly say you were *stealing*, in effect, the margin of wealth represented by those omitted costs?

Widget: Of course. But why are you asking this?

Johannes: You know, perhaps, that there are people who claim that man actually produces nothing, but only steals or expropriates wealth from nature, in the form of natural resources and the like. And they have a "proof." Would you like to hear it?

Widget: If we must. As a former mining engineer, Heavy knows a lot about natural resources.

Johannes: Here's the argument. First those people point out, that without the food growth from Mother Earth, and without the coal, iron ore, and so forth, which we procure from her bosom, we would have no economy and no economic wealth. Right?

Heavy: Yeah, but we add *value* to the raw materials and so forth, by our labor, don't we? I mean, the coal would be useless, unless we dug it up out of the ground.

Johannes: They would answer: A *thief* must work, too, to get hold of what he steals. Sometimes very hard.

Widget: A preposterous comparison!

Johannes: But I am not finished with their argument. For us to mine the coal, and other mineral resources, those materials had already to exist in the Earth, right? Just as the soil and water man uses in agriculture, and so forth?

Heavy: Yes.

Johannes: The coal mining company did not *create* the coal, but only mined it. Your company did not have to *pay* Mother Nature, or God, for having created the coal, did it? Nor did anyone pay the Earth back for other minerals or for the use of its fertile soils, water, and so forth.

Heavy: True.

Johannes: So, if we were to make a complete balance-sheet of the creation of wealth in an economy, including *all* inputs to the production process, we would have to include the coal in the ground, that was an input to the coal mining, and the other minerals, the soil that the farmer works on,

the water and so forth, wouldn't we? That's a lot of wealth, isn't it?

Heavy: So it would seem.

Johannes: But does the mining company include that input of wealth in its books, and in its calculation of costs and profits? Or does it not rather treat the original coal itself as *free of charge*, and count only the expense to extract it?

Heavy: Well, usually the mine company had to buy or rent the land, or otherwise pay for the mining rights. And that payment would be on the books.

Johannes: But whoever receives that payment, they certainly did not create the coal deposit either?

Heavy: No.

Johannes: Nor any of the persons and companies, who at various times might have claimed, owned, bought, or sold the land or the mining rights. None of them, down to the first man who set foot on the original site of the mine, had anything to do with the creation of the coal—an accomplishment which, by the way, took nature millions of years.

Heavy: Of course.

Johannes: So, in our hypothetical balance-sheet for the creation of wealth in the economy, counting everything together, the original coal deposit was never paid for, although it is being used up. Are we not thus justified to say that the entire economy, which consumes the coal, the electricity and steel made from that coal, and consumes oil and gas and other minerals extracted from the Earth, is living off stolen goods? Wealth expropriated from Nature?

Widget: I object to the term, "stolen." Nature is not a person. Nature doesn't *own* anything, and God does not demand repayment for having created natural resources! The coal and other minerals are just *there*.

Johannes: So it would appear. But we are gradually *using them up*, aren't we? The coal we are presently extracting, the oil and many other minerals, exist only in relatively *finite* quantities, at least in terms of the reserves that can be economically exploited under present conditions.

Widget: Admittedly.

Johannes: And so, the people I am referring to, compare an economy to an automobile which runs on fuel in a gas tank. In an economy the "fuel" is natural resources.

Widget: I suppose one could say that.

Johannes: But tell me this. Does an automobile engine *create* energy?

Widget: Of course not.

Johannes: How do you know?

Widget: Everyone knows that: the Law of Conservation of Energy. The automobile motor just transforms the chemical energy, contained in the fuel, into heat, and part of that heat into motion of the car. Actually, today's auto engines convert much less than half the energy of combustion, into mechanical energy. The rest is heat loss.

Johannes: I see you can regurgitate your college thermodynamics. But don't you see the terrible implication?

Widget: No.

Johannes: Couldn't you say, with exactly the same justification, that an economy does not create wealth, but only transforms some of the natural wealth, contained in the raw materials, into some other form, while wasting the rest? But the total wealth remains constant?

Widget: That's somehow absurd.

Johannes: But the conclusion is exactly as good as the so-called "Law of Conservation of Energy." You wouldn't dare challenge that, would you?

Widget: Well . . .

Johannes: So maybe the environmentalists are right after all, when they point out, that the so-called "creation of wealth" by society is occurring on the basis of a gradual, irreversible, and uncompensated depletion of the mineral and other wealth of nature. Or have we left something out of account? Speak up, Mr. Widget!

Widget: Frankly I don't know what to say. It just seems to me the whole train of argumentation is something wrong . . .

Heavy: Me too, but damned if I can find a way out.

Johannes: Perhaps it will help if I pose the problem another way. We said the amounts of coal and other resources are essentially finite, right? The coal that we extract and burn up, is irreversibly consumed. That coal is not going to grow back inside the ground; or if it somehow did, then certainly not anywhere fast enough to keep up with our consumption. And the same for many other ores and minerals which our economy consumes on a large scale. Is that so, Heavy?

Heavy: Correct.

Johannes: So to the extent we use those large quantities of resources today, there will be *less* left over for our children and grandchildren?

Heavy: That follows.

Johannes: So what should we do? Should we stop using natural resources? In that case our society would collapse, and our grandchildren wouldn't even be born!

Heavy: There is a whole lot of coal down there. We are not about to run out. In fact, the more we look, and the deeper we dig, the more we find.

Improved Technology

Johannes: Nevertheless, isn't the physical effort and investment required to extract coal, steadily *growing*, as we gradually deplete the best and most profitable deposits and have to go over to lower-quality ones?

Heavy: Of course. That is a well-known "law" of the mining industry.

Johannes: So, speaking generally, long before such mineral resources are completely exhausted—which is indeed a very long way off, in most cases, as you say—the world economy faces a constantly growing expenditure, in physical terms, to secure the raw materials it needs?

Heavy: Definitely.

Johannes: In that sense, instead of asserting that the economy is living "at the expense of nature"—which might rightly seem a bit superstitious, since nature is neither a person nor God—we ought rather to say, that today's economy is living at the expense of tomorrow's. And that our generation is living at the expense of future generations.

Heavy: I suppose that's right.

Johannes: But is there any way we might *compensate* the coming generations, and even tomorrow's economy, for the margin of added trouble and expenditure, in the procurement of raw materials and other resources, which our present consumption would otherwise cause?

Widget: Beg forgiveness? . . . Try to consume as little as possible?

Heavy: No, no! I have it! At the same time as we exploit the existing resources, we should develop *improved technologies* for the extraction and processing of those materials.

Johannes: Aha!

Heavy: That way, we can constantly reduce the relative cost of supplying them to the economy, despite the gradually declining quality of the deposits. In fact, that is the whole history of the mining industry. From ancient Greek times, during the Renaissance, to the time of Leibniz and the Freiberg Academy, and into the 19th and 20th Centuries, mining was always a focal point of technological development. So it happened, despite industrialization and the so-called explosion of the world population, which increased the consumption of energy and most raw materials by orders of magnitude, there is no sign of scarcity in the supply of those resources. In 1972 the Club of Rome published its *Limits to Growth* report, claiming that the supply of 11 vital minerals could be exhausted before the end of the 20th Century, including oil and natural gas, copper, gold, lead, mercury, silver, tin, and zinc. The study was translated into 29 languages and sold 9 million copies. Many fools believed it. But today, after 30 years of intense consumption, the proven reserves of these minerals are *larger* than they were when the Club of Rome made its prediction! That is to a large extent due to the advances in techniques of prospecting, extracting, and processing raw materials. Technological development has expanded the available resource base of the world economy considerably *faster* than resources have been used.

Johannes: Excellent!

Heavy: If we can *continue* that process of technological development from one generation to the next, always keeping a step ahead of the marginal depletion of resources, then tomorrow's world will not suffer from today's consumption! In fact, using the higher-level technology, they will be even better situated to supply their needs than we are today, even though large amounts of resources might have been consumed in the meantime. So, nobody could claim we were living at their expense. On the contrary, they will live better than we, because we gave them more powerful ways to deal with the universe.

Johannes: Heavy, I think you have caught a very, very interesting critter by the tail. Let's not let go of it.

Heavy: What critter? Where?

Johannes: I mean an idea. Remember, last time I pointed out, that not every sort of *apparent* technological advance—as seen on the level of a particular mine, factory, or even a whole sector of an economy—really represents an increase in the overall ability of a society to sustain itself in the long term. That ability depends not only on mining and processing of raw materials, or any other particular activity, but on the mode of development of the economy as a whole, as the instrument of man's relationship to nature. Don't you agree?

Heavy: Yes.

Johannes: For example, isn't it true, that as the quality and concentration of mineral deposits decreases, and they become more difficult to mine, the mining process requires the application of more and more *power*?

Heavy: Absolutely. For example, coal mining today is already quite energy-intensive, and will become more so in the future.

Johannes: So if we continue to produce energy by burning coal, we will eventually come to the point, that the mining of one ton of coal will require more energy, than we get from burning that same ton of coal!

Heavy: Come to think of it, you are right.

Johannes: And long before that, the economic efficiency of the whole, archaic fossil fuel-centered energy and transport system of the United States—and the pathological land-use structure associated with it—will have dropped far below zero. We are actually at that point already. The attempt to prolong the existence of such a monstrously wasteful system, even on the basis of what appear to be useful technological advances, actually drives the economy deeper and deeper into the mud. What do we do?

A Nuclear-Based Economy

Heavy: Well, first of all, I guess we'll have to go for a nuclear power-based economy, as you said last time. The fission of uranium is more than 50,000 times more energy-dense than chemical combustion of coal and other fossil fuels. That means, in particular, that the ratio of power produced per ton of uranium fuel, to power consumed in the mining, transport, and processing of that fuel, is orders of magnitude larger than for fossil fuels. With nuclear fusion, which is already within reach, even better. Going to that kind of higher energy-density, would revolutionize the resource base and real efficiency of our economy. This time not simply building some power plants, as we were doing in the 1960s and 1970s, but rebuilding the whole energy system from top to bottom.

Widget: I am all for it. I used to work in nuclear industry,



back in the old days.

Johannes: But the first realization of nuclear power during the last century, required the mastery of *new physical principles*, beyond those that were known in the period when the large-scale use of coal and other fossil fuels began. Correct?

Widget: Quite true.

Johannes: And for this reason, even the very first practical applications of nuclear energy, in the military and then the civilian domains, required the education and training of entire armies of scientists, engineers, and skilled technicians; the creation of new branches and capabilities in the metallurgical, chemical, electrical, machining, and other industries; a vast development of radiobiology and medicine, and so forth—all potentials which will have to be revived and rebuilt, because much of that capability no longer exists, on the scale we need, in the United States today. But during the 1940s, 1950s, and 1960s, nuclear energy was one of the spearheads for a rapid process of technological development, whose effects reached into every branch of economic activity—before the whole process was aborted, in the late 1960s and 1970s.

Widget: Absolutely. I was part of that.

Johannes: Were you? Well then you ought remember what real productivity is, as opposed to the insanity you were advertising to me a little while ago. Just imagine, that the principles of “cost-benefit analysis” and “lean production” had governed economic practice in the United States, at the moment when the principle of nuclear fission was discovered. Who would have made the enormous investments in science and education, that had to be made, long before a cent of profit could be made on nuclear energy? What industry would have maintained the teams of engineers, that prepared, sometimes many years in advance, to retool for the production of new types of equipment, that had never existed before? Nobody, certainly! Everyone would have said, as you did a little while ago: “All this is not immediately involved in getting out competitive products in the most cost-effective way.” There

would have been no nuclear energy, and no residual capabilities to build upon now, when we really need them.

Nothing But Slavery Comes From The Free Market

Widget: I get your point. But nuclear energy came out of a war-time project, not the “free market.”

Johannes: Nothing but slavery comes from the “free market”! Quite apart from narrow military considerations, it was still generally understood, into the 1960s, that maintaining high *rates* of technological progress, requires a very special structure of investment, education, and employment of the labor force, completely different from what you would get if you sought to optimize existing modes of production for lowest possible cost. Also, a completely different cultural attitude and quality of emotion. The two are absolutely incompatible species of “orbits” or trajectories of a society’s development.

Nerd: Like the difference between least distance and least time, in physics!

Johannes: Exactly. And so, to wrap up what we were discussing before, you will agree, that nuclear energy in its presently known forms will also have to be superseded, for similar reasons as we discussed for coal.

Heavy: For sure.

Johannes: This also means discovering new physical principles, again and again, in the future.

Heavy: Certainly.

Johannes: And our educational system, our labor force and its mode of employment, our industries, our infrastructure, and so forth, will have to be organized and developed in such a way, that we can rapidly transform such new discoveries into new species of technologies, produce and assimilate those technologies on a large scale, and thereby increase the per-capita power of mankind to sustain its development into the future.

Heavy: Just so.

Johannes: But that process of technological development would have to keep on going, *without end*, wouldn’t it? If it ever stopped, then the entire accumulated burden of previous consumption of resources, in the form of depleted reserves, would finally fall on the society unable or unwilling to continue developing on the trajectory of technological progress. Besides that, with the cessation of scientific and technological progress, the intellectual powers of the labor force and population would rapidly decay; the society would become more stupid and irrational, and might very well destroy itself, long before a lack of material resources became a visible problem.

Heavy: That’s right. But if society maintains at least a certain minimum, “baseline” rate of technological advance, then there will be no penalty connected with the apparent depletion of resources, and no bills to be paid to either God or nature, except the necessity to maintain technological progress itself.

The ‘Orbit’ of Development

Johannes: So, relative to your hypothetical “baseline” pathway of development of an economy, a society having a *lower* rate of technological progress would, in effect, be exhausting its own basis for existence. For such a society we could truly say, that it loots nature and lives at the expense of its future generations. There is no net creation of wealth and no basis of real profit. Sooner or later such a society would surely collapse.

Heavy: It clearly would have to.

Johannes: Whereas a society realizing a *higher* rate of technological progress, would actually be creating net wealth?

Heavy: It would.

Johannes: Then, the measure of economic “wealth,” and the answer to the question, whether a given economy is growing or collapsing, lies in the relationship of entire trajectories or “orbits” of development, and not simply in the momentary states of the economy—no matter how much statistical data are supplied.

Heavy: Obviously.

Johannes: Since real wealth depends on an “endless” perpetuation of scientific and technological progress, and a certain rate of discovery and integration of new physical principles into human practice, it corresponds to a special sort of self-sustaining *change*, does it not?

Heavy: Indeed.

Johannes: Each such discovery, moreover, is a creative act of a single human mind, that breaks out of the “flat,” linear world of existing formal knowledge, to generate a new principle of human action on the universe. And the transmission of that discovery to successively larger circles of individuals, and its gradual assimilation into the economy, generates dense waves of secondary “breaking-points” or “changes of direction” in the overall geometry of human activity. Do we not require, for this, a generalized notion of *curvature*, of the sort studied by Riemann, and which corresponds to Kepler’s understanding of the way an orbit determines the motion of a planet?

Heavy: That makes perfect sense, although I will have to work these ideas through a lot more, before I really master them.

Johannes: Do that. It is well worth the effort. But Mr. Widget here seems a bit overwhelmed.

Widget: More thinking than I have done in a very long time.

Johannes: Exactly. So you see, my friends, why imposing linear concepts of number and measure on economic processes, in the form of “cost-benefit” and similar criteria of management and decision-making, collapses the rate of technological progress, properly defined, and dooms a society to inevitable destruction. Bearing in mind, that exactly this sort of shift occurred in the United States 30 years ago, we had better correct the orbit soon. Elementary, wouldn’t you say?

LAROUCHE ON THE STOCKWELL SHOW

Money-Pumping Won't Stop Industrial Collapse

Lyndon H. LaRouche, Jr. was interviewed on March 5 by Jack Stockwell, morning radio host on K-TALK radio in Salt Lake City, Utah. Here is the transcript, with subheads and graphs added.

Stockwell: You are listening to the Jack Stockwell radio program, and I have a special treat for you today. My guest, a pre-candidate for the 2004 Presidential election: Lyndon LaRouche. . . .

We're glad to have you. We've got a lot of things to talk about. We've been worried constantly here in the intermountain West with the disappearance of a lot of our computer sector, high-tech sector, the closing down of Geneva Steel, the laying off of over 1,000 people in regards to that. And we see the constant—the LTV stuff, Bethlehem, the other steel bankruptcies. We see Kodak in serious trouble, and some of the other mainstays of American industry, over the last many, many decades, looking at bankruptcy. The Enron debacle—. And now, we have daily news broadcasts, assuring us we've been worried about *nothing*, that apparently all these bankruptcies are over nothing; all these layoffs are over nothing; because we weren't really having serious economic problems at all in this country: "It's just a *mild* recession, which is already turned around; we're on our way back." It would make one think that Arthur Andersen is doing the accounting for our government!



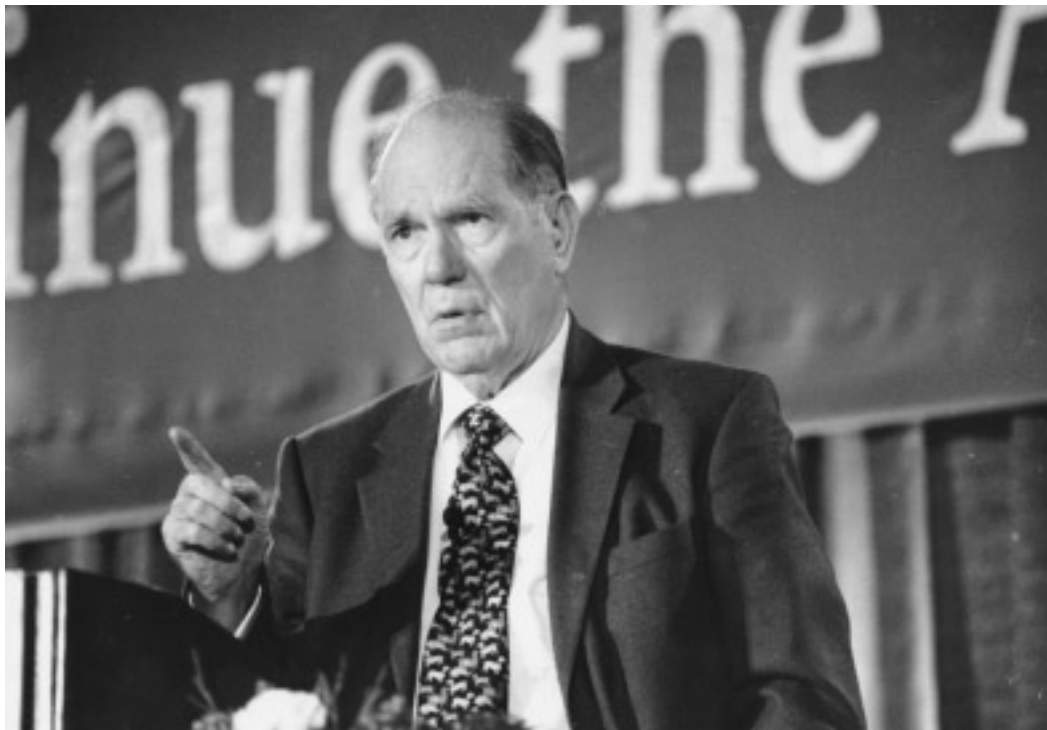
Jack Stockwell

The Great Pumping of the Economy

LaRouche: That's a very good description! Think back to the Autumn of 1999, in a period where the primary campaigns were coming up, for January-February, and in that period, the Federal Reserve began printing money, effectively, as it had not done much before. It was a big splurge in 1998, after the collapse of the LTCM—the Long Term Capital Management operation—but, then, it spurted up again. And they started with a really hyperinflationary rate of monetary expansion, coming out of the Fed, chiefly, for the purposes of the initial phase of the year 2000 primary election campaigns. Now, they kept that going, that pumping going, up until about March of 2000. Once everybody was eliminated from the primary candidacies, except Gore and Bush: At that point, they stopped pumping.

Now, the reason they stopped pumping, is because they know this was hyperinflationary, and they had to worry about that. And what had happened is, as we saw in March, and later on, in the course of the year 2000, the bubble, the collapse of the New Economy bubble, had already started in the Summer. Now, remember, a lot of candidates were running—the Gore candidacy was running on the basis of promising that the New Economy was going to make everybody rich. So, from the standpoint of the Democratic side, they wanted to keep the bubble *pumped*. From the standpoint of the Bush side, they didn't want a controversy about the economy; they didn't want a depression, which might make people think like Roosevelt, or something. So, they kept it going, until they had the primary candidacies essentially locked in, after the initial March multi-state primary.

Then, again, we had a big slump in the New Economy, in the stock area. Then we had, in the Fall, priming into the Fall



*Lyndon LaRouche:
Those who are pumping
money into the system
are “talking about the
'recovery'—it's like
Dracula, as I call it—
promising the suckers a
midnight recovery. And
the suckers are buying.”*

election campaign, as such, we had the great pumping of the economy, not quite as big as in late 1999, but pumping it was. They kept this pumping going, until after the inauguration of President George Bush as the next President. At that point, they stopped pumping. So the economy did the obvious thing: The New Economy collapsed. And the collapse of the New Economy has been going on, rolling on, into other areas ever since. The Enron collapse, which is really a \$100 trillion-plus notional value collapse, involving many things beyond Enron—this is not an isolated case—Enron had counter-party deals with people who had counter-party deals, with people who had counter-party deals with—. This totals up to over \$100 trillion in notional values of financial derivatives, sitting up there. You know, that's a lot more—

Stockwell: Isn't that about 25% of the entire world derivative bubble?

LaRouche: Yeah, sure.

Stockwell: One company, sitting at the top of all that?

LaRouche: Yeah, sure. This was the operation.

So, now, this was collapsing. Now, they've got a two-phase operation going on now. First of all, there's an attempt to deal with the primary campaigns and the election campaigns of this year—the primary being for the Senatorial and other candidacies, state level, and there's a couple of gubernatorial; and also, the upcoming Federal election for high office and governorships, in the Fall. So they're pumping again. Those who are pumping, were talking about the “recovery”—it's like Dracula, as I call it—promising the suckers a midnight recovery. And the suckers are buying.

Stockwell: Now, by pumping, obviously lowering the Federal, the overnight lending rate, is supposed to be able to make a lot of money available. It lowered the mortgage rates for houses, and then we get this big push that we're getting this tremendous house-buying boom, showing sparks of economic turnaround, without ever mentioning whose houses were on the market, that were being sold: the people who went bankrupt. But, when you say “pumping,” where, how is that getting in? What do you mean by that?

The Real Estate Bubble

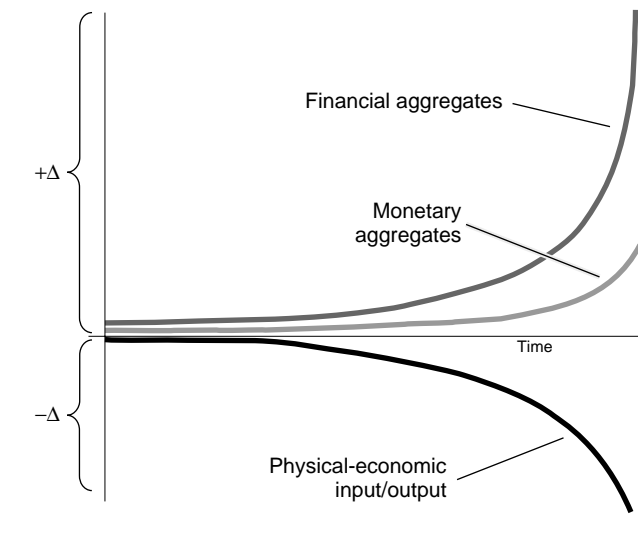
LaRouche: Well, first of all, the Federal Reserve System has the ability to monetize its credit, and it does that in the form of promissory notes; in effect, they're promissory agreements, which is the promise to print Federal Reserve notes to deliver to customers.

Now, what they're working through, largely, or have been working through largely, is through Fannie Mae, Ginnie Mae, and so forth. That's been the basis for the bubble in real estate turnover. That is, banks which lend money, on mortgages, turn around, bundle up packages of these mortgages, whole collections of them bundled as one deal. These are then dumped with Ginnie Mae, Fannie Mae. And therefore, the bank gets the credit back, equivalent to a major portion of the mortgage bundled that it has previously just taken. It then turns around and takes the money, which has been credit given to it, for sale, or transfer of title to these bundled mortgages, and turns around, and loans more money.

Now, at the same time, the real estate dealers are out there,

FIGURE 1

A Typical Collapse Function



who have their own notions of survival, are working to crank up the market, so that Joe Jones, who owns a house, and took out a mortgage last year, or the year before, finds out that the market value of the house has appreciated *significantly*, according to these statistics, over that period. He now goes to his bank, and rewrites his loan, up, and gets money to spend for household expenses, or probably, to pay off the pressing credit card debts, or things of that sort.

So, now you've come to a point, where a lot of people are going bankrupt: Jobs are being lost; firms are being shut down, *en masse*. Now people who are over their heads in mortgages, find the only way they can get out, is dump their house on the market, and sell it, at least to recover a lot of their debt. So, this is one of the the things that's going on. But, essentially, this thing is going largely into the financial markets directly now. And it's going in there on the basis of two things: First of all, the insiders, who are saying the recovery is on, are really saying "recovery," because that means that they have a chance to make an extra buck, by selling some paper, which is otherwise worthless. And they intend to be out of the market when the market collapses. So, the "recovery" they're talking about, is a "dead-cat bounce," done by the Federal Reserve System.

What is going to happen, is: This thing is going to collapse. Because, as I've pointed out, and these have been the figures since 1995-96, is that you have three curves operating: We've had a general decline in the real economy, that is, the *physical* economy. We've had an increase—

Stockwell: You mean like steel, automobiles, farm equipment, ships, stuff like that?

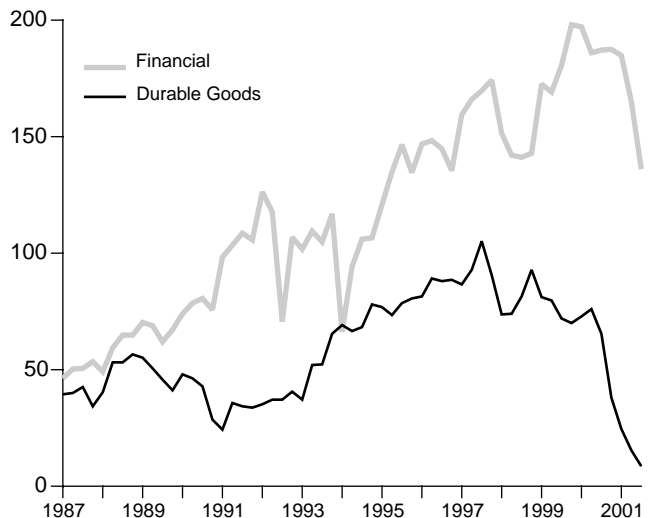
LaRouche: Food! Necessities, essentials.

Stockwell: Yeah. The things that make life of the stature

FIGURE 2

Corporate Profits: Financial Companies v. Manufacturers Of Durable Goods

(\$ Billions By Quarter, Annualized Values)



Source: Bureau of Economic Analysis, U.S. Department of Commerce.

of the last 30 or 40 years.

LaRouche: Exactly. So, that's been collapsing, and you see that trend continuing in the collapse of corporations, which are not too sound, because they've gone over the edge in this direction, anyway. But, there are real corporations, like you mentioned this Geneva and LTV. These are real firms which have been turned into funny-money stores in large degree, and they're now collapsing, but they also involve real jobs, real production.

For example, you have a symptom of this change in this meeting, this interview that was held this past weekend, on TV, with, I think it was CNN—

Stockwell: Now, Lyn, let me interrupt you for a moment. We need a traffic report. But, we'll pick right back up with that interview. . . .

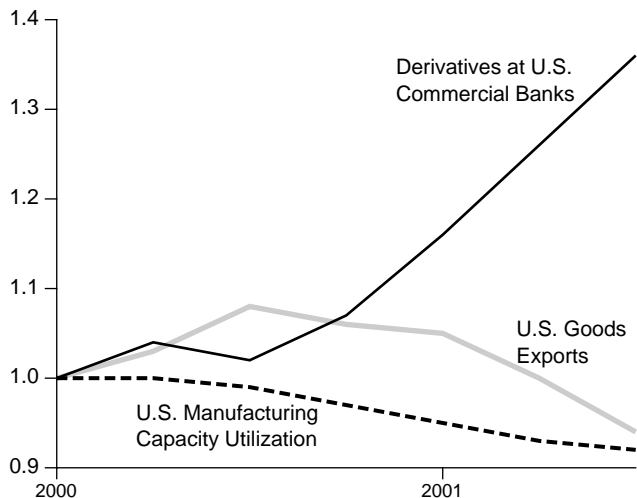
Twenty-five minutes after the hour. If you're just tuning in, Lyndon LaRouche, candidate for the Presidency 2004, is my guest. He's calling in live today, and we will be having this discussion probably for the next hour and a half. If you like what he has to say; if you don't like what he has to say, you can get some free information: the *EIR*, the *Executive Intelligence Review* magazine; you can get a free copy of it. You just call this number: 1-888-347-3258. Tell them you heard Mr. LaRouche on the Jack Stockwell show; you'd like a copy of *EIR*, to find out a little bit more about this man, and the subject and the economics he's talking about.

Now, Lyn, you were talking about this interview on CNN last week.

FIGURE 3

Derivatives Soar, Manufacturing Falls In 2001

(Indexed To 2001/1Q = 1.00)



Sources: FDIC, U.S. Department of Commerce, Federal Reserve.

The Steel Tariff: A Paradigm Shift

LaRouche: Yeah. Well, you had this business with Daschle, who is a “ghost” candidate for the Presidential nomination for the year 2004. He’s laying back, but you can see he’s drooling just a bit. And then you have, of course, the man from Mississippi, Trent Lott, and—

Stockwell: Who is calling for steel tariffs now!

LaRouche: Exactly! Now, what they said—

Stockwell: I about fell over when I read that!

LaRouche: It’s funny. Because they said—both of them used the same formula, but especially Daschle; he said, “Well, I’m for free trade. I’m still for free trade. But we also have to have some fair trade to save our steel industry, and a few other things.” And the talk went back and forth, and Lott was being, distinct from Daschle, naturally being on the other side of the official Congressional aisle, but nonetheless, he was saying, more or less, that he was going to go along with that. And the President was going to push it, as he has done today, eh? Announced today, or last night.

Then the question came up: Well, what about agriculture? What about some other vital industries, in addition to steel, which might need some protection? And, they quibbled a bit about that. But they indicated that the *principle* would apply, that where there was a good case for an overriding national interest in maintaining some section of our industry, there would be a tendency to: “Well, we’re still with free trade, but we’ve got to have fair trade too.”

So, there is a very significant shift, which we saw first reflected in Bush’s reactions, among his reactions, to what

happened on Sept. 11 of last year: There’s the recognition that the economy’s collapsing, and government intervention and regulation may be indispensable to save the economy. So therefore, there is a reluctant *phase-change shift* in the policy-making of both the Republican and Democratic parties, back in the direction of, shall we say it?—New Deal thinking. It’s not really genuine New Deal thinking, but it is a fair, poor imitation coming to the surface right now, in response to the fact that the U.S. economy *is* disintegrating; that the so-called recovery is something that Dracula and other suckers may be dreaming about; some people may make a little bit of money in speculation, if they don’t get *caught* with their pants down when the market drops.

But, in general, for the people, the average person, the small businessman and so forth, and for the industry and so forth, the depression is accelerating now, and the danger in the world economy is far greater than it’s ever been before.

Stockwell: Well, with the fact that we’re going to have national elections this coming November, and the hype of war, continuing the hype for war, with an attack on Iraq, mid-, late-Summer of this year—won’t the pumpers keep pumping it in for a while, to make sure that there is some incumbency return this Fall into Congress?

The Middle East Cauldron

LaRouche: That’s a little problem. To a certain degree, like a bubble, like a pyramid-club game, or any other bubble, panic, mass belief by the suckers, in the bubble, will cause the bubble to continue, even contrary to all reality. But then there’s a limit, in which the very expansion of the bubble brings us to a breaking point, at which the bubble can’t continue—it pops!

Now, this is also true on the military bubble: The United States has no capability, at present, with the present economy, and no prospective capability, with the present economic policies, of conducting an extended war, in many parts of this planet, over an indefinite period ahead. We do not have such a capability. We have, however, glazed-eyed ideologues, in and around Washington, D.C., especially, who are insisting, “We are going to war against Iraq; you can’t stop us; we don’t care what anybody else thinks. We’re gonna do it!”

Now, outside of Washington, D.C. and those circuits, you find, as others have reported to me, in East Podunk, and various parts of the United States—outside the nation’s capital, and outside the mass news media—you find the voice of the American is not exactly enthusiastic for anything, but their *doubts*, whether they’re Republicans or they’re Democrats—their *doubts*. They think this may not be the smartest thing to do. They don’t believe it. They think that Washington and the mass media are lying to them. They’re not taking a firm position on anything, but their doubts. They think they’re being swindled, once again.

Stockwell: Well, there are certainly doubts among European leaders, that they want anything to do with this.



The collapse of the steel industry is making for some strange bedfellows, as Senate Minority Leader Trent Lott (R-Miss.) (left) and Senate Majority Leader Tom Daschle (D-S.D.) both call for “fair trade”—a significant shift away from the suicidal dogma of free-trade globalization.

LaRouche: Oh, absolutely. Absolutely. But the idiots in the United States are convinced, the idiots in Washington are convinced they can *terrify*, with the aid of Mr. Blair, who’s got a face like, you know, boiled kidney-bean paste. They think that they can intimidate the Europeans into submitting into a preemptive decision by the United States and the United Kingdom to go full-steam. But there is building resistance—very strong—among Europeans and others, who are maybe not the strongest people in the world when it comes to things, but this thing is *bad*. And they are, with all their weaknesses, they know it’s bad. And they know it shouldn’t happen. And they’re resisting.

And also, the thing that is heating up the resistance, is what’s happening in Israel, Palestine, itself. Which is what I’ve pointed out, that what the Sharon government is doing to the Palestinians, in the so-called Occupied Territories, or the Palestinian Territories, is exactly what a Nazi general, Jürgen Stroop, did to the Jews of the Warsaw Ghetto, back in 1943—*exactly the same process*. And worse than that, the policy which is being conducted, under the Sharon government, against the Palestinians, is based *consciously*, on the Israeli Defense Forces’ study of the way that the Nazis dealt with the “Jewish problem” in the Warsaw Ghetto, back then.

So, this horror-show, of what is happening in Israel, under the Sharon government, with mounting resistance from among Israelis, in Israel—Europeans react to that, and they don’t trust *anything* coming from the United States, which does not do something about the Middle East situation. And they look at the attack on Iraq as simply making things worse. And so, they couple the idea of war on Iraq now, with a vision

in their eyes, of this Nazi-like operation, which the Sharon dictatorship—and it is, in fact, a military dictatorship—is doing against the Palestinians, and others.

For example, to get the idea of the Jewish resistance, the Israeli resistance to this thing, which is growing, you have to realize that from the standpoint of the Israeli Jew, who’s looking at what’s happening in his country and the adjoining Palestinian Territory: He sees that Sharon is provoking—by horrible attacks on Palestinian innocents—that he is provoking *violent reprisals* from *desperate* Palestinians, which are killing Jews.

Stockwell: Yeah. Just another one this morning.

LaRouche: Yeah, this is, this policy, when seen from Europe and elsewhere—. They say, to the degree that the United States does not appear, and the Bush Administration does *not* appear, to be at all competent, or capable, or sincere, despite

what Powell has said—people do not trust Bush on this issue. Because when he, presumably, was informed of what Sharon is doing in that Territory, he was informed that this is the same kind of operation the Nazis ran against the Warsaw Jewish Ghetto, and he says he’s expressing his sympathy and support for the democratic government of Sharon, people in Europe do not trust him.

Stockwell: Well, he did a complete about-face after 9-11—

LaRouche: Yeah, sure.

Stockwell: In the Middle East.

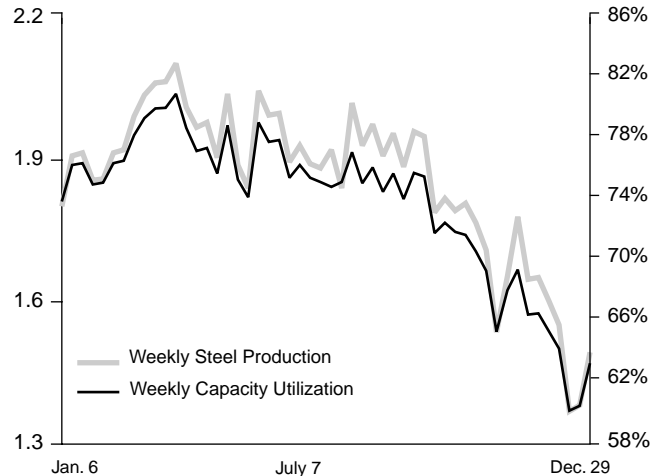
LaRouche: Yeah, sure. Because he was scared. And that was one of the purposes of what happened on 9-11, was to scare this government, whether they eliminated George or not. They were determined to create a panic, in which the United States would go full force into this Clash of Civilizations war. And they’ve *succeeded*, to some degree.

Stockwell: Well, they have now, inside the IDF, some reserve soldiers and officers, within the IDF—and ladies and gentlemen, here is a website that you can go to and read this for yourself—it is their sworn statement; it is in Hebrew and in English—their sworn statement that they *refuse* to occupy any lands that extend beyond the 1967 [borders]; you can go to serv.org, and you can read it for yourself. That the state of “Greater Israel,” that’s going on now, is in violation of several accords and peace agreements in the past. But there are Israeli soldiers *refusing* their duty. Some of them have already gone to jail, because they know what this is doing. They know what’s going on. Sharon’s popularity is dropping like a rock among his own people. Because while we sit here,



FIGURE 4
U.S. Steel Production And Capacity Utilization Plummet Throughout 2001

(Weekly, Millions Of Net Tons)



Source: American Iron and Steel Institute.

Left: Demolition of U.S. Steel's National Tube Plant in McKeesport, Pennsylvania, 1985. The steel industry is now going through a new ratchet downward, in its decades-long collapse.

and hear *nothing*, hardly at all, about the Jewish atrocities against the Palestinians—all we hear about is another Palestinian self-immolation, or bombing or whatever, inside of some Jewish cafeteria in Jerusalem. And we're not hearing, or clearly, watching the other side, unless you are going out, beyond CNN, to do so, where there are a lot, as Mr. LaRouche has said, of innocents on the other side, being destroyed and killed.

People will say, people are saying, "Well, all the Israelis have are 'military targets' among the Palestinians." Well, the tanks moving into Bethlehem, the tanks that are moving outside of the decisions of 1967, into the state of "Greater Israel" stuff, is nothing but a provocation for *more* attacks, so that the right powderkeg, at the right time, will finally explode. And your sons, as well as mine, are going to be moving into the Mediterranean, for a war that could take 100 years to bring to an end.

This is what I was talking about before, ladies and gentlemen, a week or so ago, about how a religious war is different than a territorial war. I mean, it's one thing for Hitler to move his troops into the Sudetenland, and say, "Well, this was ours anyway. And, well, the border's here, and we're gonna bring our surveyors out, and we're gonna draw a line here, or we're

gonna follow this river, or we'll split this mountain ridge in half"—that's one thing. But, when you have a religious war, where you have the Attorney General of the United States coming out saying, "Well, you know God sent his Son to die for us, but the Muslims send their sons to—," however he said that, "to kill us," or something like that.

And then you have this right-wing, conservative religious, fundamentalist barking-dog movement in this country, that *anything* that Israel does is God-ordained, and God-blessed. And then, on the other side, where we've been bombing Iraq for 11-12 years now, where a whole new generation, the new generation coming up in the last 11 years, they're already halfway through their generational development—knows nothing but American atrocity, imperialism, and hegemony. And then you've got that same spirit *breeding* throughout the entire Islamic world; and then, on the eastern end of the Islamic world, you have the Hindus and the Islamic people coming against each other in India, again, another attempt to *stop* any kind of development in that area.

So that you've got the fires of a religious conflagration blowing here, that will go *way beyond* any kind of territorial dispute, where one generation will *feed* into the next generation, and you'll have nothing but years, decades of blood



Nazi Maj. Gen. Jürren Stroop (third from left), who ran the extermination of the Jewish resistance in the Warsaw Ghetto in 1943. Today, Israeli Prime Minister Sharon and the Israeli Defense Forces are doing the same thing to the Palestinians—explicitly on the Stroop model.

flowing in that part of the world. And you know, I get up every morning wanting, hoping I'm going to find something in the news, that tells me that that cataclysmic, dismal view that's sitting in front of my eyes every day, is just a continuation of a bad dream from the night before. But, it just seems more real all the time, when they could—. Now they even have cross-hairs on Arafat. You think we have problems now—you wait'll they bring down Arafat.

What do you feel about that, Lyn?

The End of the Dracula Recovery

LaRouche: Well, we have a chance of stopping that. First of all, the economy defines a chance. This economy, despite this Dracula-like promise of recovery—it's going down. Because the hyperinflationary tendency, is stronger than the pumping.

Stockwell: That's the key, isn't it? The hyperinflationary dynamic. It's like the kid with his finger, just trying to hold back all the forces of the dam with his finger in a hole here. That dynamic of hyperinflationary processes is going to overwhelm this latest round of pumping.

LaRouche: That's the policy since August-September of 1998. At that point, as of what happened in September and October, that year, with the change in policy. The recognition was, in leading circles in Washington and elsewhere, that the pumping policy of the New Economy, pumping policy of the previous period, was going into a hyperinflationary-deflationary phase. They could no longer continue it. Since that time, as you watch the pumping process, you find the pumping process is influenced chiefly, by the attempt to buy time, on a

relatively short-term basis, and also, to manipulate the situation, especially the U.S. situation, politically.

For example, as I've cited, 1999; they did it in 1998 also, but in 1999, they did this major pumping process for the purposes of the primary campaigns. They went with another pumping process during the Summer and into the Fall, for the purpose of the Fall election campaign, general election campaign. They've done it again right now, another case of pumping. But they're terrified, because even Alan Greenspan's advisers know: They can not keep doing this. And the bubble that he's trying to talk up now, with this false, lying talk about a recovery, is simply a temporary phenomenon, which is already showing signs, as of today's markets, in Japan and Europe, is showing signs of going through its lawful collapse process, because they can only go so far, with the pumping, without actually setting off a self-feeding hyperinflation, of the type they can't control.

Stockwell: All right, let's get another traffic update. . . .

Talking about the economics—you know, I keep seeing, I watch the market every morning, reports around the world, the Nikkei, what London is doing, the gold—I remember back before the Asian crisis, that they were talking about how 16,000 on the Nikkei was the absolute, you know, anything below 16,000, and we're in trouble. Of course, now, it's down to 10[,000]. And, any day now, with this long-standing policy of Western pressure on the Japanese banking system to issue their 0% loans, so they can keep putting money into the American market—the Japanese hold a great amount of notes on the American banks—I think 35% was the number I heard at one time: that should the yen finally hit some serious devalua-

tion problems, or a crash, the first they're going to be doing, is coming after the dollar.

But, even this morning, I'm watching what the markets are doing, and they keep hovering around 10,000. The Dow drops towards 9[,000]; all of a sudden, it starts marching back up to 10; drops down towards 9. Changes in the SEC regulations; changes in the way the Fed is responding to this; the creation of the Plunge Protection Team to keep putting money in there every time it starts to plunge. You know, every time a new hemorrhage in the body starts to show up somewhere, we start pumping in this false blood, almost, to try to keep the body alive, until, all of a sudden, there won't be any real blood in the body at all. What is it that keeps sustaining the stock market as it is now, Lyn?

Back to a Production-Oriented Economy

LaRouche: Simply, it's hysteria and politics. Look, what's at stake here of course, is, we are dominated, and have been increasingly, especially over the past 35 years, we've been dominated by a policy which is contrary to what we came out of the Depression with, and what we went through the first period, the first decade or so of post-war reconstruction in Europe and the Americas, and Japan. So, we went to a policy, where we have been shifted from a producer-oriented society, to a consumer-oriented society. Now, under these rules, people operate on the basis of gambling-hall economics: Am I making money at the table? Am I getting a good meal after I take my winnings from the table? Am I getting a little fun to go with my meal?

And no longer do people look forward to long-term achievement, as productive members of society—I mean, it's not considered such a big deal now to be a successful farmer; there are very few left around of the independent family farms, real family farms; industry, small industry, that is, the real entrepreneurs, have almost been wiped out, since the Volcker measures of 1979; systematically, they've been wiped out. These were the gut of our national productivity. We're *not* the big corporations. The big corporation is not, really, a technological risk-taker; technological risk is a medium- to long-term matter. The only people who took the medium-term to long-term risks, were the independent, technology-oriented entrepreneurs, who would, on the basis of their confidence in the validity of a design, or a product, or a conception, would push ahead with that, and take a great deal of risk and carry it on their back, together with a few trusted friends, until it did become successful.

In the large corporations, to the extent they succeeded, as during, what happened during World War II, succeeded on the back of basic economic infrastructure development, largely by state and local governments, or state and national governments, and on the back of the entrepreneur, who began to rebuild the farms, who began to rebuild the industries. And the large corporation *depended* upon the technology they mustered from these entrepreneurs, because the big corporate

management, especially after World War II, became less and less technology-oriented, and became more and more market/stockholder-oriented, and consumer-oriented, so everything is short term. And that's our problem.

So, therefore, in that state of affairs, you have something that happens now, that could not happen 35 or 40 years ago. You could not have fooled the American people, into accepting the ideas of consumer value, as being reality, and ignoring producer values. The guy then would say, "What happened to my industry in this community? What happened to this shop, that Joe was running, this business over here? He employed 40 to 50 people. They were producing a good product. What happened to them? What happened to the farmer out there who was running a good animal-breeding program, as well as a crop improvement program? What happened to him? What happened to the infrastructure? What happened to the rail system? What happened to our power systems? What happened to the things that we used to think were important achievements, on which our ability, for example, to win World War II depended?"

And, it's a difference in value. The present generation has been so conditioned, since the middle of the 1960s, to an increasing emphasis on so-called consumer values, consumer-oriented values, and has lost its sense of producer-oriented society, or production-oriented society. You saw this

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thing shifting, in a significant way, with what we mentioned earlier: this case of this Daschle television interview together with Trent Lott, on television this past weekend, where they say: “We’re still for free trade.” That’s consumer-oriented society. “But, we must also have fair trade,” which is producer-oriented society.

Now, as this emphasis on producer-oriented society increases, you will have a shift in values—as the financial system collapses, and collapses on the economy, a further shift in values—the question is: Can we find the leadership, in the nation, to reassert a national consensus based on a production-oriented, producer-oriented society?

Stockwell: Well, why don’t, in the few minutes we have left in the first hour—and I’m going to be having traffic on here again in about a minute—in the time now to the top of the hour, why don’t we talk about that transition, how that would occur. In other words, if you were walking into the White House today, what kind of policies would you begin to implement to turn us back around from consumer to producer? What kind of incentives would there be for the American industrial force to get back to work, and jump on the bandwagon, without taxing everybody to death? Because every time we talk about moving in that direction, out here in the Marlboro Man-land, people immediately assume, that any time someone from back East begins to talk about “the government needs to do this,” or “the government needs to do that,” that the only way they can possibly do it, is by tax dollars, by further taxing people’s incomes, which is counter-productive, anyway.

But, there’s another way, and that’s what I’ve been trying to talk about for several years now. And that’s kind of a national banking, in the tradition of the American intellectual system of the past. If you were walking into the White House today, what would you start to implement? Policies, changes, what would you get Congress to do or get the American people to put people into Congress, who *would do* these things? That’s what I want to finish the hour with. . . . If you were moving into the White House, how would you change this?

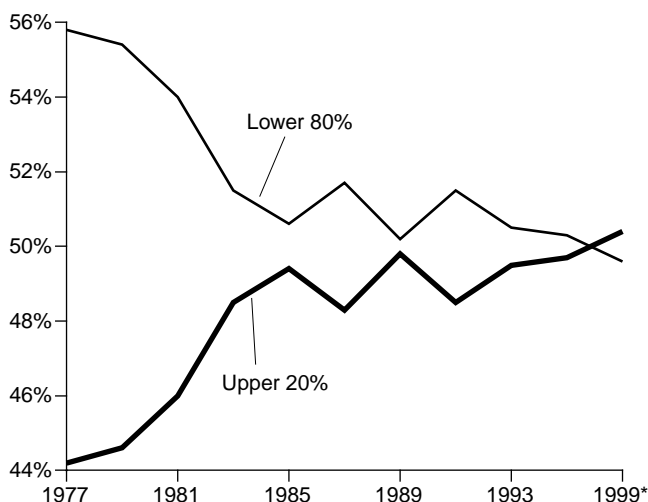
What the President Must Do

LaRouche: I would do essentially what Franklin Roosevelt did first. You’ve got to tell the American people, “Look, we’ve been making some mistakes, we’ve got to correct these policies, I need your support for these corrections of policies, to help me get the Congress to do these things that have to be done.” We are now a bankrupt nation. Most Americans know it; they feel it; they experience it. And they think in terms of producer values, and they think about, can they afford to raise a family, in which there are some kind of family relations at home, not latchkey children; where they’re not working two or three jobs, with no time, no family time; commuting immense distances to jobs which are moved away from where they live, maybe two jobs at different places. That sort of thing. We’re destroying our people.

FIGURE 5

America's Richest 20% Now Make More than the Other 80%

(percent)



*Projected

Sources: Congressional Budget Office; EIR.

You look at the standard of living of the American, at the lower 80% of family-income brackets, which represented a 70% or more, of the total national income, until Carter became President. And since Carter became President, it’s dropped down to what? Forty percent or so of total national income. These are fake figures even. It is reflected, however, even in the conditions of life of our people. Now, people have to make a connection, which is what the President must tell them, as a leader of the people. He must tell them: “You have been making a mistake. You have accepted values which you thought were right to choose, but you have been destroying yourself by consenting to these changes in values. You used to believe in work. You used to believe in basic economic infrastructure. You used to believe in more power plants, more modern, more efficient. You used to believe in water management, to turn the desert into a prosperous area. You used to believe in technological progress. You used to believe in education, which would provide your young people that kind of skill for a future society. You gave up that belief. You were wrong.

“If you want to survive now—and we can survive—you’ve got to take some drastic measures, which can only be taken through the agency of the Presidency, with the support, which the President can have under our Constitution, from the people, from the states, and from the Congress. And we need that. What we have to do, is put this bankrupt system through bankruptcy. It is bankrupt, so let’s be honest with

FIGURE 6

Eurasia: Main Routes and Selected Secondary Routes of the Eurasian Land-Bridge



The United States can not completely solve its economic problems, except by cooperating with other countries. The Eurasian Land-Bridge presents a tremendous opportunity for development—including markets for U.S. capital goods—in the interests of all mankind.

ourselves. The present U.S. financial system is hopelessly bankrupt.

“Now, we’re not going to shut down the banks. We need the banks as instruments for getting credit out, and for handling people’s deposits and savings. But we are going to put this thing through bankruptcy reorganization, as we have had to do in the past. And on the basis of cleaning up our act, and wiping the gambling debts of everybody off the books—gambling debts are not real credit, they’re not real assets. Let’s wipe the gambling debts, including the stock market gambling debts and so forth, from the books. Let’s get back to reality. Let’s expand production. Let’s expand useful employment.

“Now, we can do some things *inside* the United States with our own resources. We can not completely solve the problem, except by cooperating with other countries. There exist, potentially, in Eurasia in particular, as well as in Central and South America, tremendous potential development of raw materials, which means that these people could improve their standard of living. They need our cooperation. We’ve got to turn the United States around, from being a kind of

economy which lives on importing cheap products from other parts of the world, while shutting down our own industries, to rebuilding our industries, our educational centers, our science-driver programs, to become a part of those sectors of the world which produce high technology for the people in Asia, in Central and South America, and also in Africa, who *need* that technology from us, from Japan, from Korea, from Western Europe. And we must do that.

“What we’re going to have to do, is create a new mechanism of credit, of long-term credit, and regulation, under which we can get loans out for worthy purposes, at between 1 to 2%, on long term, both for foreign trade, and also for domestic investment in production. We must increase, and build up the industries and agriculture, and infrastructure *inside the United States*. We have to *upgrade* the employment of our people, from make-work, and useless employment, into productive employment in increasingly high-technology areas. Because it is in the *export* of advanced technologies from us, from Western Europe, from Japan, Korea, especially, into the parts of the world that *need* that technology, to raise *their* standard of living—that is the future of the U.S. econ-

omy. The 25-year to 50-year future of the U.S. economy.”

Stockwell: Okay, we’ve got to go to the news. I want to get specific about how you would do that, because there some things that Roosevelt did that were good; there were some things he did, that weren’t so good. And so, let’s try to be—I want to be a little bit more specific about what we’re going to do, right after we get back. . . .

[commercial break]

Stockwell: My guest is Lyndon LaRouche, Jr., candidate for the Presidency of the United States in 2004, and I must admit, one of the most brilliant minds I have ever had the pleasure to listen to, who has a way of cutting right through the *crap*, and the confusion, and the games, and getting right to the issues, especially, in a historical setting, where we have seen in the past what has worked, and what hasn’t worked. So, we will continue that conversation with Mr. LaRouche.

Lyn, I have you back.

LaRouche: Yep.

Stockwell: And I have some people who would like to speak to you, and who have some really good questions. We’ll get to them here shortly. But again, in the way of Roosevelt, because of the heavy right-wing influence out here in the West, any time the name Roosevelt is mentioned, it’s immediately assumed that the man is a communist; he was the only communist President we had. That’s what I’ve heard a lot of times. He gave away Eastern Europe to the Russians. He instituted all of the welfare kind of plans that we have, that have ruined the productive backbone of America, and all this kind of—well, that’s how people feel. And so, what you meant now—despite the fact that what Roosevelt did to put people back to work, without tax dollars, but through government credits—if we could highlight that for a few moments, and explain—

Because the first thing you said, when I said, “What would you do if you were the President?” And you immediately said, “Well, I’d go into a Roosevelt-kind of program.” Be specific about what you mean by that.

The Disaster of the 20th Century

LaRouche: Well, first of all, if you look at the history of the United States, we had the assassination of President McKinley by admirers of Teddy Roosevelt in 1901. That assassination brought Teddy Roosevelt into the Presidency. Roosevelt ruined the United States—that Roosevelt, Teddy—he changed the character of the United States, from what it had been in the best part of the 19th Century. And he then took his successor and ran an operation against his successor, William Howard Taft, to bring the Ku Klux Klan fanatic, Woodrow Wilson, into the Presidency.

Woodrow Wilson, with the backing of Roosevelt, pushed through the Federal Reserve Act, which had been started under Roosevelt, through the British government, through Jacob Schiff, who was an agent of the British monarch at that time, King Edward VII, and put into place the Federal tax code,

which was set up under Wilson, as a guarantee for payments in support of the Federal Reserve System. What this guy, Wilson, did, with Teddy Roosevelt’s backing, was to turn the country over to the money-changers, and turn the power in the country away from the people, and productive industries, into the financial sharks of Wall Street and London.

This policy of Woodrow Wilson, who was a no-goodnik, in my view—a Democrat, but many Democrats were no-goodniks in the past—we may get a couple in the present—I think Carter qualifies for that title; I think that Joe Lieberman would qualify for that title, and certainly Al Gore.

But we’ve had some good Democrats also, and we’ve had some good Republicans. McKinley was a fairly good Republican.

And so this country was ruined. Coolidge continued that, Harding was a question mark; he had some independence as a Republican, he was a Republican from Ohio, which is a little bit better than a New York Republican. But he had the Conkling and similar crowds of Republicans from the New York banking community on his back. So he was a question, a questionable President, with many good intentions, but he had an encumbrance on his back.

Then, he [McKinley] was assassinated. That brought into power a real no-goodnik, Calvin Coolidge. And Coolidge, together with Mellon, Andrew Mellon, Secretary of the Treasury, Federal Reserve Controller, ruined the United States in both its character and its economy, over a period from the assassination of McKinley, until 1932. The economy was broken by these people.

How FDR Saved the Nation

Roosevelt, who was a great-grandson of a New York banker, Isaac Roosevelt—

Stockwell: Now, you’re talking about Franklin Roosevelt—

LaRouche: Yeah, Franklin Roosevelt—his ancestor, Isaac Roosevelt, was a banker who collaborated, to defend the United States, against traitors such as Aaron Burr, in collaboration with Alexander Hamilton. Now, Franklin Roosevelt, unlike some other sides of his family, was a patriot by tradition. And in recovering from poliomyelitis—it’s a real struggle on his part—he renewed his studies, which he had announced his policy in his graduating paper from Harvard University; he continued his studies of American history, and went into 1932-1933 as Governor of New York and then President, with this knowledge behind him. He knew he had to overturn a large part of what had happened to the United States between 1901 and 1932. So that’s where he started from. What he did, is first of all, he restored, he put in, a gold-reserve system to replace the gold-standard system which had bankrupted the United States. He took measures of national reorganization, in banking, to put banks in reorganization, but to keep them running. He reorganized the credit of the United States by creating protected markets, such as he did with the



President Franklin D. Roosevelt, in March 1933, signs legislation empowering him to reform the nation's banking system—his first important act as chief executive.

Tennessee Valley Authority, such as he did with many of the RFC [Reconstruction Finance Corporation] operations, which were private credit—it was rotated in a more efficient way, to build up the economy.

As a matter of fact, when Germany was being rebuilt as an economy in the post-war period, the RFC policy of Franklin Roosevelt was what was used, together with the German bankers, such as Hermann Abs of then Deutsche Bank, was used to create the Kreditanstalt für Wiederaufbau, which was the most successful program of using private funds, under government protection, to make an economy grow. Now Roosevelt *did* that. He also launched large infrastructure programs, to maintain the level of employment. Also to build up for World War II, which he knew was coming, from 1936 on.

In his Presidential campaign of 1936, this reverberates. He knew, that what the bankers in New York and London had done, in putting Hitler into power, and allowing Hitler's power to be consolidated in Germany, guaranteed World War II. He knew it in 1936, and he began to prepare the economy for that. As a result of his recovery program, from 1933 to 1940, before going into the war in 1941, Roosevelt had built up a baseline, and a plan of reconstruction, to enable the United States to carry, and win, World War II.

At the point of Roosevelt's death, the United States emerged for the first time in its history, as the dominant nation on this planet, over everybody else. Roosevelt had plans for reconstruction of the entire world, which would have worked. We should have had them. Unfortunately, he died prematurely. As a result of that, his successor, Truman, who was

not exactly to my taste, shall we say, made terrible mistakes under the influence of the Federal Reserve crowd. And so, he did not carry out the full program of reconstruction Roosevelt intended, but we carried out part of it. Part of it was the post-war Bretton Woods system, which had been designed largely by Roosevelt—not by Keynes—and that system served us, the Americas in general, Japan, and Western Europe, very well, during the period up until about 1964. So the Roosevelt legacy lies *there*, not in the propaganda, the right-wing propaganda, which was started against Roosevelt in 1944. I was there, I remember this—the 1940s. And people say things about Roosevelt today, which to me, which I, as a person who lived through that period, was active in that period, *know never happened. Simply not true.* So many of the bogeymen we have about Roosevelt are false.

Roosevelt, however, was a politician. And politicians, like all of those you have today—he was better than most of them—but all of those you have today, make compromises. They say, “Go along to get along.” They say, “We had to cut this-here deal.” Roosevelt made deals. He cut deals. Like all politicians have. Name me one in the post-war period who did not cut deals. At the highest level or any other level. The legitimate gripes against Franklin Roosevelt are few, but in terms of his administration of the U.S. economy, all the gripes I know of, that have any merit, were that he, like every politician since in power, cut deals. One of the reasons I'm not too popular, is I don't believe in making policy by cutting deals, because I know that when you make a bad policy, the world's going to have to live with it.



President John F. Kennedy (left) with German Chancellor Konrad Adenauer, April 1961. Kennedy supported a capital improvements tax incentive, in order to encourage the flow of capital into areas where the private sector is doing what is good for the nation as a whole.

Stockwell: All right, let me get another traffic update here, a brief comment about the difference between a gold standard and a gold-reserve standard, and then I want to get some callers on the air with you. . . .

Now, you said, Lyn, you said the gold standard bankrupted us, he [FDR] moved us into a gold-reserve standard. What's the difference?

Abraham Lincoln's Greenback Policy

LaRouche: Well, the gold standard was based on the British control of most of the monetary gold in the world. And the British, by manipulating the market in gold, would manipulate the value of currencies in the world. For example, when the United States made the mistake of repealing, reversing the greenback policy of Abraham Lincoln, the result was, the United States was bankrupted by the British, over the course of the 1870s, because the United States—including the New York bankers, who were in on it—began to manipulate the price of the dollar, and collapse the value of the dollar on the world market. The great depression that we had in 1877 into the 1880s, and the later crises of the 1890s, crises of the immediate turn-of-the-century period, and the crises of the 1920s, the financial crises, the deep depression of 1932, were directly the result of the imposition of the British gold standard and the manipulation of the world market in currencies, selectively, by runs organized around the gold standard.

Now, the gold-reserve standard was introduced by Roose-

velt initially on his coming into the Presidency, by calling in gold, in order to establish the U.S. control over gold, domestically. Then in the post-war system, this was continued, in which a gold-reserve standard was set up, which meant that the world currencies would be now valued on the basis of settling their balance-of-payments accounts, the unpaid balance of payments, by transfer of title to monetary gold at a fixed price. That was, the gold was at a fixed price, not a manipulable price.

So this was, essentially—meant that the power of the United States was greatly increased. How? Because we were then the chief exporting, producing nation of the world: in agriculture, in manufacturing, and so forth. We were the big exporters. Thus, our balance of payments could be sustained, because we could promise to meet our trade obligations to foreign countries by either paying them with commodities which they bought, or, if there was a balance, we would cover the balance by transfer-

ring title at the end of the year to monetary gold at the fixed Bretton Woods rate. This created world stability, and enabled us to do one thing that is essential to growth: The essential thing, is to get the basic interest rate of lending, down to between 1 and 2%. That's generally the government rate, the prime rate, down to 1-2%. At 1-2% simple interest, you can sustain long-term credit. If you have higher rates of interest, or if you compound interest, you can not sustain long-term trade.

So therefore, if we make our loans—and we're going to have to make a lot of them—to foreign countries at 1-2% prime simple interest rates, on large projects, for example, 15-year investments, 25-year projects, if we make it at 1-2%, it'll work. *If* we make it at higher rates, and if we make it at compound interest rates, and if we allow fluctuation in values of currencies—

Stockwell: Like we have now—

LaRouche: That's exactly what's killed us.

Stockwell: Yes.

LaRouche: So, if we're going to have a recovery, what we have to do is take a model of, say, 25 years—or actually 50 years, but 25 years minimum, which is about the equivalent of one generation—so think about investing in the next generation: What kind of a generation are you going to produce? What are their productive capabilities going to be? What are the opportunities you're going to have for them ready, when they graduate from university? That sort of thing. And that's what you base it on.

You have to take a long-term commitment, you have to

strike agreements with other nations to share in that, and we have now the position we could pull that off, again. And then you have to get the world going. You have to set up a protectionist system; it's a fair-trade system as Daschle has said, not a free-trade system—and don't worry about free-trade systems, it's free-swindle systems, not free-trade systems—but a fair-trade system, and set up durable rates, fixed interest rates, long-term, stable employment, not runaway investment, but stable investment, and maintain *a net improvement in the standard of living, the physical standard of living, and necessary services of the typical household and community*. If you can do that, nobody's going to complain about taxes.

It's when the taxes come in to rob them or, some people squawk about taxes because it prevents the thieves from making a lot of money—

For example, give you an example of thieves. Now, Jack Kemp was a fellow I knew, back in the early 1980s. I visited with him in Congress a number of times, and we talked about his idea of incentives. And I explained to him, there are good incentives and there are bad incentives. But poor Jack Kemp got involved with advisers like his friend Jude Wanniski, got involved with this thing that became Kemp-Roth legislation. What this did was lower the financial capital-gains tax rate: at the same time Garn-St Germain passed the same year, enabled bankers and others to swindle and loot savings and loan associations, and other things. It's the beginning of the derivatives system, that kind of nonsense.

So this thievery, over which some people drooled and gloated, because they could make something for nothing—not by producing, but by swindling, by manipulation. Now the capital-gains tax was necessary to prevent that, and it will be necessary now.

However, remember what Kennedy did, and Roosevelt had a similar program, but Kennedy was trying to get the thing going again—on good advice—was a capital improvements benefit. That is a tax exemption, which was a tax incentive, that firms, farmers, industrialists, others, who invested in capital, in productive capital, in improvements, could get a tax reduction on the basis of that capital investment. So that people who saved money from production, or invested in production, capital goods, would get a *tax benefit* from that because the idea was to encourage the flow of capital into areas where the private sector is doing what is good for the economy, and to let the tax burden fall on the higher income-brackets, which are not doing anything for the economy. So let those who are the free-loaders, the people who are investing for speculative profit, not for good, let them carry the load, while the rest of us, who do the work, pay a lower tax rate.

That's the difference, and that's where some of the objections come, is come from this kind of folly. And people have to learn that many popular opinions are mistaken opinions. If popular opinions were not mistaken opinions, we wouldn't have the problems we have! We have problems because peo-

ple accept mistaken opinion as truth, and then act upon them. And that's how we get into problems.

Is the Bush Administration Listening?

Stockwell: All right, it's halfway through the second hour. Those of you who've been holding, if you're still there, I commend you for your faithfulness. Walt—

Q: Good morning, Jackson and Lyndon. Thanks for being on the air, Lyndon. I'm wondering if you are able to verify if the Bush Administration has been listening to you from the past up to the near present.

LaRouche: Of course they listen to me. Everyone—I don't know about Bush himself. Bush is a man of certain characteristics, shall we say. But I can assure you that they pay a lot of attention to me. As a matter of fact, they send people from around the world, to various places, to argue against me, I guess is what I'm saying. So I know they're listening. I can tell you from people in Italy, tell you from people in India, from people in various parts of Europe, high-level military circles in NATO, and so forth and so on, they're listening to me. Sometimes, they agree; sometimes they don't. And sometimes they make it very clear, they don't agree, because they send mouthpieces, including official ones, to various parts of the world to argue against me.

Q: Okay, given that in mind, if the Bush Administration offered you a guaranteed, full-term position as U.S. Secretary of State, would you accept it?

LaRouche: Well, that would be a difficult thing, because what you're making is a big supposition. That means that Bush is going to buy me as Secretary of State. Which means he's going to make a fundamental change in policy, and rely upon on me, rather than some of the advisers. In that case, as a citizen, I would be morally compelled to act in the interests of the *institution* of the Presidency of the United States, a Constitutional institution, and if the President of the United States said they wanted *me* to guide the nation through a period of immediate crisis, the period now, I would have to take that suggestion seriously. I'd have to look at what's in the package first. But if the package were an honest one, as simply as your question implies, then would I have to take the whole thing very seriously.

Q: Okay, thank you much.

Stockwell: All right, thanks a lot Walt. I also have Sam—Sam up in the north, you're on the Stockwell show.

Fusion Power and Rebuilding Infrastructure

Q: Yeah, I'm impressed with Lyndon's knowledge of history and economics. And I know he also knows a lot about fusion and physics and things like that. I used to read a magazine called *Fusion* magazine, and I think Lyndon was involved in that in some way. And I just heard a thing on the news at the top of the hour about fusion power, and I'm just wondering how he felt about fusion, and how it could fit in to rebuilding the infrastructure.



Jack Stockwell talks with Lyndon LaRouche at the Presidents' Day weekend conference of the Schiller Institute, in Reston, Virginia.

Stockwell: Good question.

LaRouche: Well, what was heard, which I just heard on this broadcast, on the news section here today, was not fusion, actually. It is a form of luminescence: This has been studied, this is not new, this has been studied for well over a decade, these phenomena, in water. The problem here is the fact that the kind of physics which has been generally taught, or accepted, in most departments of physics, teaches that this kind of luminescence should not occur.

Well, the point is, it *should* occur. And does. There's no question—those experiments are valid, in the sense they do produce the phenomenon. And the phenomenon has been repeated, and is rather faithful to honest repetition.

The question of whether this is truly fusion or not, is another question. And this goes into the Coulomb force question, which is the bugaboo, which has been sitting on the back of science, ever since fusion energy, or controlled fusion reactions, were discussed: The argument was that, because of a so-called Coulomb Law, of attraction/repulsion, that because of that, this would operate on the microphysical level, and therefore would present Coulomb forces of such strength, that could you never effect fusion in a controlled way. And this thing also applies to this question of luminiscence.

When you get into effects which are generated on the microphysical level, according to the discoveries and experimental demonstration, made *in the 1850s*, by a scientist who was a collaborator of Gauss and Riemann and so forth, Wilhelm Weber, that scientific experiment demonstrated im-

plicitly, that when you get to the level of the electron orbit, at that point, the Coulomb force seems to be reversed. So, if you take into account that kind of physics, as opposed to what is sometimes the ordinary classroom physics, then this luminescence thing does not pose any problem of comprehension. It simply is a physical fact.

Whether this pertains *directly* to controlled thermonuclear fusion, is questionable. Does the principle involved, apply to studies of nuclear fusion? Absolutely, it does. But the connection is rather remote, it's not a direct connection. It simply means that, it's another demonstration that the physics of Wilhelm Weber is valid, and the physics of the Coulomb tradition, which is the opponents of Fresnel, the opponents of Ampère and so forth, that the physics of Coulomb and Poisson, is false. And the physics of Ampère, Fresnel, Gauss, Weber, is correct. And that's what is demonstrated. It does have a relevance to the fusion question, but it's not a simple and direct one.

Stockwell: Okay, Sam.

Q: I was just wondering about the possibility of fusion-generated energy, and—

Stockwell: As to whether or not they actually will develop it in a source that we can tap and light our homes with?

Q: Right.

LaRouche: Oh, I think there's no question. The question is, we are several steps away from that, because we have not done the kind of experimental work which I've been campaigning for, for, now, 25 years, over 25 years. We have not

done some of that crucial experimental work which must be done, to devise the means by which we can have an actually controlled thermonuclear reaction, as a *continuing* controlled thermonuclear reaction, as a commercial process. That, we have not done yet. If we do the work, there's no question we can achieve it. Can we take it off the drawing boards tomorrow and do it? I doubt it. I think we have to go through, maybe another 10 years, or 15 years, of serious experimental work, before we get there.

Stockwell: All right. Thanks a lot Sam, I've got Roy holding on here, Roy has a question. Roy, you're on the Stockwell show.

The Tyranny of 'Popular Opinion'

Q: Mr. LaRouche, would you comment on the blindness of the people? You know, Jack, he says you're not real popular, and he says that in the views of the West—I don't really know who he's meaning when he says that, if that's just Utah, or U.S.—

Stockwell: Oh, I'm talking about Nevada over through Colorado, and Montana down to Arizona—that basic intermountain area.

Q: Really. I see. Well, I've listened to you, Lyndon, for a couple of years now, and through Jack's program, and I've read a lot of your literature. Recently, I've got this *Road to Recovery* book, and I got into it just a few pages, and I was convinced. I never had a problem with any of your views, anyway, but—. It's a great work, this book is, and the further I got into it, and the more I read, it all makes perfect sense, with your ideas. Anyway, I think it's good stuff.

But, I don't understand—it's like the news hour came up. This lady, her husband was killed, apparently. And she's saying, and she's all proud that he died for our freedom, and all of this, and I just think, that's an insane way of thinking. My God, our freedom isn't threatened by these people over there! It's threatened right here on our home soil. And the people don't even see it. They don't even know it. They don't even understand it. So, what's blinded the people to do all this? Like you say, we've destroyed our families, our homes, our—. Yeah, you look at the American family like you commented earlier, you just want to talk about it for a minute?

Stockwell: Well, I guess the question is, what's happened to the American mind-set that they can't see, that they're not doing anything about this? Is that it?

Q: Yeah, how have they fooled the people?

LaRouche: Very simply, yes. You go back—sometimes you can understand the present better if you look to an historical precedent, which you can look at, say, with greater objectivity, sometimes, than things that are close up to you, like the neighbors.

But the problem, take the case of the Roman Empire. And think about the United States today, and its people, in terms of the people of the city of Rome, during the Roman Empire

period. From Augustus, through Nero, and so forth. What happened then? In those days, the member of the society of Rome was called a citizen, if he was not a slave. He was a citizen. And he would be treated as if he were a citizen, whose opinion meant something. But he would march, then, into a stadium, an arena, like the Coliseum, or the Circus Maximus, and he would sit there and cheer to see gladiators kill each other, or to see Christians eating lions, or things of that sort. Now, this was called "popular opinion."

The problem with the American is, that we used to be a nation, at our best, in which people took responsibility for their opinions. They didn't think of themselves as slaves, as underlings. They thought of themselves as citizens, who had to take personal responsibility, for contributing to shaping, and determining, the policies of our nation. The idea is, we were not a democracy in the sense that we just simply took the average opinion, and accepted that as law. We rejected that. Because we know what that means—that's corruption. It meant that every citizen has to be taken into *account* for what they think, and what they can say, in the process of determining the policy of our nation.

Now, that change occurred, especially in a couple of phases, where our people became frightened. And they retreated over various periods—that's from 1901 to 1932—they retreated into being fools, into being fools who believe in popular opinion. They didn't *think* for themselves; they tried to think in terms of what are neighbors thinking? What are the majority thinking, what does the news media say? And what do top officials say? And they would try to *follow*, like a slave follows a slave master, they would follow the opinion which is created for them, which is called popular opinion.

Today, as in ancient Rome, most of the opinion of Americans is not made in their minds, not by reason; it's made in watching football games, other bodily contact sports, rock concerts, mass entertainment. And if you look at the mass news media, you find the mass news media plays the same recipes that you see in mass entertainment, mass popular entertainment. The problem with the American people is, they treat themselves as underlings, who think that there are people up there, "the Establishment, who are very powerful; and if we want to win, we've got to get the Establishment on our side." Therefore, popular opinion dominates the mind of our citizens. And it takes a great shock, to get citizens to realize, well, they can not rely on popular opinion, they have to start thinking for themselves.

Q: Yes, that's very, very sad. And you know, I'm like 42, 43, and I just simply don't understand that. I have never thought that way, and I am not fooled, and I was never afraid of any of it.

LaRouche: That's good.

Q: I never went with no popular opinion, or any of that. And I guess it boils right down to a few things: It's simply



Popular opinion in America today is dictated by the mass entertainment media—and the mass news media, which amounts to the same thing. “It takes a great shock,” says LaRouche, “to get citizens to realize, well, they can not rely on popular opinion, they have to start thinking for themselves.”

that, if someone has been given eyes to see, and ears to hear, I guess.

Stockwell: Well, it’s our job to give them better sight and better hearing, Roy.

Q: Yeah, it seems like there’s four or five of us, Jack, out of the whole—

LaRouche: Oh, we’ve got more than that.

Stockwell: Roy, thanks so much for your call. . . .

All right. I’ve got Jim here, and then we’ll go to Jerry. Jim, you’re on the Stockwell show.

Q: Good morning, Jack, Good morning, Mr. LaRouche.

LaRouche: Good morning.

Q: Mr. LaRouche, if you were elected President, would you bring back the Reconstruction Finance Corporation?

LaRouche: I would do something like that. As you probably know from my writings, I would use models from the past, whenever they’re appropriate. Because as a political matter, if you can find a satisfactory solution, represented by a model which is obviously successful in a fairly recent time, it’s an easier way to get the thing moving, than if you come out with some new-fangled thing, which may be even slightly better, but is not going to win acceptance as easily as something which you can show people already worked.

Q: Right. Well, for instance, the miracle of our being able to get it together, and be prepared through our industrial might for World War II. Of course, [Jesse] Jones started setting it up two years prior to the war starting.

LaRouche: Yep.

Q: And they were people who could actually see the fu-

ture. It seems to me that most politicians today can’t see much farther than the end of their noses.

Stockwell: Well, like Lyndon was saying, they can’t see beyond popular opinion, and they have to stay in the limelight of popular opinion, if they’re going to stay in that job.

Hey, Jim, thanks a lot for your call. We’ve got some *Wall Street Journal* coming up here really quick. Jerry, up in the North, you’re on the Stockwell show.

Q: Yes, a couple of things. I tend to disagree quite strongly.

Stockwell: Okay.

Q: I think of the Constitution and the position of the Framers, that people will tend to misuse it, therefore you want the Federal government to be a very limited power. I don’t see how these proposals can be harmonized with the Constitution.

And particularly in connection with the monetary system, I think the position of the Framers was *very clear*, that you can’t trust anybody to manage the money, because sooner or later, they’ll mis-manage it, so the only thing you can do is make the money, the precious metal itself, so that it isn’t managed by anybody.

LaRouche: Well, Jerry, what you are saying is formally true. The question is, you’ve got to say, what does it mean in terms of the relative situation at the time? Remember, that the idea of limited government was the flaw of the original Articles of Confederation. And the Constitution was adopted, in its framing in 1787, and then its adoption in 1789, because the idea of maximum freedom from government, proved itself to be a vulnerability which almost destroyed us. And therefore, the purpose of the Constitution is very clear in several ways, and you have to—of course, to understand the Constitution, and its intent, you have to go precisely to the period in which this composition was made.

Remember, the U.S. Constitution is the first true Constitution, in all modern history. Why?

Q: Jack, let me respond to this. Don’t cut me off.

Stockwell: Let him answer the question.

Q: Yeah, let him answer, but let me answer him, afterward.

LaRouche: Okay. The point is, that the first thing is, that the United States is based on a principle, the principle of the *sovereign nation-state*, as opposed to those forms of society which existed earlier. The sovereign nation-state’s legitimacy is restricted, to the efficient promotion of the general welfare

of *all* of the present and future generations of the nation, and also, of course, of defense of the existence of that nation. The purpose of the general welfare, means the promotion of the development of the well-being of all the members of the society.

Now, otherwise, the Constitution and its structure, in setting up the independence of the three general branches of the Federal government, and the allotting of residual powers to the state and the individual, is the most perfect Constitution ever composed. Roosevelt, in fact—if you say what was going on in the 1930s, was a threat to the Constitutionality of the United States government, a threat to the *existence* of the United States—what Roosevelt did was *save* the United States, quite literally, from something precisely parallel to what the British and New York bankers did in putting Hitler into power in Germany in 1933. Roosevelt saved the United States, from the alternative, which would have been an American Hitler.

So, therefore, you have to judge Roosevelt's actions, and the fact that the alternative to Roosevelt, was an American Hitler. And you think back to 1931, '32, '33, and you look at the events in Germany in that period, and you look at who the bankers in New York were, who, together with the bankers in London, put Hitler into power, and you think about the thing that was reported, the attempted military coup which was being staged against the incoming Roosevelt Administration, as reported before the Congress, that this kind of thing shows you what kind of a period we lived in, and how Roosevelt *saved* the Constitution, and saved us from what a more negligent approach would have left us open to: a kind of dictatorship in the United States, like that of Adolf Hitler in Germany.

Stockwell: Okay, we've got to go to the *Wall Street Journal*. Jerry, you can respond to that in a just a moment. . . .

Q: Okay. Real quickly. I still disagree in a major way. As far as the monetary system is concerned, where the government has the power to manage the money, what you end up with is confiscating the wealth of the people by monetary policy. Second, the welfare clause is simply not a grant of power. The Constitution is so clear, that the powers not as such specifically granted, are not granted, are withheld, from the Federal government. So, all this that's being discussed, is simply contrary to the Constitution, to the *real* Constitution, not as more recently interpreted, to a totally different Constitution.

Stockwell: All right, all right, Jerry, thanks a lot. Lyn, you want to say anything about that?

LaRouche: No, he stated his point. I disagree.

Stockwell: All right, John. John, you're on the Stockwell show.

Q: Yes, thank you, Jack. Lyndon, I'm interested in your perspective as to over the weekend, the rural Hindu council's determination to build a new temple in Ayodhya, in the state of Gujarat [sic] in India, the birthplace of Lord Ram, and over

that mosque site that they tore down in 1992. I'm interested in your view as to what the Chinese role is, with regard to Pakistan, the current hostilities with India, and that serving as a flashpoint, rather than the Middle East, for World War III, and nuclear warfare.

LaRouche: Well, the first thing is that the targetting of India, for operations such as the religious conflict which was orchestrated in Gujarat, comes from a circle inside the United States, from the period of late 1998. People like the Cato Institute, up from around Harvard, are typical of many groups which formulated this policy, of targetting India as the major threat to the United States, and targetting particularly, on that basis, the then-Prime Minister Yevgeny Primakov of Russia—a speech delivered in Delhi, in November of that year, proposing a strategic partnership, a triangle, among Russia, China, and India, to establish the kind of cooperation which would be needed to bring Eurasia together in a cooperative formation.

Then the reaction was, from people like the Rand Corporation, Cato Institute, and so forth, was to target India as the primary target for strategic destruction. And the second level of this thing, of course, comes again from the Harvard Department of Government, which, of course, is the old stalking grounds of Samuel Huntington, Zbigniew Brzezinski, Henry Kissinger, and others of the Nashville Agrarian persuasion; again, this is the Clash of Civilizations objective. What we're seeing in Gujarat, in India, is a directed, Anglo-American-directed orchestration, by covert intelligence special-warfare means, of an incident which is intended to set forth the destruction of India, by bringing this Clash of Civilizations religious-conflict philosophy into India, to destroy it from within. And if you go back to the letters from the Cato Institute, at the end of 1998, you'll find exactly this policy; it's very clearly expressed, when you read the Cato and Rand Corporation studies, in light of the Clash of Civilizations policy.

Q: Okay. One further question: With Vajpayee as Prime Minister with the BJP party, and particularly with Advani being the Home Minister, for Gujarat, aren't Cato and the Rand studies quite obviously in full control there?

LaRouche: China's policy at this point—China is China—and China's policy now is *pro* the strategic triangle orientation. And especially for cooperation with India. Pakistan is in a difficult situation, because Pakistan is not a truly independent country, even though the President of the country would like to be independent. But its financial situation as such, is the fact that it's not independent; it's subject to being played from the outside, because of the pressures, internal and otherwise, upon it. You see the reactivation, which I think was inevitable, the reactivation of the insurgency in Afghanistan right now.

Stockwell: Hey, we've got to go. John, thanks for your call. Mr. LaRouche, we've got to take off. Thank you so much for being available for this program.

Hindu-Muslim Riots Show: India Must Face Reality

by Ramtanu Maitra

The killing of almost a thousand poor Muslims and Hindus by frenzied mobs and security personnel under orders to shoot, in Gujarat over a six-day (Feb. 27-March 4) period, has brought to focus the threat to India's stability, and poses the need for the government to finally seriously address the deepening economic and social crisis.

Both the Gujarat state government and the national government in New Delhi have feigned surprise and blamed intelligence failures. As thousands died, and thousands of others were rendered homeless and their livelihoods were taken away, Prime Minister Atal Behari Vajpayee promised that he would "crush the violence." At the same time, the Vishwa Hindu Parishad (VHP), an international organization based on promoting Hindu superiority, particularly over Islam, is going ahead with its plan to start building the Ram Temple in Ayodhya, in the state of Uttar Pradesh, on March 15. The temple is to be constructed at the site where the 16th-Century Babri Mosque once stood (it was demolished by Hindu chauvinists in 1992). The plan may trigger a huge wave of violence in the state, the home of at least 30 million Muslims and 120 million Hindus.

The Gujarat Incident

What happened on Feb. 27 at Godhra, a small Muslim-majority town in the state of Gujarat, was not only barbaric, but seemingly well-planned. Soon after the Sabarmati Express train, carrying VHP activists returning from Ayodhya, pulled out from the Godhra railroad platform, someone inside the train pulled the emergency chain and brought it to a halt. A large mob appeared, carrying petrol bombs and canisters full of gasoline. They doused a coach, where some of the VHP activists were, with gasoline and set it alight. The fire killed 58 people, many of whom were

women and children. Within hours, anti-Muslim riots broke out, led by Hindu slum-dwellers from the inner city of Ahmedabad, and from Rajkot, Surat, and other towns of Gujarat.

As the riots began to spread into small hamlets in Ahmedabad, the VHP called for a nationwide strike on March 1. Although the riots did not spread much more widely, it became evident that neither the Bharatiya Janata Party-led state government of Gujarat, nor New Delhi, under a BJP-led coalition government since 1999, was doing anything more than leaving things to "fate." As deaths mounted all over Gujarat, and some were reported from Rajasthan and Uttar Pradesh, a few suspects were arrested, and Home Minister L.K. Advani, whose personal role in 1991 had precipitated the temple-mosque dispute into a full-blown confrontation between the Hindus and the Muslims, blamed Pakistan's Inter-Services Intelligence (ISI) for its alleged involvement in torching the train. Gujarat Chief Minister Narendra Modi, a Hindu fanatic whose head is at the moment on the political chopping block, continues to feign surprise.

What the Home Ministry and Indian intelligence must try to answer, however, is the question, why a train full of VHP activists shouting virulent anti-Muslim slogans, travelling through areas where millions of Muslims live, was not given adequate security protection. It is known to almost every Indian adult, whether of the Hindu, Muslim, Christian, Buddhist, Jain, Jewish, or any other religious faith, that the building of the Ram Temple in Ayodhya had long been a highly contentious issue, opposed by many Muslims. Or, was New Delhi under the false impression that Gujarat Minister Narendra Modi, or any of his political associates, had taken all possible measures to prevent anti-Muslim riots from breaking out in the state?

Dangerous Politics

The BJP is now a much weaker political force in Gujarat, as also in some other major states, than it was when it came to power nationally in 1999. Some observers believe that to spark a Hindu-Muslim riot is considered by some BJP activists as a convenient way to get the support of backward Hindus. Such a formula has been used time and again by other political parties, particularly by the Congress Party, in India's electoral equations over the decades, to create fear and social insecurity among the impoverished communities, to win over their electoral support.

As usual, the Indian media and a majority of non-poor Hindus and Muslims, among others, are trying to explain to irate outsiders how ashamed they all are. Prime Minister Vajpayee, no doubt deeply hurt and politically weakened by the killings, called them a "blot on India's image." Pakistan, on the other hand, having been on the receiving end of criticism for harboring and breeding terrorism, is trying to capitalize on the horror, and has questioned the reality of Indian democracy, where the system does little to protect the lives and property of the minority Muslims. Pakistan has also denied any involvement of the ISI in the Godhra incident.

Setting aside the shame, apathy, and plots, it is high time for India to address the real problems, with a full-scale retrospection. Truly, it is not India's "image" that has been sullied by the riots, but the present situation forces everyone to address the Indian realities.

The realities that led to this riot, and many other riots before it, and that encourage many more in the future, are: dire poverty, which cuts across religious and ethnic barriers, within a large section of India's population; a high level of illiteracy, particularly among the Muslims and the tribal groups; a very slow growth of employment; a growing disparity between the haves and have-nots; and the consolidation of a political system which feeds upon the poor and the deprived, irrespective of their faiths. For years, many Indians have demanded improvement in these areas. It is evident that like so many previous administrations that have come and gone, this one, led by the BJP, has failed to achieve what really counts.

Where To Go From Here

While the answer as to how to stop these riots is not a difficult one to answer, it is much more difficult for Indians to mobilize their political leadership to act. The Congress Party, now a crooked shadow of what it was during the days of Mahatma Gandhi and Jawaharlal Nehru, is perhaps the worst culprit in this regard. Having formed a solid coalition of backward caste Hindus, Muslims, and upper caste Hindus (who mostly formulated party policies) since the pre-independence days, the party had managed to keep the illiterate and poverty-stricken Muslims in its fold, orchestrating riots throughout the northern belt from time to time. The Congress leaders kept control over the Muslims by spreading fear of a "resurgent Hindu political grouping," organizing such riots

FIGURE 1



at the ground level at periodic intervals. It is the Congress Party, during whose regime in 1992 an "uncontrollable mob" brought down the Babri Mosque in Ayodhya, which sowed the seeds for the current crisis.

Like so many illusions, however, this dangerous one did not last forever. The Congress found out by the end of the 1980s, that the votebank had vanished, particularly in Uttar Pradesh, the largest Indian state with 150 million-plus people, and once the bastion of the Congress Party's political power. The vast majority of 25-30 million Muslims who live there voted for the Samajwadi Party in February's state assembly elections, making it the single largest party. The Congress Party's other votebank, the backward caste Hindus in Uttar Pradesh, have formed the Bahujan Samaj Party (BSP), which now competes with the BJP and the Samajwadi Party for power in the state.

On the other hand, the BJP, which had systematically antagonized the Muslim population and used that to win Hindu votes, built its political base projecting the superiority of the Hindus, as opposed to promoting a "secular" adminis-

LaRouche on Gujarat Riots

Lyndon H. LaRouche, Jr., in his March 5 radio interview with Jack Stockwell, was asked about the riots in Gujarat. "The targetting of India," he explained, "for operations such as the religious conflict which was orchestrated in Gujarat, comes from a circle inside the United States, from the period of late 1998. People like the Cato Institute, up from around Harvard, are typical of many groups which formulated this policy, of targetting India as the major threat to the United States. . . ."

"What we're seeing in Gujarat, in India, is a directed, Anglo-American-directed orchestration, by covert intelligence special-warfare means, of an incident which is intended to set forth the destruction of India, by bringing this Clash of Civilizations religious-conflict philosophy into India, to destroy it from within. And if you go back to the letters from the Cato Institute, at the end of 1998, you'll find exactly this policy; it's very clearly expressed, when you read the Cato and Rand Corporation studies, in light of the Clash of Civilizations policy." (See *Feature* for the full text.)

tration. The BJP's electoral campaign stresses a stronger and better India under the leadership of those who are imbued with "Hindu consciousness." It is this window through which rabid Hindu mobs found their footholds in the BJP.

The Hindu consciousness campaign for political gains, however, has lost much of its steam. The Vajpayee Administration, during its three years of existence, has muddled along, doing little to alleviate the conditions of the poor. The message was sent across clearly in the four state assembly elections that took place in February. The BJP lost electoral ground in each one.

What has begun to dawn on the BJP leaders, is that those Hindus who abhorred the Congress Party's politics of riots and manipulations, and voted for the BJP in the earlier elections, are now having second thoughts. Hence, it is not unlikely that some, if not most, in the BJP leadership have begun to worry. Maybe the party's political strength can be restored by getting a chunk of the vast votebank of backward Hindus, some of these leaders think. For such BJP leaders, riots do polarize population and votebanks shift allegiance. Was the Gujarat riot, then, triggered by some such conscious calculations?

Immediate Measures

Prime Minister Vajpayee's concern, of course, is India as a whole, and not the party alone. The Gujarat riot and the temple issue have pushed him into a situation which must be attacked forthwith.

To begin with, the anti-Muslim campaign by a section of his party is fraught with danger. There is a growing number of radical anti-Islam voices within India's new-found friends, such as the United States and Israel, who seek a war with the Muslim nations. Israel is the leading proponent of such a dangerous policy. India has developed strong military links with Israel, and Israel has spread its influence within the BJP. This could very well be one of the reasons why the VHP is acting so stridently and recklessly. According to recent reports, despite Prime Minister Vajpayee's opposition to the Ram Temple construction plan, and the tacit support he secured from the Rashtriya Swayamsevak Sangh (RSS), the ideological mentor of the BJP, still the VHP wants to begin construction on March 15. If this plan is not thwarted, much bigger riots are sure to break open in densely populated Uttar Pradesh.

Secondly, the Muslim leadership must weigh the situation correctly. One Muslim leader told the press that the Godhra incident was "unfortunate," but the BJP was fully to blame for what followed.

The Muslim leadership, in unison, should not only condemn the torching of the train, but should actively pursue bringing the criminals to justice.

Gujarat borders Pakistan, and India-Pakistan animosity has been at a very high level since the aborted terrorist attack on India's Parliament House on Dec. 13. New Delhi has produced evidence of Pakistani terrorist groups' involvement in that attack. Gujarat also harbors a whole range of mafia dons, most of whom are Muslims, and who are in direct contact with Saudi Arabia. This connection, as was proven earlier, has been exploited by the Pakistani ISI to create terrorism and chaos in western India, in particular.

Gujarat is also one of most developed industrial states in India. It is the home of a wide range of industries, from textiles to fertilizer. It is also a target area of foreign investors. There are reports that a large number of migrant workers from Bihar, Uttar Pradesh, and Rajasthan, who came to work in Gujarat, are leaving. While most of these workers are Muslims, a significant number are Hindus as well.

Finally, the Muslim leaders must realize that the Ram Temple, though the campaign to build it is led by noxious Hindu fanatics such as the VHP and the Bajrang Dal, will be welcomed by the majority of Hindus. The Babri Mosque, not a significant mosque by any account, no longer exists. In the interests of Hindu-Muslim unity, and as a bargaining chip, the Muslims, as an act of generosity, should allow the temple to be built, and even send volunteers to take part in the construction. This will defuse the Hindu-Muslim tension and steal the thunder from the fanatic Hindu groups. This will also allow the Muslim leaders to bargain successfully on issues that would improve the lot of their community.

It is time that the Muslims make such a positive representation to Prime Minister Vajpayee. It is likely that he would listen.

UN Monterrey Meeting Targetted by Terrorists

by Gretchen Small

Will the United Nations "International Conference on the Financing of Development," scheduled in Monterrey, Mexico on March 18-22, be hit with "Seattle"-style urban terrorism? The requisite elements are certainly being assembled for just such a battle. Mass protests are being prepared, organized by the financier-run Jacobin crew which *EIR* has identified as behind the riots which have occurred in successive cities around the world since the November 1999 World Trade Organization (WTO) summit in Seattle. Under that cover, a hard-core terrorist element, specifically the Colombian FARC and fellow members of the São Paulo Forum, is being deployed, as well.

The UN financing conference, the latest of the series of United Nations mega-conferences which began with the 1992 ecology extravaganza in Rio de Janeiro, provides an egregious target. As many as 50 heads of state are scheduled to attend, among them George Bush and Fidel Castro. Finance and Foreign Ministers and Congressmen are included in the 180 government delegations expected from around the world. Representatives of the International Monetary Fund, the World Bank, and the WTO, plus hundreds of private businessmen and religious leaders, and thousands of non-governmental organization (NGO) activists, are registered as well, bringing the total of expected participants in the official conference to some 5,000 people. And that does not include all of the other protestors expected to descend on Monterrey, estimated by some media at as many as 40,000.

A pre-meeting of NGOs and "civil society" is to be held on March 14-16, as an official feeder-event to the UN conference proper. Called the "Global Forum on the Right for Financing for Equitable Sustainable Development," this meeting is projected to have 7,000 participants, many of whom are then to attend the main conference. But organizers of the Global Forum—primarily a group of Mexican radical feminist organizations, with financing provided by the World Social Forum-linked ATTAC association—have already announced that the final document drafted for the UN event is unacceptable, and they will be leading joint protests with the organizers of yet another event being planned, the "Another World Is Possible" Social Assembly. The latter will be held simultaneous to the UN conference proper, as an "alternative" forum.

So many people are expected to inundate Monterrey, that a local official suggested that up to 20 heads of state might be housed in private homes, which would be a security nightmare

in itself, even were the planned urban terrorism not to succeed.

EIR's investigations have identified the Jan. 31-Feb. 4 Pôrto Alegre meeting of the World Social Forum as the planning center for the intended international Jacobin assault (see accompanying article). The WSF final manifesto identifies the Monterrey meeting as a target for "mobilization." Attendees of the Pôrto Alegre confab associated with the São Paulo Forum (SPF) continental terrorist apparatus, did their own planning for Monterrey. The national leader of Mexico's Workers' Party (PT), Alberto Anaya, reported that the SPF, in which the Mexican PT is an active member, would hold two Mexico City feed-in meetings to Monterrey. The first was on "Parties and the New Society," on March 1-3; the second, a March 4-5 "Solidarity with Colombia" meeting—by which they mean, solidarity with the narco-terrorist Colombian FARC. Attending, and then going on to Monterrey, were the hard core of the São Paulo Forum: representatives of the Communist Party of Cuba, the Workers' Party of Brazil, the Guatemalan National Revolutionary Union (URNG), the Sandinista National Liberation Front of Nicaragua, and the Farabundo Martí National Liberation Front of El Salvador (FMLN). Anaya specified that the FARC and the Basque terrorist group, ETA, would join the Monterrey protests.

PT Congressman José Narro, in an interview published by one of the feminist NGOs, said that the FARC-solidarity conference in Mexico City is "part of the same process" as the Monterrey protests. He reported that the newly formed Mexican national chapter of the WSF would hold its own protest demonstration on March 16 in Monterrey, and would sponsor the "Another World Is Possible" Social Assembly.

The PT wields a significant disruptive capability in Monterrey, through the "Land and Liberty Popular Front," a Maoist organization founded in the early 1970s by Anaya, which controls one of Monterrey's poorer neighborhoods, deploying local drug-dealers, etc.

Mexico's Sovereignty Is at Stake

The Mexican Army has been placed in charge of security for the conference, but the Fox government is busy assuring the public that "civil society" will not be suppressed. Foreign Minister Jorge Castañeda announced that the Army will not be permitted to carry arms, and he welcomed the NGO participation. The protest crowd already called a press conference on Feb. 14 to charge that a "state of siege" environment is being created in the city. In a blatant security-stripping attempt, they said they would seek legal injunctions against security measures which violate their "right to protest."

Mexican observers note that there could be far-reaching consequences, were any incident successfully mounted. The conference is being held as the Bush Administration is applying extreme pressure on Mexico to accept a subservient role within a North American "security perimeter," including permitting its military to be absorbed into a military "North American Command," all in the name of "fighting terrorism."

Clash of Civilizations 'Left' Forces Gather

by Silvia Palacios

The international financial oligarchy, pushing for a Clash of Civilizations according to the scenario put out by Harvard Prof. Samuel Huntington, is itself pulling together the “left wing” of this global conflict under the umbrella of the World Social Forum (WSF). This can be seen in the expanded capacity of the radical anti-nation-state brand of globalists, to mobilize thousands to the Second World Social Forum, held on Jan. 31-Feb. 4, in Pôrto Alegre, Brazil. The growth of these “anti-globalist” globalist hordes is due, primarily, to the sponsorship they are receiving from the political and propaganda apparatus of the Anglo-American establishment’s own “left wing,” through figures like mega-speculator George Soros, Anglo-French ecologist/magnate Teddy Goldsmith, and a network of major globalist news media. All promote the idea that the WSF alone is the opposition to “savage globalism.”

This effort is directed at suffocating those genuine forces of opposition which defend the sovereignty of nation-states, and seek to establish a new international financial system based on that sovereignty, as called for by the international movement led by Lyndon H. LaRouche.

With overt oligarchical backing, the Pôrto Alegre meeting attracted nearly 60,000 people, who conducted 800 marathon seminars and round-table discussions over five days. The event concluded with an agenda for international mobilization, primarily involving huge protest demonstrations in parallel to meetings in which major nations’ heads of state or government would participate: in Spain on March 16, and in Monterrey, Mexico on March 18.

The WSF organizers also determined that the demonstrations would specifically target the symbols of global capitalism—such as Coca Cola, McDonalds, Monsanto (the leading producer of genetically altered seed grains), and banks such as Citibank—in order to keep a large network of activists hyped-up throughout the year. Beyond this intent, the WSF has cultivated an image of being a critic of the world financial system, demanding that it be “humanized,” but in the final analysis legitimizing the speculative practices that characterize globalization.

Thus, the World Social Forum dubs itself the left wing of a world government legislative assembly, precisely as was proposed by Bertrand Russell and his World Federalist movement. Vehement criticism of globalization and its effects is tolerated, but this criticism must fit within a framework that legitimizes a world power structure which takes human

groups outside of nation-states and “destructures” those nations. Thus Toni Negri’s book, *Empire*, which endorses a new world empire *against all national powers*, has already become the WSF’s bible.

Include the FARC Dope Cartel

In Ibero-America, the Revolutionary Armed Forces of Colombia (FARC) and its strategic allies, such as Venezuelan President Hugo Chávez, have already launched a Jacobin insurgency of continental scope. The Anglo-American oligarchy is using this insurgency, which the WSF supports, to justify the eventual deployment of foreign troops to Colombia, Peru, and elsewhere.

Thus conceived, the WSF fits perfectly within the one-world order promoted by former U.S. National Security Adviser Zbigniew Brzezinski, following the Sept. 11 terror attacks on the United States. Such a one-world government would be the result of a “Clash of Civilizations.” The plan is for a new imperialism, in which military capability—primarily that of the United States—would be used in the main against the “foreign enemy,” while the anarchist masses of the World Social Forum, and of organized narco-terrorism like the FARC, would destroy nationalist forces in national governments. As an example of this dynamic, the main leaders of the WSF believe that the terror attacks of Sept. 11, and the worsening of the world financial crisis that led Argentina into bankruptcy, are creating the ideal conditions for forcing certain supranational social reforms—which, however, don’t touch the international financial system.

The common ground of these two forces of globalization—the Anglo-American geopoliticians and the World Social Forum’s hordes—is their Malthusian belief structure, a profoundly anti-Christian concept of humankind. A clear example of this kind of thinking comes from WSF ideologue Susan George, who is both director of the Transnational Institute of Amsterdam, and Vice President of the French group ATTAC (Association for a Tax on Financial Transactions for the Aid of Citizens). George’s recent analysis was published by *Foreign Affairs En Español*, the Spanish publication of the New York Council on Foreign Relations, which represents the Anglo-American *crème de la crème*, where they air their ideas on how to impose their “new imperialism.”

George’s commentary, also published by the Mexican magazine *Proceso* Jan. 14, follows the standard “bin Laden dunnit” explanation of the Sept. 11 attacks, and says that a “Clash of Civilizations” can only be avoided by a post-nation-state new world order. “Sept. 11 announced an era of radical insecurity and post-state conflict. . . . Terrorism has produced a similar moment to that of the 1940s, when Bretton Woods and the Marshall Plan were conceived. What is lacking is a modernized and globalized Keynesian strategy. What is proposed is a planetary pact.”

In George’s “planetary pact,” the WSF itself would head up the implementation of the ecologist Kyoto Accords, for



The opening march of the World Social Forum's conclave in Pôrto Alegre, Brazil, showed the anarchist forces of the anti-nation-state faction. At Pôrto Alegre, the WSF joined strategy and tactics with Fidel Castro's São Paulo Forum groupings.

the purpose of deindustrializing the world economy, and returning to a feudal state in which "clean sources" of energy, such as solar power, would replace fossil fuels. These measures, which she describes as being of a "social nature" (and which are anti-social, because they will necessarily lead to the depopulation of the world), will obviously have to be enforced, not by national governments, but by a global apparatus of non-government organizations (NGOs).

Within this same one-worldist matrix, other proposals are being aired, such as replacing the World Bank with a World Social Bank, whose credit conditionalities would include strict zero population growth.

Another WSF founder embraces this same line of reasoning: Brazilian businessman Oded Grajew, like former World Bank President Robert McNamara, says military budgets can pay, especially those of developing nations: "The World Watch Institute estimates that the total for six-year program just to protect, reforest, reduce population growth, reform life, increase energy efficiency, and develop renewable energy resources, would cost nearly \$750 million. How much does the world spend in weapons in just a year?"

The supranational focus of the WSF is even clearer in its Feb. 3 statement, entitled "Manifesto for a World Without Wars." This manifesto proposes that four of the world's "warlike" conflicts should be handled by the United Nations Security Council: Colombia, Mexico, Palestine, and Spain's Basque region. The manifesto states that "A world without wars is possible, on condition of the existence of an interna-

tional agency with the power and legitimacy to mediate conflicts, and which represents the majority will of humanity. This agency could be the United Nations, if it were democratized by doing away with the veto capability of the imperial powers which abrogates their right to be permanent members of the Security Council."

'Solidary Globalization'

The WSF's role, as described by Negri in *Empire*, is universally acclaimed by its leading exponents, independent of their origin. Miguel Rossetto, deputy governor of the Brazilian state of Rio Grande do Sul and a prominent radical leader of Brazil's Workers Party (PT), published an article on Feb. 23 in the newspaper *Zero Hora*, where he says, "The WSF was erected as the bearer of a true plan for solidary and democratic globalization, since it rescues the historic notion of interna-

nationalism which unites and draws together all peoples and nations."

Michael Hardt, Negri's co-author, told the newspaper *Folha de São Paulo* on Feb. 4, while participating in the Pôrto Alegre deliberations: "There are two approaches to confronting globalization: one is that the response should be to reinforce national sovereignty, as in France. This is not good, since national sovereignty carries with it a form of hierarchy which is not positive. The other is to defend an alternative globalized network. This seems to be more appropriate." PT sociologist Emir Sader declared during a roundtable discussion organized by the newspaper *O Globo* Feb. 8: "There is a consensus in the WSF that polarization is not between globalization and anti-globalization, but rather between two models of globalization: the current neo-liberal globalization, and solidary globalization, which we seek to build."

Whatever their apparent differences, these two main factions in the WSF are growing. One is centered around the old French colonial interests from which the Mitterrand family emerged, openly hostile to the pro-nation-state leadership represented by Gen. Charles de Gaulle. Labelled as social democrats, this group identifies with Bernard Cassen, director of *Le Monde Diplomatique* and one of the mentors of ATTAC. The other, more extreme, faction, promotes radical actions against "the system."

But all the groups and factions want to legitimize the ideas for world government of H.G. Wells and Bertrand Russell.

Toward that end, the WSF continues to cultivate the ca-

capacity of its Jacobin hordes to mobilize themselves as militant warriors for the Clash of Civilizations. The guru of “Liberation Theology,” Brazilian WSF “intellectual” Leonardo Boff, said last November, “I think that one plane falling on the Pentagon isn’t enough. It should be 25 airplanes. It is necessary to destroy the entire Pentagon.” He later had to publicly apologize for his “*lapsus mentis*.” But again during a Nov. 22 conference entitled “Fundamentalism and Globalization,” Boff nominally attacked Samuel Huntington for his “Clash of Civilizations” thesis, but then went on to justify terrorism by suggesting that the world faces various sorts of fundamentalism: religious, political (whose paradigm is the Bush government), and economic. The Islamic militant, he stated, is responding to capitalist globalization which exacerbated consumerism after the fall of the Berlin Wall. “With globalization, fundamentalism offers itself as a kind of defense,” was his conclusion.

Pôrto Alegre, a Tenuous Disguise

Although the organizers of the WSF gathering in Pôrto Alegre tried to give it a façade of moderation—for example, by not issuing official invitations to members of the FARC and Basque terrorist group ETA, who nonetheless attended “as individuals”—the truth is, that the entire pro-terrorist São Paulo Forum (SPF) is being absorbed into the WSF, and could even be dubbed its armed branch. The SPF was created a decade ago by the Cuban Communist Party and the Brazilian PT to pull together the neo-Communist movements of Ibero-America following the fall of the Berlin Wall; it includes the most diverse narco-terrorist groups of the entire continent.

According to various press and internet news reports, an SPF seminar was organized in the midst of the WSF discussions, where the foreign affairs secretary of the Brazilian PT, Deputy Aloysio Mercadante, declared that the Forum should be expanded “to allow the participation of other forces, especially from Europe. . . . Currently, the Forum includes nearly 100 parties and organizations of the Latin American left. What we want is to expand this Forum on a world scale, so that we could eventually come to dominate the Pôrto Alegre Forum, and this could be accomplished for the first time at the Third World Social Forum, in 2003,” Mercadante declared.

Brazilian trade unionist Kjeld Jakobsen, a member of the organizing committee of the second WSF, greeted the SPF representatives, and applauded “the possibility of building a great integrated front with parties and social movements worldwide.” From the Castro side, leading SPF promoter Roberto Regalado, of the Cuban Communist Party’s Central Committee, department of foreign affairs, supported the idea of keeping SPF activities within the WSF framework. In today’s turbulent world, the oligarchic sponsors of the WSF are cultivating all of its internal factions for deployment.

Venezuela

Chávez Clings to Power, Radicalizes Revolution

by David Ramonet

In the midst of noise as protesters clanged pots and pans that could be heard throughout the capital, Venezuelan President Hugo Chávez Frías announced, on Feb. 12, a package of austerity measures—including devaluation—with which he hopes to confront the effects of falling oil prices, capital flight, and escalating demands from the opposition for his resignation. Chávez hopes, above all, to convince the United States and international financial institutions that he can continue to adhere to the dictates of the International Monetary Fund (IMF).

Chávez began the year determined to “radicalize” his “Bolivarian revolution,” by 1) confronting the leaders of the business community, 2) refusing to recognize the leaders of the Venezuelan Workers Federation as the legitimate mouthpiece of organized labor, 3) dubbing the Venezuelan Bishops Conference a “tumor” to be removed from society, and 4) accusing the mass media of a “media conspiracy” against him. He took concrete steps to intensify his strategic alliance with the narco-terrorist Revolutionary Armed Forces of Colombia (FARC), steps which have simultaneously provoked unease within the Bush Administration in Washington. Given this picture, the general clamor of Venezuelan civil society is that President Chávez either “change course, or get out.”

Galvanizing His Enemies

On Jan. 23, a quarter-million people marched through the center of Caracas, chanting “Chávez out now!” The President dismissed this huge protest, which came from every social strata. And when the Papal Nuncio Msgr. André Dupuy, expressed his concern with Chávez’s “radicalization” during his annual greeting to the diplomatic corps, Chávez charged him with interfering in Venezuela’s internal affairs by echoing the opposition. The President went on to warn the Nuncio that the Catholic hierarchy is one of Venezuela’s big problems; the next day, Chávez declared himself an “evangelical,” then turned around and denied it two days later.

A short time later, he proclaimed that Feb. 4 was a national holiday, in commemoration of the military rebellion he had headed ten years earlier. In contrast, the opposition declared Feb. 4 a day of national mourning, and continued its protests.

The U.S. government expressed its concern with the tense political situation in Venezuela, on Feb. 6. Secretary of State

Colin Powell voiced his doubts, speaking to the U.S. Senate, about the democratic direction of the Chávez regime. The next day, Director of Central Intelligence George Tenet stated his concerns over Venezuelans' growing discontent with Chávez's government.

Meanwhile, back in Venezuela that same day, active-duty Air Force Col. Pedro Soto intervened in a conference on free speech, to declare his discontent with the government and to call for President Chávez's resignation. His remarks were carried live by both radio and television, such that, when the military police attempted to arrest him a few hours later, a spontaneous popular outpouring prevented it. Afterwards, one could hear the protest "music" from clanging pots and pans, and demonstrations in solidarity with Soto, not only in Caracas, but also throughout the country. In the following weeks, three other active-duty Armed Forces officers followed Soto's lead, in the midst of various expressions of discontent within military ranks.

At the same time, those who could, were pulling their deposits out of banks and converting them into dollars. To prevent a collapse in the exchange rate, the Venezuelan Central Bank sold an unknown quantity of foreign currency, putting the nation's reserves at risk. Bloomberg news agency, among others, speculated that Venezuela, and not Brazil or Mexico, will be most likely to follow in Argentina's footsteps.

Chávez' Austerity Package

The Chávez government finally reacted, but not as some "conservative" (that is, neo-liberal) economists and businessmen feared, who were expecting exchange controls and protectionist measures. No, President Chávez responded just as he had promised a group of bankers and risk rating agency executives with whom he dined on Jan. 11 in New York City. According to the report given to the daily *El Nacional* by a high-level bank executive with Crédit Suisse First Boston, whose offices hosted that dinner event, Chávez assured his audience that there would be no debt moratorium, no exchange controls or action of that sort, much less a bank nationalization.

What Chávez did announce on Feb. 12, is that the 2002 public budget would be reduced by some \$6 billion, or 23% of the originally projected \$26 billion. Chávez claimed this was forced upon him by the Argentine crisis and by the fall in the price of oil, supposedly caused by the Sept. 11 terror attacks on the United States. It was easier to blame Sept. 11, than to admit that the world has been in a profound depression during 2001.



The eloquent overhead view of "two demonstrations" on Jan. 23 in Caracas, showing the relative strength of the supporters of Venezuelan President Hugo Chávez (left) and the opposition (right), which is increasingly demanding that he step down. Chávez has reacted with austerity, to get IMF backing against his own people.

Therefore, explained Chávez, the budget, initially calculated on an oil price of \$18.5/barrel, has been recalculated at the equally incredible figure of \$16/barrel. Even so, a fiscal gap is expected, which they hope to cover with \$2.5 billion taken from the Economic Stabilization Investment Fund (FIEM) of oil revenues from previous years, an 0.75% tax on banking transactions, and reduced exemptions from the value-added tax.

He also reported that the exchange rate would no longer fluctuate within a system of bands, but would rather be allowed to float freely according to market fluctuations. The Central Bank would be there to support it with daily auctions of \$60 million, as compared to the \$200 million sold daily during December 2001 and January 2002. This meant a 25% devaluation during the first week of Chávez's "new system," when the exchange rate jumped from 792 to 1,060 bolivars to the dollar.

Although Chávez indicated that the budget cuts would be "discretionary," so as not to affect social expenditures too seriously, he did not announce any compensatory measures for the lower-income strata of the population, nor did he include in the budget any allocation for increasing the minimum wage.

As was to be expected, the International Monetary Fund expressed its satisfaction with these austerity measures, and the "financial markets" immediately boosted ratings on the Venezuelan debt. Unconvinced, however, were the Venezuelan people, who were dumbstruck by the cynicism with which Chávez unveiled his new package. Chávez insisted that these were not neo-liberal measures, since they were not accompanied by privatizations, nor were they imposed from abroad!

The 'Bolivarian' Recession

The announced measures will aggravate conditions in the already-depressed Venezuelan economy, and annul at a penstroke the greatest macroeconomic "success story" claimed by the government—an inflation rate of only 12% last year.

Since November and December of last year, the Central

Bank has tried to halt capital flight by increasing the yield on paper, with which the banks are subsidized, to as much as 45%. This in turn has led the banks to automatically raise their active interest rates, to the point that productive companies can now only get financing at rates of 70% and higher, and at times, have to sign loan agreements at more than 90% interest! Even so, analysts estimate that some \$9.5 billion fled the country in 2001. Between January and the first week of February 2002, banking system deposits fell by 7.6%, after 1.11 trillion bolivars were pulled out and converted to dollars to the extent possible. This left the banks without liquidity. To alleviate the situation, the Central Bank resorted to buying up its own bonds in order to inject resources into the system.

Last year, imports registered a record \$18 billion, according to the president of the National Industrial Council (Conindustria), Juan Francisco Mejía; this represents a huge \$4 billion rise from 2000. But it doesn't include illegal imports, which according to Mejía "rose exponentially" in the textile, shoes, and tobacco industries. Non-petroleum exports, by contrast, were \$4.5 billion last year, just 2.6% above the \$4.384 billion of 2000.

The Central Bank's international reserves, which at one point were more than \$16 billion (plus FIEM's roughly \$5 billion), had fallen by mid-February to \$9.7 billion.

Generalized Discontent

Joining the wave of civilian protests, is the military. On Feb. 2, the newspaper *El Nacional* published the summary of a document signed by 3,400 officers, junior officers, and other ranks from every branch of the Armed Forces, who call on the relevant authorities to "interdict" Chávez; that is, to declare him incompetent to serve as President, in view of his systematic violation of the constitutional order. Besides raising the fact that junior officers and non-commissioned troops suffer economic difficulties, they threw in Chávez's face, his: use of state resources to benefit his political organization; use of the Armed Forces for personal political advantage; leading the state toward a totalitarian system; and maintaining friendly ties with the FARC, which flagrantly kidnaps and extorts Venezuelan citizens.

On Jan. 30, four journalists released an official video from mid-2000, which shows a Venezuelan Armed Forces operation in cooperation with a FARC leader. The video had been given to the journalists by "discontented" members of the Armed Forces. This operation, held somewhere on Colombian territory, was never brought to the attention of the Colombian government. After a brief exchange of protests, the Colombian government accepted Venezuela's excuse that the operation had been carried out "without the knowledge" of the authorities.

The manifesto of the 3,400 servicemen served as the catalyst for active-duty officers to begin expressing their personal discontent with the Chávez government. Apart from Colonel Soto, National Guard Capt. Pedro Flores, Rear Adm. Carlos

Molina Tamayo, and Air Force Brig. Gen. Román Gómez all publicly spoke out along the same lines. Gómez requested leave to retire as director of national air traffic.

To these protests can be added the voice of Army Gen. Guaicaipuro Lameda, who voluntarily retired as president of the state oil company *Petróleos de Venezuela, S.A. (Pdvs)*, so that he could make public his criticisms of the Chávez government, and in particular, of its management of the economy. Replacing Lameda is a long-time Communist, Luzardo Parra, who has been loudly rejected by both the directors and employees of *Pdvs*, creating an atmosphere of anxiety within the state company.

Especially, there is widespread rejection of the links that Chávez has forged with the Colombian narco-guerrillas, supposedly "for humanitarian purposes" and "in the cause of peace." This discontent became more vocal when Chávez named as his Interior and Justice Minister, Navy Capt. Ramón Rodríguez Chacín, in place of the veteran Luis Miquilena. Miquilena had been one of the pillars of the Chávez government until he began to distance himself from the President, provoking a government break with Miquilena's allies, as well. Prior to his newest appointment, Rodríguez Chacín had been functioning as the President's special agent and liaison with the narco-guerrillas.

Chávez has lamented the interruption of the "dialogue of peace" between the FARC narco-terrorists and the Andrés Pastrana government in Colombia, which followed the FARC's hijacking of a passenger airplane and kidnapping a Colombian senator who had been on board. While willing to describe these acts by the FARC as terrorist, Chávez refuses to label the actors themselves as terrorists, claiming that that would be interfering in Colombia's internal affairs!

Various spokesmen for the United States have warned President Chávez that he is under scrutiny regarding his deviation from democratic norms. But after he announced his economic measures, the tone changed. State Department spokesman Richard Boucher warned the Venezuelan opposition that they too should adjust to "the democratic rules." Further, a White House spokesman, who asked to remain unidentified, according to AP, charged that Venezuelan military personnel had approached the United States seeking support for a coup d'état against Chávez, which the United States refused.

Chávez has made it clear that he would not heed any referendum seeking his resignation—at least until the year 2004, midway through his elected term—as the Constitution provides. Meanwhile, there are seven challenges to his rule before the Venezuelan Supreme Court, ranging from claims that he is mentally incompetent to discharge his responsibilities, to abuse of the public patrimony for personal and partisan ends. The majority of Supreme Court members are politically linked to former Interior Minister Miquilena who, according to some observers, is awaiting an opportune moment to cross swords with the government, even while he continues to profess friendship for Chávez, for now.

Echoes of the Warsaw Ghetto In Gaza and the West Bank

by Dean Andromidas

EIR on Feb. 8 reported the shocking admission, first revealed in the Jerusalem daily *Ha'aretz* on Jan. 31, that the Israeli Defense Forces (IDF) were studying the operational tactics used by the Nazis to destroy the Warsaw Ghetto in April-May 1943. The IDF is now applying these "lessons" in its brutal attacks begun on Feb. 28 on two Palestinian refugee camps in the West Bank and a third in the Gaza Strip. As of this writing, these operations continue. Over 40 Palestinian men, women, and children have been killed and hundreds wounded in a matter of days; and Palestinian attacks on Israeli soldiers and civilians escalated as well.

The attack on the camps signifies that Israeli Prime Minister Ariel Sharon—who gained notoriety in the 1982 liquidation of thousands Palestinians in the Sabra and Chatila refugee camps in Lebanon—has crossed the red line and is willing to resort to a mass murder to crush Palestinian resistance. If the lack of international outcry, especially from the United States, continues, Sharon or his successor may go for a "final solution."

But rather than crushing resistance, the conflict, on the ground and in the minds of the Palestinians, is taking on the form of a national liberation movement with the same fanatical resistance as those of Vietnam and Algeria. On the other hand, there is an awakening within broader numbers of Israelis, to the fact they can no longer tolerate becoming accomplices to war crimes, on the one hand, or victims of brutal attacks by a people fighting for national rights, on the other. More and more Israelis are seeing themselves in light of the French colonialists during the Algerian War or the Americans during Vietnam.

Nazi Gen. Jürgen Stroop Lives

The IDF launched coordinated attacks against the Balata and Nar A-Shams refugee camps on Feb. 28, exactly four weeks after *Ha'aretz* reported that the IDF was studying the "operational lessons" of how the Nazi SS units crushed the Jewish resistance in the Warsaw Ghetto—a fact nonchalantly acknowledged on March 3 by Sharon's spokesman Ra'anun Gissen. The planning and execution of assaults at Balata and the other Palestinian camps may have followed study of the after-action report of SS Warsaw commander, Brigadeführer Jürgen Stroop. Although the death rate, so far, is far fewer than the 2,000 massacred when Sharon was Defense Minister

at Sabra and Chatila in 1982, the IDF operations continue and the casualties increase.

The study of the notorious "Stroop Report" would have been necessary, because no military establishment which considers itself civilized has attacked a refugee camp; thus the lack of "operational literature." The only other documentary evidence would be Sharon's own after-action reports following the Sabra and Chatila massacres, but these are still "top secret." No doubt fearing the prospect of facing a war crimes tribunal, at least two senior IDF commanders refused to support this current operation, citing danger of a massacre, and its dubious prospect for stopping "Palestinian terror."

The Balata camp is just outside of the West Bank city of Nablus, and is home to 30,000 Palestinians living in an area no more than 500 meters square. It is where the Intifada ("uprising") began on the West Bank in 1987, and where the current hostilities began in the Fall of 2000. The Nar A-Shams camp, outside of the West Bank city of Jenine, is of similar density, with 17,000 souls.

In his Warsaw report, SS General Stroop described his mission to crush the Jewish resistance fighters, calling them "terrorists" and "bandits." The IDF described its mission, which also involved knocking down homes in the camps, as eliminating the "terrorist infrastructure," while calling the Palestinian fighters in these camps, "terrorists" and "gangs." Like Stroop, the IDF first surrounded the camp with tanks and armored personnel carriers and used bulldozers to cut broad, deep ditches across the roadways leading into the camps, severing the water mains in the process. Avoiding Stroop's 1943 mistake in his first costly assault wave through the main streets, the IDF did not launch its assault through the narrow alleyways of the dense camps, but entered through the corners, by using engineering troops to cut through the walls of houses, going from house to house. The homes were filled with terrified woman, children, and old people, since most Palestinian fighters had left. When the waves of IDF troops withdrew from Balata, the fighters returned.

As Stroop had stressed dismantling the weapons factories operating in the Warsaw Ghetto which used Jewish labor, and also provided the Jewish resistance with its weapons, so the IDF spoke of capturing "weapons factories" in Balata that produce improvised rockets and explosives. In another mission approach adopted from Stroop, the IDF also sought out



A soldier in the Israeli Defense Forces during the IDF operation to “destroy all resistance” in the Palestinian refugee camp at Balata on the West Bank, on March 2.

secret underground bunkers used as hideouts by the Hamas fighters.

‘Fulfilling Their Duty’?

An article in the March 3 *Jerusalem Post* quoted the IDF commander and soldiers involved in the operation, whose remarks were a disturbing echo of Stroop’s triumphal final report, “The Warsaw Ghetto Is No More!” In it, Stroop said that his SS troops “fulfilled their duty indefatigably in faithful comradeship and stood together as models and examples of soldiers.” Said IDF paratroop commander Aviv Kohavi, “This place called Balata, which appeared impregnable . . . has no more resistance. You can sense a surrender even if there wasn’t a collective decision by the commanders in the camp. The tiger known as Balata has turned out to be a pussy cat. . . . There isn’t a place in the camp where our forces did not set foot. The message is clear. IDF forces will get to all sources of terror.” Another IDF paratrooper gloated, “The

combat in the Balata refugee camp raised the morale, because we feel that this battle has a purpose. . . . Every soldier has a mission to sweep through this village house by house. It is more satisfying.”

Balata is a refugee camp, not an “impregnable” fortress. The actual terror of these attacks was dramatically captured by *Ha’aretz* correspondent Amira Hass, based on interviews with Palestinians and IDF soldiers alike.

“They were afraid when the companies of soldiers ‘came in through the closet’ after cutting a hole in the wall. . . . They were afraid when the soldiers blew up a suspicious car at night in a narrow road surrounded by houses . . . and when the soldiers ordered the dozens of families who lived along the narrow road to leave their homes because there was going to be an explosion. . . . And for a few minutes, the two explosions created a shared sense of fear. A few seconds before the first blast . . . a group of crouching soldiers ran from alley to alley, with weapons drawn. Anyone who was close enough to see their faces could see the fear and panic in their eyes. They were trying to move the dozens of frightened people as far away as possible from the explosion, people who had no idea where to run. . . . It was clear the soldiers were afraid for their lives and also afraid that innocent people would be killed as a result of the explosion.”

Israel military historian Martin van Crefeld was quoted in the press warning that as Israeli tactics become more brutal, they will backfire. “If you do it once, it is a crime, but at least it is over. We are committing an endless series of crimes, day by day, night by night, against the unarmed, against the young, against the pregnant. Even when the Palestinians are armed, they are still just poor fellows. Armies collapse when they can no longer look themselves in the face.”

This operation was planned for mid-February and had no security purpose at all. The talk of going after the “terrorist infrastructure” was simply a lie. According to reporter Amir Oren in *Ha’aretz*, “As in many IDF operations, the purpose is to strike a blow at the Palestinian consciousness, more than at real assests.” Chief of Staff Gen. Shaul Mofaz was reportedly furious that the operation was delayed for two weeks, because he wanted to achieve “a decisive victory” against the Palestinians. One reason for the delay until Feb. 28, Oren points out, is that this was the 48th anniversary of the infamous 1955 “Black Arrow” operation commanded by one Lt. Col. Ariel Sharon. This was a bloody attack on the Palestinian refugee camps in the Gaza Strip, then part of Egypt. That raid made Egyptian President Gamal Abdel Nasser decide to seek military aid from the Soviet Union.

Two Kinds of Resistance

The most extraordinary aspect of the Palestinian resistance after the camps were attacked, was not the suicide bombings, despite their toll of Israeli civilians, but the killing of seven soldiers and three civilians at an Israeli roadblock by a lone Palestinian sniper. The highly professional attack

lasted for over 25 minutes, and the IDF rescue party did not arrive for 28 minutes, long after the gunman had fled the scene. This failure would raise alarm bells for any commander who considered his army professional and motivated.

Sharon's response to his own failure to protect the lives of Israelis was to call for more punishment of the Palestinian people. Speaking in the Knesset (parliament), he told journalists that the Palestinians "must be dealt a heavy blow, which will come from every direction. Anyone wishing to conduct negotiations with the Palestinians must first hit them hard. . . . If it is not made clear to them that they are overpowered, we will be unable to return to negotiations."

Sharon's security cabinet, which only rubberstamps what he and his generals decide, approved "continuous military operations," the first of which was a return to the refugee camps, this time simply to fire tank shells indiscriminately into the camp. Other, more deadly retaliations were carried out against Gaza Strip refugee camps, and throughout the West Bank. The bloodletting and brutality on both sides has only increased.

This carnage can be stopped only with the active intervention of the Presidency of the United States. In addition, there is also increasing resistance within Israel, to the war policy of Sharon and the IDF generals. In the midst of this most brutal of weeks, a new Israeli peace organization was formed, called "The Seventh Day Movement," which is calling for full withdrawal from the territories occupied in the Six-Day War in June 1967. It is an outgrowth of the famous Four Mothers Movement, which was launched in 1997, and called for the withdrawal from southern Lebanon, a goal that was eventually achieved. The new movement, which has generated a great deal of excitement in peace circles, hopes to become bigger and much more effective, especially now that the peace movement has started to reemerge from its many months of demoralization.

Nonetheless, the most significant development continues to be the "Combatants Letter 2002," signed by 314—as of this writing—reserve soldiers and officers, declaring their refusal to commit war crimes by serving in the occupied territories. Over 25% of the Israeli population now support their right to resist.

Michael Ben-Yair, who served as Attorney General under slain Prime Minister Yitzhak Rabin, wrote a commentary in strong support of the soldiers' right to break the law by refusing to serve in the territories. Ben-Yair wrote, "In their eyes, the occupation regime is evil and military service in the occupied territories is evil. In their eyes, military service in the occupied territories, which places soldiers in situations forcing them to commit immoral acts, is evil, and according to their conscience they cannot be party to such acts. Thus, their refusal to serve is an act of conscience that is justified and recognized in every democratic regime. History's verdict will be that their refusal was the act that restored our moral backbone."

Egypt Urges Bush To Restrain Israel's Sharon

by William Jones

Egyptian President Hosni Mubarak, on a visit to the United States on March 4-6, urged the Bush Administration to intervene directly into the rapidly deteriorating Middle East situation before it is too late. But, President George Bush's response is proceeding very slowly.

After the ferment generated by the peace proposal by Saudi Crown Prince Abdullah, which appeared in the Feb. 17 *New York Times*, proposing Arab nations be willing to normalize relations with Israel in return for Israel's withdrawal to its 1967 borders, the Egyptian President hoped to use his visit to bring the necessary weight of the United States to bear behind this new initiative. In addition, President Mubarak has offered to sponsor an Israeli-Palestinian summit at Sharm el-Sheikh, Egypt.

Speaking at a joint appearance with President Mubarak at the White House on March 5 after their meeting, President Bush gave his most unqualified endorsement to date of the Abdullah proposal, and of President Mubarak's proposal, but without indicating any action the administration might take to pressure Israeli Prime Minister Ariel Sharon to come to the negotiating table. "Our government supports efforts to create and lay out a vision for a more peaceful tomorrow," Bush said. "And so I appreciate the efforts of both [Saudi and Egyptian] leaders, and I applaud those efforts of those willing to explore the opportunity."

Bush also reiterated his support for the creation of a Palestinian state. "My country has set forth a goal, which I stated last November at the United Nations: We're committed to two states—Israel and Palestine—living peacefully together within secure and recognized borders," he said. "We stand ready to return General Zinni to the region, when appropriate."

Sharon's Sabotage

At the same time, President Bush intoned the administration mantra that Palestinian Authority President Yasser Arafat has to do more to stem the violence. "The United States also believes that this goal is only possible if there is a maximum effort to end violence throughout the region, starting with Palestinian efforts to stop attacks against Israelis." The administration seems not to have realized that such demands, in light of Sharon's war against Arafat, have really lost any meaning. This was underlined by Nabil Osman, the

chairman of the Egyptian State Information Service, in a briefing to journalists just prior to Mubarak's visit. "Sharon is destroying the Palestinian infrastructure. He has destroyed the airport and the buildings of the Palestinian security apparatus. He's denying Arafat any chance of stopping the violence," Dr. Osman said. "They have also destroyed the radio facilities, making it impossible for Arafat to even talk to his people."

It was left to Mubarak to point out the obvious in the press conference with Bush. "As the Palestinians are being asked to exert more effort to bring down the level of violence, the Israeli government should understand that the use of military power and unilateral measures against the Palestinian population, the closure of roads, the siege of towns and villages, the demolition of houses, the collective punishment that makes progress more difficult, should stop." Mubarak's view did not go totally unheeded by the administration, as reflected in testimony given the following day by Secretary of State Colin Powell before the House Appropriations Subcommittee on Commerce and Justice: "Prime Minister Sharon has to take a hard look at his policies to see whether they will work. If you declare war against the Palestinians thinking that you can solve the problem by seeing how many Palestinians can be killed, I don't know that that leads us anywhere."

On March 7, President Bush went further. Speaking to reporters in the Rose Garden, together with Vice President Richard Cheney, Bush announced that he was sending his envoy Gen. Anthony Zinni (ret.) back to the region "to work with Israel and the Palestinians to begin implementing the [CIA head George] Tenet work plan, so that the parties can renew their efforts for a broader peace." While reiterating his call on Arafat for "maximum effort," he also directed a message to Sharon. "As we move forward, I'm counting on all parties in the region, Prime Minister Sharon included, to do everything they can to make these efforts a success."

The Egyptian President also used his short time in the United States to take his case to an American public that has been inundated for months by incessant news programs about the "Islamic threat." Speaking to CNN's Wolf Blitzer on March 4, Mubarak said, "Look, I made this initiative, and I asked the Prime Minister of Israel to come to Sharm el-Sheikh at that time. On condition that I could invite Arafat [whom Sharon is keeping under house arrest in Ramallah], not to solve the problem but to give an impression to both parties, to the people on both sides, to the people in the Arab world that there is a window of hope, we have to work on it." Sharon had declined the invitation, Mubarak explained, but had asked him to arrange a second meeting with Crown Prince Abdullah, to better understand the Saudi proposal. Mubarak said he did indeed pass the message on to the Saudi Crown Prince, but told Blitzer, "I don't think that Crown Prince Abdullah, the country with the holy places, will be able to meet with Sharon unless there is peace."

On March 5, Mubarak spoke to a luncheon sponsored by the Middle East Institute and the New York Council on Foreign Relations (CFR). Here he underlined the seriousness of armed fighting between Israel and the Palestinian Authority: "This complicated situation, which has lasted now about 18 months without any interval, is terrible, and needs some effort to break the cycle of violence," Mubarak said. "Otherwise, more escalation, more losses, and I am afraid the whole area will be in trouble. . . . We have to break the vicious cycle, and sit and exchange views with the help of the United States and Egypt and other countries. There is no other way out," he warned.

Mubarak also spoke to American Jewish leaders, and with members of Congress, on March 6.

President Mubarak told the CFR luncheon that Arafat is "the only figure now among the Palestinians, those who are living in the West Bank and Gaza and those that are outside—the only figure who had the support of all these people. If Arafat disappeared, for one reason or another, I tell you, it would be a state of disorder. It is very difficult to find a leader who will have the responsibility to sign any agreement whatsoever in the future. So I think we have to work with Arafat until we reach an agreement and start implementing. After that, the Palestinian people should say they want to change this or that, it belongs to them. But Arafat now—we cannot deny this—he's an important figure to the Palestinians."

The Egyptian President was also eager to short-circuit any attempts by Sharon to "cut a deal" with the Arab countries behind Arafat's back. As Nabil Osman underlined in his meeting with reporters on March 1, "No Arab leader will negotiate on the part of Arafat."

Warning: No Attack on Iraq

The largely unspoken, but clearly important backdrop of the Mubarak discussions with Bush, was the steady drumbeat toward U.S. military action against Iraq. When former National Security Adviser Sandy Berger, at the CFR luncheon, asked if he would support U.S. military action against Iraq, Mubarak side-stepped the issue. "You're asking me what I'm going to tell George Bush, the President," Mubarak joked. "And all I'm going to tell him about Iraq, I think better to tell you now and take the plane and go back home right away." Nevertheless, in an interview with CNN on March 4, Mubarak did indicate his concerns. "We urge the Iraqis to comply with the Security Council resolution to avoid any escalation," he said. The danger of a Clash of Civilizations conflict sweeping through the entire area of the Middle East and Central Asia seemed to be uppermost on his mind. "I think we shouldn't open so many fronts at this period of time," the Egyptian President continued, "because this is all in one area. It will have its bad effect on all of us, so we have to be very careful."

As one Israeli official indicated to *EIR*, any United States-led military action against Iraq "will look like a vendetta in the Arab world."

'Inner War' Heats Up in Britain Over Iraq War

by Mark Burdman

During the first days of March, British Prime Minister Tony Blair stepped up his commitment to join with the United States in an attack on Iraq. But the more that Blair moves in this direction, the stronger becomes the opposition to him, inside Britain. Informed continental European strategists judge, that the outcome of this fight inside Britain, may be one determining factor in whether this new war occurs. Leading experts in Britain, moreover, say that the growing opposition to Blair on the Iraq issue is only the most visible sign, that decisions may have been made at the highest echelons in the U.K., to try to dump the Prime Minister politically.

On March 1, Blair arrived in Australia, for the Commonwealth Heads of Government Meeting. No sooner had he arrived than he began a series of interviews with the Australian media, warning of the threat posed by Iraq because of its development of "weapons of mass destruction," and reminding his audience that he intends to go to Washington in April, to discuss joint actions against Saddam Hussein with President George W. Bush.

On March 5, Blair's Foreign Secretary Jack Straw penned an article for the London *Times*, alleging that Saddam was rushing to produce nuclear weapons and must be stopped. Straw arrogantly dismissed the concerns of those who say, that more than ten years of economic sanctions have already punished Iraq more than enough.

On March 6, the London *Guardian* prominently ran a story headlined, "Britain and U.S. Prepare Public for Iraq Strike." Citing Foreign Office sources, the *Guardian* said Britain and the United States had worked out a "joint strategy." The paper stressed that British and Western "public opinion" is to be prepared by the Blair government's issuance of a "dossier," supposedly documenting Iraq's efforts to procure nuclear weapons.

Also March 6, Blair told the British Parliament, during a 90-minute debate on Iraq: "Iraq is plainly in breach of the United Nations Security Council resolutions in relation to the accumulation of weapons of mass destruction, and we have to deal with it." This was reported in a front-page article in London's *Daily Telegraph*, the daily with the closest ties to the Bush Administration, with the banner headline, "Count-down To War on Saddam," and subtitled, "Britain Prepares To Join Attack on Iraq."

The *Telegraph* reported that British Ambassador to the

United Nations, Sir Jeremy Greenstock, is working closely with his American counterpart, John Negroponte, in launching a major diplomatic-political offensive at the United Nations, to force a confrontation with Iraq on allowing UN weapons inspectors into the country. Wrote the *Telegraph*, "Washington wants the UN to issue a new demand for inspectors to be admitted, but hopes that Saddam rejects this, and so provides the *casus belli*."

'Two Different Americas'

But reactions against this war push have been swift. On March 2, a 20,000-person demonstration was held in London's Trafalgar Square, against both a new war against Iraq, and the ongoing bombing campaigns in Afghanistan. Organizer Jeremy Corbyn, a parliamentarian from Blair's and Straw's own Labour Party, told BBC that the bombing of Afghanistan had already caused more civilian deaths than the Sept. 11 attacks in the United States, and that Afghanistan is descending into utter lawlessness, with only the capital city Kabul under some form of minimal control.

The March 6 debate was motivated by a Parliamentary Motion submitted on March 4, by 39 parliamentarians—more than the usual anti-war "Labour left." The motion read: "That this House is aware of the deep unease among honourable Members on all sides of the House at the prospect that Her Majesty's Government might support United States military action against Iraq; . . . believes that such a course of action would disrupt support for the anti-terrorism coalition among the Arab states; and instead urges the Prime Minister to use Britain's influence with Iraq to gain agreement that United Nations weapons inspections will resume."

Also on March 6, one British leading daily newspaper that had been heretofore gung-ho about the new war, the London *Times*, published two commentaries blasting Blair for jumping on the war bandwagon, especially in view of the fact that the war in Afghanistan is taking a new and ugly turn. Regular *Times* commentator Alice Miles wrote a piece entitled, "Blair Would Follow Bush to Baghdad, But Then What?" She wrote that opposition to a new military adventure against Iraq is now extending beyond the traditional anti-war Labour left, into other parliamentary quarters. Blair would probably choose to ignore this, but the problem for him, is that the opposition undoubtedly extends into his own Cabinet, which is harder to ignore.

Miles wrote that extreme caution is now necessary: the Americans have no clear idea of what kind of government would follow the fall of Saddam Hussein, nor no real idea of what kind of military action is needed. There is "no strategy, no clarity." But beyond all this, there is one other, most decisive factor: "At the moment, the United States doesn't even have an exit strategy for Afghanistan."

Her attacks were echoed by *Times* senior commentator Simon Jenkins.

Throughout the week, nasty barbs at Blair have been

launched in the pro-Labour Party London *Guardian* and the *Observer* Sunday weekly. On March 5, the well-informed *Guardian* senior commentator Hugo Young wrote, under the headline “Why Is Blair Banging the Drum for an Attack on Iraq?,” that Blair “has launched himself on another of his missions,” with “calculated” and “gratuitous” threats against Iraq. Young revealed, that there is growing disquiet over the Iraq war option both in the Foreign Office—which is most interesting in view of the above diatribe by Foreign Secretary Straw—and in the Ministry of Defence.

The disquiet in the British strategic community is likely to grow, with the return to Britain on March 1, of a senior military specialist who spent two weeks in the United States. He is telling the British government that there are “two different Americas,” with the Washington strategic-military-intelligence community in an “arrogant,” flight-forward state of mind, but with organizations and individuals outside Washington feeling much more cautious and reluctant about new war adventures. In a private discussion, this individual said he was “staggered” and “astonished” at the arrogant war mood in Washington, and will be advising British officialdom to keep in mind “the other America,” before rushing into a new military adventure.

Multiple Woes

Blair has not been helped by a number of other factors. For one, he has destabilized the Commonwealth with his all-out, flight-forward attack on Zimbabwe’s President Robert Mugabe. Second, he has been embarrassed by President Bush’s announcement of protective tariffs for U.S. steel, as this undermines all the rhetoric about supposed Anglo-American agreement on “free trade.” This is all the more the case, as Indian businessman Mittal, a big funder of the Labour Party, who is already at the center of a scandal involving illicit British government aid in winning him a steel contract in Romania, has been funding a campaign in the United States for steel tariffs—against imports of British steel into the United States!

Third, Blair’s government is sinking into a morass of corruption and lying, particularly over the abominable behavior of his closest ally inside the Cabinet, Transport Secretary Stephen Byers, who has overseen the past few years’ destruction of the British rail infrastructure network.



British Foreign Secretary Jack Straw (left, with the EU’s Javier Solana and NATO Secretary General Lord George Robertson) has gone out on a limb pushing for British partnership in an American war on Iraq; but opposition is reportedly strong even within Straw’s Foreign Ministry.

‘This Prime Minister Has To Be Destroyed’

The backlash against Blair is intense within certain Establishment circles. One British military-intelligence specialist told *EIR* on March 6, “Tony Blair doesn’t live on this planet! Nobody can ridicule Blair any more, because he’s already ridiculous. He goes around the world, telling everybody how to run things, while Britain itself is in a colossal mess, and he doesn’t care. He thinks it’s his moral right and moral duty, to lecture everybody. Yet the fact is, people start laughing when he opens his mouth.”

On March 5, another City of London figure added that the leading elements in the British policy Establishment think that Blair is “out of control. This happens to British Prime Ministers. They get stuck on a certain flight path, and it becomes impossible to nudge them off it. Leading figures among the powers-that-be have sadly concluded, that this Prime Minister has to be destroyed. The decision was reached already in the Autumn of last year, when he, quite unnecessarily, had a mania about travelling to all sorts of places around the world that had no interest in him being there.”

According to this source, “It takes a couple of years to get rid of a British Prime Minister.” He insisted that the Establishment will ratchet up the pressures on Blair until he “cracks, and has to be taken away, babbling. This is what is done to British Prime Ministers.” Because of this, some in the City of London think that “Blair will be in no position to deliver British support to the Americans, on the war with Iraq.”

LaRouche's Economics Text Is Now in Croatian

by Elke Fimmen

On Jan. 24, the German Schiller Institute presented the Croatian translation of Lyndon LaRouche's groundbreaking mathematical economics textbook, *So, You Wish To Learn All About Economics?* before more than 70 guests in the Croatian Journalists House in Zagreb. Attending the event were guests from academia, high-level representatives of banks, trade unions, parties, and the press, including the state news agency HINA. One week before, the conservative weekly *Hrvatsko Slovo* had published an extensive review. The book was published first in English in 1984, followed by translations into many other languages, including German, Spanish, Portuguese, Italian, French, Russian, and Ukrainian. In particular, it has had a decisive influence on the shaping of the scientific-economic debate in Russia.

The event took place as Croatia was plunging into the midst of a deepening economic, social, and political turmoil. People sense that nation's future is "Argentine," as it has been forced to surrender to brutal International Monetary Fund (IMF) policies. One day before the Schiller Institute event, the IMF mission chief to Zagreb forbade the government to continue construction of the Zagreb-Split highway (see *EIR*, March 8, 2002), allegedly because the budget deficit is too big. This conflict is provoking a popular uproar, because the government tried to mobilize the optimism of the people around this project, which, since its start in 1968, has been aborted again and again for political and budget reasons.

The release of LaRouche's book constituted an excellent conceptual rallying point for the growing movement in Croatia, which demands an end to IMF policies and a future for the country. It was clear to everybody, that the questions discussed are of fundamental and existential importance: Is the economy of a people dictated by monetarist criteria, leading to the destruction of nations, or is politics oriented toward the Common Good and the development of a physical basis for the long-term survival of the population?

Potential Relative Population-Density

After a beautiful musical introduction by two young Croatian violinists, Michael Liebig, director of *EIR*'s German office, spoke, situating the book in the context of the systemic breakdown of the international financial system, which is resulting in political and military confrontation. Attendees were gripped by his detailed account of the chronology of events on Sept. 11. The ideological representatives of the imperial-

utopian faction in the United States, Zbigniew Brzezinski and Samuel Huntington, are no strangers to Croatians, whose names are intimately connected with the "Clash of Civilizations" scenario acted out in the Balkans since 1991.

The book's translator, Stjepan Corkovic, a longtime collaborator of the Schiller Institute in Croatia, and an engineer by profession, stressed that real criteria for conducting economic policies are needed. He elaborated on some key concepts of the book, such as the increase of potential relative population-density, and the central role of scientific and technological progress for the increase of productivity of national economies. Politicians pretend that everything is in order, while in reality the economic and social fabric collapses.

Senior economist Ivan Maricic, who heads an important retirees association, said that LaRouche's book corresponds to the interests of Croatia against the autocratic IMF. He sharply attacked the neo-Malthusian ideas of the Club of Rome and its congruence with IMF conditionalities' destruction of the social and health-care fabric. Faris Nanic, a journalist and engineer, who assisted with the translation, attacked the efforts of the geopolitical war faction to use the Sept. 11 attacks as a pretext for war against Islam and a global crisis. The economic breakdown must be solved according to the principles of physical economy, Nanic said.

The Exception to 'Mainstream Economics'

During the discussion, two prominent Zagreb economics professors commented on the book. Professor Bilusic, of the University of Zagreb and former adviser to the Indian government, had read the book while in India, in its English original 15 years ago, and expressed his joy about the newly published Croatian version. He called LaRouche the founder of a new economic theory, and praised his work for the creation of a new world economic order. He recommended that the book become obligatory study at the faculty of economics. Prof. Zvonimir Baletic, former dean of the Economic Institute in Zagreb, described how ashamed he feels about the present state of economic science. How could it happen, that prevailing academic teaching has departed so greatly from LaRouche's method of physical economy? Nowhere today is one able to learn about the importance of G.W. Leibniz, Friedrich List, and Alexander Hamilton for the science of economics. It has instead degenerated to "pure ideology and simple justification for the market." Professor Baletic praised LaRouche's forecasting record and characterized him as a contemporary exception to "mainstream economics."

Typical of the mood was the comment of one economist, who said that she could hardly express her gratitude enough, because the book "created a sense of optimism, that there are people, who know about reality, and who act upon it." In particular, she valued LaRouche's broad conceptual approach, "which includes the cultural and social dimension of life, and puts the creative power of people in the center."

OPEN REPLY TO ARI FLEISCHER¹

Peace Between Two Presidents

by Lyndon H. LaRouche, Jr.

March 2, 2002

Dear Ari Fleischer:

On the subject of President William Clinton's role in Middle East peace negotiations, he made only two notable mistakes: First, he allowed himself to be trapped into the virtual role of Prime Minister Ehud Barak's attorney, rather than playing the part of President of the U.S.A. Second, he allowed the exclusion of the two issues on which an actual Middle East peace depends, absolutely: the issue of economic development, and especially, the issue of mass desalination.

There will never be a Middle East peace with Israel, this side of the mass graves appearing in many parts of the world, unless, and until the issues of economy and water are made the foremost subject of negotiations and agreements: as I have insisted repeatedly in my public and other dealings with leading Israeli and Arab circles since my initial, 1975-1976, intervention, as a U.S. Presidential candidate, into that situation. Others may talk all they wish, but until, and unless these issues are placed foremost on the table, there is no hope of peacemaking by anyone, inside, or outside the Middle East itself, as Prime Minister Rabin came to understand: ever.

The Oslo Accords were an excellent step, and could have been the foundation for beneficial agreements on economy

and water. Two things aborted and destroyed the Oslo Accord process.

First, was the interventions to preclude action on measures of actual economic development; second, was the assassination of the Israeli Prime Minister, Rabin. Further, the failure of both the Israeli, or the U.S. government, to address the matter of the assassination of Rabin. Rabin had been the last Israeli head of government to address these issues effectively. Since the failure of Prime Minister Barak on this account, it has been virtually impossible, until now, to establish a platform on which to conduct a fruitful negotiation of agreements.

It is important, even urgent, that the incumbent President of the U.S.A. and his Secretary of State, review the matter from this standpoint. It is important, that both the accomplishments and errors of President Clinton be accurately assessed on this account. My criticisms of President Clinton's actions in this matter, are probably the most seasoned, most objective and accurate generally available from anyone inside the U.S.A. itself.

Take the strategic economic issue, as primary, and then consider the awful consequences of President Clinton's tendency to overlook that issue, the issue which was the key to his part in the failure of the peace effort.

Water and Peace

The amount of usable forms of water available in the region of Israel and its immediate vicinity, is not sufficient to sustain the existing population of that region at a decent level of existence. With the pressures for expanding the Israeli settlements program, this issue of water precludes any effective sort of peace agreement.

1. White House spokesman Fleischer, at a press briefing on Feb. 28, said, in response to a question as to whether President Bush should invite President Yasser Arafat to the White House, as President Clinton had done, that Clinton had tried "to push the parties beyond where they were willing to go," and that this "led to expectations raised to such a high level it turned to violence." Fleischer was later forced to retract his remarks, saying that "no United States President, including President Clinton, is to blame for violence in the Middle East."



The July 25, 2000 Camp David meeting, just before talks collapsed. President Clinton “allowed the exclusion of the two issues on which an actual Middle East peace depends, absolutely: the issue of economic development, and especially, the issue of mass desalination” of seawater.

This problem of water could be solved only through large-scale, modern methods of desalination throughout the region, including Israel and its most immediately neighboring Arab states.

Implicitly, this places the emphasis upon nuclear-energy-assisted desalination; since Israel already has, after the Anglo-American interest, the world’s third most significant nuclear arsenal, there could be no reasonable objection to large-scale installations of modern versions of high-temperature reactors, in the 100-200 megawatt range, of the Jülich, Germany type, as adopted by South Africa and China at this time. Under such a version of “Operation Ploughshare,” bundles of such small to medium-sized reactors, typify the energy-requirements required to drive modern mass-desalination efforts.

This use of high-energy-flux-density-driven use of modern desalination technologies, would bring the effective cost of production of that increased supply of potable water down below the current cost in many regions of the Middle East.

Such desalination programs in the pivotal region of the Middle East and Egypt, mean a revolutionary improvement in the economy of that Middle East which is a crucial crossroad between the Mediterranean and Indian Ocean region. Thus, the potential population-density of all parts of the region is to be increased by up to an order of magnitude. Peace negotiated according to a Treaty of Westphalia model, then becomes an economically self-sustainable possibility.

If we examine the matter in those terms of reference, some of President Clinton’s leading achievements and problems in

that area should be easily recognized. Otherwise, his obvious, first problem, was the heavy burden of Vice-President Al Gore on his back, and the influence of ideologies kindred to some of those of Gore, on his personal outlook. His second problem was, that his world-outlook, and that of a crucial sector of the leadership of both major parties, is that of most representatives of that generation which came to adulthood during the middle to late 1960s, or later.

Although Clinton was, personally, perhaps the most intelligent President of the Twentieth Century, he bore the burden of the typical axioms of his generation, to such a degree, that, from where I sat, he lacked the quality of decision needed in certain specific, crucial areas of decision-making, especially in matters of the economy. In the latter areas, he tended, in performance, to be duped by ideology of the type which, as he often stated, he shared with Al Gore. At the end, he may have seen reason to regret his attachment to the career-ambitions of Gore, but, by then, the damage reigned.

The most relevant immediate fact is, that were a Middle East peace to be brought about, the global situation would become relatively much more manageable. Otherwise, it could become the detonator which impels the world as a whole into a trajectory from which few of this wide world would return. Perhaps, at this time, the former President would agree. I think the incumbent President should ask the former President about that. It might help to unify leading political forces of our nation behind a renewed, urgent attempt.

Creating New Mideast Water Resources Is a Necessity for Economy and Peace

by Marcia Merry Baker

In scientific terminology, so-called “natural” resources—including water—are actually “man-made.” For the past four decades, the human intervention has been blocked, that could have created a new water resource base for the Jordan River basin region and throughout the Mideast, utilizing the various modern technologies for desalination, power generation, and hydro-engineering. Providing new water supplies there is one of the first principles that must be dealt with, as part of ending war once and for all. The other is the related matter of economic development itself. President Clinton’s recently debated, crucial omissions at the July 2000 Summit talks with Israeli Prime Minister Ehud Barak and Palestinian Authority President Yasser Arafat, should again throw these principles into strongest relief.

At the time of the 2000 Camp David meeting, there were several Mideast water-expansion programs in public circulation. The plans were known to the Clinton Administration, as well as to engineers, hydrologists and political leaders in the region. *EIR* published these programs in some detail leading to the Summer 2000 peace talks. Here, we review certain parameters, beginning with the LaRouche “Oasis Plan,” which had first been released in the 1970s, and later widely debated as the strategic policy alternative, among forces opposed to the Bush-Thatcher 1991 Gulf War.

These proposals are in no way outmoded by the current state of war. Years ago, Mideast ratios of fresh water per capita, per hectare, and per unit of economic activity, were already inadequate. There are 35 million people in five Mideast countries today, for whom water availability has been steadily dropping. The deficiencies are now catastrophic.

A TVA on the Jordan

One way to put the task of resources-building into perspective, is to proceed from an historical vantage point. We must pick up “where we left off” after World War II. At that time, the U.S. Atomic Energy Commission proposed international “Project Ploughshare” plans for energy, water, and infrastructure improvements in critical locations around the globe. In the 1950s, various leaders of the successful Tennessee Valley Authority (begun in 1933) proposed a “TVA on the Jordan.” The scale of the two projects—impoundments, power plants, etc.—is vastly different.

The legendary Jordan River Basin has a mere fraction of the water of the vast Tennessee system; moreover, some of the water present in the Jordan Valley—continuation of the

Great African Rift Valley—may be fossil water. But the *high-tech, TVA-style approach* is what is required, especially in the case of tough physical constraints.

In 1944, TVA head David Lilienthal wrote, “Cooperation between Israel and the adjacent Arab states would be absolutely essential to the successful execution of the proposed overall plan; only small portions could be developed to an individual country’s advantage without such cooperation.” In 1953, during a time of war in the Mideast, President Dwight Eisenhower dispatched emissary Eric Johnston to the region, for a political/economic mission that became known as the “Johnston Plan.”

Working with technical experts from all the countries concerned, and with TVA experts, Johnston promoted a plan for regional water development and shared allocation, to manage resources “system-wide” on behalf of Jordan, Israel, Syria, Lebanon, and the Palestinians. The plan involved dams, hydroelectric power, irrigation schemes, and potential nuclear power under the Atoms for Peace program.

The Johnston Plan was accepted by all the technical representatives, but it was rejected politically, and failed. Geopolitical interests in London and elsewhere blocked any and all initiatives for mutual-interest resource improvement in the Mideast.

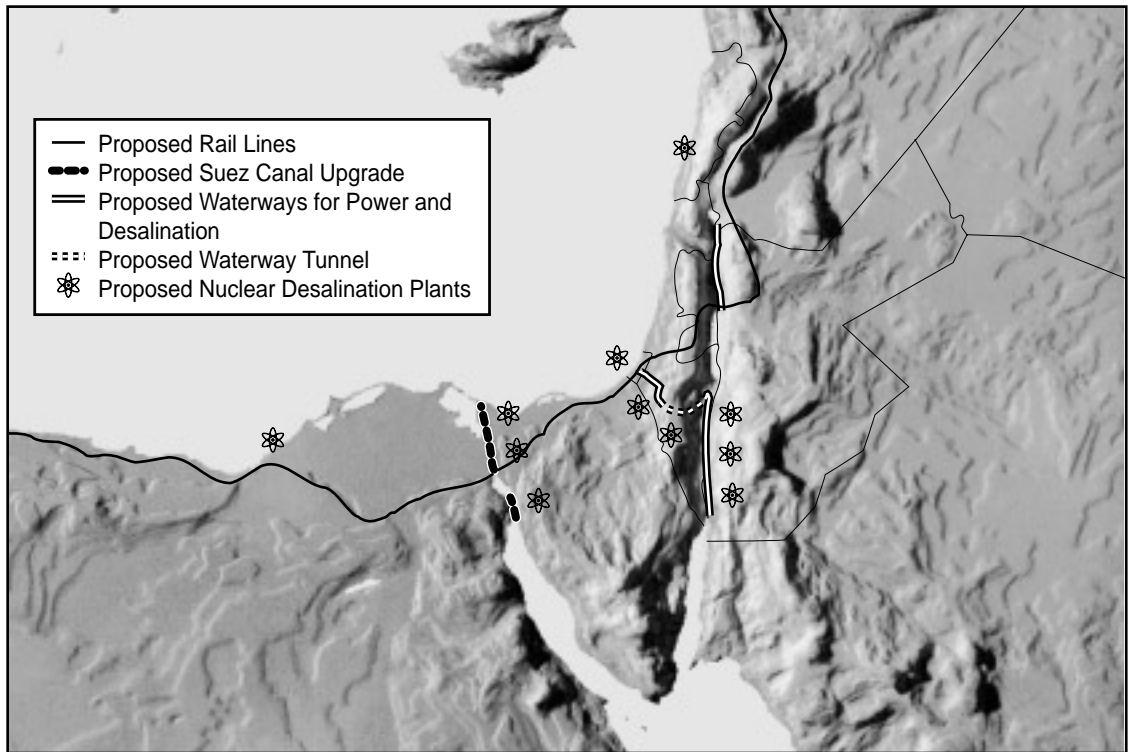
Subsequent decades saw a grab for water by Israel, with its National Water Carrier project, and other maneuvers, including seizing the flow of the Litani River in southern Lebanon. Jordan and Syria moved to develop some of the Yarmuk River system, one of whose key waterworks Israel bombed to bits in 1967.

The 1993 Oslo Accords offered the prospect of hope and economic development. The specific idea of *nuclear desalination* of water was introduced into the negotiating process, by LaRouche’s associates and *EIR*. In late 1993, Palestinian Finance Minister Mohammad Nashibi, an engineer, went on record in an interview with *EIR*, enthusiastically supporting the concept. At the same time, independently, Shimon Peres, then Israeli Foreign Minister, elaborated the idea of “nuclear islands” of power and water, in an Italian journal—“islands” in the sense of sites under international control.

The September Accords included economic protocols favoring high-tech water, energy, and infrastructure development. But even by December 1993, the World Bank had issued its definitive report on what would be “allowed,” rejecting desalination and nuclear power.

FIGURE 1

LaRouche's 'Oasis Plan' For Development Of Middle East Crossroads



All U.S. Presidents have left out the crucial water issue and economic principles of peace-making. Lyndon LaRouche's "Oasis Plan" Mideast policy proposal features canals linking the Mediterranean with the Dead Sea and Red Sea to provide source-water. Locations indicated are for nuclear desalination facilities to provide, in effect, a "second Jordan River." EIR published this map in 1994.

LaRouche's 'Oasis Plan'

The LaRouche "Oasis Plan" approach outlined how large-scale saltwater desalination facilities should be strategically located, powered by high-tech nuclear generators, to create plentiful electricity and water for new "Oases" and corridors of development in the desert (see **Figure 1**). It was updated to take into account technological advances—hydroponics, breakthroughs in the high-temperature gas-cooled nuclear reactor, etc. Also required, are long-planned hydro-engineering projects, such as the (saltwater) Med-Dead Canal.

Figure 1 was first published in January 1994. If the locations shown on the map by atomic symbols, were sites of desalination plants powered by modest-sized modular high-temperature gas-cooled reactors, a total of some 2.35 billion cubic meters a year of "manufactured" water would be added to the resource base. This matches the current water output of Saudi Arabia, from some 30 fossil-fuel desalination plants.

In November 1999, a White Paper was released by the Washington-based Center for Middle East Peace and Economic Cooperation, titled "Solving the Problem of Fresh Water Scarcity in Israel, Jordan, Gaza and West Bank." Large-scale desalination (conventional, non-nuclear powered) of seawater and brackish water, was a plan which the Center ran as full-page advertisements in major Hebrew and Arabic newspapers before the 2000 Summit peace talks.

The report summarized the water crisis as of that time—it is now much worse: "Freshwater supplies in the Jordan

River are at an all-time low in terms of availability per capita. Water quality and environmental problems are serious. And a freshwater shortfall of at least 20% by 2010 is forecast by almost all credible experts, when the current population of 13 million people will have increased to as much as 20 million." The White Paper provided a map of Mediterranean and inland desalination sites, conveyance systems, etc. (see *EIR*, Aug. 4, 2000; www.centerpeace.org).

The International Atomic Energy Agency (IAEA), some months before the 2000 Camp David Summit, published, in the *IAEA Bulletin*, "Nuclear Energy for Seawater Desalination: Updating the Record," by Juergen Kupitz, then head of the IAEA Section on Nuclear Power Technology Development. In response to requests from North African Mediterranean nations (Egypt, Algeria, Morocco, Libya, and Tunisia), the IAEA designated good sites in that region for large-scale combined desalination and power output.

The report stated, "A desalination plant with a capacity of 1 million cubic meters per day could supply an urban concentration of 3 to 4 million people with sufficient potable water for domestic use. Such a desalination plant, using the RO [reverse osmosis] process, would require a nuclear plant having an installed capacity of about 300 MW-electric. The same urban concentration of people also would require between 4,000 to 6,000 MWe of installed capacity to provide their corresponding electricity needs." Hence, double-duty designs are in order for many water-short littoral sites.

Jerusalem in Flames

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D.C. Health Head Quits, Hospital Issue Returns

by Lynne Speed

Dr. Ivan Walks, Washington, D.C. Health Department Director and a front-man for the financial oligarchy's shutdown of the capital's only public hospital, resigned unexpectedly on Feb. 28. Astute political observers have asked whether Walks' resignation involves the erupting scandal around the nexus of corruption centered on all-around-the-town political operative Donna Brazile. Brazile, the former chief of staff for D.C.'s Delegate Eleanor Holmes Norton, and chief of staff of Al Gore's Election Committee in 2000, was a sometime Gore go-between to Sen. John McCain (R-Ariz.), and is now McCain's campaign finance reform lobbyist.

Democratic 2004 Presidential pre-candidate Lyndon LaRouche, whose forces led the mobilization to save D.C. General Hospital last year in an international fight for the principle of the general welfare, had pointed to this scandal only days before Walks abruptly quit. LaRouche said, "Donna Brazile's lurid relationship to Sen. John McCain, is the key-stone of an arch of corruption embracing all of the interests, including Mayor Tony Williams and Eleanor Holmes Norton, who colluded in a patently corrupt operation to shut down and loot the remains of the only public general hospital of the nation's capital. Whether the Arizona money involved in that swindle was directly associated with McCain or not, McCain's association with Brazile, Norton, and Williams is a feature of the scandal which could, potentially, bring down not only McCain, but McCain's crony Lieberman."

Brazile, a long-standing enemy of LaRouche, opposed the Presidential candidate's 1992 campaign to bring down the statue of Ku Klux Klan leader Albert Pike that stands in Washington's Judiciary Square. In 1996, Brazile personally deployed—unsuccessfully—to keep LaRouche's name off the D.C. Democratic primary ballot. As a top Gore operative in the 2000 campaign, she not only continued her activity against LaRouche, but played a key role in cancelling the South Carolina Democratic primary, clearing the way for a large cross-over vote in that state's Republican primary, giving McCain the necessary margin to beat Bush.

The LaRouche-led mobilization of 2001, which focussed on stopping Enron and energy deregulation, and the paradigmatic case of D.C. General Hospital, catalyzed hundreds of citizens to lobby their Congressmen and state officials in Washington and local offices. It threatened to create, among Congressional leadership and state officials, a "reverse paradigm-shift," back toward the Franklin Delano Roosevelt tra-

dition of the Democratic Party. On May 30, 2001, Sen. Tom Daschle (D-S.D.) publicly signed the LaRouche petition, "It's Time To Draw the Line: Saving D.C. General Is a Matter of International Importance." Five other Congressmen had previously signed the petition and Rep. John Conyers (D-Mich.) had held a briefing on the "National Public Hospital Safety-Net Crisis," which featured LaRouche national spokeswoman Debra Hanania Freeman.

On June 1, 2001, Daschle and McCain met in Arizona; that same day Daschle faxed a request that his name be removed from the petition supporting D.C. General Hospital. The pattern of evidence indicates that a dirty deal was struck to "stay away from LaRouche." Congressional commitments made to the general welfare principle were abandoned; once that resistance was betrayed, D.C. General was promptly closed down by the Financial Control Board overriding the City Council, which had unanimously voted *twice* to keep D.C. General open. Rep. Maxine Waters (D-Calif.) later acknowledged this at a Nov. 14 Congressional briefing on health care, insisting, "A lot of people shied away from that because the LaRouche organization was at the forefront, of trying to help us understand what was going on. We should all apologize. And I do now. I apologize because, you're right."

Now it has come to light that Mayor Williams' re-election campaign has received 20% of its contributions, since last July, from an Arizona company: Doctors Community Healthcare Corporation (DCHC), its employees, and affiliates. Paul Tufts, its CEO, also recently made a \$500,000 donation, the largest in its history, to the University of the District of Columbia. Tufts was also the sole out-of-area contributor to Eleanor Holmes Norton's 2000 election campaign.

DCHC is the for-profit outfit which took over and dismantled D.C. General, as the result of illegal shenanigans and manipulations involving second- and third-tier players Norton, Williams, and the Congressionally mandated Financial Control Board, against the wishes of the medical community, the citizens, and the D.C. City Council. DCHC and its partner, National Century Financial Enterprises (NCFE), also headquartered in McCain's Arizona, are currently facing lawsuits for racketeering, embezzlement and fraud involving hospital takeovers in four separate jurisdictions.

Fourth-tier flunkey Ivan Walks, who became noted for his arrant disregard for both Washington City Council members and the general public at hearings on the hospital, played an important role in shutting it down. In late October, two postal workers died on Dr. Walks' watch, and with his false assurances, of inhalation anthrax, and at least 75 other individuals have died of trauma and disease; these deaths may have been caused by their inability to obtain timely and adequate medical care after D.C. General was closed.

Walks' resignation is an indicator of what LaRouche calls the "Boys from Brazile" scandal, which may have more in store for Norton, McCain, Sen. Joe Lieberman (D-Conn.), and others around the Democratic Leadership Council.

Democrats Criticize War, Defense Budget

On Feb. 27, Congressional Democrats signalled that President George Bush's war on terrorism and his missile defense program were no longer off-limits to criticism in this election year. In two separate hearings, Democrats attacked the Bush Administration's spending plans.

In a Senate Defense Appropriations subcommittee hearing, Democrats went after the open-ended nature of the war, the lack of an exit strategy, and the failure to capture Osama bin Laden and others. Appropriations Committee Chairman Robert Byrd (D-W.V.) asked Deputy Secretary of Defense Paul Wolfowitz, "How long can we afford this? . . . When will we know we have achieved victory?" He said that the Pentagon has sent him documents estimating that the war will cost \$30 billion in this fiscal year, suggesting that the supplemental appropriation that the Department of Defense is expected to ask for in March, will be at least \$12.6 billion. Sen. Ernest Hollings (D-S.C.) said that the Bush Administration seems to be arguing, "Since we've got a war, we've got to have deficits, and the war is never going to end."

Senate Majority Leader Tom Daschle (D-S.D.), speaking to reporters on Feb. 28, backed Byrd's remarks, and added that while the success in the war up until now cannot be overstated, "the jury's still out on future success." He warned that "there is expansion without clear direction." Republicans reacted to Daschle's remarks immediately. Senate Minority Leader Trent Lott (R-Miss.) said, "How dare Senator Daschle criticize President Bush while we are fighting our war on terrorism, especially when we have troops in the field. He should not be trying to divide our country while we are

united." House Majority Whip Tom DeLay (R-Tex.) called Daschle's remarks "disgusting." Daschle called the GOP reaction "nothing short of hysterical" and stood by his remarks.

On the House side, in a joint hearing of the Military Procurement and Research and Development Subcommittees of the Armed Services Committee on Feb. 28, Democrats raised similar questions with regard to missile defense. Marty Meehan (D-Mass.) said that the recently reorganized Missile Defense Agency will be operating "with essentially no oversight, no accountability, and a budget that's growing by leaps and bounds." He ridiculed the so-called "spiral acquisition" strategy, whereby militarily useful technologies are fielded as soon as they are available, as last being used by the former Soviet Union, "and the result of that was national bankruptcy and a field full of barely functional weapons." Gene Taylor (D-Miss.) said that the increases in the missile defense budget come out of other areas of the defense budget, and pointed to aging transport aircraft and Army helicopters, many averaging 30 years old, to illustrate what that means. John Spratt (D-S.C.) told the *Washington Post* after the hearing, that it is likely that Democrats will mount floor challenges to the spending plan in committee and on the House floor.

Gephardt Challenges GOP on Social Security

On Feb. 28, House Minority Leader Richard Gephardt (D-Mo.) called on Republicans to bring their Social Security privatization schemes to the House floor for debate before the November election. He ridiculed the House GOP leadership for planning to bring up a bill that calls for the govern-

ment to send certificates, at a cost of \$10-12 million, to people over the age of 62, telling them that their benefits will never be cut. He called on Republicans instead to "get to the real matter," and bring up their privatization bill. He vowed that if they fail to bring it up, he intends to mount a discharge petition drive "so that we have that fair and full debate" on the House floor.

Gephardt said, "A year ago, we were talking about surpluses and paying down the back debt and using that to stabilize and strengthen Social Security." Instead, with the Bush economic plan, "we've got deficits as far as the eye can see."

Bush's proposal would introduce personal savings accounts that would be invested in the private financial markets. He included a pension reform proposal that would loosen the control that firms have over their employees' retirement plans.

Leahy, Grassley Offer Bill To Reform the FBI

On Feb. 28, Senate Judiciary Committee Chairman Pat Leahy (D-Vt.) teamed with Charles Grassley (R-Iowa) to introduce a bill aimed at reforming the FBI. While describing the FBI as an "outstanding" law enforcement agency, Leahy told the Senate, "We must face the mistakes of the past, and make the changes needed to ensure that they are not repeated." Some of the incidents he listed included Waco, Ruby Ridge, the FBI lab scandal, the targeting of Wen Ho Lee, and the belated production of documents relating to the Oklahoma City bombing. "Until the bureau's problems are resolved and new challenges overcome," Leahy said, "we have to take a hands-on approach."

The bill would strengthen FBI

oversight. It creates a statutory jurisdiction for the Department of Justice Inspector General to investigate allegations of FBI misconduct. It provides whistle-blower protection for FBI employees and eliminates statutory disparities in disciplinary penalties for senior executive and non-executive personnel. The bill also establishes a career security program within the FBI, a polygraph program for screening personnel in sensitive positions, and provides statutory authority for the FBI police, all aimed at improving security within FBI facilities.

Grassley told reporters, "The FBI has bred a culture that rewards image over product. Top management has sent a message with its own actions, that careers are made on the publicity of very high-profile cases." He said the goal of the legislation "is to contribute significantly to a new way of doing business, where the FBI's top management rewards what FBI agents do best, and that is seeking the truth and let the truth convict." Were Grassley being honest, he could have pointed to a number of examples that he himself has investigated, including the scandal at the FBI crime lab, or other cases, such as the decades-long *Frühmenschen* program targetting black elected officials, or the FBI's targetting of *EIR* Founder Lyndon LaRouche, to show that the FBI has hardly been interested in seeking truth.

Bush Proposes New Welfare Reform Regime

On Feb. 26, President George Bush unveiled his proposal for re-authorization of the 1996 welfare reform law, at St. Luke's Catholic Church, in Washington, D.C. The 1996 law expires this year, and the debate on what to replace

it with is only just getting under way.

Bush's plan calls for spending \$17 billion a year on welfare programs over the next five years, all of it to be provided to the states in the form of block grants. The plan includes stricter work requirements, and a package of marriage promotion schemes. Under current law, 50% of welfare recipients are required to work in order to qualify for assistance, and Bush is proposing to increase this to 70% by 2007. "Our plan," Bush said, "will allow states to combine work with up to two days each week of education and job training." Marriage promotion is based on the premise that most welfare recipients are single mothers, but critics say that nobody really knows what works. Bush's plan also includes money for abstinence education programs.

A group of so-called centrist Democrats, led by Democratic Leadership Council Chairman Evan Bayh (D-Ind.), have endorsed much of Bush's plan in principle. Their plan would place more emphasis on providing child care, and on anti-poverty and family issues.

Another issue Democrats are raising is assistance to legal immigrants. Benjamin Cardin (D-Md.) is leading a push to lift the 1996 bans, whereas Bush is proposing to maintain the entire ban except for food stamps. Under Bush's plan, legal immigrants would be eligible for food stamps after five years, though even some House Republicans oppose this.

Debt Ceiling Increase Demanded by White House

On Feb. 27, President George Bush said that he told Congressional leaders, during a breakfast meeting that morning, "do not play politics with the

debt ceiling, that we're at war, we've got troops all around the world, we've got men and women whose lives are at risk, and now is not the time to be playing politics and using the debt ceiling as an excuse for some individual's cause." The Bush Administration has requested an increase in the debt ceiling from the current \$5.95 trillion to \$6.7 trillion, an increase of \$750 billion, or 12.5%. The Treasury Department is warning that if the increase is not granted, the government could run out of borrowing authority by the end of March.

Senate Majority Leader Tom Daschle (D-S.D.) expects the House to act on a clean debt limit bill, that is, without any extraneous legislation attached to it. He said that at the White House meeting, "We all agreed that keeping a clean debt limit bill is something that would be in everyone's best interest."

However, this is an election year. Democrats are expected to point out that President Bush is asking for the first debt limit increase in four years, after four years of budget surpluses. That argument is making some House Republicans nervous about being accused of fiscal irresponsibility. House Ways and Means Committee Chairman Bill Thomas told Associated Press that he may call on Treasury Secretary Paul O'Neill to take the same steps that Treasury Secretary Robert Rubin took in 1995 when President Bill Clinton vetoed a bill that included a debt limit increase. Rubin shifted money from civil service retirement funds in order to keep the government from defaulting. Thomas said, "Maybe O'Neill ought to look at it and see if it's something he could adopt." Ironically, the GOP accused Rubin, at the time, of possible constitutional violations in his effort to keep the government functioning.

The CFR Spreads Fantasies Of New War And Empire

by Jeffrey Steinberg

The New York Council on Foreign Relations, the American branch office of the British Royal Institute for International Affairs, has issued a public call for a full-scale war on Iraq, as a stepping stone to imperial world government. The declaration for war and empire appeared in the form of two articles in the March/April 2002 *Foreign Affairs*, the Council's bi-monthly journal.

In addition to the publication of the articles—by Kenneth Pollack, deputy director of the CFR's national security studies program, and Sebastian Mallaby, former Washington bureau chief of the London *Economist*, now with the *Washington Post*—*EIR* has confirmed that CFR officials have been traveling around the United States, soliciting support from leading regional political and financial circles, for the Iraq war scheme. And former Secretary of State Henry Kissinger, the self-professed British agent and leading light of the CFR, has launched a personal diplomatic offensive, in support of the H.G. Wells one-world scheme—including the need for a “lovely little war” to replace Saddam Hussein.

‘Suitcase Nuke’ Scare Stories

Because there is not a shred of evidence credibly linking Saddam Hussein to the Sept. 11 attacks on the World Trade Center and the Pentagon, the rationale being put forward to justify an invasion of Iraq is the threat that Saddam will soon possess “weapons of mass destruction.” In furtherance of this scare story, *Time* magazine published a preposterous black propaganda story in its March 4 edition, claiming that terrorists are believed to have obtained a 10 kiloton portable nuclear bomb from Russia, and had been prepared to detonate it in New York City or Washington last October. While the *Time* story acknowledged that the unnamed government source for

the loose nukes tale, code-named “Dragonfire,” was thoroughly discredited, and the portable nuke story was shown to be a complete hoax, the incident gave *Time* the pretext to flash scare-'em headlines, “Can We Survive the Next 911?” The *Time* story was widely circulated by Rupert Murdoch's *New York Post* and Fox TV News, and the *Washington Post* gave the hoax front-page treatment on March 3.

Some cooler heads on Capitol Hill moved to counter the propaganda barrage. On March 6, Senate Foreign Relations Committee Chairman Joe Biden (D-Del.) took testimony from three nuclear weapons experts, who debunked the idea that terrorists could easily access and explode “suitcase nukes.” They also gave solid scientific evidence that terrorists would not be able to inflict mass casualties, even if they were able to detonate a “dirty bomb,” which would spread radiation poisoning.

The Policy Decision Has Been Already Made

While sources in and around the Bush Administration continue to insist, in private discussions with *EIR*, that there is no final decision on a military operation to effect a “regime change” in Baghdad, mounting evidence suggests that this is a lie, and that the primary purpose of Vice President Dick Cheney's tour of 11 Middle Eastern countries, beginning on March 15, is to arm-twist the Arab world into accepting the inevitability of an American-run military campaign to oust Saddam from power sometime this year.

According to one Pentagon source, the accelerated campaign to crush the Taliban and al-Qaeda forces holed up in Afghanistan is, in part, driven by the need to prepare the 101st Airborne Division and the 10th Mountain Division for redeployment to the Persian Gulf.

Active duty U.S. military officers have told *EIR* that there is a rush to cobble together an “Afghan Army,” dominated by regional warlords and opium lords, to create a “Potemkin Village” appearance of victory and stability in Afghanistan, and to justify the redeployment of the American front-line combat-ready units to the Iraq theater, perhaps as early as late Summer. There is also a growing concern about “the fatigue factor” in Afghanistan, as more U.S. combat aircraft crashes occur as the result of pilot and maintenance crew exhaustion. Much of this has been so far kept out of the media.

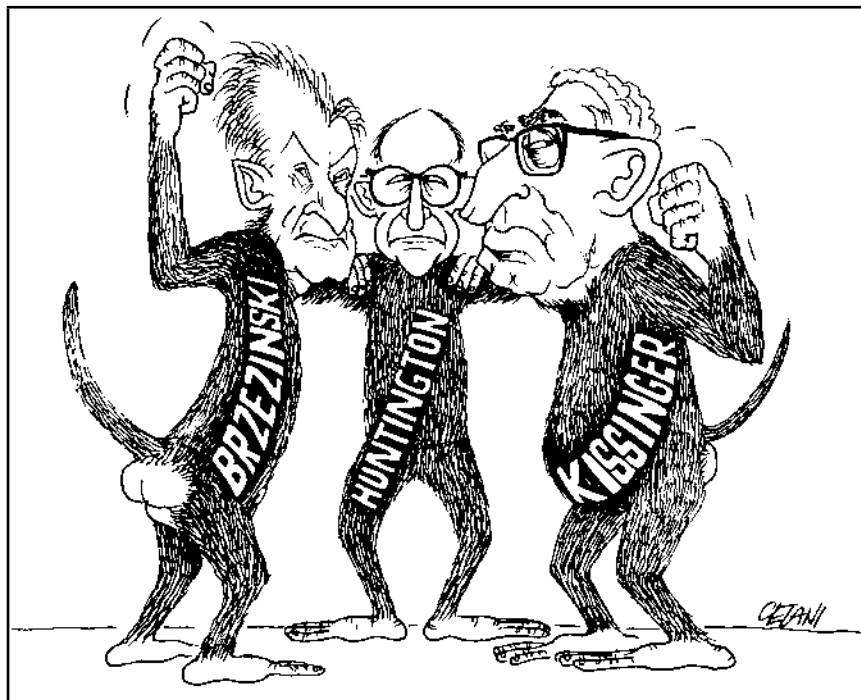
U.S. 2004 Presidential pre-candidate Lyndon LaRouche warned, during a Presidents’ Day weekend conference, that U.S. military forces are about to be drawn into an Afghan quagmire—just as British and Soviet forces were drawn in and beaten in the past. The idea of a quick victory and easy exit from Afghanistan—without leaving all of Central Asia in a state of greater instability than it was facing prior to the October 2001 start of the war—was preposterous from the outset.

A Utopian Scheme for ‘Regime Change’

Such reality factors appear to be of no consequence to the mad utopians planning the war on Iraq. In this context, the Kenneth Pollack *Foreign Affairs* article deserves special attention. Prior to taking the post of CFR Deputy Director for National Security Studies, Pollack had been the Director for Gulf Affairs at the National Security Council (1999-2001).

Just before joining the Clinton Administration, while a Senior Research Professor at the National Defense University, Pollack had co-authored another *Foreign Affairs* article, published in the January/February 1999 issue, tearing apart idea of a “rollback” of Saddam’s power. Pollack and his two co-authors, Gideon Rose and Daniel Byman, had warned that any effort at “regime change” in Iraq would produce a fiasco equal to the 1961 Bay of Pigs attempt to overthrow Fidel Castro in Cuba.

After singling out then-Undersecretary of Defense (now Deputy Secretary of Defense) Paul Wolfowitz as the leading proponent of “rollback,” Pollack et al. wrote, “Even if rollback were desirable, any policy to achieve it would have to pass three tests to be considered seriously. It would have to be militarily feasible, amenable to American allies whose cooperation would be required for implementation, and acceptable to the American public. . . . For the United States to try moving from containment to rollback in Iraq would be a



terrible mistake that could easily lead to thousands of unnecessary deaths.”

How things changed in just three short years! In the March/April 2002 *Foreign Affairs* article, “Next Stop Baghdad?,” Pollack bluntly declared, “The United States should invade Iraq, eliminate the present regime, and pave the way for a successor prepared to abide by its international commitments and live in peace with its neighbors.”

Pollack explained his change of heart. The previous containment policy, he argued, has failed to prevent Saddam from rapidly gaining access to weapons of mass destruction (WMDs), and the majority of nations of the world have lost the will to maintain the sanctions. With Saddam in possession of WMDs, the idea of deterring Iraq from waging war against Israel, or even its Persian Gulf neighbors, is tenuous, at best, he argued. “With containment eroding and deterrence too risky, some form of regime change is steadily becoming the only answer to the Iraqi conundrum.”

Pollack argued that a war on the model of the recent American “success” in Afghanistan would run too high a risk of failure, given the size and capabilities of the Iraqi military forces. Any idea of an internal coup d’état against Saddam by top military or the ruling Ba’ath Party circles is preposterous. And the array of exile opposition groups, typified by the London-based Iraqi National Congress, would have zero chance of overthrowing Saddam.

His solution: A full-scale U.S. military invasion. “All told, the force should total roughly 200,000-300,000 people: for the invasion, between four and six divisions plus supporting units, and for the air campaign, 700-1,000 aircraft and any-

where from one to five carrier battle groups (depending on what sort of access to bases turned out to be possible). Building up such a force in the Persian Gulf would take three to five months, but the campaign itself would probably take about a month, including the opening air operations.”

Pollack admitted that the diplomatic fallout would be far more devastating than the military losses. However, here again, he blustered, “Although both the Saudis and the Kuwaitis have said they do not want the United States to attack Iraq, the consensus among those who know those countries’ leaders well is that they would grudgingly consent if the United States could convince them it was willing to use the full range of its military capabilities to ensure a swift, successful campaign.”

Giving the tip-off to the whole imperial game, Pollack admitted, “Once the country has been conquered and Saddam’s regime driven from power, the United States would be left ‘owning’ a country of 22 million people ravaged by more than two decades of war, totalitarian misrule, and severe deprivation. The invaders would get to decide the composition and form of a future Iraqi government—both an opportunity and a burden.”

Every competent military analyst and Middle East scholar contacted by *EIR* for comment on the Pollack scheme had the identical reaction: “Insane!”

In fact, under present circumstances, with the entire Arab and Muslim world angered at the appearance of total U.S. Administration support for Israeli Prime Minister Ariel Sharon and the Israeli Defense Forces’ genocide against the Palestinian people, any American action against any Arab state would be the trigger for the “Clash of Civilizations” religious war in the Middle East, demanded by the likes of Harvard Prof. Samuel Huntington, former Carter National Security Adviser Zbigniew Brzezinski, Bernard Lewis, Kissinger, et al. In short, a U.S. “invasion” of Iraq would detonate a new Thirty Years’ War on a global scale.

The New Imperium

The fact is, the Anglo-American financial oligarchy is promoting just such a “Clash of Civilizations”—for the same reasons that Averell Harriman, Montagu Norman, and other Anglo-Americans bankrolled Hitler and the Nazi Party in 1933. These oligarchs saw the orchestration of a global war as a means of retaining their power, under the conditions of a global collapse of the financial and monetary system, which was the basis for their world domination.

Their goal is the creation of a new imperium. The Pollack scheme for provoking such a war by an American invasion of Iraq was carried to its logical conclusion in the second seminal piece in the March/April 2002 *Foreign Affairs*, Sebastian Mallaby’s “The Reluctant Imperialist—Terrorism, Failed States, and the Case for American Empire.”

Mallaby, an Oxford University graduate and longtime

employee of the City of London’s flagship journal, *The Economist*, spelled out a detailed blueprint for the creation of a one-world agency, to impose order on those parts of the globe under siege by terrorists, drug smugglers, and other criminals.

Mallaby candidly admitted that the threat posed by terrorists, drug traffickers, and organized criminals would not normally “conjure up an imperialist revival, if the West had other ways of responding. But experience has shown that non-imperialist options—notably, foreign aid and various nation-building efforts—are not altogether reliable.”

Mallaby’s alternative: “White man’s burden.” The United States, he argued, must rise to the imperial moment. “Might an imperial America rise to fill the gap?” he asked. “The logic of neoimperialism is too compelling for the Bush Administration to resist. . . . The chaos in the world is too threatening to ignore, and existing methods for dealing with that chaos have been tried and found wanting. . . . A new imperial moment has arrived, and by virtue of its power America is bound to play the leading role. The question is not whether the United States will seek to fill the void created by the demise of European empires but whether it will acknowledge that this is what it is doing. Only if Washington acknowledges this task will its response be coherent.”

Wellsian Doublespeak

Mallaby spelled out a detailed design for a new one-world agency, dominated by the United States, and armed with the military and other force to establish control over regions of the globe that have fallen into chaos. He cited the World Bank and the International Monetary Fund as examples of how to structure such a new agency. “Both institutions reflect American thinking and priorities yet are simultaneously multinational. . . . A new international body with the same governing structure could be set up to deal with nation-building. It would be subject neither to the frustrations of the UN Security Council, with its Chinese and Russian vetoes, nor to those of the UN General Assembly, with its gridlocked one-country/one-vote system.”

The new international agency envisioned by Mallaby “would assemble nation-building muscle and expertise and could be deployed wherever its American-led board decided. . . . Its creation would not amount to an imperial revival. But it would fill the security void that empires left—much as the system of mandates did after World War I ended the Ottoman Empire. The new fund would need money, troops, and a new kind of commitment from the rich powers—and it could be established only with strong U.S. leadership.”

Mallaby’s scheme for an American-led foreign legion, modelled on the Roman legions of old, is not new. Such plans for a post-nation-state American imperium were at the heart of H.G. Wells’ 1928 *The Open Conspiracy*, and such post-World War II “Open Conspirators” as William Yandell Elliott and Robert Strausz-Hupé, the mentors of Kissinger, Brzezinski,

ski, and Huntington, openly discussed precisely such schemes during the 1950s and '60s.

What gives urgency to the present revival of this imperial fantasy is the fact that the sponsors of this plan orchestrated the events of Sept. 11, 2001, and are now pressing for a war on Iraq, that would trigger global conflagration. These utopian madmen cannot succeed in creating their one-world imperialism, but they can set events in motion that plunge the planet into a dark age of death and destruction that would last for several generations.

'Neo-Imperialism' Is Utopian-Speak for 'American Suicide'

by Stanley Ezrol

The March/April issue of the New York Council on Foreign Relations journal *Foreign Affairs*, signals the intention of the Council and the "New British Empire Utopian" faction it represents, to use the crisis it created surrounding events of Sept. 11, to implement a century-old plan to destroy the United States of America and reorganize it as the enforcer for a global Roman-style empire. As damning as the content of this *Foreign Affairs* issue is, on its own, an understanding of the history of the policy it promotes, of which its authors are, or ought to be, aware, indicates that the intent of the Council's Utopians, now, is to plunge the world into an unprecedented war of destruction, which no nation is slated to survive.

The lead article, "The Reluctant Imperialist," by Britain's Sebastian Mallaby, the accompanying demand for an immediate invasion of Iraq by Kenneth M. Pollack, and Edward Morse and James Richard's sly suggestion that the United States, in cooperation with Russia, now has an opportunity to break Saudi Arabia's power in the world oil market, all claim that circumstances of the last decade, and especially the last six months—in particular the endurance of Saddam Hussein's government in Iraq—compel the United States, against its will, to assume the mantle of a new Rome, dispatching its legions in conquest of the planet. The truth is, that there is nothing of significance in their proposals which has not been the policy of the Council's Utopian, H.G. Wells "Open Conspiracy" crowd, since no later than the closing months of World War II, when Saddam Hussein was only eight years old.

What is revived in the Council's present proposals is the ghastly presence of deceased Council member William Yandell Elliott, the Tennessee Templar heir of the legacy of the Ku Klux Klan, who was trained by Britain's Oxford

University New British Empire "Round Tables," and then installed at Harvard University, where he became the guru to the "Clash of Civilizations" policy faction exemplified by Foreign Policy Research Institute (FPRI) founder Robert Strausz-Hupé, Carter National Security Adviser Zbigniew Brzezinski, Harvard Prof. Samuel Huntington, and former Secretary of State Henry Kissinger (see Lyndon LaRouche, *Brzezinski and September 11*, *EIR*, Jan. 11, 2002).

Empire, Not Nations

At the beginning of World War II, Elliott participated, along with other "Open Conspirators," in a demand, titled "The City of Man: A Declaration of World Democracy," that the United States join that war for only one purpose, namely, to conquer what it called "the heresy of nationalism," and establish one global empire with only one effective military and law enforcement body, and one religion to which all other religions and educational and community institutions must be subordinate. Although this demand used the war to justify the urgency of the call, it is essentially identical to the views Elliott had expressed, as a recruit to the British Round Table movement, through books such as *The New British Empire* and *The Need for Constitutional Reform*, since his study at Oxford University, 18 years earlier.

Immediately after the war, Elliott pronounced new reasons for the same policy. In an article first published in 1946 in the *Virginia Quarterly Review*, and then revised for inclusion in his 1949 Harvard textbook, *Western Political Heritage*, he argued that "the bomb" made the plan all the more urgent. After asserting that a nuclear bomb could be delivered in "a suitcase," and claiming that "any moderately industrialized country which has access to uranium and one or two other readily accessible materials can manufacture bombs of much greater destructiveness than those already used, within a matter of a few years at the most," he says that the only important question "is how a future world order is going to be created that will succeed nationalism."

The most formidable opponent of this new order is not communism, he says, but Russian and Chinese "nationalism," including that of then-U.S. ally Chiang Kai-shek. He says that not only must those nations be crushed "at all costs," but that this must include "a surrender of our own sovereignty to whatever degree is necessary to get a sufficient strength mobilized in Western Europe and elsewhere to deter aggression. It means accepting . . . world control of atomic energy with no reservations whatsoever."

Slave States Are Not United Nations

In the March/April *Foreign Affairs*, Mallaby says that "poor countries" are becoming increasingly disorderly and must be placed under "imperial restraint." He argues that the structure of the World Bank and International Monetary Fund (IMF), dominated by their leading stockholder, the United



Anglo-American calls for empire are always—whatever the claimed need for global imperial action—calls for the re-subjugation of America to the British system and British ideology. This was true of Cecil Rhodes’ white man’s burden, Churchill’s “Iron Curtain” speech, and today’s “New American Empire” propaganda.

States—rather than the United Nations, in which the Security Council veto can be exercised by any one of five powers, and in which all nations have an equal General Assembly vote—must be the model for the new Empire’s structure. In this argument, he precisely follows Elliott’s formulation of 45 years ago.

In two papers prepared for Strausz-Hupé’s FPRI, Elliott explained why and how he thought the old colonial system should be reorganized and maintained. In a chapter he drafted for Strausz-Hupé’s anthology, *The Idea of Colonialism* (edited by Robert Strausz-Hupé and Harry W. Hazard [New York: Praeger, 1958]; quotations here are from Elliott’s draft, William Yandell Elliott Archives, Hoover Institution, Box 96), he debunked the “general liberal prejudice that freedom is *natural*, and, therefore, wherever in the world human beings inhabit a territory which has been bound together by any political ties, the ‘natives’ should rule themselves. Just because history has placed them there, this is sometimes stretched to justify their ‘ownership’ of the territory’s resources and right to determine its rate and manner of development.” Any argument for these nations’ freedoms, Elliott asserted, is a Soviet ploy to “become their master and through them the master of the resources of the world.”

He refers to this idea not as a “liberal prejudice,” but as a “Marxian doctrine.”

Not only must sovereignty be denied most of the former colonial territories, including virtually all of Africa, Southeast Asia, the Philippines, and the then remaining British colonies in South America and the Caribbean, but, he insisted, “the West” has absolute rights to the resources of these regions, especially their oil, just as a nation’s right of *eminent domain* is recognized within a nation’s boundaries. This, he argued, is perfectly fair, because “the West” allows its resources to be sold on “the market,” and any region able to raise the purchase price (despite confiscation of its resources by “the West”), therefore, has full access to the resources of “the West.”

In November 1957, the same year his “Colonialism” chapter was prepared, Elliott delivered an address, “Ethics in the International Community: The UN and the U.S.,” as the William Green Lecture at Westminster College, Fulton, Missouri. This is the same event which had been the venue for Winston Churchill’s 1946 “Iron Curtain” speech, which ought to be remembered less for its anti-Soviet character, than for its proposal that the United States again subject itself to British rule. It has otherwise provided a stage for British Empire fanatics

including former British Prime Minister Lady Margaret Thatcher.

In that speech, which was edited for inclusion in a Strausz-Hupé anthology on the UN, Elliott insisted on a duel to the death with “Communism,” saying, “The conflict for establishing what is to become the moral basis for the true international community of the future is, in the ultimate showdown, a genuine conflict of moral values, and to the death of one or the other, or its change to another system.” Today’s *Foreign Affairs* war-monger, Robert Kaplan, admits that his predecessors were wrong about the need to crush communism through global war, but he glibly asserts that he’s right about Saddam.

Elliott’s objections to using the UN structure for this “community,” were exactly the ones which Mallaby repeats today: the inability to enforce rule on any of the “Great Five” powers with Security Council veto rights, and the equality of national representation in the General Assembly. “What gives the views of Yemen any legitimate right to equal representation with, say, those of Canada or Germany in the shaping of the world’s future?” Elliott asked. In numerous addresses to war colleges, in which he was attempting to recruit military officers to his “Round Table” cult based on the legends of King Arthur and other fairy tales, he would make remarks to the effect that most of the UN membership

were not real nations. “The African nations especially are *tribes*,” he would say, or he would refer to “so-called nations like British Guiana,” along with similar cracks about the other nations of Ibero-America, and even India. For this reason, he pointed, as does Mallaby today, to the superiority of the IMF-World Bank rule by shareholder value (see William Yandell Elliott Archives, Hoover Institution, War College addresses, notably, “Leadership as a Factor of National Power,” Box 66).

The ‘American Heresy’

Elliott and Strausz-Hupé based their call for a “New British Empire” on the threat of Soviet Communism. Since this threat no longer exists, we ask what Mallaby and Elliott’s other Council on Foreign Relations disciples are worried about now? The answer is, that they are determined to destroy what Elliott feared above all: The American Intellectual Tradition, or what Elliott and his cronies among the Nashville Agrarians and the pro-Medieval Catholic, “Distributist” movement call “The American Heresy.” The way this works is described in *Brzezinski and September 11*, and in “Seduced From Victory: How the Lost Corpse Subverts the American Intellectual Tradition” (Stanley Ezrol, *EIR*, Aug. 3, 2001), but it’s necessary to briefly restate the case here.

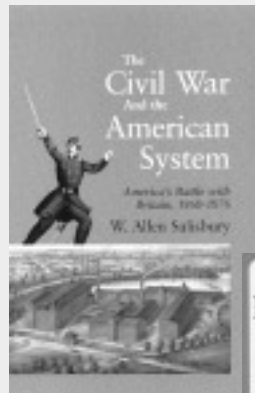
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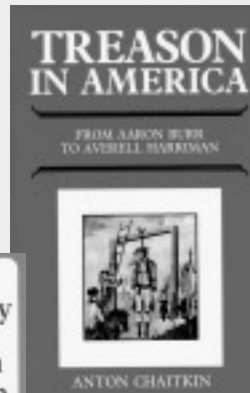
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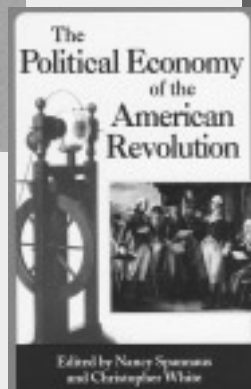
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organs, an Institute for American Strategy “Conference on Education and Freedom in a World of Conflict,” titled “The Soviet Cultural Offensive Against Freedom,” Elliott said, “It is, I think, essential for us to realize that the essence of the greatest real heresy to truth in human history is the doctrine that enshrines man as the creator of the universe, and not the creature of a divine purpose.”

This complaint, which Elliott here described as his complaint against Marxism, is otherwise the Agrarian/Distributist attack against what they call “industrialism,” or the “American System.” Immediately preceding this remark, Elliott said, “The Communist-Socialist world is today the greatest ‘monopoly capitalism’ that the world could ever have created” (Elliott Archives, Hoover Institution, Box 29). This is the same idea which Elliott otherwise referred to as the “heresy of nationalism,” or the “sovereignty of nations,” which his Cold War, and his successors’ Clash of Civilizations policies, are dedicated to eliminate from the earth.

A study of the work of Elliott and his Nashville Agrarian confederates leaves no doubt that the “heresy” they aim to stamp out is not Communism, but Americanism. In the Agrarians’ founding manifesto, *I’ll Take My Stand*, they described their movement as supporting a “Southern way of life against what may be called the American or prevailing way . . . Agrarian versus Industrial.” They explained the relationship between the American system and the Communist: “The true Sovietists or Communists . . . are the Industrialists themselves. They would have the government set up an economic super-organization, which in turn would become the government. We therefore look upon the Communist menace as a menace indeed, but not as a Red one; because it is simply according to the blind drift of our industrial development to expect in America at last much the same economic system as that imposed by violence upon Russia in 1917.”

On a deeper level, what Elliott and his confederates objected to, and caricatured in statements such as Elliott’s above, is the idea in Christianity known as the *filioque*: the idea that Christ, who is fully human, also shares fully in the capacity of the Creator. Elliott’s mentor and life-long friend, Agrarian John Crowe Ransom, explained in *God Without Thunder*, his call for an upsurge of religious fundamentalism: “There never was a civilization so ‘productive’ as this one of the modern West. . . . And that fact is certainly the consequence of a religious faith: It is due to the worship of a Logos. . . . Its religion is the worship of the Man-God Christ, the closest approach to pure secularism that a religion has ever made. . . . Perhaps the most critical moment in our history—if we had to fix precisely upon one—was just such a moment as that: *the moment when the Roman Church sanctioned the doctrine of Filioque*. In that moment Occidentalism emerged as a definitive historical polity which was to glorify the rational principle and deny the irrational princi-

ple. . . . Western empire has developed out of that choice, and Western science, and Western business.”

Some Americans may have fantasies of world conquest today, just as Napoleon, and later Hitler, dreamt of conquering Russia, as a springboard to global Empire. But it is the American Intellectual Tradition, of man created in the image of God, and of nations designed by creative human beings to use science in the service of the General Welfare, that the Council’s Utopians sought to destroy six decades ago, using the bogey man of Communism. It is that same tradition which they wish to destroy today, using the bogeyman of Islam.

Book Review

Portrait of an Instant Imperialist

by Tony Papert

Warrior Politics: Why Leadership Demands a Pagan Ethos

by Robert D. Kaplan

New York, Random House, 2002

198 pages, hardbound, \$22.95

This acutely embarrassing little book is not what it at first appears to be; namely, the ingenuous musings of a participant in what Kaplan calls the “nouvelle cuisine culture,” on his just coming away from his first encounter with classics, so-called.

Why not, and what is it really?

First: what is “paganism”? Are paganism and its advocacy the same thing today, as was the outward acceptance of legally-mandated Athenian or other religious observances, for example, by Socrates, Plato, and their associates in their own time? Ask whether a deliberately infantile adult, is the same thing as a normal infant. Or is the militant homosexual, who tries to win converts to a cult of homosexuality, the same thing as someone who only considers himself a homosexual, because he experiences homosexual urges?

Evidently not. If Plato and Socrates were alive today, they would be Christians (leaving aside the near-universal misuse of that term in the United States), not pagans—as has been

known to all educated Christians since at latest the time of the Apostle Paul.

Though slightly different in appearance, the “paganism” which Kaplan advocates, is exactly the same thing as the “humanism” (here a deliberate misnomer) of SUNY Professor Paul Kurtz, his magazine, *The Realist*, and his International Humanist Association. And what are they? This we at *EIR* know in great detail, because Kurtz has always publicly stood out as a prominent, embittered enemy of *EIR* founder Lyndon LaRouche, and his associates and his causes, for well over three decades now.

Perhaps a recent illustration will make the point. During the height of the controversy over “fetal stem-cell research” last year, Kurtz’s International Humanist Association placed full-page newspaper ads in major press. The ads militantly advocated that fetal stem cells from any and all sources be used, but gave what, to some, may seem outlandish grounds for this. Potential human beings must be consumed and destroyed in research and in medical treatment on the largest possible scale—so the “humanists” wrote—not so much in order to “save lives,” but precisely for the purpose of making it vividly clear to everyone, that there is no distinction whatsoever between man and animal!

On thinking it over, this reasoning would serve better as a justification for cannibalism, rather than simply for this so-called research. Indeed, not merely a justification for cannibalism *per se*, but a rationale for the widest and most public practice of cannibalism. One wonders whether Kurtz and his buddies practice cannibalism. Perhaps there is a reader who can inform us.

Who Wants To Worship Tiberius?

To those who know, what “paganism” means in any context like Kaplan’s, is just the same as Kurtz’s so-called humanism; namely, the Manichean worship and pursuit of *evil as evil, evil for the sake of evil*, as by the pagan or, better, paganist Friedrich Nietzsche. It is for this reason that “neo-pagan” is the most popular euphemistic self-description of contemporary Satanists and witches.

Its political correlative is the drive to revive the Roman Empire, as the temporal reign of evil, as it was rightly portrayed, for example, by Saint Jerome. Those who have tried to do this in modern times are called fascists.

In the last century, in addition to fascist movements as such, the Frankfurt School and sections of the Paris-based Comintern apparatus shared just such Manicheanism as their secret doctrine. Today’s so-called neo-Conservatives, as well as the Paul Kurtz mentioned above, are generally the next generations of such Cominternists. Their Cominternist fathers or predecessors had generally formed connections with Wall Street intelligence outfits or British intelligence, sometimes working for Soviet secret intelligence at the same time.

Likewise the Manicheans and British triple agents,

Philby, Burgess, and Maclean, came from similar intersecting milieux.

Now, Robert D. Kaplan is apparently a bohemian travel writer, who taught himself political philosophy in order to understand the countries through which he was travelling. From simple travelogues, he turned toward articles about “dysfunctional” cultures and societies in the *Atlantic Monthly*, so that one wag has said that his next book should be titled, *Failed States on \$5 a Day*. If you are familiar with his writings, you may think that, far from having the intentions I have ascribed to him, he would be unable even to understand them.

But think again. After ten chapters providing simple glosses on various “classics,” usually artless attacks on Christianity and its morality, Kaplan concludes his book with a chapter-long eulogy to the Roman Emperor Tiberius.

Why this? What sort of “classic” is this? Kaplan does not say. But obviously he or his mentors, Francis Fukuyama and Sir Isaiah Berlin, know. It was Tiberius who gave the order to kill Christ. For centuries since, Tiberius and his wife have been worshipped as Antichrist. Hitler and Axel Muenthe tried to acquire his estate on the island of Capri. It was a magnet for Maxim Gorky and many others of this ilk. Now, it makes perfect sense.

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A New Pollard Affair?

Two major Israeli-linked spy scandals, first revealed by *EIR*, have exploded in recent weeks, proving our forecast that they were simply too big to bury. The scandals pose a question of vital importance to anyone concerned about U.S. national security: Is this a new Pollard affair?

In November 1985, civilian U.S. Naval Intelligence analyst Jonathan Jay Pollard was arrested and charged with spying for Israel. Pollard was convicted and is still in Federal prison, but investigators never succeeded in capturing his top-level U.S. accomplices, known as the “X Committee.”

Now, a new Israeli spy scandal, first revealed in *EIR*'s Executive Alert Service on Dec. 4, 2001, has grabbed international headlines. The French daily *Le Monde* on March 6 reported that, in the 18 months prior to the attacks of Sept. 11, 2001, more than 120 Israelis were detained by U.S. authorities for spying on Federal law enforcement facilities, the private homes of senior intelligence officials, and military bases. A 60-page draft report on the spy apparatus, prepared by Drug Enforcement Administration investigators, has been leaked to the press, and DEA officials have confirmed its authenticity.

In at least four instances, the Israeli surveillance teams, usually made up of 6-8 people, were living in the same neighborhoods—in one case, on the same street—as some of the leading suspects in the Sept. 11 attacks. This has prompted some U.S. intelligence and law enforcement officials to charge that Israel had infiltrated the terror cells and had advance knowledge of the Sept. 11 attacks, but did not alert the Bush Administration.

Sources say that, despite the media exposure, the espionage has not been stopped, and, as recently as mid-February 2002, Israeli spy teams were conducting aggressive intercepts of information about the Bush Administration's reaction to the peace initiative of Saudi Arabia's Crown Prince Abdullah. Inside the Federal government, particularly the Department of Justice and the FBI, there is reportedly a “war and a half” under way. Attorney General John Ashcroft reportedly or-

dered FBI Director Mueller and DEA Director Hutchinson to “get this story off the front pages.”

The Jan. 11, 2002 issue of *EIR* featured a lead story, under the headline “Israeli Spies Scandal Is Too Big To Bury.” We were right. We were also right, back in 1993, when we published the second edition of the underground bestseller book, *The Ugly Truth About the ADL*, featuring a new introductory chapter, titled “Since the First Printing: ADL in Middle of a Spy Scandal Too Big To Bury.” The scandal involved top officials of the Anti-Defamation League of B'nai Brith's Fact Finding Department, who were caught illegally gathering files on tens of thousands of American citizens, including civil rights leaders, anti-apartheid activists, labor officials, politicians, Arab-Americans, and leaders of the LaRouche political movement.

A year-long probe by the San Francisco Police Department into the ADL spying was ultimately stymied, but not before raids were conducted on the ADL offices on the West Coast, and on the home of Roy Bullock, the ADL's West Coast spy boss.

A civil law suit against the ADL was filed by former U.S. Rep. Pete McCloskey (R-Calif.). Last month, after nine years of litigation, the ADL reached an out of court settlement, and, in addition to a \$128,000 payment, agreed that the trial records would be released to the public. Among the highlights of those documents: sworn admissions by Irwin Suall, the late director of ADL Fact Finding, and leading “Get LaRouche” operative, that he had travelled to Israel to meet with the director of the Mossad, Israel's foreign intelligence service; and records seized from Bullock's home, implicating him and the ADL in the assassination of a prominent Arab-American activist, Alex Odeh, in 1985.

The “Israeli art student” spy saga, and the ongoing ADL role in fronting for illegal Israeli operations against Americans on American soil, are part of the same seedy tale. Taken together, they may go far beyond the Pollard affair, and may, at last, lay the conditions for cleaning up one of the biggest national security vulnerabilities that the United States has ever faced.

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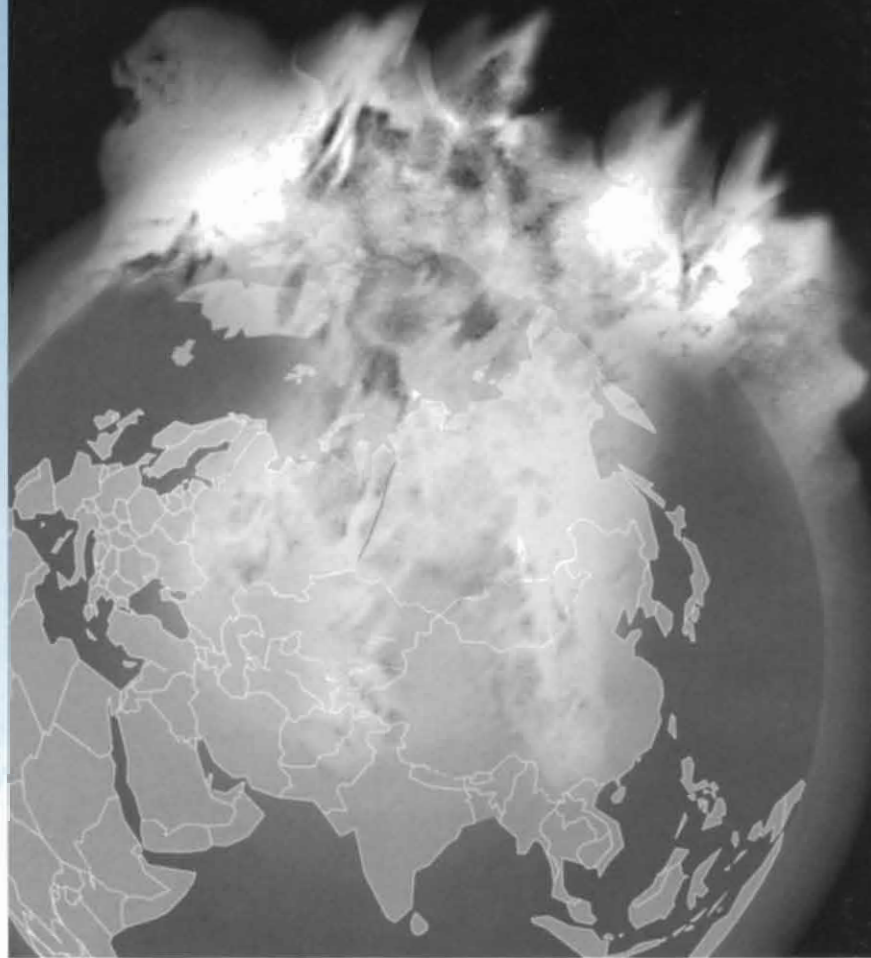
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