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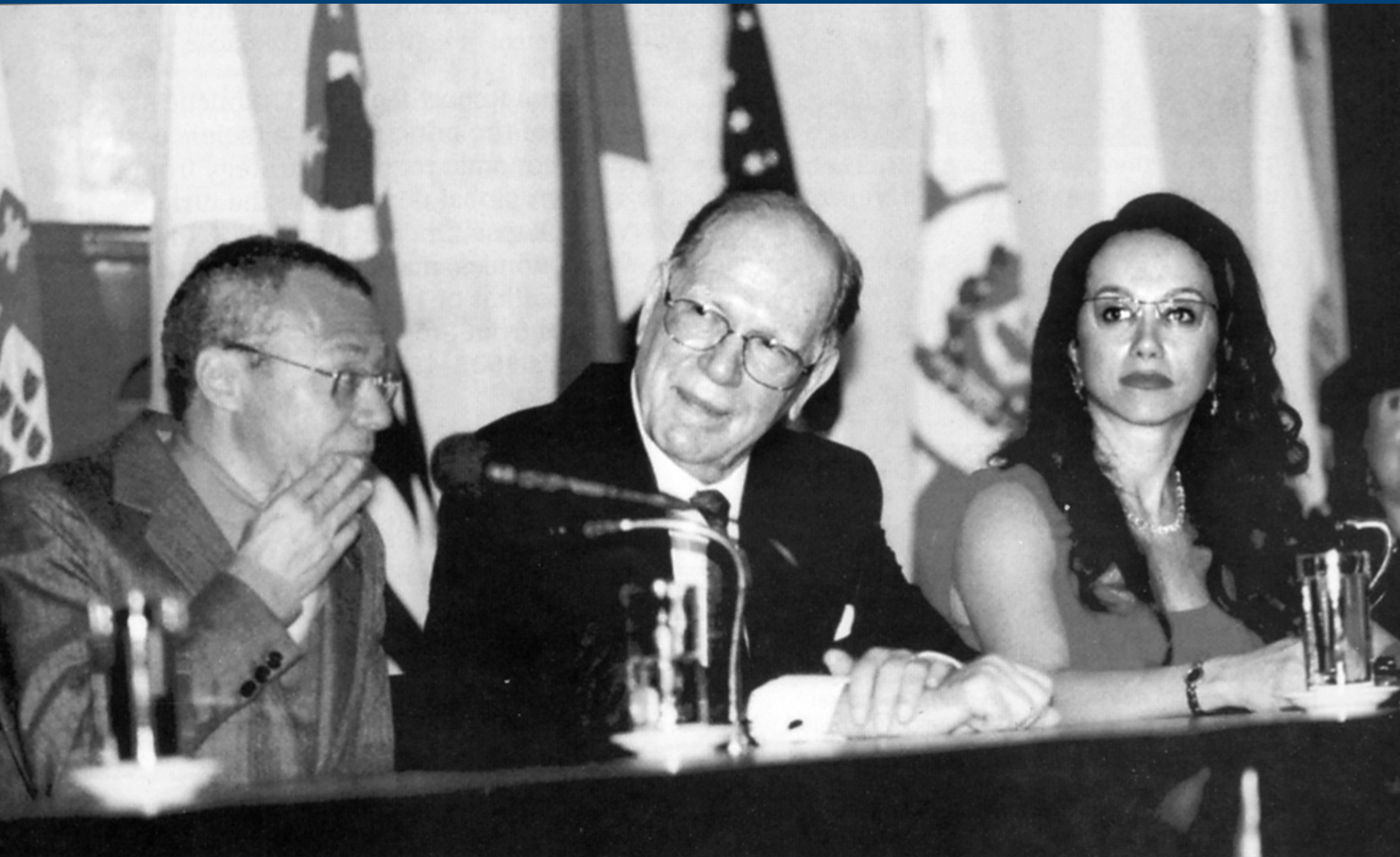
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IMF Shatters Argentina, As Pieces Strike Brazil
New Bush Defense Policy a Strategic Blunder
Both Koreas in Crisis: Land-Bridge the Target

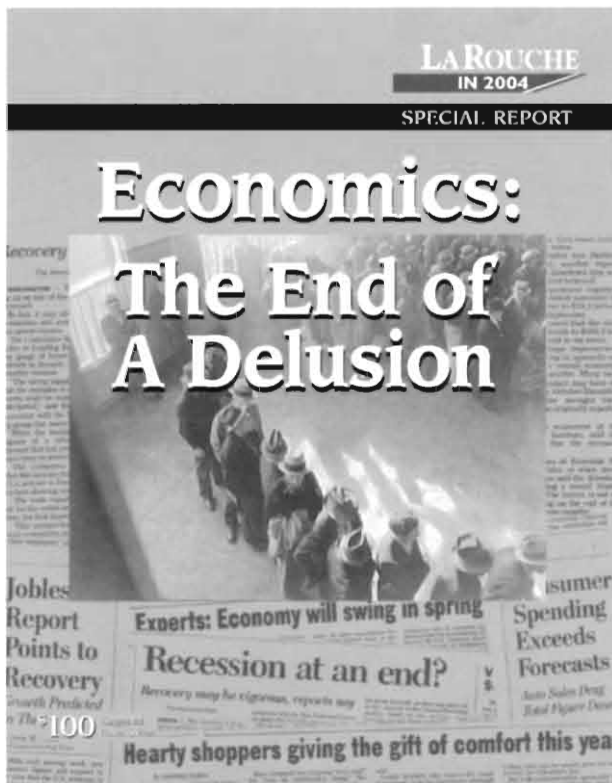
**LaRouche in Brazil: Replace
The Dying Global System**



Economy in Crisis:

Are You Ready Yet

To Listen to Lyndon LaRouche?



"On the time-scale of history, the terminal moment of our nation's recent follies has now arrived. 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 cumulatively disastrous in their net effect."
—Lyndon H. LaRouche, Jr.

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From the Associate Editor

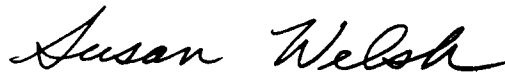
We at *EIR* have been informed by a reliable source that three top advisers to the Democratic Party leadership are circulating a memorandum, telling Democratic candidates for office to stay clear of the issue of the economy: Don't talk about how there is no recovery. Don't say that President Bush and his team are lying, when they claim there is one. Don't pin the economic collapse on Bush—because then people might say that the Clinton-Gore “boom” of the 1990s was nothing but a fraud.

So there you have it. Both the Republicans and Democrats are lying, as the nation and the world plunge daily deeper into the financial and economic catastrophe that Lyndon LaRouche and *EIR*, uniquely, have long forecast. If you're ready for the truth, this is the place to find it.

Do you think it's gotten about as bad as it can get, that things will “bottom out” soon? Then read our coverage of Argentina in *Economics*, and of LaRouche's trip to Brazil in our *Feature*. What those nations face, is what Americans also face.

Read the heart-felt warning to Brazilians from Argentine Col. Adrian Romero Mundani, at the “Brazil-Argentina: Moment of Truth” seminar which LaRouche also addressed. “Everything we have heard from Mr. Lyndon LaRouche and his collaborators for so many years,” the Colonel said, “is no longer the theory of a thinker. . . . Today, this is reality. Argentina is dying, and not slowly.” Have no illusions, he told them; act now, before it is too late. “There is no doubt that, on an international scale, there is a clear and precise orientation, that of Mr. Lyndon LaRouche. Let each nation figure out how to apply it to their own reality, but it's a common orientation for work in common.”

LaRouche sharply emphasized the question of personal responsibility to take leadership, based on the ideas he is putting forward. “If the people trust you, if they believe in those ideas, then under those conditions of crisis, you can be victorious. That's the lesson of history, repeatedly.”



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Lyndon H. LaRouche, Jr. (center) in São Paulo, Brazil on June 12. On the right is City Council member Dr. Havanir Nimtz; on the left is translator Geraldo Lino.



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Correction

In Richard Freeman's article on the U.S. Housing Debt Bubble, *EIR*, June 21; by an editor's error, \$400 billion was incorrectly given as a figure for 60% of home equity loans made each year. In fact, \$400 billion represents 60% of all home equity loans outstanding.

IMF Shatters Argentina As Pieces Strike Brazil

by Cynthia R. Rush

Democratic Presidential pre-candidate Lyndon LaRouche warned Argentines as long ago as March 2001, that the Anglo-American financial oligarchy, acting through the International Monetary Fund, intended to annihilate Argentina as a nation-state; to shatter it economically, politically, and even territorially, and let the chaos resulting from their attempts to collect an unpayable debt, unleash havoc in Ibero-America and beyond. Incredible? It has happened. London and Washington will now stare at what—in their parlance—is a *bona fide* “failed state,” destroyed by their own lunatic demands.

“Why is the crazy IMF sending these gravediggers down to Argentina?” LaRouche asked a June 13 gathering of businessmen in São Paulo, Brazil. “[They are] demanding conditions of Argentina, which are causing the disintegration of Argentina as a nation. Why are they doing that? To maintain the principle that any debt which is owed to New York bankers will be paid, if they have to sell the Argentine babies for hamburger to do it!”

A few decades ago, Argentina was one of Ibero-America’s wealthiest nations, with high living standards, a skilled labor force, 99% literacy rate, and impressive scientific and technological infrastructure. Social mobility was similar to that of many European nations. Today, after 15 years of IMF dictates, reaching a particular vengefulness over the last six months, an astounding 51.4% of its population is classified as poor, according to the government’s own Siempro agency. This collapse into immiseration dwarfs even that of Indonesia in the 1997-98 “Asian crisis.” Since January of this year, poverty has increased at the rate of 762,000 a month, or 25,000 per day. In the first five months of this year, the cost of the basic monthly market basket increased by 35.7%. For the first quarter of this year, GDP dropped 16.3%, the biggest quarterly drop in the country’s history.

“In the land of wheat and cows,” it is now commonplace to see, as Agence France Presse reported on June 7, “armies of people in rags, of all ages, go through the streets of the capital each night, overturning the garbage in search of left-over bits of food.” Whereas people once looked only for left-over food, in recent months they have begun to eat rats, mice, frogs and toads, according to a school director in a poor neighborhood. And, 60% of those reduced to scrounging the dumps for food and recyclables to sell, are former construction, textile, and restaurant workers who lost their jobs in the last five years. The country’s unemployment rate is now 25%.

Anoop Singh, IMF Hatchetman

Any sane observer is horrified at the *extent* of the destruction of Argentina’s physical economy, and the wrenching poverty and desperation of its people. Moreover, as an angry Argentine ambassador warned State Department officials at the Organization of American States (OAS) annual meeting in early June, “with your treatment of Argentina, you are playing Russian roulette with the Southern Cone. . . . If you let Argentina go under, every Latin American country will ask, what’s the use of being a U.S. ally?”

But apparently seeking Argentina’s complete obliteration, IMF Managing Director Horst Köhler on June 11 brought in Anoop Singh, former Deputy Director of the IMF’s Asia Pacific Division, to head up the Western Hemisphere Division, replacing the retiring Argentine, Claudio Loser. Why Singh? In the “Asia crisis,” Singh was known for making demands that toppled governments and ripped apart national economies (see article below). Köhler praised Singh as having “demonstrated strong operational and intellectual leadership in a variety of assignments.”

Unlike previous Western Hemisphere Division chiefs, the



The Argentine financial collapse has completely immiserated and infuriated its population—to uphold New York bankers' debt, "if they have to sell Argentine babies for hamburger to do it!"

Oxford-educated Singh was deemed, by IMF Deputy Managing Director Anne Krueger, to possess sufficient brutality to deal with the very weak Argentine government of President Eduardo Duhalde. Singh's latest post had been Special Operations Director, with the authority to go over the heads of other "lenient" Fund officials and to be tougher with Argentina.

Now that he is Western Hemisphere chief, Singh, Krueger and Köhler form what the daily *Clarín* called a "very rigid bloc." It is ominous, too, *Clarín* said, that while Singh is Indian, "he studied at Oxford and thinks and acts like an Englishman."

In every action taken in recent weeks, the IMF has shown that its only intention is to accelerate Argentina's disintegration. With economic and social upheaval worsening daily, and against strong Congressional and provincial opposition, the Duhalde government went through tortuous deal-making and political maneuvering to comply with the three demands that the Fund had established as conditionalities for the start of formal negotiations for a new agreement: changing the bankruptcy law, overturning the economic subversion law, and signing bilateral austerity agreements with each province.

Yet once the demands had been met, albeit partially, Horst Köhler announced in a June 4 interview with Reuters, that the formal negotiations which the government so desperately sought could not begin, because Buenos Aires hadn't yet produced a "credible framework" for an economic program. Nor can there be talk of specific amounts of money that might be made available, he said. "It's always a mistake to talk about numbers before talking about policy." The Fund complained that of the three conditionalities, only the changes to the bankruptcy law had been done correctly. The Congress had incor-

porated articles from the Criminal Code into legislation overturning the economic subversion law, such that bankers charged with financial crimes could still be prosecuted. This would not show the proper friendly attitude toward investors, the IMF said. Moreover, the austerity agreements signed by provinces are only preliminary ones, and must now be made "definitive," requiring further negotiations.

Singh then, in a harshly worded, confidential memo to the IMF's board, demanded new conditionalities, warning that "we won't move forward" until there is "greater clarity on the policies Argentina will apply." Several IMF country directors opposed Singh, worried that stonewalling aid to Argentina would exacerbate a visibly growing Brazilian and regional crisis. But he imperiously demanded the government drop its plan to gradually ease up on the bank deposit freeze, and that it allow privatized utility companies to raise their rates.

Creating a 'Failed State'

When an IMF mission finally did arrive on June 13, led by Singh's underling, Englishman John Thornton—his nickname, appropriately, is "the undertaker"—it became clear almost immediately that the Fund had no intention of a quick agreement. By June 14, there were widespread rumors in Buenos Aires that the U.S. Treasury and State Department were backing an IMF strategy to delay for as long as possible, creating such instability and uncertainty, that Duhalde would be forced to call early Presidential elections. U.S. Ambassador James Walsh was forced to issue a statement June 15, denying that the Bush Administration backed any such strategy.

The government's anxiety for an agreement is driven by

the fact that it must make debt payments on July 14 and July 17, to the IMF and the Inter-American Development Bank, totalling \$1.7 billion. Until now, the government has dipped into rapidly dwindling reserves to pay multilateral lending agencies, like the IMF and World Bank. But on June 14, Finance Minister Roberto Lavagna said this would no longer be done, implying that the only other option would be to default. But now Lavagna is said to be lobbying for a short-term “emergency” agreement for at least \$5 billion to meet payments to the IMF and IADB. This after IMF External Affairs Director Thomas Dawson told a June 19 press conference that Argentina hasn’t yet produced the “sound macro-economic framework” the Fund requires to make a broader agreement.

Thus it’s no surprise that policymakers in Washington and Buenos Aires now debating categorizing Argentina as a “failed state,” requiring a supranational protectorate, 19th-Century style. In its June 9 “Zona” supplement, *Clarín* reports that the proposal by MIT economists Rudiger Dornbusch and Ricardo Caballero, to send in a team of foreign experts to manage Argentina’s finances, as just the tip of the iceberg of a much broader debate taking place over what to do with “unruly” Argentina.

IMF’s Anoop Singh: Subversion in Asia

by Michael Billington

Anoop Singh, the International Monetary Fund’s new potentate for Ibero-America, takes over a field of spreading economic crisis largely created by IMF policy, with clear intention to worsen it by murderous demands for more extreme austerity than that which has already been demanded and failed. Singh has a substantial dossier of subversion against both economies and governments in Asia, where he served as IMF Deputy Director for the Asia and Pacific from 1998 to 2002. In that period he played a decisive role in bringing down governments, and destroying national economies across Asia, including those of Thailand, Indonesia, the Philippines, and forcing South Korea to surrender sovereignty over its banking system. He is a malevolent enforcer of a



Anoop Singh

dying system.

Singh was head of the IMF Mission to Thailand in 1997, at the time of the assault on the Thai currency, the baht, by George Soros and other hedge-fund speculators. Soros and his fellow thieves took out huge positions against the baht, starting in late 1996, forcing the government to defend the currency (and the economy) by buying forward positions which promised to sell dollars in the future at a fixed rate. Soros personally had more money to deploy in this assault than the entire quantity of baht in circulation, and intended to make far more, by forcing the devaluation of the baht.

But the government of Prime Minister Chavalit Yongchaiyudh fought back, imposing partial controls on sales of the national currency to foreigners (a policy Malaysia would later adopt in a more comprehensive way to defeat speculators). Soros could not get the baht he needed to continue the operation. The Thai government had already pledged its entire dollar reserves to defend the baht, but as long as Soros didn’t know that, and was restrained by the sovereign currency controls, Thailand thought it could survive.

‘Unscrupulous’ and ‘Shameful’

In stepped Anoop Singh, flexing IMF power and bellowing for “transparency.” He insisted that Thailand must not only stop defending the baht, but reveal all its forward positions in the showdown it had been forced into against the gambling casino of globalization. Otherwise, Thailand would face the the IMF’s full wrath, and ostracism.

The government finally revealed its positions to the IMF, in confidence. Within hours, the intelligence that Thailand had pledged its entire reserves was leaked to the hedge-fund pirates, who gleefully moved in for the kill.

When the government later argued against the 20%-plus interest rates imposed by the IMF, Singh responded (in the paraphrase of *The Nation*): “Interest rates can not be brought down because it goes against the theory.” This “theory” destroyed the Thai economy, which remains wrecked today. Chavalit, whose government was brought down by the crisis, later referred to Singh as “unscrupulous,” “irresponsible,” and “shameful.”

For his success in Thailand, Singh was promoted to IMF Deputy Director for Asia and the Pacific. His most important work was in Indonesia, where he helped bring down President Suharto in 1998, Suharto’s successor, B.J. Habibie, and Habibie’s successor, Abdurrahman Wahid—while far more billions of dollars were being drained out of the economy in debt service and flight capital than the IMF was bringing in in loans. More than 30 years of Indonesian development was largely destroyed.

In January 1998, President Suharto was forced to disgrace himself and his nation by stooping over to sign an IMF agreement while a beaming IMF General Manager Michel Camdessus stood above him. Only ten days before Suharto was forced to resign, in May 1998, Singh moderated a meeting at

IMF Headquarters in Washington on the Indonesia crisis. He and others laid out their “theory” of why “weak” Indonesian banks had to be closed. He blamed the crisis on the government’s development policies, whereby “the authorities channeled funding to particular sectors of the economy as part of their economic development plans.” The government’s reduction of poverty over 30 years, for which it had been given UN awards, Singh denounced as “distortions.”

As Indonesia’s parliament prepared to choose a President in the Fall of 1999, Singh intervened to withhold the scheduled IMF loans, over a scandal involving funds from a private bank, Bank Bali. Singh told Indonesia that, even though it was a domestic matter, the IMF “could not just put this aside and move on with the program without fully resolving the issue.”

An audit was ordered by the government, and was carried out by the PriceWaterhouse accounting firm. Government reservations about the validity of several aspects of the final report were scoffed at by Singh (this was long before the revelations concerning the common fraudulent practices of the world’s leading accounting firms), who demanded that the entire report be made available to the press before any IMF funds would be released. The press proceeded to serve as judge and jury against the government, using the PriceWaterhouse report as gospel truth.

Then, in September 1999, IMF cut off all lending—citing a new reason, the East Timor violence—until a new government was installed. This came about in October 1999, with the election of President Wahid by the Parliament. Wahid made some halting efforts to lighten the oppression of the population, over one-third of whom had been thrown into poverty by the financial crisis. Anoop Singh soon intervened to put an end to any practices by Wahid that fell “outside the theory.” Deficit spending, intoned Singh to the Consultative Group for Indonesia on April 23, 2001, “cannot be justified,” since it would “weaken market confidence.” He also crushed Wahid’s plan to borrow funds for development through issuing bonds secured by Indonesia’s vast oil reserves. Singh said this would “jeopardize the seniority of multilateral and official lenders” (i.e., the IMF).

During the years of Singh’s control, Indonesia paid foreign debt service of \$54 billion, not with dollars, but with rupiah which had been subjected to a three-fold devaluation by the speculative assault.

Singh denied a long-expected IMF loan in April 1999, just as a faction in the Parliament was moving to censure President Wahid. Singh visited again in July of that year, and again refused to release the promised funds. This time, the Parliament impeached Wahid. Even the IMF-friendly International Crisis Group acknowledged that the IMF actions had contributed to Wahid’s fall, writing that “the IMF is aware of these views, and knows it is also suspected of helping to bring down Presidents Suharto and Habibie by cutting off loans at key moments.”

Who’s Blocking Out The Sunshine in Korea?

by Kathy Wolfe

Touring Europe last December, South Korean President Kim Dae-jung painted a broad vision urging “the construction of the ‘Iron Silk Road,’ linking Korea with Europe by land,” making Korea the gateway to the Pacific. “When the Trans-Korean railway is linked with the Trans-China or the Trans-Siberian railways, a train leaving London could reach Seoul and Pusan via Paris, Eastern Europe, Central Asia and Siberia or China,” said Kim, “if we link only 14 kilometers of rail” between South and North Korea.

This February, Kim brought President George Bush to Dorasan Station, the gleaming ultra-modern rail terminus which Seoul has built right at the Demilitarized Zone. “President Kim has shown me a road he built: a road for peace,” said Bush. “That road has the potential to bring people on both sides of this divided land together.”

But today, Kim’s government is in disarray, with his Millennium Democratic Party (MDP) defeated in local polling on June 13, and his three sons facing jail or disgrace in a bribery scandal. Just at this time, North Korea is imploding with a refugee crisis as its starving people flee into China, threatening Beijing with international confrontation. Seoul’s opposition Grand National Party (GNP) appears set to win the December Presidential race, and GNP extremists want to rip up Kim’s “Sunshine Policy” for rapprochement with the North. “Get ready to put Korea high on the ‘panic button’ list . . . with Kashmir and the Mideast,” the *Los Angeles Times* wrote.

What caused this virtual coup, and who benefits? The grand vision for the Eurasian Land-Bridge from Paris to Pusan, is what is under attack. The Silk Road program, which Korea, China, Japan, and European nations could create, would produce economic development on the Eurasian continent to rival anything ever seen. Powerful foreign interests will go to great lengths to stop it.

“For 50 years, a utopian faction within the U.S. military, with the financiers of Wall Street and London, has been using Korea,” not for any domestic Korean purposes, but “as the launching point for global destabilization,” *EIR* Founding Editor Lyndon LaRouche noted on June 19. When a war crisis looms in Korea, it is an attempt to shift the global geopolitical balance of power.

Outside Operations

This foreign-run operation against the Korean government began with a transparently manufactured scandal en-



Newly built, still waiting: the Dorasan train station built right at the DMZ by South Korea in 2001, waiting to connect South Korea's rails all the way across Eurasia. It is not yet linked to the North. Severe political crisis has instead been instigated in both Koreas.

trapping the family of President Kim. Prosecutors arrested Kim's youngest son Kim Hong-gul in Seoul on May 18, for taking funds illegally from jailed lobbyist Choi Kyu-sun, in return for exercising influence in business deals. Prosecutors are also about to arrest Kim's second son, Kim Hong-up, on similar charges involving Choi, while leaders of the ruling MDP are calling for the resignation from the National Assembly of Kim's eldest son, Rep. Kim Hong-il.

Korean media ruled "guilty," though it is unclear if any laws have been broken. The shadowy Mr. Choi was the man who personally introduced Anglo-American speculator and drug-legalization booster George Soros to President Kim, when the latter took office at the dangerous height of the "Asian Crisis" in 1997. The promise: Soros would help Korea out of the very financial mess, which Soros and his hedge funds had created by speculative dumping of Asian currencies! What else has Soros instigated Choi to do, and why should anyone believe him?

"Every President of Korea since 1945 has been either assassinated, thrown in jail, or nearly so, upon leaving office," a U.S. Korea hand told *EIR*. "So, everyone in Korea also knows in advance that all family members of a President will be attacked for financial corruption from any and all angles. That's why Kim Dae-jung sent his youngest son to graduate school in Los Angeles and told him to stay out of the business world." Some say, "Koreans are just hard on their leaders." But the reality is that no Korean leader is permitted to develop an independent power base, nor is any government permitted to develop enough independence to take the country's future into Korean hands. If this can be done to Kim Dae-jung, the Nelson Mandela of Asia, the Nobel Peace Prize laureate

above reproach, then every patriot in Seoul is trembling.

Since it was known in advance that Kim's sons would be lured and then attacked, the question remains: Why should they deal with the likes of Choi—unless they were deliberately set up, lured with the promise by some very powerful people such as Soros, or another foreign agency?

South and North Implode

The collapse of President Kim's ruling party, which only weeks ago was overwhelmingly favored to win the Presidential race, is being laid solely to these scandals—even though the same scandals occur for known reasons in the last year of all Korean Presidents, who may serve only one five-year term. The opposition GNP swept 11 out of 16 major posts decided on June 13—mayors of seven major cities and nine state governors. The GNP got 52% of votes nationwide, and the ruling MDP only

29%. By June 17, President Kim's designated successor, MDP candidate Roh Moo-hyun, had fallen from a runaway lead in the polls, to the preference of fewer than 27% of voters—while GNP opposition leader Lee Hoi-Chang surged ahead to 42%. Roh offered to resign as the candidate, despite having won a grueling round of Spring national primaries, and may yet have to do so.

While Lee Hoi-Chang has sharply criticized the Sunshine Policy, his confidants say that if elected, he would have to continue it. But his GNP party subsists on the endorsements of American Enterprise Institute, Heritage Foundation, and other neo-conservative Washington circles. GNP spokesmen constantly hammer against rapprochement with the North. On June 15, GNP spokesman Nam Kyung-phil demanded the Kim government make a "basic re-evaluation of its Sunshine Policy of engaging North Korea."

Well does the *Los Angeles Times* warn, that a Presidential election coup by the GNP could cause a war, perhaps nuclear, on the Korean Peninsula. Such an upset is not explained by a Korean huckster's making a few bribes.

Simultaneously, North Korea has a refugee crisis as its starving people flee into China, a situation which threatens to involve Beijing in international confrontations. This is not an "East German" type of spontaneous citizens' movement. Again, powerful foreign operations are in play. The same circles of Britain's Baroness Caroline Cox's Christian Solidarity International (CSI) movement which have been trying to bring down governments from Khartoum to Beijing for years, are cynically mobilizing these refugees as cannon fodder in ongoing destabilizations of the entire Asian region.

A long list of non-governmental organizations (NGOs)

close to the CSI organization, backed by Baroness Cox's close collaborators among U.S. Republican Congressmen, such as Chris Cox (Calif.) and Mark Kirk (Ill.), have organized for a flood of North Korean refugees to head for China—just when the New Silk Road is under frontal attack in Seoul.

"There are now over 300,000 North Korean refugees in northeast China, and this could become like the same kind of flood of refugees out of East Germany which brought down the Berlin Wall," an aide to the Republican House Policy Committee told reporters on June 5. "The North Korean boat people are prepared for boarding," said former UN aid worker Dr. Norbert Vollertsen, a German doctor who worked inside North Korea. Other groups reportedly stirring up the area are Médecins Sans Frontières (MSF), the UN World Food Program, U.S.-based groups such as "Helping Hands/Korea and Ton-a-Month Club," and a host of Korean-American and South Korean church groups.

Since the beginning of this year, 50-60 North Koreans have jumped the walls into the Japanese, South Korean, Canadian, and other embassies in Beijing. China has tried to turn a blind eye, but is stuck in the middle, as it has treaties with Pyongyang. In June, the NGOs started bringing in TV cameras and playing the footage all over Asia, causing anti-Chinese outbursts in the South Korean and Japanese parliaments and media. In the United States, ABC News' "Nightline" went to Beijing for a three-part special on June 5-12, which demanded that Americans get stirred up as well. ABC News has started a national e-mail campaign on the need to "free North Koreans" and send boatloads to the United States, Canada, and Britain.

"If this is such a spontaneous uprising, then why have the NGOs brought in all those TV cameras and high-profile U.S. Congressmen?" one Asia expert asked sarcastically. "And, don't they know that they could be starting a war in Korea, which would get all those people whom they say they want to help, killed?" Former House International Relations Chairman Ben Gilman (D-N.Y.), another of Baroness Cox's confidants, told recent hearings on the refugee crisis, that Harry Truman's decision to go to war against North Korea was right, and implied that such a war is justified again now.

Utopian Military Factor

The implications for China could be grave. On June 13, Chinese police and South Korean diplomats came to blows at the Korean Consulate in Beijing; the Chinese dragged off one North Korean who tried to enter. China then notified all foreign legations in the capital to turn over to Chinese police, all North Koreans who enter embassies in Beijing. This has led to insults traded between the Chinese and South Korean Foreign Ministers, and to attacks by the Congress and U.S. State Department spokesman Richard Boucher.

Lyndon LaRouche warns that the "utopian" faction epitomized by Zbigniew Brzezinski and Samuel Huntington, will start wars to prevent the rise of a great economic power

across Eurasia. Since the Korean War, says LaRouche, "there has been a utopian movement within the United States, to overturn the Lincoln republican traditions of the United States. . . . The firing of MacArthur was one of the first steps toward a new theory of warfare, the insanity of 'perpetual war.' Instead of resolving the crisis in Korea, the utopians protracted the Korean War which, in effect, still continues today—as a stepping-stone toward a strategic confrontation with China." This was contrary to all prior American military doctrine of quickly "winning the peace" via economic development, as successfully demonstrated by McArthur in Japan after 1945.

"This has little to do with domestic Korean situation," LaRouche concluded, "look at the global big picture." Koreans have to look up from their parochial fixation on Korea by itself and realize this is a foreign-run, region-wide destabilization by foreign powers that oppose the Silk Road policy.

Korean leaders have been reluctant to do anything but apologize for President Kim's sons, and have even stopped talking about the Silk Road almost entirely. Most are afraid to speak out, lest they themselves face scandal and jail cells. But this is a crisis where only the strongest promotion of the only viable policy, the Silk Road, coupled with the loudest exposure of those who are attacking it for ulterior motives, can prevent a war.

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Sharon Is Destroying Israel's Broken Economy

by Dean Andromidas

While Israel Prime Minister Ariel Sharon threatens wars all over the Middle East, the Israeli economy is collapsing at his feet. While he was in Washington on June 10, convincing the White House that Palestinian President Yasser Arafat is not a partner for peace, the Israeli shekel (NIS) was plummeting to historic lows against the dollar, as Israeli investors and savers fled the currency. When it broke below the barrier of NIS 5 to the dollar on June 12, the Israel's Central Bank increased interest rates by 1.5%, setting rates at the highest level in years, in a desperate attempt to halt the capital flight. Since December 2001, the shekel has depreciated almost 20%, and economists are predicting an annual inflation rate of over 8% by the end of this year.

Many of Israel's economic woes can be attributed to the ongoing worldwide economic collapse, but Sharon's determination to use military force to deal with the Palestinians, is widely blamed within Israel. "The behavior of the public in pursuing the dollar is a sign of no-confidence. Usually, when the interest rate is raised, it changes the thrust of devaluation, but that didn't happen this week," Knesset (parliament) member Avraham Shochat, who had been Finance Minister in the Labor governments of slain Prime Minister Yitzhak Rabin and of Ehud Barak, told the Israeli daily *Ha'aretz* on May 31. Shochat said that the government has "above all, to present a political horizon [on the Palestinian front]. The economic moves will not help unless there is also a change in the political security front. . . . I was in similar situations twice as Finance Minister. In 1992, Yitzhak Rabin, who had just been elected Prime Minister, started to talk about peace with the Palestinians, a declaration of intentions that was realized a year later in the Oslo Accord, and I saw firsthand how Israel's economic situation changed dramatically: Foreign investment increased from \$130 million a year to \$3 billion. In the period of Barak, too, when the feeling was that peace agreements were going to be signed, the economy grew rapidly."

Peace Is the Only Name for Recovery

This is advice Sharon does not want to hear. But even the monetarist bureaucrats at the Central Bank are telling him the same thing. According to the Israeli media, these bureaucrats know, that no matter how much the budget is cut, nor how often new taxes are levied, there will never be any hope of an economic recovery unless the peace process is renewed.

On June 8, Bank of Israel Governor David Klein met with Sharon, prior to the latter's visit to the United States, and told him, that if Israel did not want to see its international credit rating reduced, it would have to cut NIS 10 billion (over \$2 billion) from the budget, including NIS 3 billion from defense. (NIS 12 billion had already been cut from the 2002 budget.) Some reports say that Klein wants to cut NIS 10 billion from the defense budget alone. Such a cut is seen as politically impossible for Sharon to implement, while maintaining a war of attrition against the Palestinians.

According to the Finance Ministry, security spending instead increased by NIS 6 billion since Sharon came into office in February 2001, and is expected to increase by another NIS 2-3 billion next year. Over the last year and a half, the Israeli GDP lost over NIS 36 billion, or almost \$8 billion. Sharon's government had already threatened to collapse at the end of May, when the ultra-Orthodox parties, Shas and United Torah Judaism, were temporarily thrown out, because they refused to vote for the government's austerity budget.

Since returning from Washington, Sharon has been told he has to "intervene" into economic policy, but despite highly publicized meetings with Finance Minister Silvan Shalom and Bank of Israel Governor Klein, neither the public nor the markets have been impressed.

The terror attacks by Hamas, which have always helped Sharon diplomatically, have also helped him politically: Under normal circumstances, Israelis would throw any government with such poor economic performance out on its ear, but the Hamas attacks have kept the population too unnerved to unseat him. Skepticism was expressed in a June 17 commentary in *Ha'aretz*: "If the voters are sufficiently terrified and anxious about their prospects for survival, they will back you all the way to national bankruptcy. If these tactics are properly implemented, any opposition to military spending is perceived as unpatriotic, and the military leadership is secured for the time required to rewrite history."

The Collapse Continues

All the major economic indicators are pointing "south" for Israel. Not only is the physical economy contracting, but Israel is experiencing a massive flight of capital that has devalued the currency by 20%. Governor Klein knocked up interest rates by a combined 2.5% in late May and early June, as an attempt to reverse a disastrous decision of last December, when Sharon demanded that Klein cut the interest rate by 2% in one blow, from 5.8% to 3.8%. Klein agreed only after Sharon "promised" to cut the budget by NIS 10 billion. Sharon, true to form, never kept his side of the bargain, and the shekel immediately began to slide. Billions of shekels worth of investments, particularly from foreign investors who had parked considerable sums in Israel, fled to the dollar zone.

Now the Bank's discount rate stands at 7.1%, even higher than last December, when Sharon had pushed the panic but-

ton. The shekel, although it has not gone below 5 to the dollar, is trading at its all-time low. In the six months ending in April, Israelis invested NIS 98.76 billion abroad, nearly \$20 billion; this compares to NIS 65.49 billion for the six months ending October 2001. These figures are only the “official” amounts, in a country notorious for its “gray market” financiers, who are the preferred channel for flight capital by many companies, private citizens, and organized crime. According to Israeli sources, this channel accounts for a figure three or four times larger than official figures for flight capital. According to these sources, this is how Israel’s triple-A credit rating is being artificially maintained. The problem was indirectly confirmed, when the Israeli authorities announced on June 5 that new and aggressive measures would be taken against gray market financiers, who have avoided paying billions in taxes.

Israel’s Gross Domestic Product is expected to decrease by 1% this year, and by 3% per capita. In fact, the GDP per capita, in dollar terms, has dramatically collapsed from \$18,000 in 2000 to \$14,500 in 2002, primarily because of the depreciation of the shekel.

Other economic indicators are equally bad. In the first five months of the year, the country’s trade deficit grew by 22%, or \$4.5 billion annualized. Exports to its two largest trading partners, the United States and the European Union, fell by 6.1% and 8% respectively, despite devaluation. High-tech exports, which account for half of all Israeli exports, have dropped by 6.5% so far this year. Exports from the very important electronic components sector have dropped by 31.5%. It seems the only category of exports that has not decreased, is the \$2.5 billion in military equipment.

The hardest-hit sector continues to be hotels and tourism. Hotel occupancy is below 30%. The Central Bureau of Statistics reports that between October 2000, when the “Al Aqsa Intifada” broke out, and December 2001, the hotel sector lost NIS 3 billion, and its potential profits were cut by NIS 990 million. The situation has not changed.

All this has added to the continuing increase in unemployment, officially at 10.6% (more than 270,000 people) in the first quarter, but actually much higher, since thousands who have given up looking for work, or, have exhausted their unemployment benefits, have disappeared from official statistics.

Troubled Banks

In 1983, an Israeli banking crisis started a process that led to hyperinflation, which reached 400% annually in 1985. The crisis was only reversed after the government took over all the banks and, more importantly, after the United States footed the bill for a stabilization scheme. History could be repeating itself. Although on the surface, the banking sector appears to be stable, many banks have suffered a deep downturn in their profits. Problematic loans held by the five largest banks grew by NIS 13.6 billion to NIS 50 billion, which is more than their total capital assets in 2001. In 2000, the bad

loan figure was only NIS 2.8 billion. Specific write-offs for the same period increased 85%, and totalled NIS 4.1 billion, compared to NIS 2.2 billion in 2000. These write-offs slashed profits by an average of 45%. Among the banks’ troubled debtors have been telecommunications, real estate (particularly hotels), agriculture, industry and commerce, and financial services. The Central Bank recently ordered banks to raise their assets-to-loans ratios, which has forced Israeli Discount Bank, one of the largest, to announce that it will not be able to make corporate loans for the rest of the year.

Recent scandals point to the fact that something very bad could be lurking in the woodwork in Israel’s banks. In May, the small Trade Bank collapsed, after an account manager, Esther Alon, confessed to embezzling NIS 250 million, the bank’s entire reserve capital. Alon claimed she took the money over a five-year period to pay off her brother’s gambling debts, owed to “gray market” financiers. It has not been explained how the brother was able to run up gambling debts totalling almost \$50 million. The government ended up paying off the bank’s depositors. Then, Mizrahi Bank discovered that several of its investment managers, in an effort to cover massive stock market losses, were transferring money from the large accounts of wealthy individuals, to the accounts of the clients whose investments they had mismanaged. Similar practices were discovered at other banks as well; these Israeli dirty banking practices could be for Israel what Enron is to the United States, a mere foretaste of disaster, in a sector that has been a big player in international financial markets.

Austerity and More Austerity

In the absence of a “political horizon,” the only answer Sharon has for the economic crisis is to cut the national budget. The monetarists at the Central Bank demand massive budget cuts, including NIS 10 billion from the defense budget, and 12 billion from other sectors, beyond the NIS 12 billion already cut in 2002. A cut of NIS 7 billion from government salaries is also being demanded. But the crafty fascist Sharon has only agreed to an additional NIS 2 billion this year, “promising” NIS 12 billion more from the 2003 budget.

But this promise, Sharon has given the devil. Before announcing it on June 17, he met with former Bank of Israel Governor Jacob Frenkel, currently chairman of the international division of Merrill Lynch and Co. Frenkel warned Sharon, that if Israel does not meet its budget deficit targets of 3.9% of GDP in 2002 and 3% in 2003 (“mission impossible,” given collapsing tax revenues), the international credit agencies will lower Israel’s sovereign credit rating.

Sharon brought back from the United States a promise by the Congress for an additional \$200 million in military aid. But this will, no doubt, be used to build the “Great Fence of Israel” project inaugurated on June 15, which will add at least another \$130 million to the government’s expenses. The rest will go to finance the war on the Palestinians and defense of the settlements in occupied territory.

The Israeli population is beginning to suffer economically as they have not done for decades, particularly the weakest sectors. The government had instituted an across-the-board cut of 10% in national insurance payments, Israel's social security system. Hardest hit will be the Israeli Arab community, which has the highest unemployment rate. The government has cut child allowances to any family whose members don't serve in the military. While this hits the ultra-Orthodox, who do everything to avoid military service, Israeli Arab citizens are forbidden from serving.

While claiming it won't increase taxes, the government has already increased the value added tax, one of the world's highest, from 17% to 18%. Educational cuts have forced schools to announce that the school day will be cut by one hour. Teachers have already struck over this issue. Other such cuts are already being felt in all the public sectors, particularly the health sector.

Historic Water Crisis

In midst of all this, Israel faces the worst water crisis in its history. The Sea of Galilee, its primary source of water, is at record lows, as are the coastal and mountain aquifers. Israel is dependent on water resources in the West Bank as well, which it freely exploits, while greatly restricting Palestinian use. Although Israel has commissioned its first water desalination plants, construction has yet to start. Each plant costs NIS 400 million or more, with the government expecting private investors to take the initiative. In a war zone, progress is not likely to occur.

Ironically, solving the water crisis is key to reviving the economy and establishing peace in the region, given the reality that the majority of the existing water resources are located in a watershed that links Israel, the West Bank, Jordan, Syria, and Lebanon. Its exploitation and expansion can be most effectively accomplished through regional cooperation. This is the core of Lyndon LaRouche's well-known Oasis Plan for Middle East peace.

Yet Sharon's policy continues to be to expand the Jewish settlements in Palestine, using Israeli military might. He has refused to touch the tremendous subsidies and tax breaks the settlements receive. Money continues to be allocated to build bypass roads from West Bank settlements to Israel and connect new settlements to the electricity grid, among other types of infrastructure there. In fact, Sharon's war is to keep the settlements. *Ha'aretz* commentator Davhna Levit on June 17 identified their central role in the crisis: "The real costs of the settlements to our economy are prohibitive, although incalculable. . . . They have cost billions in lost opportunities and misdirected expenditures. . . . The most horrendous thought of all is not only that our leadership has no way out of this accelerating descent into Third World or worse status; it actively encourages it. Why else would it continue to speak of peace and provoke war, promise security and encourage violence, pay for a fence and continue to build outside of it?"

Ranks of Wall Street's 'Misfortune 500' Grow

by Arthur Ticknor

Reading the business pages of any major U.S. newspaper has become like reading a police blotter, with allegations of rampant corporate crime and corruption, even surpassing that of the 1980s "Decade of Greed" typified by the savings-and-loan scandal. Among the new items on the docket since May, are criminal investigations of former executives at ImClone Systems and Tyco International, and a pre-criminal investigation of the Glaxo pharmaceuticals giant; while the conclusion of the trial of the Arthur Andersen accounting firm showed just how fed up Americans—as represented by the "12 angry people" of the jury—have become with the Wall Street and other financial superstars who fooled them on their now-disappearing 401(k) pension accounts.

The police-blotter firms are still just a growing minority of the much broader "Misfortune 500"—America's corporate leaders of the 1990s "New Economy boom" who are now the grim denizens of economic depression.

A new sign of their contagious misery, reported in June, is the use by hundreds of companies, of the sad tactic of "forced vacations" for their employees, in order to cut costs during this breakdown Summer. Some, such as Sun Microsystems, Hewlett-Packard, and VeriSign, while laying some employees off, are giving others paid vacations, and closing down to save operating costs. But there are those, like Manugistics of Rockville, Maryland, which is forcing all 1,200 of its employees to take *unpaid* vacations. And others are doing both, like Peregrine Systems, which is laying off half of its 3,000 workers and closing its offices on the others. Remember this trend when you read the next official U.S. unemployment statistics.

Telecom Alley

It is becoming so hard to find a telecommunications firm which is not choking on its own debt and/or management corruption, that such rare exceptions now make "human interest" stories for the business pages. The telecom firms added to the Misfortune 500 in June were led by XO Communications, which on June 17 made the second-largest bankruptcy filing yet by a telecom. The Reston, Virginia-based phone and Web service provider owes about \$4.4 billion to bondholders (led by Carl Icahn), and another \$1 billion to banks. XO has not yet agreed on a restructuring plan with its bondholders and its largest investor, Theodore Forstmann, who has already written off \$1.5 billion invested in XO. Forstman asked on

June 6 to be released from a bailout deal which his buyout firm, Forstmann Little, and Mexican phone company Telmex signed to invest \$800 million to pay off creditors and keep the business operating, in exchange for 39% ownership each. XO shares have tumbled to 3¢, after reaching a high of \$66 in March 2000.

Then there's Qwest Communications, until recently a large and cash-rich Baby Bell phone company, which richly earned its misfortune with a "New Economy" acquisitions binge in the 1990s. CEO Joseph Nacchio was forced to resign, and co-chairman Philip Anschutz quit, as the phone company is saddled with \$26.4 billion in debt, and faces an accounting probe by the Securities and Exchange Commission (SEC). "When the two top guys quit, you can pretty much conclude that things are worse than believed," said a telecom analyst quoted by Bloomberg.

And on June 15, cable giant Adelphia Communications failed to make a \$50 million interest payment to its bondholders, another step on the way to filing bankruptcy. The nation's sixth-largest cable company, under investigation by the SEC and two Federal grand juries, is in default on more than \$7 billion in bank debt, and has asked for \$1.5 billion in financing for operations after it files for bankruptcy protection.

The collapse of the energy conglomerates is also continuing. Market capitalization of all of the erstwhile most powerful "pirates"—Enron, Mirant, Dynegy, Williams, El Paso Corp.—has fallen to a small fraction of its value of two years ago. Now AES Corp., based in Arlington, Virginia, which spent the last decade gobbling up energy corporations all over South America as they were privatized, has been trapped in the continental debt crisis it helped to create. AES co-founder and CEO Dennis W. Bakke was forced to quit on June 18, after a multi-hundred-million dollar loss in the first quarter of the year, and with the company's debt selling at far below investment grade. AES has been forced to write down the value of its South American assets, most severely in Brazil.

The Criminal Docket

Samuel Waksal, former CEO of biotech firm ImClone Systems, was arrested on June 12 by the FBI on a Federal criminal complaint of insider trading, charged with warning family members to sell company stock. This allegedly occurred just before the Food and Drug Administration rejected, on Dec. 28, ImClone's application to market Erbitux, an experimental cancer drug—which sent the stock price plummeting. In addition to the nine criminal counts of conspiracy, securities fraud, and perjury filed by the Justice Department, the SEC filed a civil complaint seeking to recover \$10 million that Waksal's father and daughter made on the trades on Dec.



The corporate collapse meets the last of the still-running real-estate boom: The building of the international telecom company Cable & Wireless, now bankrupt, is up for lease in Tysons Corner, Virginia.

27 and 28.

Waksal allegedly learned from his brother on Dec. 26 that the Erbitux application would probably be rejected, and then so informed family members, who sold the stock on Dec. 27 and 28. Waksal attempted to sell his own shares, according to the FBI, but was blocked by brokers. Free on \$10 million bail, he refused to testify on June 13 before Congress, citing his Fifth Amendment right against self-incrimination. The House Energy and Commerce Committee's investigations subcommittee presented internal memos suggesting that both ImClone and its partner in developing the drug, Bristol-Myers Squibb, might have tried to minimize to the public the FDA's concerns.

Dennis Kozlowski, one day after being forced to resign as chairman and CEO of Tyco International, was indicted on June 4 for evading New York sales taxes on a set of paintings he bought with \$13.1 million of company money, and trying to write it off as a business expense. The large conglomerate, reportedly near a bankruptcy filing, has now gone to court against several of its own ex-officials and its former top lawyer, accusing them of colluding with Kozlowski to loot the firm's coffers of tens of millions of dollars in no-interest "loans" and phony fees.

Tyco has lost \$100 billion in market value since December, much of that attributed to the actions of its executives. The SEC plans to open a formal investigation into whether Tyco executives improperly used a stock options fund to buy real estate and personal items. In a separate inquiry, the SEC reopened a probe conducted in 1999-2000 as to whether Tyco used reserves and other bookkeeping strategies to inflate earnings following its acquisition binge.

And so continues the "U.S. economic recovery" among the corporate ranks of the Misfortune 500.

Germany Capital Amnesty, Just to Balance Budget?

by Rainer Apel

The reality of drastically shrinking tax revenues for the state, caused by accelerating corporate defaults and loss of taxpayers through unemployment, has long been an issue addressed—outside of Lyndon LaRouche’s associates—only by fringe analysts in Germany. In recent days, however, it has become a front-page item in Germany’s leading news dailies. One of the reasons for that change is the late May, revised report of the government’s special advisory board on tax revenues, which warned that over the next four fiscal years, the government might run short of 65-68 billion euros (close to \$60 billion).

Tax increases are extremely unpopular among Germans, who right now are making up their minds whom to vote for in the national elections on Sept. 22. And, if tax increases are unpopular, so are tax breaks for people who have a higher income than the average working German.

But the pressure under which the austerity-oriented Finance Ministry is operating, increases by the day, and it has to do something with shrinking tax revenues. The ministry is acting under self-imposed extra pressure, because it wants to achieve a balanced budget by no later than FY 2004. But rather than break with the rules of the European Union’s budgeting criteria, and invest in projects this Summer that would create production and employment, and thereby, a sound base for tax income in coming fiscal years, the experts of the government and the opposition alike are only considering “magic” solutions.

The government hopes to benefit from an announced repayment of up to 4.5 billion euros from “unused funds” at the European Commission, later this year. But that Finance Minister Hans Eichel, in his draft FY 2003 budget, lists the recent Russian debt payment of 167 million euros as something that has “improved” the record for this current fiscal year, tells how desperate the government has grown over revenues.

‘To Him Who Has, More Shall Be Given’

The Christian Democratic (CDU-CSU) opposition, which also counts on that re-transfer from the European Commission, adds its own “magic”: In a discussion reported by the *Frankfurter Allgemeine* daily on June 14, Friedrich Merz, chairman of the CDU-CSU group in the national parliament, mooted special legislation to permit an amnesty for any flight capital returned to Germany.

Merz is shadow finance minister in the election campaign

team of CDU-CSU Chancellor candidate Edmund Stoiber, which gave additional propagandistic significance to his trial balloon on the amnesty issue. Merz remained vague, apparently aware that a deal with moneyed tax evaders is not very popular among average voters suffering from zooming consumer taxes, water and electricity bills, and rents. Merz referenced the alleged “great success” of a similar amnesty which the Italian government granted at the beginning of the year, and which, according to official data, has returned 50 billion euros of flight capital to Italy. The Italian Finance Ministry, which had offered a one-time, fairly reduced tax of only 2.5% to the returning flight capital owners, has already received extra tax revenues of 1.3 billion euros from that.

Desperate as German Finance Minister Eichel is, he would be glad to have an extra 1.3 billion euros tax income, and so should Friedrich Merz, should he become finance minister in a new government after the Sept. 22 elections. His trial balloon was to prepare the German public for such an “amnesty.”

But the case of Italy shows that if returning flight capital does not flow into productive economic investments, the net effect will not be more than that of a drop of cold water on a giant hot stone. There was no increase in net investment into the productive sector of Italy’s economy during the first quarter of 2002. The 50 billion euros that have returned to Italian state territory, have apparently flown instead into speculative market operations. Flight capital pulled out of Wall Street, or from the failing financial markets of Argentina and other Ibero-American countries, is now trying its luck with the Italian bubble.

Is that what Merz and other German politicians, citing Italy, want to repeat in Germany?

How much flight capital is there outside of Germany? Dieter Ondracek, longtime chairman of the German Tax Union—the national organization of German revenue service employees—estimates that 60 billion euros evade taxation in Germany every year. If the revenue service staff were visibly upgraded, one might succeed in locating and seizing one-third of that flight capital. Ondracek wants banking laws changed so that banking employees who inform the revenue service of ongoing or past flight capital operations at banks, no longer face punishment, as under present banking laws.

But the austerity-minded government is “afraid” of spending the extra funds for an upgraded staff. Many in Germany say the Finance Ministry is loyal to the banks and investment funds, and to their free-market interests. And so, the government describes granting an “amnesty” to returning flight capital, as the cheaper intervention.

Ironically, the issue may be resolved in another way. The more Wall Street’s ill-placed reputation as the “world’s monetary safe haven” crumbles, the more attractive German tax evaders may find it, to transfer their flight capital back to Germany. Paying the long-overdue tax, and perhaps a fine, might prove more profitable to them, than a crash on Wall Street.

'Look Ma, No Trains Or Planes' in U.S.

by Anita Gallagher

Air and rail transportation in the United States is headed for a place in history, unless emergency measures of protection are taken by the President and Congress during the June-July window for Congressional action. The near-dead condition of the air and rail transport sectors also shows that the post-Sept. 11 talk by President Bush and Congress, about national economic, as well as military security was hot air. "If it won't transport the troops to Iraq, throw it to Wall Street or shut it down," sums up current Washington "thinking." The Bush Administration is even now mooting turning the vital air traffic control function over to private ownership.

U.S. Airways, America's sixth-largest airline reportedly near bankruptcy after losing \$2.1 billion in 2001 and \$269 million in first quarter 2002, officially filed for a \$900 million loan guarantee with the Air Transportation Stabilization Board (ATSB) on June 10. Reductions in labor costs (union givebacks), cost-cutting measures, and possible partial government ownership are requirements for the guarantees.

Sources say that U.S. Airways would have to cut labor costs by \$750 million a year, on top of the 11,000 jobs that have already been cut, to achieve the \$1.3 billion cost reduction it is seeking. The demise of the Arlington, Virginia-based airline would blow another hole in the free-falling "high-tech" economy of Northern Virginia.

United Airlines, America's largest airline, is also indicating it may apply to the ATSB before its loan-guarantee window goes out of existence on June 28. United lost a record \$2.1 billion in 2001, and another \$510 billion in the first quarter of this year, after cutting its workforce and flights by 20% in the wake of Sept. 11. However, as *EIR* readers know, the losses in the airline industry began early in 2001—not after Sept. 11.

United Airlines has released a "Recovery Plan" which calls for 10% givebacks by the International Association of Machinists and Aerospace Workers, on contracts ratified only weeks or months ago. United and its pilots union supposedly reached a tentative agreement on a "givebacks" deal, which its 9,200 pilots must now vote on.

United may apply for loans without the labor concessions from all employee groups, as U.S. Airways did, then use the ATSB as leverage to force them later. The International Association of Machinists union representing United's machinists, ramp, warehouse, and other workers—in the interest of refusing "givebacks"—has taken the reality-defying position that there is no depression and the airline industry is recovering on its own. What the labor movement needs, in fact, is a

political strategy, and Lyndon LaRouche's leadership idea to put these firms through Chapter 11, and use government credit to keep and improve transportation and other infrastructure.

Eat Cake, While Amtrak Closes?

Meanwhile, in the decrepit rail sector, things have come to the pass where Amtrak's new president as of June 10, David Gunn—after first announcing impending layoffs—stated that if the nation's passenger railroad corporation does not get a loan of at least \$200 million by the end of June, he will be forced to begin an orderly shutdown of all Amtrak passenger service in July. Amtrak's auditors have not certified it as a "going concern," which makes it virtually impossible for it to get a bank loan. While Congress tries to decide whether to guarantee a loan to keep Amtrak operating to Oct. 1, and also considers various legislation for increased funding, Secretary of Transportation Norman Mineta said on June 20 that the administration opposes any increased funding for Amtrak unless it is linked to "reforms"—i.e., privatization. It is widely reported that the Bush Administration wants train operations run by private companies, and separated infrastructure maintenance done by Amtrak as a (shrunken) public company. This was the rotten model which even Britain abandoned recently, and re-nationalized. It is championed by neo-conservative Paul Weyrich, a leader of the Amtrak Reform Council, which led the charge against "money-losing" Amtrak.

In the current American system, the *Richmond Times-Dispatch* recently reported, "high-speed rail" is simply a phrase for improving the number of trains and their reliability. While speeds could increase markedly, the fact that the tracks are shared with freight trains simply will not allow the 200 mph "bullet trains" of Europe and Japan.

First Maglev on Track

The train car for what will be the first operational magnetic levitation (maglev) train in the United States was put on the tracks at Virginia's Old Dominion University in Norfolk on June 13, and will be operational by September. Maglev uses magnets and electricity to float and propel trains along elevated tracks. ODU's maglev is a modest beginning. The train guideway—elevated 13 feet above a sidewalk—and 400 of the 900 feet of track have been laid to carry passengers across the campus. The Virginia General Assembly allocated \$7 million for the project, and private donations matched that amount. Legislators said maglev could be the answer to many of the state's transportation problems. Tony Morris, president of American Maglev Technology, Inc., developed the project, and says this design could achieve 300 mph in passenger travel.

Australian FDR-Era Engineer: Let's Resume Great Projects

Civil engineer Prof. Lance Endersbee discusses his personal experience working on great infrastructure projects, and breakthroughs being made at the forefront of Earth science.

This interview was conducted by Marcia Merry Baker, and filmed for "The LaRouche Connection" on Feb. 20, 2002. Professor Endersbee was in the United States to participate in the Presidents Day conference of the International Caucus of Labor Committees (ICLC) and Schiller Institute.

EIR: Hello, my name is Marcia Merry Baker, and I have the pleasure of interviewing today, a guest from Australia, for The LaRouche Connection. With me today is Lance Endersbee, and he's travelling and visiting in the United States. And we have many things to talk about.

He has been an engineer with vast experience, and he's now actively retired, and pursuing some basic science. His specialty has been infrastructure. He's a member of the Order of Australia. He's emeritus professor and was also dean at Monash University in Melbourne. And, he has much experience, beginning after the Second World War, in building projects in Australia, especially the famed Snowy Mountain project.

So, it's a pleasure to have you, Lance. And I want to say, what I think we're going to talk about today, could come under three areas: First, what you actually built—tunnels, projects, underground facilities for power, and so forth, in the last 50 years in Australia. Secondly, what you propose for the future: that we haven't built enough; we have a deficit. And, third—and this is where I'd like to begin: With all your experience, literally in the Earth—tunnels, and the rest—you have some very burning views on misconceptions in Earth sci-

ences, and on hydrology, and chemistry, and geochemistry. I'd like to begin there.

With regards to groundwater, do you want to begin with your experience in Australia's Great Artesian Basin?

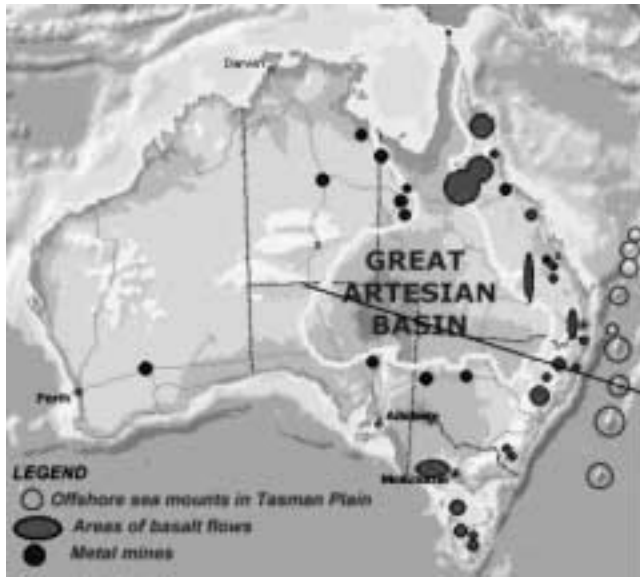
Endersbee: Well, let's start with the Great Artesian Basin [Figure 1]. The Great Artesian Basin is the largest artesian basin in the world. And, for the last hundred years and more, it has been believed that the water that is coming out of the Earth, is surface waters which have travelled to that spot, from



Professor Endersbee came to the U.S. after the war, to learn from the veterans of FDR's great projects, which provided electricity to millions of Americans for the first time.

FIGURE 1

The Great Artesian Basin



Source: Australian Academy of Technological Sciences and Engineering.

rainfall, from points far away—1,000 km away. And, this idea, of recharge of groundwater from surface rainfall is characteristic, not only of the Great Artesian Basin, but of all major artesian basins in the world—

EIR: Yes, we have the Ogalala Basin in the United States.

Endersbee: The Ogalala Basin is an excellent example. And, basins like that are just not being recharged from surface rainfall at all. Yet, the professions involved believe that to be the case.

And, so in the Ogalala Basin, for example, we've had the simple mining—

EIR: Yes, the level's gone way down.

Endersbee: They're just mining the groundwater. The same is happening, not only in the Great Artesian Basin, in Australia, but also right through the Middle East—all of the Muslim countries—and all the way from Morocco, through Algeria, Libya, Egypt, and then into Iraq and Iran: All of those countries are exploiting their available groundwater. And, the important thing to note, is that that groundwater is not rechargeable from surface rainfall.

EIR: So, where does it come from?

Endersbee: Well, it is water that is part of the original constitution of the Earth. And, it's the same as the water that comes up as steam, from volcanoes, and gushes from the deep-ocean vents.

So, we have water, which was part of the original constitution of the Earth, and people have had difficulty in grasping that. But, in recent years, we've had a wonderful lot of information coming to us from exploration in outer space—all these wonderful space vehicles. And, can I just recommend to everybody, and particularly the young people? Everybody should look at something that is readily available on the Internet, and that is: the "astronomy picture of the day" (APOD). Go to APOD on the Internet; have a look at the Astronomy Picture of the Day. Every day, there's a wonderful image, from the Hubble Space Telescope and others, the Anglo-Australian Observatory, the Subaru people in Japan, they are all producing these wonderful images of what's going on in outer space. The flood of information is so great, that it defies interpretation!

EIR: So, you're saying this relates to the water in the universe, or the hydrogen, or characteristics that have been discovered on Mars?

Endersbee: Absolutely. That's right. As in Mars? Yes, well you just showed me that piece of news from Mars: They've had water flooding on Mars.

Well, the work from Hubble and the others has shown us, that the universe has got lots of hydrogen, lots of hydrogen molecules. And, it was these hydrogen molecules, that were part of the original constitution of the Earth. And, now that's easy to believe. Also, these hydrogen molecules include methane. So, we now know that methane may have been part of the original constitution of the Earth. At the moment, there's a space probe going out to look at, I think it's a moon of Saturn, which has a great concentration of water and methane. And, of course, if there's lots of methane on a moon of Saturn, why do we always think that the only methane and petroleum on the Earth comes from biological sources?

EIR: Yes, the theory is, there were plants in ancient times, and then they were compressed, that formed oil. But you're saying—

Endersbee: That's right; I'm saying, the methane was there beforehand. Petroleum is, in effect, floating on water. There's a water-drive underneath the methane and the petroleum. In the case of methane, we have very dense, if you like, solutions of methane and water, sometimes 150 times volume, on a comparative basis.

EIR: Where is this measured? You mean, you encounter it?

Endersbee: We're finding it now, in the probes into the deep sediments in the ocean. They're finding these high concentrations of methane, in the sediments in the ocean. And, of course, as I indicate, they're part of the composition of the Earth itself. When a volcano explodes, it is really the explosion of a water-rich mixture, if you like, deeper than 100 km or so down. And a volcano should be seen as a spontaneous disintegration of what are, in effect, water-rich rocks. And the



Mount St. Helen's volcano in Washington State. Contrary to what "standard" geology teaches, there is compelling evidence that the steam released from the volcano is not due to groundwater that has percolated down through cracks in the Earth, but rather, the water was part of the original composition of the Earth itself.

water is an intrinsic part of the composition of these rocks. An easy way to visualize this, is to think about granites, for example, and a granite will contain white crystals and quartz; and the white quartz, the whiteness is microscopic globules of water. And, that means, that rocks like granite could have only formed in the presence of water. And, so, we have these intensely concentrated, hot, hydro-siliceous solutions. All of the metal sulfides, the metal mines around the world, they can be seen as precipitations from strong water, hydrothermal solutions.

EIR: So, it's fluid transformations. And we can still see it, in eruptions of volcanoes, with the sea up above—

Endersbee: Absolutely. And the deep-ocean vents: We've got people sending vehicles down, with cameras all over them, and they're looking at the water that is gushing out of the floor of the ocean. And, there are animals down there, that are living in these sulfur-rich, acid waters, and they're doing

pretty well! And, so, this gives you an idea, that there's not only water deep within the crust, but there could be biological life living on that water, which is interesting. This is where our friend, Thomas Gold, comes in. [*EIR* reviewed *The Deep Hot Biosphere*, by Thomas Gold, on Feb. 11, 2000.]

EIR: Can you describe his ideas for us?

Endersbee: Well, Thomas Gold is a wonderful, elderly British astronomer, who is now at Cornell University. And, he's been saying, for some time, that, not only does methane occur naturally deep within the crust of the Earth, but there's also water there. And, he refers to it as a "deep, hot biosphere." So, he says, not only is there water, deep within the Earth, but there is also methane, and there are organisms living on it. And, of course, he's saying that this is of great importance to the origin and the extent of petroleum resources in the world.

The way petroleum has been developing around the world, it does seem as if some of the resources of petroleum are living longer than people anticipated. And, that suggests that there are sources of the petroleum, away from the place where the wells were originally dug. Now, of course, Thomas Gold has run into a bit of strife with the petroleum community, and they don't necessarily sing his praises—in fact, they do the opposite. But, I suspect that Thomas Gold had a very perceptive view of it.

EIR: So, the prevailing idea in the textbooks—when I studied geology—is that, you're to think, that water crept down near the potential eruption site of a volcano, and got hot; and then came up. It's not that it was part of the deep Earth.

Endersbee: All of the textbooks on volcanoes, and also on the deep-ocean vents, all show a source of water in some other place, percolating down, and then coming up. And, so, in the case of the normal vision of the volcanoes, with all the steam that comes out of the top, over there somewhere, there's a crack in the Earth, down which water percolates, and gets down into the rocks down here, and gets heated up by the rocks, and up comes the steam.

EIR: So, you're saying, and Dr. Gold and other scientists, that, actually, there's a deep composition, and it's still in progress. Let me ask you then, if that's the case: The fact that we have oceans, now, what does this presuppose?

Endersbee: Ah, right. Well, can we just go back on that, get onto the concept of the expanding Earth? About 40-odd years ago, I was a young engineer in Tasmania, and I was measuring rock stresses for an underground power station, we were building.

EIR: I forgot to say that you're a civil engineer, by training.

Endersbee: Yes. Mainly involved in dams and big underground power stations, and things—tunnels.

And, we measured the stress in the rock, and I thought, "Gee whiz! This is much higher than I'd thought it'd be."

So, I went to see a professor of geology at the University of Tasmania—a man by the name of Samuel Warren Kerry. And, he looked at my data, and said, “Well, it’s in the right direction. The stress is in the right direction, and they seem to be okay to me”; and then he showed me some of the work he had been doing on continental drift. But, his was a little bit different, in that he was cutting out the continents, on a sphere, and he was cutting them out at the edge of the continental shelf. And he was trying to match them, and they were matching—then, if he put them on a blank globe, they matched very well. It all fitted. But, there were great gaps, in other words, where all the present oceans are. So, they fitted together in part, and the fit wasn’t that good.

And then, he was working on a globe of about 80%—a globe 20% smaller. He had cut out the continents on a globe of the present size, as a model; and then, he had another globe, 20% smaller, and lo and behold, all the continents fitted together fairly nicely, and there wasn’t space for any oceans at all! It was all land-mass.

And, so, he formulated his concept of the expanding Earth. And I looked at it, and as far I was concerned, it was obvious! The Earth had been expanding. Well, it was obvious to me and Sam Kerry, but it wasn’t obvious to most other people in the world, because they asked the question, “What caused the expansion?” And, the fact was, that Sam didn’t know! He just said, “This is the evidence.”

EIR: You mean it matched: Currently distant land-masses matched?

Endersbee: Oh, indeed! Australia, India, Antarctica, South Africa, and it was all clicking to rather nicely. And, so, he came up with this concept of the expanding Earth. Of course, he was ridiculed a bit. As a result of his various proposals and others, in order to keep the concept of an Earth of the same size, the idea of plate tectonics was evolved. The concept of plate tectonics was essentially devised to be able to explain this phenomenon of the movement of the continents, on an Earth of constant size.

EIR: You do have major shift in the Eurasian land-mass, around India and China.

Endersbee: Well, now, having got to that stage, Sam found that he was essentially blocked, because of this idea of plate tectonics. But, you see, another lot of information started to appear: We started to measure the age of the ocean floors. And, over about the last 20 years, there’s been a lot of wonderful work being done, not only looking at the way we have these mid-ocean rifts, where rock comes out and spreads laterally. And they’ve been able to measure the direction of magnetism in the rocks, and they have detected the changes in the polarity of the Earth. There have been many changes in the polarity of the Earth. it. And, they’ve gotten measures that determine the age. And so, not only in the mid-ocean rifts, does the rock come out and

spread out, just like that; they’ve also been able to measure the age of it.

EIR: So, some are new, you’re saying?

Endersbee: Oh yes! There are rocks there that are 5 million years old, and 50, 60, 70, 80—and so, the bulk of the floor of the oceans, they’ve got, now, measurements over a lot of it, and the oldest age is about 200-250 million years, which fits in very nicely with Sam’s view that it was all together as one, 200-odd million years ago. And so, all of the data on the age

Since I retired, I’ve been a free scholar. For the first time in my life, I’ve been totally free, and I can think what I like, do what I like. . . . But, the important thing, is that, when you’re as free as all that—all of a sudden, a great world of opportunity opens up, and there’s so much to be done!

of the ocean floors has enabled us to understand that the Earth has been progressively expanding. So, not only do we have an expansion of the Earth, but we’ve got an expansion of the oceans, the hydrosphere.

EIR: Of water on the surface, apparently.

Endersbee: Right. So, the next question, then, is: How did all this expansion occur? And, now, intellectually, we’re still locked into the concept that the Earth is of a constant diameter, and the atmosphere is a constant amount, and the hydrosphere is a constant amount. And, this brings us—if we can just digress onto the Kyoto treaty on global warming and climate change: In Kyoto, the various people involved were locked into the idea, that the Earth is a constant size, and the atmosphere is a constant size. And so, all of the treaty was based on that.

Now, the actual fact, of course, is that the Earth is under continual bombardment from the Sun and the solar wind, and of all these ions, hurtling towards the Earth. And the idea of a constant Earth, on which Kyoto is based—the idea of a constant Earth means, that the incoming mass and energy from the Sun is exactly balanced by the outgoing radiation of mass and energy by the Earth. Now, there are two huge sums! And it’s absolutely ridiculous to say that they’re equal! And, I think it’s fairly obvious that there is a net gain, and we don’t know what it is. But, I think it’s obvious that there is a gain, and we have to work out,

now, how it is occurring.

One of the things which I've been looking at and trying to puzzle about, is: What is lightning, for example? And, particularly in the tropics, we have lots of sheet lightning, where the whole sky will flash. How does that happen? Well, the incoming solar radiation is, if you like, positive and negative ions, and they are widely dispersed. And so, they can travel independently, without discharging against one another. But as the solar wind comes to the Earth, and it becomes concentrated by the Earth's gravity, these positive and negative ions come together. And eventually there's a sufficient concentration of these positive and negative ions, that they can have, if you like, a spontaneous discharge. So, sheet lightning (and in the tropics, you're seeing it all the time) is the spontaneous creation of water from the solar wind. And so, this helps us a bit: We all know, when there's a great lightning storm, you get lots of water!

And so, this gives us a hint as to the way this increase in mass is occurring.

And, similarly, if you get down to Antarctica, or somewhere like that, and you look at the sky, the incoming meteors—the sky's alive with falling stars!

EIR: So, you're witnessing change.

Endersbee: All the time!

EIR: Back to the idea of geologic history, that we're living history now. You, and your colleagues, also, decades before you, look at the Great Artesian Basin and check out, whether the volcano pattern helps to provide evidence?

Endersbee: I'll have to go back to John Walter Gregory—a Scottish geologist. He went down to London, in about 1885, or something like that, as a young man, and he studied at a mechanics institute. He got a job with the British Museum, and he did so well at the mechanics institute, that the British Museum allowed him to go to the University of London. He did a bachelor of science—he did extraordinarily well, first-class honors; he stayed on for a couple of years, and got a doctor of science, and he was obviously a talented and capable geologist.

The British Museum sent him to America to have a look at the Rocky Mountains, the geysers in Wyoming and so on. And then, he was also involved in the first expedition to cross

Spitsbergen. And round about 1895, they sent him down to Africa, to have a look at the Great Rift Valley. So, he had to collect some porters, and off he set. At that time, the people who were trudging through those areas, they had to be fairly intrepid, you know. There weren't an awful lot of friends around. And so, he went to the Great Rift Valley. And he saw these hot lakes, water in the Great Rift Valley: Here it was, high in the middle of Africa, and he immediately knew that the water in those lakes had never been surface rainfall: It was all water that was coming out of the crust of the Earth. And he was pretty good. His book, by the way, on his visit to the Great Rift Valley, is still in print: *The Great Rift Valley of Africa*. He was the first to use the term, "the Great Rift Valley," and one of the rifts in Kenya is still called the Gregory Rift.

And so, he saw and understood this. And he could see that it was a zone of expansion in the Earth's crust—the Great Rift, of course—and there are associated volcanoes nearby, and it put together a picture for him. And it was really remarkably thoughtful, for the time. And a few years later, about 1900, the University of Melbourne was seeking a professor of geology, and he applied for the job, and he was the only one that was interviewed. He just automatically got the job, and he went to Melbourne. On his first, if you like, Summer vacation, he set off with a party of students to central Australia—the dead heart of Australia—to look at the flowing wells.

EIR: And the "flowing wells" meaning?

Endersbee: The artesian bores that were flowing. The wells that farmers had drilled down, and here was the water, gushing out. And he only had to smell the waters, and smell the hydrogen sulfide, and all the rest—and he says, "These are not normal artesian waters, from rainfall. These are waters from deep within the crust of the Earth, and they've always been there."

EIR: Meaning, associated with magma, and similar processes?

Endersbee: He knew, for example, that the whiteness in quartz was due to water, since the water came from the same sort of sources, and it's part of the original constitution of the Earth.

Now, of course, that concept, that there were waters which were part of the original constitution of the Earth, was totally new, at the time. And people, who were running the artesian basin, in the Queensland government, for example, they just couldn't possibly believe it! And, they were saying, "Look, if the water isn't from the rain, well, it must be percolating down from New Guinea, or the Himalaya!" They consulted some American groundwater hydrologists, who were sort of busily exploiting some of groundwater here, and the American groundwater people said, "All groundwater comes from surface water." That was enough for those guys, because they didn't have to think any more. That was 100 years ago.

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So, Gregory stuck to his guns, but he didn't get anywhere, so he went back to England, and became a professor of geology in Glasgow. But, in New South Wales and in Queensland, the government geologists, in order to appease the politicians and to settle the argument once and for all, they wrote these papers, saying, "These waters came from surface rainfall." And, Gregory caught wind of that a few years later, and wrote a rebuttal of that.

Now, that was 100 years ago. About three years ago, I was visiting Queensland, talking about my railroad proposals, and I heard a presentation by the chairman of the Consultative Council, that the Great Artesian Basin was groundwater. I said, "Mate, you've got it wrong. This is not the way it is, at all!" All he said was, that the wells are drying up, and it just depends on surface rainfall, and this is the way it goes. And I said, "Sir, that's wrong." And, then some amazing things happened. I wrote a small paper on it. I sent it to this particular chairman; he's a farmer, so he took it down to [the federal government in] Canberra, to show it around. And the Queensland government hit the roof, saying that water was a state responsibility. And, I said to this chap that I was going to publish my paper in the Academy, and the Queensland government wrote to the Academy, and said, "Don't publish that paper" (very interesting). And then, the Queensland government enacted legislation, proclaiming the areas [i.e., making it a government preservation], where the water had to enter the ground—where the surface water had to enter the ground, to flow into the Great Artesian Basin, they proclaimed the area, saying the farmers couldn't use the surface water, because that is the area of recharge.

So, the local farmers hit the roof, and the argument is still going on.

EIR: So, the question of science is an *immediate* question of economy.

Endersbee: Well, one of the tragedies is, that we've tended to move away from the capacity to speculate, and to think about issues. And we're always trying to make things black and white, which is never the case. And this means, that we've got ourselves into the crazy situation, where, even in the universities, speculation is not on. And the idea that we can't speculate, is reinforced by this mad system of peer review, and all the rest of it.

I think there's an awful lot of young people in the universities, at the moment, that are being held in a system of thought-control, because all speculation is out of court. Unless you can prove things absolutely, it's not scientific. Well, all of the great scientific discoveries of the world began with speculation.

EIR: Well, let's switch for a minute, to another area of control, where it's said, "It's not economical to build great projects. We do not have the money to develop our resources." First, you were in just the opposite position. After the Second

World War, you were building things. If you can tell us something about that—the Snowy Mountain project; then, we'll come to what you propose for today.

Endersbee: Well, let's begin a little bit earlier in America: When [Franklin D.] Roosevelt came to power—and it's worthwhile going to his inaugural, because I think it's fantastic—Roosevelt got on with the job, with the TVA [Tennessee Valley Authority] and Grand Coulee. He had the Bureau of Reclamation already going well, and Hoover Dam. And they were absolutely wonderful projects. The important thing was that every one of them was big and challenging. Hoover Dam

In the case of the Tennessee Valley project, what was absolutely amazing, was that all of the people in the Valley, hundreds of thousands, were all captured by the idea . . . and there was no sense anywhere, of people doing their own thing, or individual purposes: Everybody was united towards a common goal. It was an absolutely fabulous time.

was, by far, the highest dam in the world. It was an arch dam. They had to develop new techniques for analysis, to work out the stresses in the dam. The mere matter of the diversion of the Colorado River, past the dam site, was a fantastic operation. And then, of course, they had the largest turbo generators in the world. There were *huge* steel pipelines. And they have to develop new ways of welding these great pipes, and so on. So, there was a great deal of activity in Hoover, which was exciting and interesting, and it challenged the Bureau.

The same thing was happening in the TVA. And the TVA was an absolutely incredible project, because it covered so much countryside in Kentucky and Tennessee. Hundreds of thousands of people were involved. And, in the case of the Tennessee Valley project, what was absolutely amazing, was that all of the people in the Valley, hundreds of thousands, were all captured by the idea, and they all worked together for a common purpose, and there was no sense anywhere, of people doing their own thing, or individual purposes: Everybody was united towards a common goal. It was an absolutely fabulous time.

Now, I was reading about these sort of things in the technical press, of course. I was watching it all like mad.

EIR: They had music evenings, to give briefings on why

they should use electricity!

Endersbee: Yes! Well, it was all a wonderful time.

Now, this was also being monitored, around the world, because everybody was interested in these fantastic steps forward, that Roosevelt was making. And, one of the places where that was noted was, of course, Australia. We'd been thinking about the inland diversion of the Snowy River for some time. And so, after the war, we started getting on, developing plans for the building of the Snowy Mountains project [Figure 2].

But, there are other people around the world, also, looking at all sorts of new plans for redevelopment. And we started this project—the Act went through in 1949. We then had an immediate problem, because we really didn't have the strength in depth, within our organization, to get on with the job. We started off with a commissioner, who was a hard-bitten, old hydro-electric construction engineer—he knew exactly what he was doing, and he was a wonderful leader—and a bunch of young engineers, like myself.

EIR: Tell us more now, how did the Snowy Mountain training come about, that you could go from one thing to another?

Endersbee: Okay. Well, what happened was, that we just had two or three senior people with background and a bunch of young engineers. And one of the things that we did, was that the Snowy organization entered into a contract with the United States government, whereby we paid—this is Australian money; no aid or anything, right?—we paid the Bureau of Reclamation in Denver, Colorado to help us with the design of the first major tunnels and the first two major dams, and in the process help us, by training some of the young engineers.

And so, in 1952, I was sent to Denver, Colorado, and I was told by the Snowy, that I had to learn to be an expert in tunnels and underground construction.

EIR: In how long?

Endersbee: Oh, as quick as possible!

And so, I was sent to Denver. And the Bureau engineers, they set us down. And I sat down at an empty drawing board, and I started to draw up the first tunnel—the 14-mile-long Eucumbene-Tumut diversion tunnel. And so, I did that, and I was beavering away there for 12 months. And it was wonderful working with these Bureau engineers, because they were all 20 and 30 years older than me—

EIR: And they had all this experience.

Endersbee: Yeah, and they would just saunter up to my desk and say, "Why don't you think about this?" or "Have a go at that." And, every now and again, they'd disappear and they'd come back with a book or a specification, with a few things marked in it for me. And there was this wonderful relationship between these older Bureau of Reclamation engineers and the team of 12 young Australians. And, you can imagine, being

FIGURE 2

The Snowy Mountain Scheme



The Snowy Scheme, rated by the American Society of Engineers as "one of the seven engineering wonders" of the modern world, covers an area of 7,780 square kilometers, with 16 dams and 7 power stations.

Australians, there's lots of banter, and everybody had a good time. But, there was a wonderful human relationship there. And after 12 months, I was going back to Australia, with a bundle of drawings and specifications, so I was hoping I could answer all the questions, when I got home, and the details!

And so, we then got on with calling tenders, and getting on with the construction of the projects.

And then, there was another nice development: The Bu-



The Snowy Mountain Scheme's underground power station Tumut 1, under construction in 1958.



The six pipes of power station Tumut 3 are each 487 meters long, 5.6 meters in diameter, and collectively contain 10,260 tons of steel.

reau of Reclamation had a number of older engineers, in their late 60s-70s, who had been construction engineers, resident engineers, on Glen Canyon, or Grand Coulee—you name it. Some of them had been on the Colorado—Big Thompson. And they had these construction engineers, who'd been there and done it, and so, we arranged for them to come and stay with us for periods of 12 months or so. And they sat down with us, and they helped us with the administration of these *very* large contracts—you know, these were multimillion-dollar contracts; quite huge things, in those days. And once again, the relationships were rather wonderful. Because we'd get into a problem with a contract, and we were worrying about this and that, and they'd say, "Well, this is the way we did it, at Palisades"! And, off they'd go and they'd come back with some data for us. Of course, there were absolutely wonderful relations there. By then, some of us were a bit older; we had children, and they were part of the grandfather circuit in the young Australian community, the relationships were absolutely fantastic.

So, the project was built on time and within the estimate, and it was a great, complex project, and it was this sort of harmonious relationship with the Bureau that helped it along.

EIR: So, the examples of this, which I know have been recently published and available in Australia in the periodical *The New Citizen*, are very appropriate to the Franklin Delano Roosevelt approach today. Because they're *directly* a spin-off, thanks to people like you.

And then, you built more underground power facilities and that kind of thing.

Endersbee: See, when you start off with a rocket behind you, which happened to me—this applied to most of the young Australians who were involved in this, because of the fact that they were expected to become experts, without trying to be



Two of the six generators at Tumut 3 power station can provide enough electricity to power a city the size of Australia's capital, Canberra.

experts—within about eight years or so, we were operating at world front. And the interesting thing is, that we had already been working on the design and construction of two large underground power stations, and, at that time, the Bureau of Reclamation had not designed and built an underground power station.

EIR: That was a first?

Endersbee: Yes! And now, the Bureau of Reclamation—they were watching us!

EIR: So, these were underground turbine stations.

Endersbee: Oh yes, absolutely: Large underground power stations. Well, there are two in the Snowy scheme, and I worked on the first one of those. But, by then, as we were

completing this first large underground power station, I was then invited to go to Tasmania, where the Hydro-Electric Commission in Tasmania were designing and building *their* first underground power station. So I went to Tasmania, and once again, we had a government instrumentality—a government utility—and we had an interesting charter from the Tasmanian government as a government utility. Tasmania is a hydro-electric island, and, in effect, the orders from the government were, we were to generate the lowest-cost hydro-power in the world, so that we would attract industries to Tasmania.

The wonderful thing about Roosevelt, is that he identified, not only problems in America—it helped to inspire a similar approach around the world. And you only have to look at the situation in Africa, in South America, parts of Asia, and so on: There is a need to build new infrastructure.

And so, in other words, as a government department, we were ordered by the government, to operate at the frontiers of technology, design, and construction, to keep the prices as low as possible. And you can only do that by technical excellence. And so, we were encouraged again.

We were the first in the world to use hard-rock tunnelling machines, boring tunnels. And that was an interesting exercise, in that we wanted to drill several miles of tunnels through hard rock, and hard sedimentary sandstones, and things like that. And, we found that, in America, there was a firm that had built a soft-shale cutting machine—

EIR: For cutting, not coal.

Endersbee: No soft shale. This was at the Missouri River diversion—on one of the Missouri projects. And this was [an Army] Corps of Engineers project, and they had used—for a fairly short distance—a soft-shale cutting machine. But we saw that they had the electric motor drive-system, which we wanted. So we got in touch with this firm in Seattle, and there were some [financial] problems there, with the firm. And, in essence, the Hydro-Electric Commission in Tasmania provided funds to re-float this company in Seattle. So here's a government department doing this sort of thing, to help us design and build this hard-rock tunnelling machine, which we were going to ship to Tasmania.

And it worked. We sent our plant engineers over there.

They worked with the firm in Seattle, and then, they came back to Australia with the machine. We put it up to the face, and it worked like a charm. We realized, we couldn't get the muck away quick enough, we were doing so well. So, we had to redesign the conveyor belt system, and everything else, to move the muck quickly—and we were breaking world's records.

EIR: Let me ask you, then: This is the positive idea of building infrastructure. But we all know, wherever we live, almost, that the last 20 years, things lagged, there was a pause. And you are now saying, that, not just in power generation, but in railroads, you have a peculiarly dramatic situation in the railroad gauges in Australia. Can you tell us, in your expert opinion: If we were to start tomorrow to have that same spirit and technology commitment, what should we be doing there?

Endersbee: Well, the wonderful thing about Roosevelt, is that he identified, not only problems in America—it helped to inspire a similar approach around the world. And you only have to look at the situation in Africa, in South America, parts of Asia, and so on: There is a need to build new infrastructure. And, the problem is, that the world is divided in various ways: In Africa, the sort of projects that should be built, involve several countries. In the Middle East, the problems of groundwater are sort of heading towards warfare, almost.

And so, it's really a matter of trying to overcome the political problems. If you can put the political structure together, the rest is easy.

EIR: You've developed maps to show Australia, in political-social terms—how it's part of a whole region of 4 billion people (if you count India and China and East Asia and Southeast Asia), so that it could be a positive location, not a strife location.

Endersbee: We have to look at that market. You see, we're just 20 million people, in Australia. And one of our problems today, is that our Constitution, which to a certain extent was based on the U.S. Constitution, preserved sovereign power at the state level.

EIR: Not federal, state.

Endersbee: At state level. That means that the various states of Australia agreed to the Constitution, on the basis that they preserved sovereign power. And the federal government was only granted powers for defense and foreign affairs, and trade, and so on. That meant the states were responsible for water, electricity, and transport, and you name it. And so, that meant that the states—and for the last hundred years—have hung onto, not only the separate ports, but separate rail systems, *and of different gauges.*

EIR: Oh, no!

Endersbee: But, you see, at the time of the Constitution, that was regarded as a plus, because the separate gauges leading

FIGURE 3

Proposed Asian Express



Professor Endersbee's Asian Express, a high-speed train from Melbourne to Darwin, would revolutionize Australia's export potentials to nearby points in Asia.

to each port, meant that the other states wouldn't interfere.

EIR: Oh, wouldn't compete for the hinterland traffic!

Endersbee: No—and, if you like, this idea of separate state sovereignty still remains. I was in the Northern Territory, two or three years ago, and one of the local bureaucrats told me, very proudly, how the Chief Minister of the Northern Territory (which is probably about 200,000 or less people) had recently been in Beijing, and had signed a memorandum of understanding with the Premier of China! You know, I thought, "Ahhh! What madness this is!"

But, okay, if you look at the situation from the Australian point of view, there is still enormous potential in the north and south [Figure 3]. And, if you look at the markets to our north: Darwin, for example, the distance from Darwin to Singapore is the same distance as the length of the Mediterranean Sea. So, we can be communicating with all of that part of Asia, and entering into trade with Asia. If you see the map, and you see the distances between Singapore and Japan; at

any one time, half of the world's container ships are in the seas between Singapore and Japan. Half of the world's containers are there. So, it's a huge area, based on maritime trade, and that's easy to understand, when you think of all the islands of the Indonesian archipelago—so, we are in a good position to trade with that area, and also to be a source of food.

EIR: So, this would help define infrastructure, to build up ports.

Endersbee: Absolutely. This is what I'm getting at, is that the 4 billion market, and their needs, drives infrastructure development in Australia, because, in effect, we would be designing and building, to sell Australian produce and our goods, into that market.

EIR: Tell us something about the new railroad plans, or new irrigated farming plans—you have a terrific climate in Australia.

Endersbee: Oh yes. Well, I've been working on a new railway system, that goes up through the middle of Murray-Darling Basin—it's a great irrigation area, at the moment. The Murray-Darling Basin—we can double or triple the output, by getting a better access to market.

See, in Australia, we have what they call, a "tyranny of distance." And economic development depends on access to markets. If you change the access to markets, you improve the value of crops; you change the sort of crops you grow; it changes the value of water. So, if we have, if you like, rapid transport systems that connect Australian farms effectively to Asian markets, it changes what we grow, it changes the value of land, it changes everything.

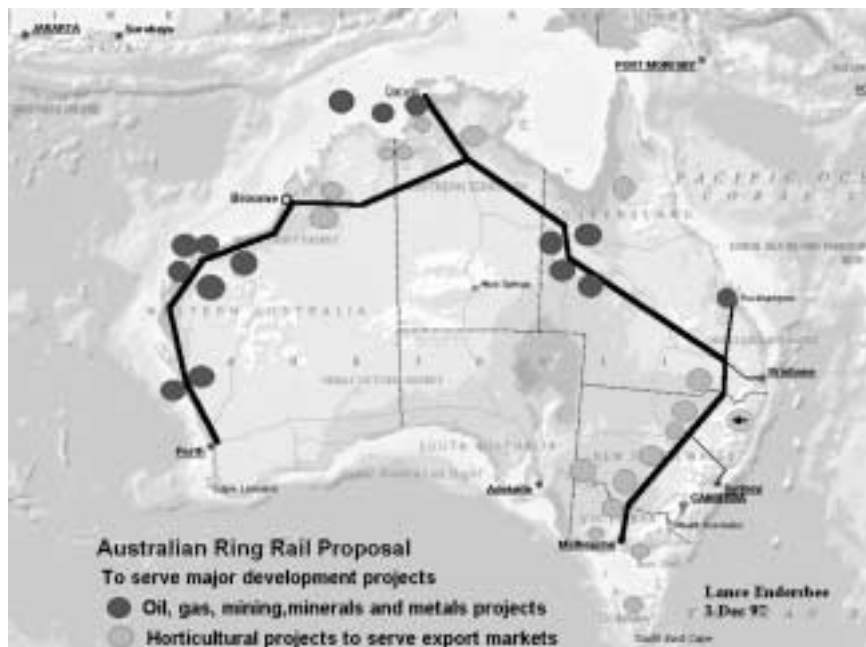
And so, I've been looking at transport projects to bring Australian produce to these markets. Now, if we can do that successfully, we can easily support another 20 million people in Australia.

EIR: And also, besides the rail, then, you're thinking of inter-island and rapid marine travel. Have you been involved in that?

Endersbee: Well, down in Tasmania, they've been designing these twin-hull catamarans. And these are fairly rapid, in fact, a twin-hull catamaran, made in Hobart, holds the speed record across the Atlantic. Average speed of about 45 knots, I think. One guy, who was a student at the faculty, when I was dean, he did some wonderful work with them, with the builders of this machine. You can imagine, with a twin-hull catamaran, it's a devilish problem if you're running into a cross-sea. You're going like this, you see: One hull will hit the wave before the other hull. And so, this graduate student (he's 40-odd) was able to devise a sensing mechanism on a computer program, so the flaps at the stern of the catamaran, would go up and down, like this. And so, he had a sensing device to monitor the sea state, determine which hull was going to hit the water at which time, and the whole thing was

FIGURE 4

Australian Ring Proposal



adjusted—and it was just as steady as can be. And they used that on the Atlantic crossing.

Now, these fast catamarans—they're very good—and this chap's got designs for them with 500 or 1,000 containers, which are good for, if you like, inter-island travel, such as in the Indonesian archipelago. A bit of fun!

EIR: So, the technology is there.

Endersbee: Oh! It's the will. You see, with a lot of these things, every one of them requires a leap-frog in thinking. And we've been talking at this meeting [ICLC conference], over the last few days, about the railroad, which could go from China all the way through Kiev, into the heart of Europe; and you'd have Russia and China all connected up, as one common market—a fantastic rail project, which could go ahead. And, the question is: Where is all the money going to come from, and everything else? And, the fact is, that the money is, in many cases, relatively easily found.

EIR: Well, in North America—you may have something to say, about the idea that that railroad should go from Kiev eastward through China, under the Bering Straits and into the Yukon and Canada. Do you have a tunnelling expert's opinion?

Endersbee: There are various technologies which are available, now, these days. You have to look at the costs, but, with a tunnel like that, you'd want to stay away from problems in the rock underneath. And you'd want to stay away from a

floating bridge or bridge-tunnel arrangement.

But it is possible to have a tunnel made of pontoons, constructed in the dry. And then, taken out to the site, and in effect floating, submerged—above the seabed. They could be floating submerged, anchored to the seabed. And, so you could have a floating tunnel, and just join it up. So, you're independent of the rock conditions underneath, and you're independent of the sea state, and it's just a matter of paying for the box, and screwing it to the floor. And make sure there's no holes.

You see, that's an easy fix. You'd use longitudinal pre-stressing, all sorts of things to make sure it would work very nicely.

EIR: Is one of those in place, in a significant way?

Endersbee: No, not that I know of. They may be, but the Bering Strait is the sort of place, where that sort of thing could be done.

EIR: This could be the challenge that the projects of Franklin Delano Roosevelt were, in the 1930s.

Endersbee: He had the courage to have a go!

EIR: You said that after you retired—you're a civil engineer, actively retired—you're now in your most exciting thinking period in your life. So, your priority is setting straight the groundwater misconception?

Endersbee: No—primarily in national development: You see, when you're practicing, and, as I was working with the government, or when I was at the university, you are largely constrained by the system telling you what to do. Now, if you're an employee, you have to do what the boss says. If you work in the government, you have to do what the government says. When you're in a university, and particularly these days, with privatization and all sorts of things, you're totally dependent on what money people give you for research. So, your research is totally determined outside, and the idea of free scholarship is totally lost.

So, since I retired, I've been a free scholar. For the first time in my life, I've been totally free, and I can think what I like, do what I like, travel where I want to—if I've got the money to do it. But, the important thing, is that, when you're as free as all that—all of a sudden, a great world of opportunity opens up, and there's *so* much to be done!

And, there are so many blockages: governments all around the world with problems.

EIR: One thing is, you're making available the levers and handles to reconceptualize, to push ahead. You mentioned Professor Gold, Professor Gregory, Professor Kerry, these other people. Do you think, among hydrologists and geochemists, you can force things through in the near future? What's your view?

Endersbee: I am hoping that there are young people out there, I'm hoping that there are young minds, who see these opportunities and grab them and run with them. And the more courage they have to think for themselves, and work things out, the better.

One of the things that worries me, is that our entire generation of young people are being conditioned. And they've lost this capacity to think independently. I could go on, and mention my concern about American teenagers.

EIR: You mean that they're market-composed, instead of mentally composed?

Endersbee: The problem here, is that there's a whole advertising and other industry, preying on the American teenager, because the American teenager's got money to spend. And, the money that American teenagers spend every year, themselves, is about \$100 billion. The money that their parents spend on their behalf, is another \$50 billion. So, the American teenage market is worth \$150 billion every year: You could

build an awful lot of things for \$150 billion a year. You know, from my point of view, \$150 billion on spiky hairdos and bare midriffs, is a total waste of money.

EIR: Whereas if you put it, you mean, in building projects and create natural resources?

Endersbee: Absolutely. But you see, the system is actually preying on these young people, and limiting their ability to think for themselves. They are being driven, so that, in effect, they worship the corporate sponsor. And they don't listen to their parents or their teachers, and that means that they're losing the capacity to work together. You see, all the sports they're encouraged to do, all the things they do—skateboards, you name it—there's not too much group activity, any more. There're not too many orchestras and choirs and bands and things like that. There's not too many group sports for young people.

EIR: Well, I'll tell you: Since the financial system, that's been crazy and that allowed that, is breaking down, I think that now's our opportunity—"now or never," as they say. And I'm so glad you were here today, Prof. Lance Endersbee. And we look forward to having you back to report on your progress.

Endersbee: Okay. Thank you.

Challenges of Human Space Exploration

by Marsha Freeman

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LaRouche Visit To Brazil Features São Paulo Honor

by Gretchen Small

In a solemn ceremony June 12, U.S. Democratic Party Presidential pre-candidate Lyndon H. LaRouche, Jr. was awarded honorary citizenship for São Paulo, by the City Council of that city of more than 18 million people, the third-largest in the world.

Addressing an overflow crowd of several hundred who attended the ceremony, LaRouche said that in these perilous times, there is no way the United States will come out of this crisis, without the founding of a community of principle among the nations of the Americas. Brazil has a particular role to play in any such endeavor, as one of the few countries in the world which still retains some significant degree of sovereignty, LaRouche added, and said that he hoped, by coming to Brazil, to open such a dialogue with all the nations of the Americas.

LaRouche was invited to Brazil to receive this honor by Dr. Havanir Nimtz, the principal representative on the São Paulo City Council, of Brazil's Party for the Rebuilding of National Order (PRONA), founded by Dr. Eneas Carneiro, one of Brazil's preeminent cardiologists and a former Presidential candidate. LaRouche and his wife, Helga Zepp-LaRouche, accompanied by Dr. Eneas, visited a plenary session of the City Council on June 12, and were introduced to the body by Councilwoman Havanir. The ceremony awarding LaRouche citizenship of São Paulo, held in an auditorium in the City Council building, commenced with a military band playing the national anthem of Brazil, and an *a capella* rendition of the U.S. national anthem. After the official presentation, Dr. Havanir and Dr. Eneas each spoke about LaRouche's work and contributions, honoring his role as an American statesman who stands up for all humanity.

Change the Rules of the Game

If there is to be hope for the world, the United States has to be brought back to its senses, Mrs. Zepp-LaRouche said in her brief remarks during the ceremony. There are two Americas: that which continues the intellectual tradition of its Found-



The Association of Graduates of the Superior War College of Brazil hosted Lyndon LaRouche's first major presentation, at the Latin American Parliament. Gen. Oswaldo Muniz Oliva (second from left) gave commentary on LaRouche's remarks, as did Congressman Marcos Cintra (second from right), one of Brazil's negotiators on a proposed Free Trade Pact of the Americas.

ing Fathers, or that of the Tories, still allied to the British Empire. The decision to grant honorary citizenship to my husband, she said, sends the most powerful possible message to the world, about which United States the world wants.

Lyndon LaRouche gave three public addresses during his week-long visit to Brazil, in addition to his speech to the City Council. In each, he warned that there is *no* solution within the existing international financial system: not one. Not for the United States. Not for Brazil. You must help replace the system, he told his Brazilian audiences, because both of our nations are heading straight towards a blow-out no different from what collapsed neighboring Argentina earlier this year. Perhaps next week, perhaps in some months, but it will occur soon. We have to change the rules. Can we not change the rules? Are we not human?

LaRouche's first public address, on "The Global Systemic Crisis and the End of 'Free Trade,'" was given at a three and a half-hour forum sponsored by the Alumni Association of the Superior War College (ADESG) and *EIR*, and held in the auditorium of the Latin American Parliament in São Paulo on June 11. Representatives of two of the principal power groupings debating what Brazil must do in this conjunctural crisis, offered their comments following LaRouche's opening remarks: former Superior War College director Gen. Oswaldo Muniz Oliva; and Cong. Marcos Cintra, who currently heads the Congressional committee which deals with the negotiations for the Free Trade Agreement of the Americas (FTAA). An extended discussion then followed with the 120 represen-

tatives of the São Paulo business, agriculture, military, and university elite who attended. At the conclusion, the head of the ADESG in São Paulo, Adauto Rocchetto, thanked LaRouche warmly for speaking to them so directly, especially recognizing the fact that what he is saying, as an American citizen and an American politician, goes against what his government stands for and is doing around the world.

On June 13, LaRouche was the featured speaker at a business luncheon sponsored by the São Paulo Commercial Association, whose members were keenly interested in discussing new solutions for the global economic crisis, as Brazil's financial pyramid begins to crumble. The following day, he was the keynote speaker at the Fifth "Brazil-Argentina: The Moment of Truth" Seminar, organized jointly by his associates in the Ibero-American Solidarity Movement (MSIA), and the Ibero-American Integration and Identity Movement (MINEII) founded by friends of Argentine Col. Mohamed Alí Seineldín. The seminar, held at the auditorium of the ADESG in São Paulo, opened to a full house, with a public exchange of ideas between LaRouche and Colonel Seineldin, the latter by telephone from his military prison in Argentina (see below).

Helga Zepp-LaRouche opened the second panel of that seminar, with a presentation on the strategic importance of the Eurasian Land-Bridge for the integration of Ibero-America. Dr. Vasco de Azevedo Neto, former federal Congressman and Presidential candidate, followed her, with a presentation on the necessity of completing the Great Water-

way, the name he coined for the long overdue project to link the Orinoco, Amazon and La Plata river basins of South America.

During their visit, Helga Zepp-LaRouche was also invited by the São Paulo State Appellate Criminal Court to discuss the threat of the New Violence, and her proposal for international legal action banning the most violent video games. She was introduced by the vice president of the Criminal Appeals Court, Dr. Renato Nalini, and addressed 80 people, among whom were 15 judges, the vice president of the Military Tribunal of São Paulo, and diverse representatives of civilian and military authorities, as well as lawyers and students.

Lyndon H. LaRouche, Jr.

Integration of Nations Is Key in the Crisis

This is Lyndon LaRouche's presentation to the fifth "Argentina-Brazil, The Moment of Truth" meeting, held in São Paulo, Brazil on June 14. Subheads have been added.

On the subject of integration: The bringing together of people of different cultures and nations for a common enterprise, a strategic enterprise, is the most important and most challenging enterprise in all statecraft.

You can not use ordinary politics under such circumstances because—as in the Second World War, the United States was allied with Britain. Culturally, the British monarchy and the United States are historical and continuing enemies. But nonetheless, we were obliged to act as allies with our enemy Britain.

And General Eisenhower, later President, referred to this cooperation as “a most difficult alliance.”

But the difficulty is, as in that case or in the present case, that you can not speak in the language of the press; you can not speak in the language of the formalists; because you must actually communicate ideas.

Integration Is an Idea

Ideas can not be communicated by simple deductive methods of speech. Actual ideas of human beings, as distinct from animals, can only be communicated by what is called irony, which is the distinction of great poetry, great classical poetry, for example.

The problem is that our senses are not reliable. Ideas can not be communicated in general by sense experience. The

human mind doesn't work that way. Let me just—as a matter of introduction to the way in which to approach this question of integration—just qualify that particular problem.

We know in physical science, in particular, that what the senses show us is not reality. What the senses show us is a response of the mind to what is perceived. Plato used a representation of this, particularly and famously in his *Republic*.

The senses respond, if we learn to use them properly, more or less faithfully to the stimulation they have experienced. But then we discover—the mind discovers—that what we experience is not the substance of what is causing the experience.

Plato said that we see as if shadows, on the wall of a dimly lit cave. The function of science and great poetry is to enable us to discover the reality which causes the shadows. In physical science, we call this universal physical principles which can be experimentally demonstrated. In Classical poetry, we call this ideas.

The way we discover a scientific principle is, we discover a contradiction. Let me just identify one or two famous ones. How did Johannes Kepler discover, according to his own report in 1609, *The New Astronomy*, how did he discover a universal principle of gravitation?

If someone says they can see gravitation, or smell it, or touch it, we send them to a mental clinic. So what you see in the orbiting of the Solar System, you see a shadow. When you try to interpret the motion of these planets and so forth, in terms of the shadows, it doesn't work.

So Kepler ran into a wonderful contradiction, which enabled him to define gravitation. Kepler made some more precise measurements than had been made before, in the work of Tycho Brahe, and demonstrated two things by observation. The shadows told him something. Not the reality, the shadows.

The precise measurement of the shadows showed him that the orbit of Mars was not circular, but elliptical. He didn't know how to make an ellipse then, except he understood what it was. But he discovered that the Sun occupied the position of one of the foci of that elliptical orbit.

He also observed that there was a principle involved in the way the Earth and Mars orbited the Sun; that the area swept by the orbit was equal—equal areas, equal times.

He also discovered something else. He compared the two extremes of the orbit, and determined that there is an harmonic relationship between the two. He also determined that all of the planets each had a characteristic harmonic orbit, and that these orbits were ordered in terms of approximately the musical scale.

So from this, he said, there is an *intention* embedded in the universe which causes this to proceed in this way, which he then referred to as God's intention, which is not seen, is not smelled, is not touched, but which is visible to only one creature: the cognitive powers of the human mind.



LaRouche during the São Paulo City Council ceremony, with Councilwoman Dr. Havanir Nimtz (right) and translator.

How Do Societies Progress?

And thus we know, as Kepler concluded, that man is made in the image, the living image of the Creator, to discover and use these universal principles, and to *change* the universe by using them. And we are responsible for changing the universe. We are the gardener. We are the farmer that makes the land fertile. We have a mission.

And the important thing about this is not merely that we are individually able to discover these things, but how does culture progress? How do societies progress?

For example, you look at man, and you look at the universe. You look at Earth. Now we have a fair knowledge of the conditions of the Earth, changing conditions, over the past 2 million years. This is a period which corresponds to the point that the various continents had their present positions, approximately, and which a pattern of ice ages, recurring ice ages, has defined, for this planet over the entire period.

Now during this period, therefore, knowing the conditions on this planet over 2 million years, if man as you see him would be classed as an ape, the possible human population of this planet at any time, would never have exceeded several million individuals to the present day.

Every animal species has a more or less fixed potential relative population density. Then how does man reach a level of several billions of population on this planet? By changing his own behavior. Other species can only do this through a kind of evolutionary development of their genetic material. Man can do it as an act of *will*, as in the image of God.

How does this result in human progress? By transmission of these discoveries from one generation to another, typified

by what an education should be. But only one kind of education: a Classical humanist education, of which there is very little going on in the world today. So we are educating people to be animals. We train people in school the way we train circus animals, and we wonder why the children sometimes behave in a bestial manner.

This is crucial; this is crucial for this question of integration, the strategic problem of bringing people with different cultures and different languages in different nations together to a common purpose, to the same effect as an integrated national military force.

How do you exert command over such a multifarious resource? By interpreting words? No. You have to reach inside the mind of the other people. How do you do that? Not by grammar, not with dictionaries. Not at the blackboard. You have to reach the soul. You have to resort to poetry, Classical poetry; to Classical science, as typified by the case of Kepler's discovery.

Empiricism and Idiocy

Or, for example, take another case of this, which is very important to mention, because it goes to another kind of problem. The failures of the astronomers of the 16th Century, such as the followers of Claudius Ptolemy, Copernicus, Tycho Brahe, the common error: They all were students of Aristotle, even though each had a completely different scheme for the Solar System.

Actually, an accurate understanding of the Solar System existed prior to the Roman period. The Classical Greeks associated with Plato had an understanding of this—long before

the Romans—as the case of Aristarchus, for example.

But the issue here was, that while Kepler exposed the fraud of the Aristotelean method, and he did that in great detail in, for example, his *New Astronomy*, one of his major works; you had a very strange gentleman from Venice by the name of Paolo Sarpi, who introduced a kind of castrated Aristotle as philosophy, by removing some of his predicates.

So this became known as empiricism or liberalism. It denied the existence of any principle of the universe. It was based on sensationalism, the interpretation of sensations. And this dominated much of European quasi-scientific thought.

For example, economics as taught in universities is a form of idiocy. Because, what do the university economists tell you? The university economist, in the name of statistics, plays a game called “connect the dots.” He takes a group of points on his statistical scale of numbers of various kinds, especially financial numbers. And he draws a line between the dots. And he says, “Now this shows you what causes what in economics.” And he never understands why a crash comes.

It’s the same problem, because in economics, what actually causes growth is the action of the mind, in the form of physical actions directed by physical principles, discovered by people, which *change* the universe.

The Case of Brazil

Typical is technology. Or take the case of Brazil. Brazil is a very large country, with vast resources, mostly almost untouched. The fact that this city is the third-largest city in the world: We compare the population of São Paulo to the population of Brazil as a whole; compare the area of São Paulo to the area of Mexico as a whole. What a difference! What un-development!

So, how is the potential of Brazil to be achieved? There must be sources of power in various parts of the country; there must be efficient communications and transportation. So the profitability of the firm, the productivity of the firm, in some part of Brazil, is not typically based on the productivity, internally or financially, of that firm. But it is the “artificial environment,” which the nation creates in the form of infrastructure, which the nation creates in the form of educational programs, which the nation creates in other ways, which then enables the people of Brazil to develop the various parts of the continent—to create new cities, to create new industries, to transform the Amazon region, to conquer the high plateau with its great potential: To *change nature* by the human will, by discovery.

The typical economist does not know that exists. And they will produce long reports to prove that’s not true. The problem of empiricism, liberalism, and so forth, in this form, was the denial of the kind of universe which is identified by Kepler, in which there are underlying *intentions*—which have the form of *physical intentions*—they control the physical domain, which determines the way things work.

The way you understand an economy, or any other pro-

cess, you have to understand it from the standpoint of the *intentions* of the Creator, as expressed in the discovery of universal physical principles, to transform one’s environment. You transform the environment, you create the opportunity for people to apply other principles to the transformed environment.

Say the farmer in Brazil grows a vegetable. (Not one to be elected to high political office, but to be eaten.) So, what does the farmer do? We have a few experts in the audience, on that subject. You must first prepare the area. You must provide the *conditions* under which you can have fertile and fruitful growth. Then for each plot of land, you must prepare that area. You prepare it with fertilizers, irrigation, and in other ways. Now, you can plant the vegetable, and get it. This may take years of preparation, to bring that land to the condition under which it can fertily produce a particular type of vegetable. To develop a herd of cows may take a dozen

Seineldín From Prison, On Leadership

The “Brazil-Argentina: The Moment of Truth,” meeting in São Paulo on June 14 was jointly organized by Lyndon LaRouche’s MSIA and Col. Mohamed Alí Seineldín’s supporters in the MINEII movement. Colonel Seineldín spoke by telephone to the audience which included Helga and Lyndon LaRouche.

Seineldín: Dearest brother and friend, Don Aduato Rocchetto; Dearest sir and humanity’s thinker, Don Lyndon LaRouche; Distinguished lady, Mrs. Helga Zepp-LaRouche; My dear brothers in struggle, Dennis Small, Silvia and Lorenzo Carrasco, Gerardo Terán and all the others, for we are many;

This is Col. Mohamed Alí Seineldín, speaking to you from the Campo de Mayo military prison in the Republic of Argentina, who is very close to you and sends you a very strong embrace, and my immense joy at spiritually sharing with you this good moment you are involved in.

Even a quick look at the world situation is enough to understand that we are in a world crisis which is growing geometrically, day by day. The message sent by God to man 2002 years ago has been consistently disobeyed, allowing for strange ways and paths which have put all of humanity, and the human species itself, in danger.

The great powers responsible for assembling earthly life-missions corresponding to those established by God, afflicted by egoism, arrogance, frivolity, pleasure, indif-

years to a quarter century, depending on the type of herd you're trying to develop.

So, there are long cycles in this process. We call them "capital cycles" in economics. The building of a great hydro-electric system, for example, which is a very expensive project: You can only do it, as a nation, if you allow yourself to pay off the project over a period of decades. But that can enrich the country.

Regulating the National Economy

So, these kinds of willful changes that we make in the environment, which involve long-term and medium-term cycles, are the foundation of economics. But your typical economist does not admit it: He's into neo-liberalism or liberalism. They ignore the reality. You see, *economics is a physical science*, it is not statistics. We create financial systems, which have no lawfulness in them. They're crazy. It's like having a

crazy wild animal in a cage. Don't let it out of the cage.

What you do, is you *regulate* an economy, you *regulate* a financial system, to prevent it doing the criminal things it will tend to do, if you don't watch it closely.

For example: In order to have successful entrepreneurs, such as individual farmers; the individual farmer has an intellectual role in farming. The entrepreneur, as an individual, has an essential function in the economy, in managing that business. The individual farmer can not control the national territory. The individual entrepreneur can not control the economy in which he is working.

Therefore, intelligent governments set up rules and mechanisms, to ensure that the individual farmer and the individual entrepreneur is protected in performing his useful function for society.

We must provide the *credit* for the individual farmer. We must provide the infrastructure. We must do the same for the

ference, and their thirst for power, are dedicated to creating divisions, in order to make war (the East-West example); to trade and achieve wealth (the North-South example); to advise countries as to the number of births that they must accept; and to dismantle nation-states, as is happening in Latin America today, to subsequently insert them in great blocs of nations to better exploit them.

As an example, let us look at recent events occurring in the Bush Administration: They knew of the attacks that were going to occur in the United States, but they allowed them to happen, with the objective of starting a war in the Middle and Far East, bragging in a lamentable speech which we all heard, that the war in Afghanistan is the first of the century [of war]. So I, who am a soldier who knows war, would ask Mr. Bush: How many more wars does he plan to have? Truly, I have never heard such madness.

On the other hand, we, my dear brothers, by the grace of God, have projects and development plans for the whole world, which coincide with what was established in the divine commandments. I know all of you, and there before you have the great patriarch and gentleman of humanity, Dr. Lyndon LaRouche, who, alongside his wife, with the banner of faith and hope, fights boldly to teach and convince those who govern, about the path to be taken before it is too late.

We, Brazilians and Argentines, without hesitating or wasting a minute, have already begun to work under the marvelous conception of Dr. Lyndon LaRouche. The results are there to be seen.

I congratulate you for this good moment you are involved in. I love you all; continue onward.

I take the occasion to send greetings to my brothers, Eneas Carneiro, Gen. Tasso de Aquino, Vice Adm. Tasso

de Aquino, and to my great friend Colonel Schirmer, along with so many others whom I have in Brazil.

I pray to God and Mary of Mercy for all of you, your families, and that we may be helped in this marvelous, if hard, path that we have chosen.

For God and the great Ibero-American fatherland.

LaRouche: Well, this is to Colonel Seineldín. We get a chance to speak to each other! So, I shall presume that you are actually participating in one way or the other in this conference which is occurring here today.

I can only refer to what Helga reported here today on the summaries from Europe this morning, a general recognition that the world is now in a catastrophic financial crisis, that the danger of war is closely related to this financial crisis. And I think that people will now, in a moment of crisis—as you know from your military experience, you come to a moment of truth where delusions pass away—we must act quickly to move events in a fresh direction.

I presume you understand this principle well. And while awaiting for your arrival—and I understand exactly what goes through your mind on this—while waiting for your arrival, we will do our job, and will much appreciate and be aided by your active support with the capacity you have.

So my best greetings, and I hope that we meet soon.

Seineldín: Well, I want to thank Dr. Lyndon LaRouche for his words, which I shall keep in my heart. Today is a happy day; I have participated with great emotion in this marvelous conference. A new dawn is coming. The world is in a total debacle, and we are all relying on the worthy patriarch and humanity's gentleman, Don Lyndon LaRouche, always supported by his marvellous wife. All of us follow him, *without any vacillation*.

La integración iberoamericana

¡Cien millones de nuevos empleos para el año 2000!

INSTITUTO SCHILLER

Con Introducción de Lyndon H. LaRouche

The economic integration of the nations of the Americas to deal with the spreading breakdown crisis, was LaRouche's subject at the São Paulo "Brazil-Argentina: Moment of Truth" meeting on June 14.

entrepreneur. We must enable him to perform his essential function for society.

But all of this involves physical principles. What happened was, that we had a development called empiricism, or liberalism, over the course of the 17th and 18th Centuries in Europe, in which the attempt was to crush science, as the case of Kepler typified science.

Then in 1799, a young, brilliant mathematician, Carl Gauss, produced a paper, called "The Fundamental Theorem of Algebra," which discredited all of the fundamental assumptions of empiricism or liberalism.

What he did, was he took the case of numbers, and proved that numbers are not based on the "counting numbers" system; that the number-field has certain modular characteristics, and these characteristics reveal *geometric* principles. So, the first thing he proved by that method—as in the *Disquisitiones*

Brazil's Land Area Compared to the Continental United States



Arithmeticae—was that there is no arithmetic; there is only a mathematics which includes arithmetic and geometry.

Ah, but he didn't stop there. He defined what is called the complex domain. He demonstrated that the powers which underlie mathematics are universal physical principles, in the same sense as Kepler's discovery of gravitation.

All right. So therefore, at-the-blackboard mathematical proofs are worthless. What counts is knowing the physical principles involved. So therefore, the method by which we communicate the ideas of physical principles, by which we discover, generate, and prove physical principles, is the ultimate method of communication to reach the soul.

Now this involves my personal contribution to science. What is proven by Gauss, and by people like Riemann and others after him, for mathematical physics, is not only, I propose, in the domain of physics, but pertains to the realm of *ideas*, in the sense of Classical artistic composition; the way Classical poetry teaches us how to communicate with each other.

How To Build Integration

Now just let me summarize the point that I wanted to come to on this thing, on integration.

All of us who have been inspired by Johann Sebastian Bach's setting of the New Testament account of the Passion and crucifixion of Christ, have a sense of spirituality, not as ghosts above the ceiling, but in the universe. We think of these things, often, in terms of family. We think of these things in terms of mortality. It's a very important subject for military science: mortality and immortality.

For what would you sacrifice your life? Does that fulfill



The founder of Brazil's Party for Rebuilding of National Order (PRONA), Dr. Eneas Carneiro (left), stands with Lyndon LaRouche at the São Paulo City Council session called to honor LaRouche with citizenship.

the purpose of your life, or does it, in some way, deny the purpose of your life? But, you're going to die anyway. So, therefore, what does all this life and death mean? Christianity is simply that. A Christian is a person who lives with the idea—as Bach presents this in the Passions, the musical Passions—the idea of the Passion and crucifixion of Christ. For what would Christ lay down his life? To achieve the meaning of it; to achieve its mission.

This is what inspires a Christian. This sense that there is a meaning, continuity, purpose in our mortal life, which transcends that mortal life. This is why education is so important to us. How do we transmit the ideas we have received from those before us, to those who come after us? How do we transmit the development of ideas on which the culture depends, from one generation to the next? How do we honor what we have received from those who went before us? How do we fulfill our obligations to those who come after us?

This is realistic to us only in one way. Only by those kinds of communication which pertain to the form of discoveries of universal physical principle. A monkey can learn. Many of them are qualified as politicians. They perform tricks. But only a human being can transmit ideas. And ideas are not sense-objects; they are not shadows. They are principles. Which is why art is so important to us, Classical art. Because we are exchanging—instead of simple talk, and silly talk, and simple words, baby talk—we are now communicating *ideas* from one to the other. And the artist who can do that for us,

the performing artist, the composing artist, is the one who is precious to us.

For example, an adequate performance of the Bach *Passion of St. Matthew*, or *Passion of St. John*.

So, that's the key here. That we must speak to one another within the frame of reference I've just described today, here. We must see the nature of our identity. We must understand mortality and immortality in these terms. We must rejoice in what we are bringing into being, at a time beyond our life. We must be happy in that fulfillment of our existence. We must see one another in those terms. Nations must see one another in those terms.

We must look upon the bestiality to which man has been condemned so often; we must say, we must bring to an end the time when only a few leaders were qualified to guide an entire nation out of its self-destruction. We must develop our nation and its people, so that we have a nation, not of leaders and followers, but a nation composed entirely of present and future leaders.

That is the way we must think of integration.

We must also reach out. On one level, it's easy to reach out to Judaism, actual Judaism, and Islam, to actual Islam, because they all go by the same book. They all accept the concept that man was made in the image of the Creator.

Now we're engaged in a great potential war which involves Asia. In general, the populations of Asia do not accept the Judaeo-Christian-Islamic conception of man. This is the most populous part of the planet. How, then, do we, seeking on the one side to engage nations which call themselves Christian, with a great effort at integration, how do we reach out to the rest of the world?

I propose we can do it. Not as doctrinaires. Not inducing them to accept the catechism. But assuming them to accept the experience of their own nature, to recognize what that nature is. And to agree, strategically, to create a community of nations on this planet, which is fit for human beings to live in.

I thank you for the difficulties of doing this dialogue in this manner.

Col. Adrián Romero Mundani

Argentine Warns Brazil Of 'Moment of Truth'

We publish below excerpts from the speech delivered by Argentine Col. Adrián Romero Mundani, at the "Brazil-Argentina: Moment of Truth" forum in São Paulo, Brazil, on June 14. Colonel Romero Mundani was imprisoned together with

former Col. Mohamed Alí Seineldín, and now heads the Movement for National Identity and Ibero-American Integration (MINeII), created by friends of Col. Seineldín.

There are two things [I wish to do]: to share some feelings with you, my brothers of the great Ibero-American Fatherland, and then humbly to deliver my message.

To share one's feelings is a profound emotion that I felt when I listened to Col. Seineldín, speaking from that prison where we shared four long years together. It's very hard to go, and leave your commander behind, imprisoned. But he sent me out with a mission; and the mission that we had planned through many late nights behind bars . . . was to transmit the idea that we had already tried to save our nation, but that the enemy today is so powerful, nations can no longer save themselves [acting] alone.

We must truly unite. The Argentina which, because of its power and development, had at one time been so deserving of those lines of its national anthem "to the great Argentine people, we salute," today enjoys the sad privilege of continuing to be an example—but an example of what can happen to all Ibero-American nations, should we fail to respond with a single fist, with a single initial action.

And here I would relate my humble message: integration, and unity.

Everything we have heard from Mr. Lyndon LaRouche and his collaborators for so many years, is no longer the theory of a thinker. . . . Today, this is reality.

Hunger in the Land of Wheat and Cows

Argentina is dying, and not slowly, as Brazil or other Ibero-American nations may be. Argentina is collapsing. Every day, dozens of thousands of my countrymen fall below the poverty line. It was difficult to imagine what that collapse would be like.

And let me tell you, I don't have to say much, because you're living through this. The speed with which these developments have occurred [in Brazil] is incredible. You think that it's a cycle, and things will just keep going down and down, and then the situation will reverse itself and start going back up.

But it doesn't work that way. We are witnessing the end of a system. . . .

Have no illusions, then. . . [Argentina] is privileged today to be the tip of the iceberg—of . . . a catastrophe toward which we are advancing, and we think there is time, but there is none.

We Argentines woke up one day, and we had lost—everything. Worse, some. . . even lost their pride at being Argentine. Instead of staying to fight for the country, they left to seek other options. . . . I believe that we should not leave. I believe we have to fight, but fight by embracing a profound change. This can't be fixed by more of the same.

There is no doubt that, on an international scale, there is a clear and precise orientation, that of Mr. Lyndon LaRouche.

Let each nation figure out how to apply it to their own reality, but it's a common orientation for work in common.

When we began these magnificent "Argentina-Brazil: the Moment of Truth" seminars, we talked about what might come. . . . But we don't talk any more about what is happening, but rather of the fact that in the land of wheat and cows, there is hunger, and in the streets you see images which 30 years ago horrified me, as they reached us from Biafra [Republic of Congo].

'We Must See Ourselves As One Nation'

This is your future if we don't act. This is the future of Ibero-America. This is the future which this international conspiracy has planned for our nations. And let's not blame *them*. It is our fault, because we are the ones who faltered, and didn't fight.

This is not the time for bullets, or shooting. It is the moment to fully understand that old phrase that "development is the name for peace." We must grow together, or they are going to eat us separately. . . .

I came to "Argentina-Brazil: the Hour of Truth" believing that Ibero-America was the necessary solution to the problem. And throughout this process, I came to consider Brazil as *my* land. Today, I was so moved as I listened to the verses of your national anthem. At the beginning, we attended, more than anything, in a rhetorical way, embracing, more than reality, the phrase that we had to Malvinize the Amazon, and Amazonize the Patagonia and the Malvinas.

But this will become reality, when in his heart, each Brazilian feels Britain's rape and usurpation of Argentine lands, as if it were the rape of a daughter; and views the limited sovereignty imposed on vast extensions of Patagonian territory, by virtue of starting to swap land for debt, as if it were the rape of a mother.

Today, Don Lyndon LaRouche told us that integration is the intertwining of souls. That's what I'm saying. We must see ourselves as one, as compatriots. I was educated at Argentina's Military College, viewing Brazil, at the very least, as an adversary. Thank God that I've been given the opportunity to see in you my brothers, and to offer my heart in brotherhood.

When our great heroes of the past dreamed of the greatness of the nation, what was that? It was the happiness of its inhabitants, which we shall only achieve united, and as one, always moving forward. Thank you.

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'The Most Profound Crisis May Be a Gift'

This was Lyndon LaRouche's June 13 address on the global economic crisis to the Commercial Association of São Paulo, with the discussion which followed the presentation. Sub-heads have been added, and questions translated from Portuguese.

I shall use only one chart, which I think we should probably display at this time. I have some other charts which are available, if the questions may require their presentation. So, show the first chart.

This is a chart which I developed as a pedagogical chart, for use at a Vatican conference on the subject of health care. My challenge was, since I had a varied collection of people at the conference: How do you explain economics to priests? The advantage is, that probably everyone will tend to understand it, if priests do. What this chart represents, is an idealized representation, of what has happened to the U.S. and world economy since approximately 1966.

Now, before going into the details of this, let me just

qualify what I mean when I refer to 1966.

The United States emerged in 1945, not only as the world's leading power, but in fact, the *only* power. There were some changes after that time, but that was the situation. The power of the United States is partly rooted in its history, especially in the victory of Abraham Lincoln, which defined the positive characteristics of the modern U.S. economy. We underwent a terrible change for the worse, with the assassination of President McKinley in 1901. As everybody who remembers the history of the Americas knows, Teddy Roosevelt, Woodrow Wilson, and Coolidge were a disaster for the Americas.

So, the great power that the United States represented in 1945, was the fruit of Roosevelt's response to the Depression of 1929-1933. In part, Roosevelt began making fundamental changes, for example, breaking up of the last remains of the British gold-standard system, which was a change which led the way toward the later establishment of a fixed-exchange-rate monetary system, based on assigning a politically determined value for gold—gold not used as a basis for currency, but gold used as a *reserve* against current account deficits of nations.

FDR and the Postwar Period

Under the system which was created by Franklin Roosevelt, we had the following stages: Apart from drastic monetary and financial reforms, the President's concentration was

FIGURE 1
The Collapse Reaches a Critical Point of Instability

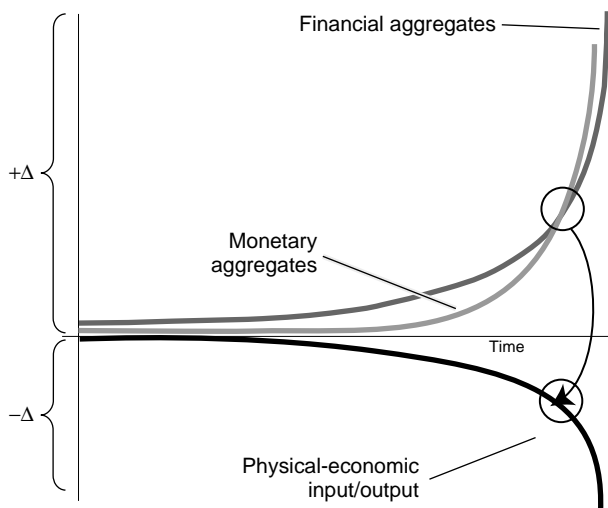
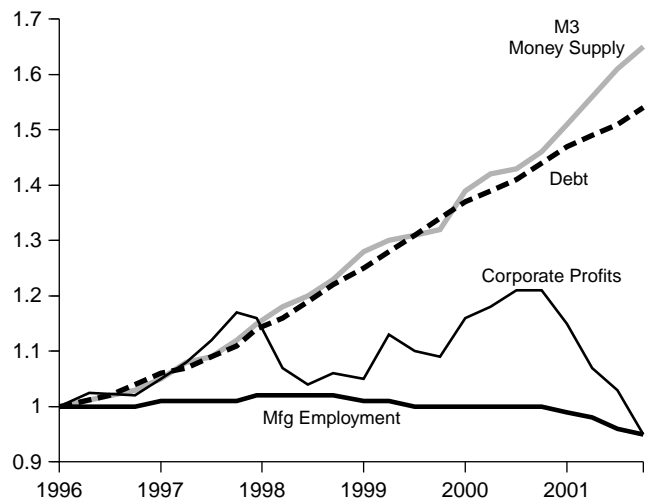


FIGURE 2
The U.S. Economy's Collapse Function Since 1996



Source: EIRNS.

The revealing economic charts to which LaRouche refers: The first is a heuristic devised by him in 1995, to point to a "typical collapse function" by the end of the century, where a debt bubble (financial) completely overwhelms falling real physical production, and money-printing (monetary) goes out of control trying to sustain the debt bubble. Rough actual measures of the U.S. economy (second chart) show the crisis point was reached in 2000.

on basic economic infrastructure. This had two functions. First of all, as had been proposed in Germany—although it was not known much at the time, that a certain Dr. Wilhelm Lautenbach had proposed to a secret meeting of the Friedrich List Gesellschaft, an argument saying that those who resort to what is called today “fiscal conservatism” as national policy, under conditions of bankruptcy, are dangerous idiots. That what the government must do is create credit, not to reduce employment, but to increase it. And the place to put the government credit for stabilizing the economy and expanding it, is the area of state responsibility and competence: basic economic infrastructure. It’s the one place that you can quickly absorb a large number of unemployed persons, with a form of work which will be ultimately good for the nation.

The second purpose of Roosevelt’s public works program was to prepare the basis for a general industrial and agricultural recovery. For example, the rural electrification program, which became the basis for the explosion of productivity of agriculture into the 1970s.

But in 1936, a new factor came in to shape this policy. The British had initially put Hitler into power in Germany, with the intention that Hitler would mobilize a war against the Soviet Union, and then the French and British would fall on the rear end of that process. The British suddenly discovered that the German general staff had prevailed upon Hitler to hit westward first. So, the British did a couple of things. They fired the pro-Nazi King, Edward VIII, to please the Americans, and they went to Roosevelt and said, “Help!”

So Roosevelt, in 1936, was already committed to the inevitability of a war with Germany, with all that that entailed. So, the way in which the reconstruction of the United States occurred, from 1936 on, was done with the war in mind, to create rapidly a then-nonexistent industrial capability for warfare.

This was done partly in secret; some of the key people in industry were assembled with Roosevelt; they worked out a national development plan; and what you saw from 1940 on, into 1943, was the greatest industrial mobilization in history. There were 16 million of us in military service. We won the war, not because we were the best fighters; the Germans were much more efficient in warfare. Their military training was much better than ours. We won the war with *logistics*, not by killing—though some terrible battles were fought—but with the overwhelming, superior power of our logistics.

Roosevelt died, and the enemies of Roosevelt began to tear the place apart. The Roosevelt-haters took over control of the government. These are the financier interests, the old backers of Teddy Roosevelt and Woodrow Wilson and Calvin Coolidge. But nonetheless, we won the war. Many of us had fought in the war; we respected the tradition of our victory. So, the monetary system which the world received at the close of the war, contained most of the features, in terms of economic policy, that Roosevelt had prescribed.

Now, there is a myth which is popularly spread at universi-

ties, which is not true, that John Maynard Keynes designed the postwar monetary system. That is flatly not true. There is no Keynesianism whatsoever in Roosevelt’s design for the postwar IMF. And I’d say, as an aside on that, the attempt to use Keynes or neo-Keynes as the basis for organizing a general financial recovery now would be the greatest failure of all.

Industry Has Been Destroyed Since 1966

The methods of the American System of political-economy, the methods used by Roosevelt, as by Lincoln before him, as described by Treasury Secretary Alexander Hamilton, these are the methods by which every success of the United States has occurred.

Now, because of the war, because of the experience of the recovery under Roosevelt, the world benefitted, to a large degree, from Roosevelt’s reforms. We had a monetary system which worked. It worked for the Americas; it worked for Western Europe under the Monnet plan. Once the war in Korea started, it worked for Japan, too.

In 1961, President Eisenhower retired. Now, Eisenhower was a man who believed in the American military tradition, the tradition of strategic defense, known to us by figures such as Gen. Douglas MacArthur and Eisenhower, especially. Eisenhower would not tolerate certain changes which the Wall Street crowd was trying to introduce. He denounced these, on leaving office, as the “military-industrial complex.” That is misleading; it’s honest, but misleading, for what it didn’t say.

The policy which grew up in the military and other institutions around the British monarchy and around our Wall Street, was to use the lessons of the Nazi Waffen-SS, to create a professional army, the way the British used naval power before, in past centuries, but adding air power as a new dimension of the same function as naval power, to create an English-speaking world empire over the course of a generation or two. The changes in the U.S. military tended to push in that direction. Once Eisenhower was out of office—a man with the power of the President, who understood the implication of this military policy—once he was out, it turned loose. We had the Bay of Pigs, we had the assassination of Mattei in Italy, we had the 1962 Missile Crisis, the first attempted assassination of Charles de Gaulle, we had the ouster of Macmillan in England, and we had a process which led into the 1964 entry into a full-scale Indochina War.

The key thing was the assassination of President Kennedy. So, from 1966 on, this policy has been running rampant. We began to take down our industrial growth potential. [The start of the floating-exchange-rate system in] 1971 was a global catastrophe, as you know here: the new monetary system. Worse than the Nixon Administration was the Carter Administration. But remember, we never had a Nixon Administration, we had a Kissinger Administration. We never had a Carter Administration, we had a Brzezinski Administration. Both of whom represent the same policy: the utopian policy which Eisenhower denounced as the “military industrial



The Commercial Association of São Paulo, which is the leading industrial city of South America, held a luncheon to hear Lyndon LaRouche on the continent's spreading economic crisis. Here, Association President Alencar Burti introduces LaRouche.

complex.”

The next crucial change was the fall of the Soviet Union. At that point, the Anglo-American circles of this persuasion decided that they could create, in short order, a worldwide English-speaking Roman Empire, without nation-states. Now during this period, after 1971, there was a radical change in the attitude of the United States towards the states of the Americas, in particular, as in Africa, sub-Saharan Africa. Kissinger made this argument clear in 1974; he said, in effect, and this is not just him, others have said it:

“The fundamental interests of the United States are as follows. In the Southern Hemisphere, there are vast natural resources. If we allow the populations of Africa and South and Central America to increase, then these people will develop technologically, and they will use the natural resources in their territory. And when we come to steal them later, they won't be there anymore.”

The Economic Policy of Empire

This is National Security Study Memorandum 200. This is the same policy as the outgoing Carter Administration described as *Global Futures* and *Global 2000*. This is the policy of the Club of Rome. This is the policy of the World Wildlife Fund. This is the policy. The policy is *not* concern for nature. These people, as I know them, there's nothing natural about them. They are unnaturally inhuman.

So, with this kind of policy, you've come to a point by which a great empire destroys itself. It is through the productive powers of labor, and increasing those productive powers, that we maintain economies. If you destroy the productive powers of a nation, you can not live.

Now we have reached the point, right now, at which a President, who's not the most intelligent one we ever had, is now advised to launch world war against an enemy, who in large part is imaginary, but to kill anybody he might suspect of sympathy for this imaginary enemy. Against the advice of all the generals, he wants to have a war in Iraq.

What we have is this: We have an Anglo-American, English-speaking interest, which includes certain forces in Australia, which is now determined to establish a world, English-speaking, Roman-style empire, ignoring the fact that Rome started its empire at the *height* of its power. These fools are trying to establish an empire at the nadir of their power.

Now, look at the chart. As a result of this, what we have is a degradation in the physical productivity of labor per capita and per square kilometer. We're now in a rate of precipitous collapse.

What we also did, was, we are pumping the system: We increased the amount of financial aggregate in the system. We did this largely by driving up monetary aggregates into the system. In the year 2000, a very interesting development occurred: 1923, Germany!

Germany had been financing its war reparations debt by printing money. This had been inflationary, but it occurred under world depressed conditions, so that there was not a precipitous growth of inflation in Germany, up until June-July of 1923. In June-July, you had an explosion. The explosion was caused by one thing, because the chart was very similar to this one you're looking at here. What happened, as happened to the United States during the year 2000, was that the amount of monetary aggregate required to be generated

to roll over existing financial obligations, was greater than the financial obligations rolled over. Whenever that happens in an economic system, you have a hyperinflationary skyrocketing in motion.

Put the System Into Bankruptcy

Now, in such a case, there is only one solution. Governments must act to put the system into bankruptcy reorganization. If you do not do it, you have the worst possible result.

Now, let's look at Brazil from that standpoint. Brazil, like every other nation on this planet, including Japan, is the victim of an Anglo-American dictate to try to perpetuate that bankrupt system. If we continue, this will blow up, and this could probably happen in the next two to three months. What is happening in Argentina is a *warning*: It could happen in Japan, explosively. Because Japan has been used to generate a great amount of the monetary aggregate on which the U.S. economy, the U.S. dollar, depends.

If Japan and the yen market collapses, and some idiots in the United States are trying to force it to collapse, the dollar will go next. Because the ability of the dollar to carry itself is dependent, marginally, upon a very large contribution of Japan from the overnight, zero-interest policy.

Now, briefly, just to wind this up.

What does this mean? This means we must think in several terms: First, we require a global, monetary financial reform. The best model we have is the 1945-1964 system, not as a perfect model, but as a political model. Under those, we must have, therefore, financial reorganization in various countries. We require an emergency monetary conference among leading countries, using the implicit emergency powers of government, to immediately negotiate a general reform and bankruptcy reorganization.

We must also, then, take certain steps in each country, and in treaty agreements to get the world economy moving upward. That means we have to have a protectionist system, because what many people don't understand, is the importance of capital cycles. Capital cycles generally go 25 years for long-range infrastructure development; 3-7 years for an agricultural program, even for an individual farmer; and for an industrial firm, a product-line may be 7-15 years.

Therefore, we must generate a tremendous amount of capital investment. How do we do that? We must create the credit system, but we must have a secure credit system. You can not have international trade or loans at above 1-2% simple interest. Therefore we must have a fixed exchange rate. We probably should use a gold-reserve exchange rate.

Then, we have to make certain changes in each country. Brazil is obvious. Brazil has absolutely tremendous potential. We have two areas. We have the domestic economic areas:



At the industrial association luncheon, Lyndon and Helga LaRouche stand with President Alencar Burti, before the São Paulo Commercial Association's venerable seal.

we have infrastructure, which is primary. The energy requirements are overwhelming. Control and development of one's own energy resources. You need a science-driver-led program of economic development and recovery, which Brazil already has in some areas, as in the health-science area, which is crucial, for example, for Africa. You must then have an educational system which can be built to produce the cadres for this expansion.

You must also have an emphasis on entrepreneurship. No accountant, working as an accountant, can cause an economy to grow. Growth comes from physical principles; it comes from the ingenuity of the entrepreneur. We see this in Italy, we see this elsewhere: The failure of the major corporations reveals what we always knew. A successful economy is always based on the entrepreneurial basis—they are the innovators.

The United States Must Change

And so, you must move in those kinds of directions, both in terms of each nation, in terms of cooperation across borders, and obviously, while other countries outside the Americas are extremely important, you must in some way induce a change in U.S. policy toward the Americas to pre-1982, pre-1971, and probably pre-1965 standards.

The United States has the political power. If we are in *partnership* with the nations of the Americas, if we can agree to make a program like this work—and we have the opportu-

nity given to us, in the worst, most terrible form: When people become fat and lazy, a crisis may intervene that causes them to become human again.

If leadership is present, if the ideas are present, if an effort is made to recruit the population to support the policy, we can succeed. Therefore, as in history in the past, as in the United States of 1929-1933, the most profound crisis may be the greatest gift, to stop rotting and come to our senses, take leadership, and lead the people to new successes.

Dialogue With LaRouche

‘When Do We Get To The Breakdown Point?’

Following his presentation, questions were asked to Lyndon LaRouche, and views presented, by business leaders in the Commercial Association of São Paulo. Paraphrases of the questions are supplied in italics, and LaRouche’s responses given in full.

Question: *I am not an economist; this is an extremely difficult science, a lot of talk with few concepts. . . . A lot of people make a lot of suggestions, and really don’t know what they are talking about.*

The only solution in the face of chaos, could be either that the large corporations wake up, or that we have to demand from them much more than they politically wish. I would like to know what you think about this subject.

LaRouche: Very simply: It comes from leadership. Don’t wait for chaos; it may be too late. France could have been saved before July 14, 1789. The constitution of Bailly and Lafayette, had the king not rejected it, would have meant a great revival of France. As a result of the failure to enact that constitution, July 14, since 1789, has been celebrated in France.

I believe that people here, in Brazil, are thinking about the same thing. So don’t wait for July 14, 1789 to hit Brazil. Therefore, the time to act, is as soon as possible. But, you have to wait for that hot moment where the response will be forthcoming, but don’t wait beyond that.

Then, who can lead? What can you and the people you typify or represent do, in terms of leadership? If the people of Brazil, or a significant number of them, smell a disaster now coming across the border from Argentina towards Brazil, and say: “What do we do?” Someone has to answer. *You*, and people you know, must undertake the responsibility of educating yourselves and the people you know, in the practical as-

pects of this problem. If the people trust you, if they believe in those ideas, then under those conditions of crisis, you can be victorious. That’s the lesson of history, repeatedly.

And therefore, the time to intervene, in that way—but the key thing to emphasize is, these kinds of changes never come from bureaucrats. They come from people who think as individual persons.

Let me just add one thing. In the German military system, as developed initially by Scharnhorst and then by the old Moltke, the principle of training of the non-commissioned officers and officers was called the *Auftragstaktik*, which means a mission orientation. Think of this from an entrepreneurial standpoint. Any lieutenant, any sergeant, assigned a mission, will probably face a situation entirely different than he expected. At that point, the outcome depends upon the ingenuity and the creativity of that lieutenant or that sergeant.

This was the secret of the German combat capability: *Auftragstaktik*. That’s why the German unit was generally more effective than any other unit. There are many examples of that in U.S. military history, too. The point is, the entrepreneurial viewpoint is typical in society, because the successful entrepreneur applies the principle of *Auftragstaktik* to the economic situation he deals with.

Question: *What is the future, in your view, of countries such as Brazil, particularly looking at the United States as one of the biggest players in the world, and keeping in mind that you have different factions, different tendencies? We, in Brazil, have been negotiating. We have been making concessions, and taking somewhat less. But, I would like to focus on what is happening today. Just this week we have been suffering a tremendous problem, paying the price of something which might happen, with candidates who might be elected in Brazil’s general and Presidential elections this year, and may be a problem. As a Brazilian, I have been trying to figure out what can be done, what we can do to change that. To my mind, its largely speculation. If the United States—specifically the United States—would take a position in this case, we could probably avoid a lot of headaches.*

LaRouche: For example, look at the case of—three different cases: Argentina, Brazil, the United States. Each of which has the same problem, but with different specific characteristics.

Argentina is in the most advanced stage of explosion. If the IMF proposals for Argentina, which are now being delivered, are accepted, then the nation of Argentina will disintegrate, almost instantly. Because those conditions do not allow the nation to exist as a nation. Chaos will be the result.

Now, take the case of Brazil. One gentleman who is very clever, in Brazil, has forecast great trouble for the first quarter of the year 2003. That is, the national debt, the ability to pay the debt, and the dollarization of the debt.

The United States is in a similar condition, but different. We are about to go under. We have a number of internal bubbles—the real estate bubble. The United States system is the greatest financial fraud on this planet right now. This

thing is nothing but fraud, holding up Wall Street. And I mean fraud in a way that would cause a gangster to blush! Enron is only the tip of the iceberg. The worst danger in the United States is the real estate bubble, better called the “mortgage bubble.”

If the United States does not receive about \$3 trillion a month right now, in influxes, from sources like the Japanese—the Japanese money-printing press—and if the Japan money-printing press breaks down, then the United States dollar goes under.

Europe, the same kind of condition. Germany, same condition. Italy, a little more stable, for different reasons.

So, we are in a situation, where, by the Fall, by the end of September or beginning of October, we are entering an impossible area, beyond which you cannot calculate.

Now, this is the reason for the military problem. Why this push for a war in Iraq? There’s no good reason for a war in Iraq. Nor does the United States have the capability to conduct such a war. They cannot go in and—and they have lost the war in Afghanistan already, and they want to go to war in Iraq. By all military standards, the Afghanistan thing is a defeat. They took the devil’s son, and they got the devil himself.

So, under these conditions, the desperadoes in the United States believe that only a war will enable them to control the political situation inside the United States and in other nations.

So, obviously, in my position, I do certain things. As you may know, not everybody in the United States is an idiot. It only appears that way. There are—I have some old friends, and people who are not necessarily friends, but who respect me, and actually, we talk. And I press them: We’ve got to do something about this. And therefore, when I talk abroad, I say things that nobody else has the guts to say—not because I am foolish—even though that’s dangerous. But in a sense, I was elected to do it. You know, like you’re a soldier, and you’re sent out to do a mission, you do the mission.

A True Conspiracy

Therefore, my being here, for example, in Brazil. Brazil is the key country of all South America, strategically. It’s extremely important that I state here the same thing that I’m saying in other countries, so that people in Brazil know what I’m saying; so you can react to what I am saying. How you react to what I am saying is very important to people in the United States and elsewhere.

We are engaged in a true conspiracy. Not those nutty drawings that they make of conspiracy, but a real one. We discuss the situation. We discuss the ideas. We consider the possibility of agreement on ideas. We assess interests. We try to come to a common thing we agree on. I’m in the process of trying to push that kind of discussion internationally.

For example, last week I was in Abu Dhabi. I was there to give the keynote speech at a conference on petroleum, and I’ve had certain influence in the area recently. I also have my

friends in India. So, in these discussions—I think the problem is, there is not enough of this discussion occurring across borders. Because no country can act completely independently on these issues—not even the United States. We must discuss *what* we’re going to do about the situation.

The danger now, is we’re not discussing what we should be doing. We are discussing how to try to keep this system from collapsing. How to work within the sinking ship, instead of saying: “The ship is going to sink, let’s get off it and pick a new ship.”

That is the great danger: that we’re not discussing the alternatives adequately. And people scream. You say: “Go back to the original Bretton Woods agreement. This ship is sinking, let’s try the other one; at least it worked. And what do we do?”

So, if we can come to an agreement on ideas, as a result of discussion, then we can discuss internationally, we can act in concert to cause governments to change their opinion.

Permit me to be very delicate, as delicate as necessary. You have a movement of chaos loose on this planet, it’s called anti-globalization. It officially is led by a British agent, Teddy Goldsmith, who led a conference at Porto Alegre some months ago. That is the palpable, major internal danger to Brazil right now. And when I talk to people in Brazil, I find this subject comes up. And I say: “Well, what are you worried about? He’s a globalizer, to globalize the non-existence of the nation-state, using Jacobin-terror methods.”

Why is he able to attract people? As long as you say, “We’ve got to go with globalization,” how can you fight him? How can you? You have no credibility. A question was asked of me in the discussion earlier: How do you deal with the people, and their representatives? You have to know how to deal with people, and the people want to know what the alternative is to the misery which they see coming down upon them.

And this movement—that movement at Porto Alegre—has no right to claim to be the anti-globalization movement. I am the anti-globalization movement, to save the nation state!

Question: *I have followed your magazine, and the presentations which are published in the magazine. And your presentation was quite clear and objective. . . . If we consider how the two curves are diverging in ever greater fashion, between the production and the financial, it appears inevitable that a collapse of the international financial system will occur. And the realization of a New Bretton Woods has been proposed, but there is no sign, not in the United States, nor in Europe, nor other countries, that they are moving in this direction. Therefore, do we have the time to change this reality, and create a consciousness in favor of a new meeting? Or, will we have a collapse before this could happen? What is the envisioned time frame? How much time do we have available to avoid the collapse, if we do, indeed, have any time? This is my question.*

LaRouche: This is a very difficult question to answer in particular, because—I think some of you have seen people

going into bankruptcy. Some of you have been privy to some of the financial paper studied in those bankruptcies. And you ask the question: When did that firm go bankrupt? Usually, most firms went irreparably bankrupt long before the public knew about it. That's the situation with the United States economy right now.

The United States economy is bankrupt. Look at the current account deficit. Look at the way in which foreign investment into U.S. financial markets, plus the Federal Reserve money-printing—like Germany in 1923—is postponing the day of reckoning.

Now look at the pattern of bankruptcies in the United States: Enron; almost the entire so-called New Economy sector; international telecommunications—bankrupt! So that the United States is already bankrupt, hopelessly bankrupt. There are actually outstanding probably over \$400 trillion of derivatives obligations hanging around in the system, which are nothing but gambling side-bets. They are not investments.

The question is, when do we get to a *breakdown* crisis, as opposed to a bankruptcy? It is the political power of the United States to extract, from Japan and other countries, the support needed.

Take the case of Argentina. Why is the crazy IMF sending these gravediggers down to Argentina? And you have these foolish people in Argentina, with blowtorches, trying to go in and get the money out of the bank. When there is no money in the bank. So what the crazy IMF is doing, is demanding conditions of Argentina, which are causing the disintegration of Argentina as a nation. Why are they doing that? To maintain the principle that any debt which is owed to a New York banker will be paid, if they have to sell the Argentine babies for hamburger to do it!

You are dealing with a system which is of that character. So it's now. The question is, when do we get to the *breakdown point*? And we're close to it. Germany is operating at a loss. The entire European Union is operating at a loss. Spain is about to go under because of the chain-reaction effects of their investments in South America. So, this is the problem.

So, we have a window of opportunity, before a *political breakdown* occurs, in which to come to our senses. But, as in a bankruptcy, if you've been through it, as I know from former times as a consultant—I used to be the undertaker.

Question: *Yesterday, the Italian Security Minister was here, who fights organized crime. . . . How much money is in the hands of organized crime today, and is outside the control of the Central Banks?*

LaRouche: It's hard to say, because there is obviously no difference between organized crime and these kinds of things. [Laughter] For example, take the case of the so-called Mega group in New York. The Mega group is composed chiefly of the leadership of U.S. organized crime, including the Bronfman family, which owns Senator McCain, which owns Senator Lieberman. When you look at the way the United States is structured, absolute gangsterism, including drug money laundering, [is very important].

The United States said, "We are going to go after the Colombian terrorists." Well, they won't go after the Colombian terrorists. They won't. Why? Their money's involved! Why do you think Grasso went down to Colombia to meet with the FARC? Why do you think Soros does the things he does? Because the financial derivatives and related leveraging of drug money in the international market, is the major prop. That's the problem. There is no difference.

Moderator: *It is said, that one can agree or disagree. But I believe that all of us agree that Mr. LaRouche is a man of courage, because to say these things, about organized crime, is unusual in Brazil; I don't know about in the United States. I know his ideas from his books, and people may disagree in many things, but people should reflect on it. . . .*

As he said: either we organize ourselves another boat, or we are going to have to fix the boat. I prefer to stay in the boat, and try to seek the best solution. And the best solution, evidently, will come not from what people wish, but from what people are able to achieve, when they make decisions. . . . And since all citizens are involved in these decisions, reflect upon Mr. LaRouche's words. Because one can analyze them, and there could be differences of analysis, but one should not ignore them.

Many thanks to all of you for your presence, and many thanks to Mr. LaRouche for the opportunity for a dialogue on what Brazil will face internationally.

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Afghan Loya Jirga: Too Much Interference, Little Achieved

by Ramtanu Maitra

The much-awaited Afghan Loya Jirga was projected as an opportunity to bind many wounds that continue to affect the country. Instead, the grand council, where the elected Afghan elders are invited to express their views on statecraft, was used as a rubber stamp to back the candidate chosen by Washington, the Afghan Interim Chairman, Hamid Karzai, as President. The assembly, which began on June 11 and finally adjourned on June 20, left most delegates in despair and anger. Coming months will show the damage that the wrecking of this historic occasion did to the country.

Blame for this missed opportunity lies squarely on the Western nations, and more precisely on President Bush's Adviser on Afghanistan, Zalmay Khalilzad, and his partner in manipulation, UN envoy Lakhdar Brahimi. While the West's worries over the outcome of the Loya Jirga are understandable, what is astounding is how insensitive were their envoys and the shortsightedness of their outlook.

The failure to conduct a council which would satisfy the Afghan delegates will resonate at length, because the Loya Jirga seemed, to many, a beacon of hope at this time of great turmoil in Afghanistan, and a link to the nation's past when it was not identified as a nest of terrorists and a land of poppy fields, but as a nation known for its fiercely independent people.

Centuries' Old Tradition

For centuries, leaders in Afghanistan have convened grand councils (see box) to choose new kings, adopt constitutions, and decide important political matters and disputes. *Loya Jirgas* have traditionally been made up of tribal leaders and other elders—almost all men—sent to Kabul by local *shuras* (village-level councils). This semi-democratic process has been relatively representative of Afghanistan's population in the past. Loya Jirgas have involved representatives

from almost all of Afghanistan's major ethnic and religious groups.

The current Loya Jirga process was set in motion by the Bonn Agreement of Dec. 5, 2001, which created an interim administration of Afghanistan under Hamid Karzai (a Pashtun), and a timetable for setting up a future, elected government. A Special Independent Commission for the Convening of Loya Jirga, required by the Bonn Agreement, was appointed in January. Its task was to establish rules and procedures for the council, to define a process for the selection of delegates, and to ensure the adequate representation of women, minorities, scholars, and civil society groups.

At the time, it was decided that the Loya Jirga delegates would not only pick the leader of the country for the next 18 months, but would also select the major Cabinet ministers and participate in the process of selecting the legislators for the Afghan Parliament. It was decided in Bonn that the day-to-day running of the country would be the responsibility of a chairman and his deputies, and that the Loya Jirga would be inaugurated by ex-King Zahir Shah, 87, who returned to Afghanistan in April, after 29 years in a self-imposed exile in Rome.

Selection of the Loya Jirga delegates began on April 15. There were several stages to the process. First, at the district and municipal level, traditional leadership councils (*shuras*) met to pick electors, who would later cast ballots for the delegates. Each district and municipality chose a predetermined number of electors, based on its population. Regional observer teams delivered the chosen names to the Regional Observation Centers, of which there are eight. At the end of the selection in May, there were 1,501 delegates picked.

These delegates, and some others chosen, arrived at Kabul on June 11 for what was planned as a five-day emergency Loya Jirga.

How the Council Plan Was Undercut

Long before the council convened in Kabul, inside manipulation had begun, to make the Loya Jirga a “smooth process” and in essence, to undermine the delegates’ powers. The main players in undercutting the process were two—Zalmay Khalilzad, and Lakhdar Brahimi. The third person playing along, was none other than Afghan Interim Chairman Hamid Karzai. Karzai was tasked at Bonn to make arrangements for the Loya Jirga after six months.

Zalmay Khalilzad, an Afghan-American of Pashtun ethnic origin, is close to powerful members of the Bush Administration. He is a University of Chicago graduate, who taught political science at New York’s Columbia University and worked with former National Security Council Adviser Zbigniew Brzezinski. He had also worked for years with Paul Wolfowitz—now Deputy Secretary of Defense—when the two were on the State Department’s Policy Planning Council.

Following a short stint teaching in California and working at the Rand Corp., Khalilzad returned to Washington to work as Assistant Deputy Secretary of Defense Policy Planning in the elder Bush’s administration. At the time, he came to know then-Secretary of Defense Dick Cheney very well, as the latter was preparing for the Gulf War. Following the 2000 election, Cheney, now Vice President-elect, appointed Khalilzad to head Bush’s transition team for defense issues. In May 2001, President Bush appointed Khalilzad as the chief National Security Council official dealing with the Persian Gulf and Central Asia. In this capacity, Khalilzad works closely with National Security Adviser Condoleezza Rice.

With such heady connections to the highest levels in the United States, it would be surprising if Khalilzad had been non-interfering, respectful, and accommodating. In fact, Khalilzad acted like British viceroys used to act in the colonies.

By contrast, Karzai is a virtual non-entity in the Afghan hierarchy. He is simply not in the same league with Khalilzad. Moreover, Karzai realized that his political success and survival depend heavily on Washington, and went along with Khalilzad, knowing full well the difficulties this would engender.

On the other hand, Algerian diplomat Brahimi is a quintessential “manager.” He was in Afghanistan prior to 1999, and was reappointed by UN Secretary General Kofi Annan in the first week of October 2001. In an interview with U.S. Public Broadcasting System news anchor Robert McNeill, following his reappointment, Brahimi replied to the question: “Are you the cook” to set up an interim government in Afghanistan? “I am whatever you want me to be,” he said. “What is terribly important is that all those who are interested, all



Afghanistan’s long-awaited Loya Jirga, manipulated by the U.S. and UN, changed nothing. The formal approval and (here) inauguration of Hamid Karzai as President, was all the grand council could accomplish. Trouble looms for Karzai’s regime.

those who have an interest, all those who have influence, should coordinate their activities.” But, Brahimi added, American support is the key.

Soon after Karzai’s takeover as chairman of the interim government, Khalilzad and Brahimi joined together to find ways to formulate the next Afghan government, to stay in power for 18 months and pave the way for general elections and the writing of a new Constitution. At the time, both Brahimi and Khalilzad were promoting the ex-monarch Zahir Shah as the next Afghan leader.

What happened subsequently, to cause the duo to switch to Karzai, is not fully clear. They found out that the aggressive Northern Alliance leaders—particularly Uzbek warlord Abdur Rashid Dostum (Deputy Defense Minister), and Tajik warlord Gen. Mohammad Qassiem Fahim (Deputy Defense Minister)—would not tolerate the aged Shah as head of state.

Contradictions Play Out

It is likely that both Khalilzad and Brahimi ran into a brick wall. They found out that the ex-monarch, though supported by a large number of members in the majority Pashtun ethnic group, is strongly opposed by the Northern Alliance leaders. Most Northern Alliance leaders are Tajiks, Uzbeks, Hazaras, Farsiwans, Nuristanis, and so forth. Moreover, the political head of the Northern Alliance and former Afghanistan President Burhanuddin Rabbani, is a Tajik who played a key role in the ouster of King Zahir Shah in 1973. Also not to be underestimated is the Iranian disinterest, if not outright dislike, in seeing Zahir Shah back in the saddle, possibly working toward re-establishing the monarchy.

These contradictions could not be ignored. The United States and its allies had removed the Pashtun-dominated Taliban, using the Northern Alliance, consisting mostly of non-Pashtuns, and dominating what is known as the Afghan army

today. Karzai's interim Cabinet is loaded with Northern Alliance leaders, many of them warlords. In addition, the United States and the United Nations are keen to show the world that they are managing the Afghan scene well. They point out that the Taliban have been removed, that al-Qaeda and Osama bin Laden are on the run, and that Afghans are receptive of the new arrangement brought forth by the United States. Kalilzad and Brahimi saw that an open brawl at the Loya Jirga, between Pashtuns and minorities, would badly tarnish Washington's image.

The objective, then, was to persuade Zahir Shah to give up his immediate ambitions. That achieved, Rabbani was less of a problem to the appointment of Karzai, a Pashtun, as the head of the transition government. But some problems got worse. While the appointment of Karzai gave the Pashtuns rightful representation at the top, what happens to the Cabinet? Rabbani and the rest of the Northern Alliance made it clear that they gave up the top post so that the key ministerial positions, such as Defense, Foreign, and Interior, would remain—as they have been—with the Northern Alliance leaders. Although there are reports that General Fahim is willing to give up his Defense Minister's job, it is not clear what he wants in return.

During the Loya Jirga, a large number of Pashtun delegates complained that the Northern Alliance leaders were twisting their arms to follow the line laid down by the Khalilzad-Brahimi-Karzai trio. Karzai, in order to appease the

Pashtuns, in his inauguration speech, spoke of removing the "warlordism" from Afghanistan. But he knows that the Khalilzad-Brahimi duo does not want General Fahim and General Dostum out of the Cabinet. If these two are pushed out because they are warlords, one can be sure another ethnic war in Afghanistan will start.

The problems multiplied, because the key ministerial positions, and elections to the Parliament, require endorsement of the Loya Jirga delegates. Over Parliament, there exists a gulf of difference between the Pashtuns and the non-Pashtuns. While the Northern Alliance pushed for an equal representation from each province, the Pashtuns demanded equal representation by district or by population. Either of the last two formulations will see a much larger number of Pashtuns in the Parliament.

The result was failure. Karzai even tried to push through the concept that he would pick the Cabinet with no Loya Jirga endorsement required. This created clashes within the Council, and Khalilzad quickly renounced Karzai's views, making clear that the major Cabinet ministers do require endorsement of the assembly. Even Zahir Shah has positioned himself away from Karzai now, and his men were telling the Loya Jirga that he will make efforts later to take over the Afghan leadership. Rabbani, the other heavyweight, has made no conciliatory gesture. It is likely that Karzai will have to depend more on the "foreigners" to run Afghanistan during the next 18 months. That could mean serious trouble.

The Loya Jirga's History

The Pashto phrase *loya jirga* means "grand council," a centuries-old institution similar to the Islamic *shura*, or consultative assembly. The Loya Jirga is an Afghan tradition with an august, but vague history, arising from the tribal word *jirga*, or *shura*. *Shura*, from the Arabic *mashwara* ("to discuss") is best translated from contemporary Dari (the language spoken in Kabul) as a council or committee, while *jirga* derives from the Turkish for "circle." In some Islamic religious thought, the *shura* is considered the ideal model for governance, and many Islamic governments have used the nomenclature for a variety of institutions. Thus, *shura* and *jirga*, concepts as old as Islam itself, carry meanings and associations for most of Afghanistan's inhabitants.

The Loya Jirga is intended to be a national manifestation of community decision-making. It was first employed at the birth of modern Afghanistan, in 1747, when a tribal Loya Jirga in Kandahar selected Ahmad Shah Durrani to rule over the lands newly wrested from the Safavid Empire

to the west, and the Moghul Empire to the east. Since then, a Loya Jirga had been held, on average, every 20 years, to confirm the succession of monarchs, to pass constitutions, and to approve government policy—for example, neutrality during World Wars I and II.

The Loya Jirga held in 1964 approved a reformist constitution, supported by Zahir Shah, then Afghanistan's monarch. This increased popular sovereignty and civil rights, and reduced the role of the monarch and the royal family in the everyday workings of government.

In the present, emergency Loya Jirga, about 1,500 delegates from all over Afghanistan have taken part in Kabul. More than 1,000 were elected in a two-stage process. Each district elected 20 people, who then held a secret ballot to select one to represent the whole district. Each of the country's 362 districts has at least one seat, with further seats allotted for every 22,000 people.

No group is excluded from the assembly, but anyone alleged to have committed acts of terrorism or suspected of involvement in drugs, human rights abuses, war crimes, plunder, or theft of public property, is barred from attending. A total of 160 seats have been given to women, the first Loya Jirga where women have been represented.

Privatization Battle Crumbles Peru Govt.

by Sara Madueño

International Monetary Fund policies have doomed another government in Ibero-America. Peru's President Alejandro Toledo now looks like Argentina's Fernando De la Rúa, shortly before the latter had to resign in December 2001.

On June 14, the Toledo government in Peru went ahead with the privatization of Egasa and Egesur, state electricity providers to the department of Arequipa and southern Peru, respectively. The single bidder, the Belgian company Tractebel, bought the companies at the ridiculous price of \$167 million, despite technical assessments that the physical assets of the companies alone were worth \$350 million. With this decision, President Toledo opened the floodgates to an uncontrollable popular outrage. During the June 14 ceremony in Lima to concretize the sell-off of the companies, Apra party Congressman Arturo Valderrama spoiled the affair, by distributing a document which Toledo himself had signed in May 2001, at the height of his Presidential campaign in Arequipa, in which he had pledged *not* to privatize the companies.

The protests began in Arequipa, Peru's second city, led by Mayor Juan Manuel Guillén. The civic strikes rapidly spread across the south of the country. People in the cities of Cuzco, Tacna, Moquegua, Puño and Huacavelica joined Arequipa in striking, under the slogan, "Peru Cannot Be Sold." Sympathy demonstrations began in the North as well.

Toledo, who days earlier had declared that "I'm not interested in popularity" and that "my hand will not tremble," reaffirmed his plan to proceed with the privatization. His Interior Minister Fernando Rospigliosi called the protesters "a handful of violent malcontents," despite television shots of vast crowds demanding a reversal of the privatization and calling for "a new President." Similar mass protests began to break out across the South, while in Arequipa itself, 39 mayors joined with Guillén to begin an indefinite hunger strike. The universal demand? Roll back the privatizations, or Toledo resigns. Spirits ran so high, that the regional president of Cuzco declared Toledo's Belgian wife, Elaine Karp, *persona non grata*, in order to foil her plans to formalize her nationalization as a Peruvian citizen during Cuzco's famous "Inti Raimi" festival on June 24!

Policy Smashed by Reality

For the moment, Toledo has opted to retreat. In a 180 degree about-face, he sent a negotiating commission to Arequipa on June 19, which agreed to sign a "Declaration of

Arequipa" with the leaders of the Arequipa Patriotic Front heading up the protest. The government made four commitments: to suspend the privatization until a court rules on its legality; to submit the privatization policy to a national referendum; to suspend the 30-day state of emergency imposed on Arequipa by the government on June 16; and, lastly, to order his Interior Minister Rospigliosi and Justice Minister Fernando Olivera to publicly apologize to the people of Arequipa, for insulting them as a bunch of "vandals" and "malcontents."

Rospigliosi immediately resigned. Rumor has it that Olivera's advisers are suggesting he do the same. Economics Minister Pedro Pablo Kuczynski, the leading Wall Street agent in Toledo's cabinet, hasn't been heard from since June 17, when he cancelled a planned speech to announce a new economic austerity package.

Ironically, the government was forced to turn around as a result of its own policies. The Toledo government had been installed in power in 2000 by the U.S. State Department and drug legalizer George Soros, in order to carry out one primary assignment: that of denigrating and dismantling the Armed Forces, treating them as a bunch of killers, because they defeated two narco-terrorist insurgencies over the 1990s and restored peace to the country. This drive has gone so far, that the commandos who rescued the 72 hostages held by the narco-terrorist MRTA in the Japanese ambassador's residence in Lima in 1997, considered national heroes throughout Peru, have been charged with "genocide" because the narco-terrorist captors were killed in the rescue.

When the protests against Wall Street economic policies blew up in its face, however, the government ordered that same military to enforce its state of emergency in Arequipa! The Armed Forces refused. As one media commentator noted: "How could Toledo have imagined that the military were going to obey his orders to repress the Arequipa people, if they are now being accused of genocide for having liberated us from the terrorist plague?"

What happens next is completely undecided. Peru cannot even pretend to be able to pay its debts without pulling in cash from the sale of more state assets. But, imposing that policy upon the country is going to be harder, not easier, now. The leader of the Tacna protests declared that the rollback of the southern privatization is great, but they aren't going to stop mobilizing, until the government's entire economic policy is revoked—a spirit spreading across the country. The president of the Civic Front of Arequipa, Jorge del Carpio, declared at the signing of the Declaration of Arequipa, that "Arequipa has shown the country the way."

But as Argentines have discovered, bringing down a government these days is not the difficulty. The problem, requiring statecraft, is to build a viable alternative. In the current global economic collapse, that cannot be successfully accomplished in Peru or Argentina alone, but by the measures outlined in Lyndon LaRouche's Presidential campaign.

Revisiting Israel's Nuclear Option

by Dean Andromidas

The launch of Israel's most sophisticated spy satellite, Ofek 5, gave Ariel Sharon's government unprecedented surveillance capability covering the Middle East, North Africa, and Central Asia, at a time when it is moving toward an expanding regional war. The May 28 launch on a Shavit rocket occurred within days of Iran's testing of its Shihab 3 ballistic missile, capable of reaching Israel. Then on June 15, a *Washington Post* "signal" article confirmed Israel's ability to deploy nuclear-tipped cruise missiles from its three newly acquired submarines.

These developments, while the war party in Washington plots an early attack on Iraq, warn of a potential nuclear dimension of the conflict that threatens to engulf the region.

EIR on Nov. 10, 2000 reported that Israel had a submarine-based nuclear capability, and warned that if then-Prime Minister Ehud Barak (Labor) were to form a national unity government with the Likud's Ariel Sharon, Israel's march to a regional war could not be stopped. Now Sharon is Prime Minister in a national unity government that could provide him with the consensus required to back a regional war, and even a nuclear war.

Ofek 5: More Than a Better Satellite

Ofek 5 is able to "see" objects as small as one meter in diameter. Its launching was a warning to Iraq and Iran, which are on the top of Israel's list of strategic threats. But just as important is the fact that the Shavit launch vehicle, with a range of 4,500 kilometers, is the model for Israel's Jericho III intercontinental ballistic missile.

The Ofek 5 ("Horizon") restored Israeli satellite intelligence-gathering capabilities after the failure of Ofek 4 in 1998 and the de-orbit of Ofek 3 in 2001. Beyond Iran and Iraq, the satellite can observe countries as far west as Morocco and as far east as Pakistan, covering all of Western Europe, Russia, and Central Asia. According to senior Israeli intelligence sources, it gives Israel an independent intelligence-gathering capability for target acquisition and battle management in "theaters of war" such as Iran and Iraq. This source said that when the Cabinet was shown the first Ofek 5 pictures of the streets of Tehran and Baghdad, the ministers cheered.

The broad coverage of Ofek 5 matches the radius of Israel's most powerful ballistic missile, the Jericho III. According to a 1999 report in *Janes' Sentinel*, the Shavit could easily be

"modified for military purposes and converted into a powerful ballistic missile" with a payload of 1,100 kilograms. The Shavit is produced by Israeli Aircraft Industries, which also produces all the Jericho-class missiles. Israel has been denied access to U.S. commercial satellite launching sites because the Shavit is such a blatant violation of the Missile Technology Control Regime, the 25-member international suppliers' organization established in 1987 to prevent the spread of nuclear-capable missile systems.

Second-Strike or First-Strike Capability?

The *Washington Post* reported that Israel has "three diesel submarines that it is arming with newly designed cruise missiles capable of carrying nuclear warheads, according to former Pentagon and State Department officials, potentially giving Israel a triad of land-, sea-, and air-based nuclear weapons for the first time." The cruises were tested two years ago in the Indian Ocean and have a 1,500 kilometer range. The article quotes a former Pentagon official, "It is above top secret, knowing whether the sub-launched cruise missiles are nuclear armed." The United States apparently does not ask.

Despite the fact that Israel's doomsday machine puts it in the first place among "rogue states," the United States continues to be content to allow Israel to possess these weapons under Israel's policy of "ambiguity," where it neither confirms nor denies its possession of them. The *Washington Post* claims they constitute a second-strike capability aimed at Iran's and Iraq's efforts to develop accurate missiles that could knock out Israel's land-based nuclear weapons. The implication is that Israel is playing the same "deterrence" game that the United States and the Soviet Union played during the Cold War.

This is a dangerous assumption. It will be another decade, if ever, before any Arab state or Iran will have missiles accurate enough to knock out Israel's nuclear arsenal. *EIR*'s November 2000 exposé warned that these weapons are not only directed at Israel's Arab adversaries, but also serve as blackmail against hesitant allies, such as the United States, which might see fit to pressure Israel rather than allow it to turn the world's largest source of oil into a charred battlefield. Israel reportedly used this tactic in the June 1967 war, when it threatened to use its nuclear weapons. During the October 1973 war, it activated 13 nuclear weapons, to convince the Americans to launch a military resupply operation, which in turn enabled Israel to throw the Egyptian Army back across the Suez Canal.

Since November 2000, the situation has changed dramatically, with Israel's policies, now dictated by Sharon, totally unacceptable to any of the U.S.'s Arab allies, including Egypt and Saudi Arabia. Moreover, George W. Bush's administration is committed to a war on Iraq and the other nations of the "axis of evil." It refuses to pressure Sharon to negotiate a peace agreement with the Palestinians, though a faction in the administration cautions against allowing Sharon total freedom of action, because it might upset U.S. plans for a war on

Iraq. The situation could set the nuclear stage for a “break-away ally” scenario, where Sharon, or someone even more extreme, such as Israeli Defense Forces Chief of Staff Shaul Mofaz, would lead Israel into a new regional war, including deployment of nuclear weapons.

Sharon’s Regional War in the Works

A senior Israeli intelligence source warned, “Now is the best time for Sharon to start a small, or even a large Middle East war. Internally Sharon is facing an economic collapse for which he has no solution. The economy is so bad, the polls are now showing negative support for Sharon, but . . . when people are asked who they think would be an alternative to Sharon, they are no longer responding with support for Benjamin Netanyahu. They are simply saying nothing. But the most important fact is that the Bush Administration refuses to dump its support for Sharon. Now is the best time for him to start a war.”

The same issue of the *Washington Post* that confirmed Israel’s submarine-based nuclear capability, reported Sharon’s claims to President Bush during their meeting on June 10, that Hezbollah was stockpiling of weapons in Lebanon, and that an attack on Israeli territory “could be launched within the next several days.” The same week, Syrian Foreign Minister Farouk Al-Shara’a cancelled an official visit to Washington because the Bush Administration indicated he was not welcome.

General Mofaz, detailing the Hezbollah buildup to the Knesset (parliament) on June 19, said that an Israeli response to this danger would prompt a retaliatory strike from Hezbollah with long-range missiles, provided by Iran, against northern Israel. Israel would reply, by launching a military strike inside Syrian territory.

An Israeli attack on Syrian territory could have incalculable consequences. Since the end of the 1973 war, neither Israel nor Syria has violated the cease-fire accords. Moreover, Syria is strongly allied, not only to Iran, but to Saudi Arabia as well, and in recent years has expanded its relations with Iraq. In this context, it has been reported that Egyptian President Hosni Mubarak requested President Bush to pass on a letter to Sharon, warning that if Sharon launched a massive military attack on the Gaza Strip, which borders on Egypt, Egypt would consider it a national security danger. This is also a warning to the Bush Administration, since it involves the security clauses of the Egyptian-Israeli Camp David peace agreement, of which the United States is the guarantor. If America should fail to act, Egypt might have to deploy military forces in the demilitarized Sinai.

The senior Israeli intelligence source cited above told *EIR*, “The entire Arab world knows that as long as Sharon is in power, war is certain. If Israel attacks Syria, anything can happen, or nothing can happen. The current situation is just too tense. The most important factor is, what will the Bush Administration do?”

‘Pedophilia Scandals’

Cardinal Rodríguez Rips Attack on Church

by Claudio Celani

In his May 28 webcast, Lyndon LaRouche was asked by a leading Catholic figure about the U.S. media campaign against the Catholic Church, on the issue of the so-called pedophilia scandals. He replied that this is part of “the attempt to destroy what might be called traditional religious bodies, and to grind them up, as in a blender . . . into a world religion, as a part of an empire” after the model of the Roman Pantheon. A few days later, LaRouche’s words were echoed by a prominent leader of the Catholic Church, Honduras Cardinal Oscar Andrés Rodríguez Maradiaga, Archbishop of Tegucigalpa.

In an interview with the Italian magazine *30 Giorni*, Rodríguez compares the campaign against the Catholic Church in the United States to the persecutions of Christians under Nero, Hitler, and Stalin. The Honduran Cardinal does not deny that there have been cases of pedophilia among Catholic priests, and that such practices have to be exposed and severely punished, but without “witchhunts,” and without having priests turned into “FBI or CIA agents.”

The fact that the Archbishop of Tegucigalpa released his statements in Rome, to a magazine very close to Cardinal Joseph Ratzinger, the Prefect of the Congregation for the Doctrine of the Faith at the Vatican, is a strong indication that his statements reflect the views of the Pope’s closest collaborators, who have decided to take the gloves off. At a meeting with the leadership of the U.S. Church in Rome on April 23-24, Cardinal Ratzinger led the discussion. The outcome of the deliberations was that the so-called “zero tolerance” policy was rejected as a surrender to the media-dominated *vox populi*. The media, and even some factions of the U.S. Catholic Church, had demanded the suspension of any priest suspected of pedophilia, even before such allegations could be proven, and called this “zero tolerance.” Curiously, the most zealous supporters of such a policy in the Church itself are the same right-wing circles which, when the first cases were reported, suggested that the Church should pay reparations, in order to avoid a public scandal. In both cases, then and now, this faction objects to establishing the truth, and has been jointly responsible for dragging the U.S. Catholic Church into a very difficult position.

At the meeting in Rome, the Vatican opted for fair trial procedures and transparency in each individual case. At the same time, the root of the problem was exposed: that the

education of priests in the United States has been, in many cases, influenced more by sociological rather than theological doctrine, and that this must be reversed. In his official address at the meeting, the Pope indicated that Church leaders must not allow a few rotten apples to be used by the media to smear the reputation of the Church. This aspect in particular was picked up by Cardinal Rodríguez Maradiaga.

‘Persecution Like Nero, Stalin, and Hitler’

The pedophilia scandal, Cardinal Rodríguez Maradiaga says, “is a painful issue, manipulated by the media. When you mix money, politics, and justice, justice becomes unjust. We all know that Ted Turner is openly anti-Catholic, and he is the owner not only of CNN, but also of Time Warner. Not to speak of the other dailies, like the *New York Times*, the *Washington Post*, and the *Boston Globe*, which have been protagonists of what I do not hesitate to characterize as persecution against the Church. I reflect on the fact that in a moment when the whole mass media attention was focussed on what was happening in the Middle East, with the many injustices done to the Palestinian people, the U.S. press and television were obsessively concentrated on sex scandals which occurred 40, 30 years ago.” Why? asks Rodríguez, and suggests the reason in the Catholic Church’s support for a Palestinian state, its fight for the defense of life and against “dehumanizing policies.” “Only in this way can I explain to myself this rabid attitude against the Catholic Church in the United States—an attitude reminding me the times of Nero, Diocletian, and, more recently, Stalin and Hitler.”

Those priests “who committed serious crimes must be punished with the appropriate canonic measures [suspension], and, if necessary, must also face state justice. But, without witchhunts, even inside the Church,” says Cardinal Rodríguez Maradiaga. “We bishops must not forget that we are shepherds of mercy and not FBI or CIA agents. . . . Allegations must always be proven in a just trial and without persecutory modalities by state authorities, such as are instead occurring now. What they are doing, for instance, against [Boston Archbishop] Cardinal Law, is a scandal. . . . I know him well. He is a man who did a lot of good for us in Latin America. . . . I heard that the judge leading the trial is one who supports all feminist movements. Thus, it occurred that, while trials in the U.S.A. last quite a long time, Cardinal Law has been immediately interrogated, with procedures that recall the dark times of Stalin’s trials against priests in Eastern Europe. And the records of such interrogations were immediately circulated via the Internet and published with great emphasis by all major dailies. I disagree with this show-trial justice. This is no justice, I repeat, this is persecution.”

Cardinal Rodríguez Maradiaga spoke also on the neo-liberal, free-trade economic policies which are victimizing his continent, Ibero-America. Unfortunately, he seems to accept demands for market liberalization, in hopes of allowing poor countries to sell their products—a proposal which has the



Honduran Cardinal Oscar Andrés Rodríguez Maradiaga (left) compares the media scandal-mongering against the U.S. Catholic Church to “the dark times of Stalin’s trials against priests in Eastern Europe.” He wrote, “I disagree with this show-trial justice. This is no justice, I repeat, this is persecution.”

appearance of responding to demands for justice in trade relationships, but which is used in reality by financial globalizers as a means of looting. Without protection of national industries and agriculture, as *EIR* has shown, the poor countries become victims of even greater exploitation (as the current case of Argentina shows most vividly), while the advanced agricultural and industrial capabilities of the wealthy countries are also destroyed.

However, on a precise question about economic policies imposed on Ibero-America, Cardinal Rodríguez Maradiaga is right to the point: “For some, unfortunately including Catholic circles, these neo-liberal doctrines are tantamount to the ‘word of God.’ They have been taken uncritically and they thought that by applying all recipes, one would achieve economic welfare. The result has been dramatically negative. Let us, for instance, take so-called privatizations, which such neo-liberal ‘priests’ held to be necessary. What did they produce in reality? In Argentina they privatized everything they could privatize, but the money . . . has disappeared. In Peru, . . . sure, some macroeconomic indicators have improved, but these are relative signs of progress, because we know that those indicators are artificially determined and have no real relationship with the concrete situation of the majority of the population.”

Why Canada's Finance Minister 'Was Resigned'

by Gilles Gervais

Canadian Prime Minister Jean Chrétien, less than four weeks before his hosting of the Group of Seven heads of state and government summit on June 26-27, sent a resignation letter, on May 31, to Finance Minister Paul Martin, for the latter to sign. Chrétien did not wait for the fax to be returned, but announced, just a few hours before the markets would open on June 1 in Asia, that Deputy Prime Minister John Manley would henceforth also hold the Finance Minister portfolio, but that the financial policy course of Canada, charted by Martin for the last nine years, would remain unchanged.

Press exposés of ministerial corruption in the handling of advertising contracts, and cases of ethical misconduct, had obliged Chrétien to fire Cabinet ministers and reshuffle other ministerial portfolios twice the week before sacking his most important minister.

The firing of Martin has ended, for the present, a virtual "palace coup," orchestrated through leaks to the press originating, according to the Prime Minister, from "traitors" within his own Liberal Party majority government.

Eyewitness accounts of a May 29 Cabinet meeting report that the Prime Minister read his ministers the "Riot Act": Henceforth, the utmost probity was to be required of every member of the Cabinet, a new ethical code of conduct would be introduced in the House of Commons, and closing ranks behind the Prime Minister was mandatory. Chrétien announced that he was shutting down all leadership campaigns, including that of Paul Martin. No one should even think of replacing me soon, Chrétien reportedly told his ministers, since I will be staying on as Prime Minister for at least two more years.

Martin, who felt unjustly singled out by the Prime Minister, announced to the press that he was taking a leave of absence, for a few days, to reflect on his future within the Chrétien government. Martin will now be free to campaign all Summer and hopes to get the Liberal Party leadership convention to occur earlier than February 2003.

Paul Martin, the IMF's Pied Piper

Is this simply, as we are being told by the Canadian media, a soap opera about the "Crown Prince" being tired of waiting after nine years? The answer lies outside of Canada per se, in the realm of international finance. Martin, since 1995, has been assigned a principal role by the International Monetary Fund—first, as a Finance Minister of a Group of Seven coun-

try, to advance the case for the reform of the international financial system. Further, if as expected, he should soon become the Prime Minister of Canada, he would become the G-7's Trojan Horse bearing this "wonderful reform policy gift" from the IMF to the underdeveloped countries.

Late last year, *EIR* exposed the desperation of a certain group of international bankers, who realize that the debts to the IMF can not possibly be paid (*EIR*, Dec. 7, 2001). The attempts by bankers and economists to advise governments on a "new financial architecture" were not only fraudulent, but in some cases, were cheap imitations directed explicitly against Lyndon LaRouche's New Bretton Woods proposal (see "LaRouche Challenges Rohatyn on New Bretton Woods System," *EIR*, Aug. 31, 2001). Lazard Frères' Felix Rohatyn had been calling for a New Bretton Woods monetary conference. As we reported on Dec. 7, "Rohatyn, Volcker, et al. will try to forestall demands for a real solution: The IMF system itself must be shut down, and replaced by something completely new."

Enter Paul Martin, riding on what's left of Canada's reputation as an honest broker. As Finance Minister, he had used budget cuts to turn a \$42 billion budget deficit into a surplus in 1999, reduced the role of the Ottawa government, by getting the provinces to spend more and reducing transfer payments to the provincial and territorial governments. Canada is now the only G-7 country with a budget surplus. Moody's rating agency recently gave its bonds a triple-A rating.

On Oct. 28, 1998, Martin declared that the Bretton Woods institutions (the IMF and World Bank) had to be renovated to deal with growing crises. In July 1999, Martin gave a speech to the Canadian Institute for Advanced Legal Studies in Cambridge, U.K., calling for an international "legal framework analogous to domestic bankruptcy regimes." In 1999, after the collapse of the Long Term Capital Management hedge fund nearly melted down the financial system in October 1998, he was key in creating the Group of 20, which brought together finance ministers and central bankers from industrialized and developing countries. He served as the first chairman of the G-20 until his term ended last February.

At the IMF meetings in Prague in September 2000, Martin "called for immediate suspension of debt interest payments for the world's poorest countries, and a substantial relaxation of conditions under which those countries would receive total debt forgiveness. His position surprised and annoyed several allies in the Group of Seven," reports a recent editorial in the Canadian *Globe and Mail*. Finally, in May 2002, the G-7 Finance Ministers meeting in Washington approved the Martin Plan to establish a new set of rules for borrowing and lending, similar to domestic bankruptcy laws, "a key step in Mr. Martin's ultimate goal of establishing an international bankruptcy court," crowed the *Globe and Mail* on June 5.

If the Canadian prime ministership should elude him, Martin could probably move to Washington, D.C., where there will certainly be job openings at IMF headquarters.

International Intelligence

War on Iraq Could Lead To Palestinian Expulsion

An informed Egyptian source told this news service on June 14, that the Bush Administration may have decided to go for an invasion of Iraq, sometime in the Winter of 2002-03, and that this explains Israeli Prime Minister Ariel Sharon's appearance of openness to new peace talks with the Palestinians.

Indications of the decision to militarily remove Iraqi President Saddam Hussein include, according to the source: a June 4 secret meeting in Washington between Defense Secretary Donald Rumsfeld and Kurdish leaders Massoud Barzani and Jalal Talabani. The two Kurdish leaders had met with Director of Central Intelligence George Tenet 48 hours before, inside the northern no-fly zone in Iraq. The Rumsfeld visits to Bahrain, Kuwait, and Qatar were also, according to the source, aimed at securing commitments of limited cooperation in a U.S. unilateral invasion of Iraq, which cannot be undertaken without some regional basing permission.

The source indicated that Sharon would use the occasion of a U.S. war on Iraq to implement his *actual* policy: the mass transfer of at least 2 million Palestinians from the West Bank and Gaza into Jordan. There has been recent talk, within neo-conservative and right-wing American Zionist think-tank circles, about a revival of the Hashemite Kingdom, encompassing both Jordan and part of Iraq.

The source added that a policy paper has been prepared by a retired U.S. general, indicating how Israel could carry out a forced expulsion of the majority of Palestinians without sending its ground forces into the West Bank or Gaza.

Israeli Leaders Call for Dismantling Settlements

Israel's former Shin Bet domestic intelligence service chief Ami Ayalon and Deputy Foreign Minister Michael Melchior ad-

ressed the convention of the Meimad Party, calling for Israel to dismantle all settlements in the occupied territories, the *Jerusalem Post* reported on June 13. The Meimad Party has two seats in the Knesset (parliament). The speeches underscore the fact that not all Israelis support the policies of Prime Minister Ariel Sharon.

Ayalon said: "The need to leave Judea and Samaria [the West Bank] is not connected to the security issued but to the continued existence of the Jewish people in the land of Israel. . . . If we don't leave the territories, either we will no longer be a democratic society, or we will not be the home for the Jewish people." Melchior underlined the basic moral issue: "We need to leave the settlements as soon as possible, with or without an agreement with the Palestinians. . . . We simply cannot afford to be an occupier in today's world." Both also cited demographics, noting that the average age of Palestinians is 13, while that of Israelis is 40.

Meanwhile, the Defense Ministry has plans for the Israeli Defense Forces to dismantle as many as 60 illegal settlements following a meeting between Defense Minister Binyamin Ben-Eliezer and IDF commanders on June 12. However, they have postponed a decision as to when this policy would be implemented until after a determination had been made as to which settlements erected since 1995 are not government authorized. Many of these "gypsy" settlements are tents or trailers. The IDF commanders reportedly discussed removing dozens of these isolated hilltop encampments, reportedly due to concern about their vulnerability to terror attack.

Colombia's Gen. Bedoya Supports Peruvian Heroes

Former Colombian Army Commander Gen. Harold Bedoya (ret.), who is also a former Presidential candidate, sent a message of support to the Peruvian commandos who rescued 72 hostages held in the Japanese Embassy in Lima for five months by the narco-terrorist MRTA in 1997. The state-

ment was published on June 14 in *La Razón*, the Peruvian daily that is taking the point in publishing resistance to the Toledo government's attempt to jail the Peruvian soldiers, on charges that they violated the "human rights" of the terrorists.

The hostage rescue operation, known as "Operation Chavin de Huantar," carried out by the military forces of Peru, "is a successful example of how the war against narcoterrorism should be waged worldwide," Bedoya wrote. "By not following the Peruvian example, Colombia finds itself on the verge of political and territorial disintegration. As in the days of the independence struggle, the freedom and dignity of our peoples have been consolidated through the valor of our soldiers, whose sacrifice lies above the meanness and baseness of those who know nothing about the nation.

"I want to express my solidarity, and that of the majority of the Colombian people, with the 'Chavin de Huantar' heroes. Thanks to your invaluable effort, terrorism suffered a crushing defeat, although today, using methods of irregular warfare, some attempt to revive the threat. A People which does not know how to honor its heroes, loses its historic path. In my capacity as president of the Fuerza Colombia movement, I continue to believe that thanks to 'Chavin de Huantar,' the history of Peru and the Americas changed for the good of all humanity."

Australian Demands U.S. War on Indonesia

Lesley McCulloch, of the School of Asian Studies, University of Tasmania, in a commentary in the *Jakarta Post* on June 12, said that Indonesia has relinquished its right to sovereignty, because of the way it deals with separatist movements. He called on the United States to apply to Indonesia, the same standards it is applying to Iraq.

McCulloch quotes Richard Haass, Director of Policy Planning in the U.S. State Department, that "sovereignty entails obligations. One is not to massacre your own people. Another is not to support terrorism

Briefly

AN AUSTRALIAN Arabic newspaper, *Almustaqbal*, published the full text of Lyndon LaRouche's speech to the June 2-3 Oil and Gas Conference in the United Arab Emirates in its June 8 issue, saying that LaRouche is "renowned for his opposition against globalization and he encourages the productive economy. He considers that globalization is the cause for most of the trouble in today's world."

BENJAMIN NETANYAHU, the former Israeli Prime Minister who makes Ariel Sharon look dovish, is urging Russia to join his war against Islam. At a Moscow press conference on June 13, he denounced the idea of an international Mideast summit, "until Yasser Arafat has been removed from the political arena."

THE EUROPEAN UNION finally agreed to include the Revolutionary Armed Forces of Colombia (FARC) on its list of terrorist organizations, while refusing to do so with the National Liberation Army (ELN). If enforced, the decision means that FARC bank accounts in EU countries will be frozen, and all political activity by FARC representatives banned.

SUDAN arrested Abu Huzifa, a suspected al-Qaeda-linked terrorist, at the request of the United States, in mid-June. Abu Huzifa is now in U.S. custody in a "neighboring country," where he is being interrogated. Former U.S. Ambassador to Sudan Tim Carney was quoted in the *Washington Post*, that Sudan has been totally cooperative with the United States in the war on terror.

HUBERT VÉDRINE, formerly France's Foreign Minister, called on President Bush to make an extraordinary peace intervention in the Mideast. He wrote in the *Washington Post* on June 17: "Only the President of the United States has the means and authority." If Bush fails to take up this challenge, "all the people who want the clash of civilizations—who are counting on it—will have the future they want."

in any way. If a government fails to meet these obligations, then it forfeits some of the normal advantages of sovereignty, including the right to be left alone inside your own territory."

McCulloch then writes: "But it seems that this new interventionist style of foreign policy being promoted by the U.S. applies only to some states, and not to others. For example, there is every indication that the U.S. intends to intervene in Iraq, but not in Indonesia. Yet in places such as West Papua, Maluku, Aceh and elsewhere, many civilians are losing their lives at the hands of the state-sponsored security apparatus. Perhaps nowhere is this more evident than in Aceh where more than 400 have died already this year. . . .

"There are many among the political and military elite who would prefer that the dialogue be abandoned and that a military solution be openly pursued. [Indonesian Foreign Affairs Minister] Wirayuda is not alone in his belief that the political project that is Indonesia can only be maintained by the use of force. . . .

"The terrorism is state-sponsored. The alleged perpetrator is the military that has in the past been trained and armed by the U.S. government—just one of many ironies in U.S. foreign policy. The skills and equipment garnered from previous military to military co-operation have provided the resources that have turned Aceh into just one of Indonesia's killing fields. But there is no sign that the U.S. will employ its new interventionist foreign policy here."

Dutch Worry: Will U.S. Invade The Netherlands?

A June 6 vote in the U.S. Senate has created an uproar among Dutch media and politicians, the German daily *Handelsblatt* reported on June 13. The Dutch are concerned that the vote authorized the U.S. government, through the "American Service Members Protection Act," to *militarily invade* their country in order to free U.S. citizens, if they are being held on war-crimes charges

by the International Criminal Court, which becomes active on July 1 in The Hague, under a treaty signed by 60 nations. President Clinton had signed the treaty in 1998, but President Bush withdrew the U.S. signature early in June.

In the words of Sen. John Warner (R-Va.), lead sponsor of the bill, it would "protect U.S. military personnel and other elected and appointed officials of the U.S. government against potential criminal prosecution by an international tribunal court to which the United States is not a party. . . . The President is authorized to use all means necessary and appropriate to bring about the release from captivity of U.S. or allied personnel detained or imprisoned against their will by or on behalf of this court."

Writes *Handelsblatt*: "Experts in international law say the U.S. regards the court as an infringement on its sovereignty. It fears its soldiers could face fraudulent, politically motivated trials. Their nightmare is that former Secretary of State Henry Kissinger, Defense Secretary Donald Rumsfeld, or even President Bush, could be prosecuted." The paper quotes former European Union Commissioner Hans van den Broek, who wrote in the Dutch paper *NRC Handelsblad* that the United States not only lacks respect for international law, but imposes the "law of the stronger" as a legal standard. Washington constantly demands that other countries comply with the demands of the International Tribunal for Crimes in the Former Yugoslavia (ICTY), using economic and other sanctions to force compliance, as in the case of former Yugoslav President Slobodan Milosevic, the paper reports.

Now that Milosevic is on trial, the International Tribunal needs U.S. officials to testify, in order to convict him of war crimes committed against the people of Kosovo. Former U.S. special envoy Richard Holbrooke would like to testify, but is being denied permission to do so in open court by the State Department, which worries that this would set a precedent which Washington wants to avoid. The tribunal's prosecutors say that if the United States insists that Holbrooke testify in secret session, they would have no choice but to drop him as a witness.

New Bush Defense Policy Paves The Way for Strategic Blunder

by William Jones

The Bush Administration's announcement of a new defense doctrine based on the right of the United States to conduct pre-emptive military strikes against states and terrorist groups intent on developing weapons of mass destruction, aims to provide the basis for an early pre-emptive strike against Iraq, as well as serving as a precedent for making U.S. military might the legions of a "new Roman Empire."

Some details of this new national security strategy were floated to the *New York Times*' David Sanger on June 17, after President Bush had intimated such a radical change in a graduation speech at the U.S. Military Academy at West Point on June 1. "We cannot defend America and our friends by hoping for the best," Bush said. "We cannot put our faith in the word of tyrants, who solemnly sign non-proliferation treaties, and then systematically break them. If we wait for threats to fully materialize, we will have waited too long." Bush told these future officers of the United States Army. "Homeland defense and missile defense are part of stronger security, and they're essential priorities for America. Yet the war on terror will not be won on the defensive. We must take the battle to the enemy, disrupt his plans, and confront the worst threats before they emerge. In the world we have entered, the only path to safety is the path of action. And this nation will act."

This message was further underlined by Vice President Dick Cheney to a gathering of international leaders of conservative parties on June 10. "During the Cold War, we were able to manage the threat with summit meetings, arms control treaties, and by a policy of deterrence, through which an act of aggression would put the aggressor's own nation at risk," Cheney said. "In the terrorists, however, we have enemies with nothing to defend. A group like al-Qaeda cannot be deterred or placated or reasoned with at a conference table. For that reason, this struggle will not end in a treaty or in accommodation with terrorists; it can only end in their complete and

utter destruction."

"Nor can we always rely on the doctrine of containment," Cheney continued. "As the President said last week, 'Containment is not possible when unbalanced dictators with weapons of mass destruction can deliver those weapons on missiles or secretly provide them to their terrorist allies. Grave threats are accumulating against us, and inaction will only bring them closer. We will not wait until it is too late.' For our part, the government of the United States understands what must be done. We have a responsibility to protect ourselves against future attack, to prepare our military for all future threats, to maintain the global coalition we have built to defeat global terror, and to take pre-emptive action, when necessary."

A Rejection of U.S. Military Traditions

Such a brazen move toward a policy of arbitrary unilateral military action has raised something of an outcry, both at home and abroad. Although wholly in line with the "New Imperialism" doctrine of right-wing ideologues like William Kristol and Robert Kagan, the new policy flies in the face of the entire edifice of international law which the United States has been so keen in erecting, as well as the traditional U.S. military policy from Washington to MacArthur.

The shift to such an openly aggressive unilateralist doctrine by Administration warhawks has been motivated in part by frustration in getting any other country on board any form of "multilateral" military operation against Iraq. The Administration has realized that the days of the "Gulf War coalition," are long gone. And the New Imperialist crowd have a "quick fix" to replace it.

Initially, it was thought that the "Get Saddam" operation might be brought in under the umbrella of a nation's "right to self-defense," used so deftly by the Israeli Defense Forces to reverse the Oslo peace process, and by the United States after Sept. 11, to launch operations against al-Qaeda in Afghani-



Not only Arab nations, but also Turkey, watch with dread the doctrinal and military buildup for a U.S. war against Iraq. As Lyndon LaRouche and his strategic alternative have appeared throughout Arab venues in June, so also Yarin, one of the newspapers most read in Turkish government circles, headlined LaRouche's analysis of the Sept. 11 and succeeding events.

stan. But try as they might, even with former CIA Director James Woolsey especially, doing his utmost to find some link between al-Qaeda and Saddam Hussein, the needed connection to give the pretext did not materialize. The new national security policy gives a carte blanche to the United States to conducting military operations against Saddam Hussein—or anybody else.

Providing a pretext for such operations does not, however, guarantee their success. The estimate of General Tommy Franks, Chairman of the Joint Chiefs of Staff, that 200-250,000 U.S. soldiers would be needed for an invasion of Iraq aimed at Saddam Hussein, has probably cooled the ardor among some Administration warhawks for such an option. It is now buttressed by a combination of covert and overt special operations, and use of that phantom of this tragi-comic opera, the “Iraqi opposition.”

A front-page *Washington Post* article on June 16 by Bob Woodward underlined the fact that this was a very “live option” for the Bush people. Woodward notes that earlier this year, President Bush signed an intelligence order directing the CIA to undertake a comprehensive, covert program to topple Saddam Hussein, including authority to use lethal force to capture the Iraqi President. This involved increased support to Iraqi opposition groups and forces inside and outside Iraq, including money, weapons, equipment, training, and intelligence information. This would also involve the deployment of CIA and U.S. Special Forces teams, which would be authorized to kill Saddam “if in self-defense.”

CIA Director George Tenet, according to Woodward, had informed President Bush that such a CIA operation alone would have only a 10-20% chance of succeeding without a concomitant military sweep on the part of the United States. But even this estimate seems high given the composition of the opposition to Saddam Hussein.

One of the prime proponents of this policy has been Wayne Downing, the Deputy National Security Adviser and former commander of U.S. Special Operations forces, who has been meeting with leaders of the Kurdish groups active in northern Iraq, where they are protected by U.S. and British

forces. Downing is also the key person in attempting to identify individuals and groups that might replace Saddam Hussein.

Iraqi Opposition Gathers—and Squabbles

The fragility of such a coalition became obvious, when the major groups were pulled together for a cameo appearance in Washington at a June 8 meeting organized by the American University’s Center for Global Peace, which is actually a center for some of the “ethnic conflict” scenarios being run in the Persian Gulf region. The ostensible subject of the day-long conference was “Iraqi Kurds: Key to Stability in Iraq.” Being one of the first public gatherings of all the possible players in a U.S. covert anti-Saddam operation, it was also a litmus test in how this gaggle of disparate, and fundamentally antagonistic groups would function. On the surface, all was peace and love, until sensitive issues were actually discussed—and then the fireworks started.

The gathering lacked that mogul of “Iraqi opposition,” the darling of the Washington beltway Iraq-bashers, Ahmad Chalabi, the London-based chieftain of the Iraqi National Congress (INC). While Chalabi has long been fêted—and financed—by the Washington crowd, he is generally considered by Arab sources to be a “hotel lobby opposition,” with little support in Iraq. Chalabi declined to attend the American University meeting, in spite of being invited, perhaps not choosing to share the podium with other groups, when he is accustomed to being the sole focus of adulation by anti-Saddam Congressmen and Senators. Two members of the INC were present, however, including the self-styled heir to the Iraqi throne, Sharif Ali bin al-Hussein, a cousin of the late King Faisal of Iraq. Neither spoke as representing the INC, but as representatives of other groups.

Even before the “oppositionists” took the floor, the fireworks began with the first forum of the day in which the international views of the “Kurdish problem” were discussed. The Turkish position was presented by Ozdem Sanberk, the director of the Turkish Economic and Social Studies Foundation and a former adviser to the late Turkish President, Turgut

Özal. While not unsympathetic to the situation of the Iraqi Kurds, Sanberk was also not reticent in explaining that his government was *very* concerned about any military operations involving the Iraqi Kurds, for fear they will fuel the drive to establish a “Greater Kurdistan,” which would include the areas of Turkey, Iraq, Syria, and Iran, with a majority Kurdish population.

That such fears were not unfounded was seen in the reaction of the large American-Kurdish contingent. Sanberk was bombarded with questions about alleged mistreatment of the Kurds in Turkey, in spite of Sanberk’s assertion that Turkey’s Kurds have full rights as citizens, and many serve in high government posts. The U.S. handlers at the conference had to expend a lot of energy to restore order and reorient the discussion back to Iraq.

Peter Galbraith, a Clinton-appointed ambassador to Croatia and long a meddler in ethnic conflict in various parts of the world, had been selected to explain the U.S. view. Now based at the National Defense University, Galbraith holds no government post, but his long association with the Kurdish cause merited his selection. He tried to admonish his Kurdish listeners to adapt a less emotional attitude to Turkey, explaining that without Turkish aid it would be very difficult to oust Saddam Hussein. Alan Makovsky, an aide on the House International Relations Committee, himself a supporter of Iraqi “regime change,” readily admitted that the biggest problem facing such an operation was “accommodating Turkey and the Kurds” in northern Iraq.

A New Ottoman Empire?

Sanberk was also adamant about maintaining the territorial integrity of Iraq as a nation. He explained that Turkish-Iraqi relations went back all the way to the founding of the Turkish Republic, in spite of the political changes which followed in Iraq. Turkey has no interest in causing problems with its neighbor, he indicated, and the nature of the burgeoning opposition, with a U.S.-British-supported Kurdish entity established in the North, and a possible Shi’ite breakaway in the South, could lead to major problems for his country.

Given the partial balkanization already accomplished in the north of Iraq, with the Kurdish region operating under the protection of “Operation Provide Comfort,” the anti-Iraq warhawks are proposing a form of loose federal system for a post-Saddam Iraq, involving greater autonomy for the Kurdish and Shi’ite areas to get them to join this under a loose central government. The U.S. proponents of this option harken back to the Ottoman Empire, claiming that the “autonomous zones” would be equivalent to the Ottoman *wulia*, relatively autonomous provinces effectively controlled by the provincial bosses, but formally subordinate to the central government of the empire.

Not surprisingly, Galbraith gave credence to this insanity by comparing it to that misbegotten child of the Dayton, Ohio, negotiations, Bosnia-Hercegovina/Republika Srpska—

which he and fellow-meddler Richard Holbrooke were largely responsible for crafting in 1995. The leftish Galbraith was also fully supportive of what he called an “impending” U.S. attack against Baghdad. He ironically reflected the views of the neo-conservative wildman, Richard Perle, in claiming that such an operation would garner the support of “the masses” in Iraq, waiting eagerly to welcome their “liberators” as they enter Baghdad.

Draping such a model in Ottoman garb does not change the insane nature of the policy to break up the Iraqi nation. In the words of one Kuwaiti speaker at the American University meeting, it would create a “nightmarish scenario” in the region, not only probably resulting in an independent Kurdistan demanding parts of Turkey, but also creating a dangerous situation for Iran, which would not sit silently by without reacting to such a balkanization in its immediate neighborhood. Nasser Hadian-Jazy of Iran made clear that while Iran has little love for Saddam’s regime, it strongly supports maintaining the territorial integrity of Iraq.

If the Bush Administration places operational trust in this crew of dissidents, it is in for a rude awakening. But if the President does decide for a unilateral military strike with 200-250,000 U.S. troops, we will head straight for a strategic quagmire. Over and above the cost in Iraqi and American lives, awful forces unleashed by the devastation and breakup of Iraq, will haunt its perpetrators.

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Homeland Security Bill Is on a Fast Track

by Carl Osgood

Since President Bush announced his proposal to create a Department of Homeland Security on June 6, Congressional leaders have been falling all over each other to present a bipartisan front in support of the legislation, which was delivered to Capitol Hill on June 18. The fact that the proposal creates all sorts of jurisdictional problems has not prevented, in particular, the Democratic leadership from promising to have the bill ready for President Bush's signature by the first anniversary of the attacks on the World Trade Center and the Pentagon. However, a number of potential stumbling blocks have already arisen.

Under Bush's proposal, the new department would have four primary functions: information analysis and infrastructure protection; chemical, biological, radiological and nuclear countermeasures; border and transportation security; and emergency preparedness and response. To carry them out, agencies spread out across the Federal government that include security functions in their missions would be transferred to the new department. These include, among others, the FBI's National Infrastructure Protection Center, the Customs Service, the U.S. Coast Guard, the Immigration and Naturalization Service, and the Federal Emergency Management Agency. Also to be transferred are certain relevant functions of the Departments of Energy, Defense, and Health and Human Services, relating to response to chemical, biological, and nuclear attack. The primary mission of the new department will be preventing terrorist attacks, reducing U.S. vulnerability to terrorist attacks and assisting in recovery should an attack occur.

Both the House and the Senate are grappling with jurisdictional issues, given that oversight of the agencies that Bush proposes to put under the new department are spread across most of the committees in the two chambers. In the House, Speaker Dennis Hastert (R-Ill.) and Minority Leader Dick Gephardt (D-Mo.) have agreed on a procedure intended to streamline the process. On June 13, the two announced that the House Government Reform and Oversight Committee and each other committee with jurisdiction over aspects of the bill, will be instructed to make recommendations on the parts of the legislation under their purview; the recommendations will then be referred for mark-up to an ad hoc committee, chaired by House Majority Leader Dick Armey (R-Tex.).

In the Senate, Majority Leader Tom Daschle (D-S.D.) indicated on June 13 that he will likely piggy-back the administration proposal onto existing legislation already written by Sen. Joe Lieberman (D-Conn.). That bill, which was reported out of the Senate Governmental Affairs Committee on May 22, is similar to the Bush proposal, but smaller in scale. Daschle said that an amendment to the Lieberman bill will likely be put together, using advice from all the relevant committees, and then be brought to the floor sometime in July. He indicated that he thought the timing in the House will be approximately the same, making possible a final vote in September.

Some Questions Being Raised

This fast-moving reorganization comes in the context of a police-state drive coming out of Attorney General John Ashcroft's Justice Department. At least a few members of Congress are calling for a slower approach. The *Washington Post* reported, on June 13, that Sen. Chris Dodd (D-Conn.) is arguing that the proposed reorganization is so complex, including determining what relationship the Central Intelligence Agency and the Federal Bureau of Investigation will have with the new department, that a blue ribbon commission of intelligence experts should be assembled to study the issue and report back to the Congress, sometime next year. Another voice of caution is that of Rep. Dennis Kucinich (D-Ohio), who, during a June 11 joint hearing of two subcommittees of the House Government Reform and Oversight Committee, called for a comprehensive threat assessment to be done before proceeding with the reorganization. He said that such a threat assessment "will address the issue of inevitability [of another terrorist attack] and what kind it will be, because there are some of us who feel that perhaps if we had that kind of assessment, we'd be able to make the determination as to whether or not these alleged or predicted attacks are in fact inevitable."

Besides the issue of the FBI and the CIA, another issue of possible contention is the budget for the new agency. Bush has said that the reorganization, being described as the most significant since the 1947 National Security Act, is to be "budget-neutral." Democrats, however, are insisting that not enough resources are being made available for homeland security, and have been trying to add money above what the White House has been asking for, for those functions, almost from the time of the Sept. 11 attacks.

After Homeland Security Director Tom Ridge briefed a large group of Senators on June 13, Senate Appropriations Committee Chairman Robert Byrd (D-W.Va.) told reporters, "You can't do all these things without resources, and here we are talking about a brand new, shiny toy called a department, here, and we're not talking about the resources that need to go along with it. So, when are they going to send up the budget for this new department?" He called on Bush to sign the supplemental appropriations bill, passed by the Senate a week earlier, which, in Byrd's view, does more to

make the country safe from terrorism than Bush's new department.

FBI and CIA Included?

The larger issue of the FBI and CIA relationship to the new department, crosses into the question of the provision of intelligence for homeland security purposes. The White House is resisting proposals to fold those two agencies into the new department. However, Lieberman has endorsed, at least in principle, bringing in the FBI. During the June 11 joint hearing, Lieberman questioned whether the provisions in the bill providing for intelligence from different sources was sufficient. "I hope at some point," he said, "that we consider whether the entire FBI or the parts of it involved now in domestic intelligence . . . ought to become part of the Department of Homeland Security." He admitted, however, that doing that at this point in the process might be a little too much to take on. House Majority Leader Armev has been somewhat less direct than Lieberman on that issue. He indicated on June 18 that the FBI should be "more formally" involved with homeland security, but apparently did not say that the FBI should be under the new department.

One counter-argument being made against inclusion of the FBI and the CIA in the new department was put forward by retired Gen. William Odom, former director of the National Security Agency. In an op-ed in the June 12 *Wall Street Journal*, Odom called for the FBI to be split in half, with all the counter-terror and counter-espionage functions to be turned over to a new National Counterintelligence Service, to be devoted solely to that work. Odom dismissed those who call for the FBI to return to the "good old days." He disabused the reader of the idea that there ever was a good old day of FBI competence, tracing a string of Bureau failures to catch spies, going all the way back to World War II.

Odom argued that the techniques that the FBI can use to catch criminals do not work in catching spies and terrorists, who are far more sophisticated than even the most organized-crime operatives. "The FBI's main weapons, tapping telephones, using informers, and heavy-handed interrogations, can be effective against many criminals. Such techniques do not work against spies, however, and more recently against terrorists."

General Odom concluded with a direct hit at Ashcroft. "Those who fear that such an agency [National Counterintelligence Service] could threaten American civil liberties have a point, but their concerns can be met with proper judicial and Congressional oversight. Given today's realities, prudence dictates going ahead with an NCS but also building safeguards. A bigger danger is Attorney General John Ashcroft returning powers to the FBI that were taken away in the 1970s because it had abused them. It couldn't catch spies when it had these powers before. Why should we believe that the FBI can use them to catch spies and terrorists today?"

Jewish Scholars Speak Out

Call To Kill Terrorists' Families Is 'Desecration'

by Michele Steinberg

Jewish scholars in the United States have reacted with outspoken anguish to the proposal by former U.S. Justice Department official Nathan Lewin, that Israel and the United States begin assassinating the families of alleged suicide terrorists. Lewin, a prominent attorney now in private practice, made the proposal in the May 2002 issue of *Sh'ma*, an English-language journal.

Brandeis University Prof. Arthur Green, the former president of the Reconstructionist Rabbinical College, wrote that his "first desire upon reading Lewin's essay was to 'tear my garments as a sign of mourning on hearing the desecration of God's name,' " according to the newspaper *Forward* on June 7. Many other Jewish leaders have joined this denunciation of Lewin.

Who is Nathan Lewin, who has called for the "punishment of innocents," as the only way to provide a deterrent for suicide bombers, since they no longer fear capital punishment, and apparently fear life under occupation more than they fear death?

Lewin, once dubbed by *Washingtonian* magazine as the most powerful attorney in Washington, D.C., has friends in high places. He argues cases before the Supreme Court. His clients have included then-U.S. Attorney General Ed Meese, when Meese was being investigated by an Independent Counsel. Lewin also served the U.S. government for many years in top positions in the Justice Department and State Department: He was Special Assistant to the Assistant Attorney General, Criminal Division, Department of Justice 1962-63; Assistant to the Solicitor General, Department of Justice, 1963-67; Deputy Administrator of the Bureau of Security and Consular Affairs of the State Department, 1967-68; and ironically, Deputy Assistant Attorney General, Civil Rights Division, Department of Justice, 1968-69.

Why should Americans tolerate that such an advocate can continue to practice law before the Supreme Court of the United States?

Following Nazi Practice

In his article in *Sh'ma*, Lewin not only spells out how Israel and the United States should embark on killing the

close family members of alleged suicide bombers; he acknowledges that the “revenge killings” of families was a policy conducted by the Nazis. Lewin’s essay thus provides a glimpse into the ultimate destination of the nihilistic revenge that drives his argument: fascism.

Ironically, Lewin is correct when he admits that “capital punishment” does not function as a “deterrent.” But then, he claims that, according to the Torah, if capital punishment is no longer a deterrent, then the law must find a way to exact revenge that is more brutal and painful than death itself.

Lewin carefully notes that “studies of Palestinian suicide bombers . . . indicate that most were closely knit to their families—to parents, brothers, and sisters.” So, he suggests, “what if Israel and the United States announced, that henceforth,” the suicide bombers will be also taking the lives of their “parents, brothers, and sisters,” when they detonate those bombs?

Lewin says, “Terrorism will not be shut down until the individual terrorist is effectively deterred. Israel’s campaign of ‘targetted assassinations,’ has tried to prevent suicide bombing by swift nonjudicial execution of known organizers of such deadly attacks.” But this has not been effective. So, “what threat will effectively deter” the individual?

Israel and the United States, he says, “should, ‘by targetted assassinations,’ or other means, be free promptly to execute the immediate relatives of the suicide bombers. This consequence would, I believe, deter most suicide killers.”

Anticipating what he calls “anguished screams” of civil libertarians, and those who believe Israel is “a people following the ethical principles of the Torah,” Lewin writes: “Critics will cite the obscene Nazi policy of executing families and entire communities in retaliation for individual acts of resistance. How would the elimination of a suicide killer’s family differ from this indefensible Hitlerian practice?”

Lewin’s reply does *not* effectively answer his own question, because there isn’t a difference. For example, he says that the Nazis never claimed they wanted to deter other “perpetrators.” But this writer, having known partisans from the Italian Resistance, recalls how clearly they remembered an axiom of Hitler’s and Mussolini’s foot-soldiers: “Kill one, educate a hundred.” Clearly, the Nazis, like Lewin, recognized that killing and terrorizing families and communities *is* a deterrent, of sorts.

Lewin even claims that the Torah gives him the right to implement this fascist practice. He writes: “If executing some suicide-bomber families saves the lives of even an equal number of potential civilians, the exchange is, I believe, ethically permissible,” arguing that the Old Testament injunction to destroy the ancient tribe of Amalek serves as a precedent in Judaism for taking measures that are “ordinarily unacceptable,” in the face of mortal threat.

Dirty Networks

Lewin is a vice president of the Orthodox Union (OU), and honorary president of the International Association of Jewish Lawyers and Jurists. But those titles only tell a portion of the story of what he is about.

For more than two decades, Lewin has been known for his association with U.S.-based networks accused of spying for Israel. One of the first such allegations involved one Stephen D. Bryen, whose attorney was Lewin. In 1979, Bryen and Richard Perle, two leaders of the neo-conservative movement, were staffers in the U.S. Senate, and were accused of passing classified information to the Israeli Defense Ministry’s representative in Washington, D.C. Long before the case of convicted spy Jonathan Jay Pollard, who was arrested in 1985, documented the extent of Israeli spying on its “ally” the United States, Perle and Bryen were carrying out their own self-defined plan for U.S. “national security.”

The antics of Perle and Bryen against Saudi Arabia, Jordan, and other Arab countries that had friendly relations to the United States, is well documented in *The Armageddon Network*, by Michael P. Saba, a trade consultant, who witnessed an exchange between Bryen and his Israeli contacts, reported the incident to the FBI, and later wrote a book about the investigation.

Saba reports, “What you are about to read is first a spy story. . . . Moreover, this was not a minor security compromise. The Defense Intelligence Agency has officially determined, as the following pages will reveal, that the incident described has involved information the disclosure of which could adversely affect the essential national security interest of the United States. . . . That those involved in this affair are still ‘at large,’ and in fact currently hold senior positions in the Pentagon, is what distinguishes *The Armageddon Network* from the average nonfiction account of an espionage investigation.”

Saba chronicles the investigations by FBI agents in confirming the Bryen incident; but there was never any prosecution of Bryen or Perle. Saba reports that Lewin “was also a friend of Phil Heymann [Assistant Attorney General in charge of the Criminal Division,] who made many of the key decisions in the investigation. While some Department officials knew this, they said that they did ‘not appreciate the depth of their friendship.’ ”

Lewin went on to bigger and better cases, including a stint as the attorney for Reagan’s first Attorney General Ed Meese, who came under investigation by an Independent Counsel. Meese was never indicted, and when he left government, he joined the Heritage Foundation, the neo-conservative think-tank with which Perle and Bryen are also associated. Today, Perle and Bryen are leading members of the Jewish Institute for National Security Affairs (JINSA), where they blatantly advocate the concept of a “Clash of Civilizations” war against Islam.

Lewin, Bryen, Perle, and their associates in groups like

JINSA and the American Enterprise Institute (AEI), have never remotely supported the creation of an independent state of Palestine. Perle and Bryen have been deeply involved in the various Jewish right-wing and Christian Zionist plots to destroy the Islamic holy sites in Jerusalem on the al-Haram al-Sharif (Temple Mount).

Firestorm of Controversy

Lewin's proposal is so outrageous, that the Israeli government distanced itself from it, through its New York Consulate's media and public affairs officer, Ido Aharoni. But not so, some prominent U.S. Jewish figures, including Harvard Law School's Alan Dershowitz and the Anti-Defamation League's Abe Foxman. Dershowitz argued, according to *Forward*, that the plan represented "a legitimate, if flawed attempt to strike a balance between preventing terrorism and preserving democratic norms." Dershowitz's "counter-proposal": The same level of deterrence could be achieved by levelling the villages of suicide bombers, after residents had been given a chance to evacuate. Foxman "declined to take a stand on the actual proposal," but rejected the notion that Lewin "should be elbowed out of communal life." The chairman of the OU's Institute of Public Affairs, Richard Stone, defended Lewin: "He is not a Kahanist; he is not a nut."

Moderate Jewish intellectuals and leaders disagree. Reform Rabbi Eric Yoffie commented on Lewin's proposal: "The opinion is utterly reprehensible and totally contrary to the most fundamental principles of the Jewish religious tradition, and to everything the state of Israel has been about since its foundation. . . . Don't go down that road, because it is wrong, self-defeating, and dangerous for Israel."

Jeremy Burton, a member of the editorial board of *Sh'ma* itself, argued, according to *Forward*, that Lewin "should now be blackballed from organized Jewish life, just as the late Rabbi Meir Kahane was ostracized for calling for the mass deportation of Arabs from Israel."

Brandeis University's Prof. Arthur Green wrote, "I only wonder how long it will take [Lewin], by the force of this proof-text, to go all the way and suggest that the Palestinian nation as a whole has earned the fate of Amalek."

In the same edition of *Sh'ma* in which Lewin's article appeared, Professor Green wrote a companion essay, also on issue of stopping suicide terrorism. Green advocated doing the one thing that the Israeli government of Prime Minister Ariel Sharon has refused to do: "We need to restore hope." Green said that the fear of terrorism cannot reduce Israel to "becoming a barbaric Middle Eastern superstate. The Jewish tradition's most essential moral teaching, that every human being is the image of God, must not fall victim to the bleak times through which we are living."

Green is on the mark. Where are the American calls for Nathan Lewin to be blackballed and ostracized? Or has the United States already become that "barbaric superstate"?

Plans to Attack Iraq Make Saudis Target, Too

by Suzanne Rose

As the Washington climate grows closer and closer to a near-term attack on Iraq, there is a more operational quality to the plans of the "Clash of Civilizations" faction both inside and outside the Bush Administration, to bring down the Saudi monarchy. Saudi-bashing has become as common in Democratic circles, as it has been among Republican hawks. The remarks by Senate Majority Leader Tom Daschle (D-S.D.) on the "Fox News Sunday" broadcast, urging President Bush to get tough on the Saudis and dispense with Palestinian Authority President Yasser Arafat, earned headlines in the neo-conservative *Washington Times* on June 17.

There were saner voices at a Capitol Hill forum sponsored by the Middle East Policy Council on June 14. Coming just after President Bush had rebuffed Egyptian President Hosni Mubarak's Washington peace mission, the forum's speakers warned that the drift of U.S. policy could force the Arab League to withdraw its support for Saudi Crown Prince Abdullah's peace plan. The experts, some of them former State Department officials, recognized the revolutionary importance of the Abdullah Plan, which committed the Arab League to recognize the right of Israel to exist as a nation at peace, if it withdraws from territories conquered in 1967.

The Policy Council speakers noted that, in the dangerously escalating crisis in the Middle East, the President is making policy contrary to U.S. national and security interests, in deference to the part of the Republican Party base controlled by the "Christian Right." Mahmoud Fandy, from the National Defense University in Washington, stressed that Saudi Arabia is the center of the Muslim world. with the capability of bringing its co-religionists into support for the peace process. The Abdullah Plan, for example, was fully backed even by Iraq. Fandy called it, "normalization for normalization." "The Arabs are asking Israel to be a normal state with clear borders," he said.

Edward Walker, former Assistant Secretary of State for Near Eastern Affairs, said the Abdullah Plan means that, if we can get to peace, it will be accepted in the Arab world. He called it both an offer, and an ultimatum to the rejectionists, the radical movements who see it as in their interest to obstruct any peace with Israel.

Because of U.S. policy and continuous Israeli military action, there is rising pressure in the Arab world to retract support for the plan, said Council president and moderator Charles Freeman. Michael Hudson, professor of Arab Studies and International Relations at Georgetown University, who

had recently returned from the Middle East, underscored the urgency of the peace process, as economic and political conditions are worsening by the day. His remarks were seconded by others. The Arab population is beginning to look at its leaders as toothless, unable to stop Israeli carnage, nor gain any support for their views in Washington.

Freeman concluded, that there really is no rational alternative to the Abdullah Plan, but there are irrational alternatives, and the clock is ticking.

‘Clash of Civilizations’ Warhawks Meet

On the other side, a think-tank base whose drumbeat against Saudi Arabia is crescendoing, is the Hudson Institute in Washington, which held its own forum on June 18, to depict the Saudi Kingdom as a rogue state with no right to exist as a nation. The meeting on “Saudi Arabia and Terrorism,” jointly sponsored by Hudson and the Aspen Institute Berlin, located an attack on Iraq as an “opportunity,” to be followed with the breakup of Saudi Arabia.

Fragmenting and conquering the Arab/Muslim world has been a goal of the geopolitical faction for which Henry Kissinger, Zbigniew Brzezinski, and Princeton Prof. Bernard Lewis are leading spokesmen, and Saudi Arabia stands in their way. As both a longtime ally of the United States, and the religious center of Islam, it has the capability of becoming a force for peace between the Palestinians and Israelis—and it opposes attacking Iraq. Crown Prince Abdullah’s plan has made his nation a target for destruction by political circles whose theories call for a perpetual religious war, a war which began on Sept. 11.

The Hudson Institute has many tentacles into the Bush Administration and Capitol Hill. It is the base of Sen. John McCain’s (R-Ariz.) former campaign manager, Marshall Whitman, who is promoting a third party “Bull Moose” Presidential candidacy for McCain. Hudson’s rabidly pro-Ariel Sharon Memri Institute is run by Meyrav Wurmser, whose husband, David Wurmser, is the top aide to Assistant Secretary of State for Arms Control John Bolton, and a provocateur of “anti-terrorist wars.”

The “irrational alternatives” warned of by the Middle East Policy Council, were fully on display at the Hudson/Aspen meeting. Sen. Sam Brownback (R-Kan.), who has made a career of bashing Muslims, announced new legislation to deprive Saudi Arabia of military or financial support unless it “renounces terrorism.” Moderator Michael Barone, columnist with *U.S. News & World Report*, pronounced the Saudis evil, and said the Sept. 11 hijackers were motivated by evil Saudi Arabian ideas. The Abdullah Plan was dismissed as a public relations ploy by Dore Gold, a former foreign policy adviser to Likudniks including former Israeli Prime Minister Benjamin Netanyahu and current Prime Minister Ariel Sharon.

David Pryce-Jones, senior editor of the *National Review*, portrayed Saudi Arabia and Iraq as tribal conglomerates, which should not be classified as nation-states. Simon Hen-



Saudi Crown Prince Abdullah’s Peace Plan, and his nation, are the immediate targets of Clash of Civilizations factions in Washington, as a result of new doctrines and plans preparing war on Iraq.

derson, author of the book *After King Fahd—Succession in Saudi Arabia*, continued in this vein, proposing a U.S. military intervention in the Saudi Kingdom, to “protect”—this can only mean to grab—its oil supplies.

Chilling Response on Palestinian ‘Transfer’

EIR posed a strategic question to the Hudson Institute’s panel, and got a response with chilling implications for the Middle East. “There are reports circulating,” went the question, “that Sharon intends to forcibly transfer the Palestinians from the West Bank to Jordan under cover of a wider war—most likely an attack on Iraq—and, in collaboration with policy circles who want the upper hand in the U.S., to declare Jordan to be ‘Palestine,’ to extend the Hashemite dynasty (over Iraq). Saudi Arabia would be broken up into religious and ethnic enclaves, and the U.S. would take over the oil fields in the East. People like Bernard Lewis support this. Does anyone on the panel support these imperial policies?”

Henderson replied that he did endorse aspects of this policy. Pryce-Jones said, “This is a plastic hour; there will be an attack. If they go into Iraq, a plastic hour will develop. We are waiting on events. A dramatic outcome is possible. Saudi Arabia may be broken up. The Shi’ites may become an American dependency.”

Then, half-jesting, Pryce-Jones added that Defense Policy Board Chairman “Richard Perle may take over [the administration]. The new order may be coming.”

Debt Limit Battle Moves Back to House

On June 11, the Senate voted 68 to 29 on a free-standing bill to increase the statutory debt limit by \$450 billion to \$6.4 trillion. Compared to the acrimonious debate that rocked the House the week before, the Senate vote was surprisingly easy, the result of an agreement between Majority Leader Tom Daschle (D-S.D.) and Minority Leader Trent Lott (R-Miss.). The Senate vote, however, in no way settles the matter, given that the House debt limit increase was buried in the supplemental appropriations bill by the House GOP leadership in such a way as to avoid a roll call vote.

The day after the Senate vote, House Minority Leader Dick Gephardt (D-Mo.) sent a letter to House Speaker Dennis Hastert (R-Ill.) calling for a separate vote on a free-standing debt limit bill, though House Democrats support a smaller increase. Gephardt told reporters, "I would support a short increase in the debt limit for the month so that we can work out a new budget." He added that it is the Republican budget "that is driving the need for the debt ceiling increase, and if they don't want to back up their budget decisions with the necessary action to pay for those actions and those decisions, then it's their responsibility."

On June 18, Daschle raised the specter of checks for Social Security, veterans benefits, and civil service retirement bouncing, if the debt limit is not increased. The Treasury Department has said that it will run out of borrowing authority and risk default if the debt limit is not increased by June 28. "It is critical," Daschle said, "that the House act on a debt limit this week." House Majority Leader Dick Armey (R-Tex.) told reporters that

there are not enough votes in the House to pass a debt limit increase. "Sooner or later in the life of every debt limit increase, there comes a time when it gets done," he said. "But everybody must sweat bullets over it before it can get done. It's just a rule."

Competing Prescription Drug Plans in the House

The battle over a Medicare prescription drug benefit began in earnest on June 13, when House Democrats unveiled their plan at a combination press conference/rally on the front steps of the Capitol. Under the Democratic plan, as described by Rep. John Dingell (Mich.), beneficiaries pay a \$25 premium and a \$100 deductible. Medicare then pays 80% of drug costs, until the beneficiary has spent \$2,000 out-of-pocket. After that, Medicare would pay 100% of a beneficiary's drug costs. Dingell called the drug benefit in the Democratic bill a "guaranteed benefit" that does not force beneficiaries into private insurance plans.

The GOP began markup of their plan in the Energy and Commerce and the Ways and Means Committees on June 18. Their plan starts out with a \$35 premium, \$250 deductible, and out-of-pocket expenditures capped at \$4,500 per year. The bill also includes provisions that create a "new competitive structure" for Medicare Plus Choice, and reduce paperwork and regulatory burdens for beneficiaries and providers.

House Minority Leader Dick Gephardt (D-Mo.), at the June 13 press conference, called the GOP plan a "press release" that seeks to protect the pharmaceutical manufacturers and

provide cover for their privatization plans.

Senate Votes To Pass Terrorism Insurance Bill

The Senate finally broke the logjam on terrorism insurance on June 18, with an 84-14 vote on a bill which is supposed to provide a backstop to insurance companies that are not now providing property and casualty coverage of commercial properties for terrorist acts. The bill splits the costs of claims resulting from a terrorist act between the insurance companies and the private sector for one year, which can be extended for another year by the Secretary of the Treasury. The bill includes a \$10 billion deductible, and a \$100 billion cap on government payments.

"The premise of it is," said Senate Banking Committee Chairman Paul Sarbanes, "that over that period of time, the insurance industry will be able to develop the knowledge, the expertise, and the capability to underwrite the terrorist risk."

While no one disagreed on the need for such a measure, the bill had become bogged down over disagreements regarding tort reform. The bill includes a provision prohibiting coverage of punitive damages resulting from lawsuits arising out of a terrorist act, but otherwise places no limit on such damages. Sen. Mitch McConnell (R-Ky.) offered an amendment on behalf of himself and Sen. Phil Gramm (R-Tex.), that would allow punitive damages only if the defendant had already been convicted of a criminal offense related to the plaintiff's injury. McConnell declared that the bill, as written, would "expose American vic-

tims of terrorism to punitive damages, even after the plaintiff has been fully compensated for his or her injuries.” Senate Judiciary Committee Chairman Pat Leahy (D-Vt.) argued that the McConnell amendment “would limit the legal rights of future terrorism victims and their families. That is not fair or just.” McConnell’s amendment was tabled by a straight party-line vote of 50 to 46 on June 13.

Permanent Estate Tax Repeal Fails in Senate

For no reason other than to defeat it, Majority Leader Tom Daschle (D-S.D.) brought to the floor of the Senate, on June 11, a bill to make permanent the repeal of the estate tax included in last year’s tax cut. Under present law, the estate tax repeal expires at the end of 2011, and the Republicans have been clamoring, since last year, to make it permanent. Daschle made clear, from the beginning, that his intention was to kill the bill, by making a point of order against it: that it was in violation of the 1974 Congressional Budget Act. A point of order requires 60 votes to override.

The bill came to the floor under an agreement that allowed three amendments, two Democratic and one Republican. The two Democratic amendments were attempts to, as Budget Committee Chairman Kent Conrad (D-N.D.) put it, make the estate tax more fair, by increasing the exemption for small businesses and family farms. The GOP amendment was to substitute the House-passed version for the underlying bill. All three amendments fell on points of order and Daschle pulled the bill from the floor.

Whether or not to repeal the estate

tax was never really the issue for the Democrats, however. Daschle put the bill on the floor immediately after passage of the debt limit increase, to make the point, that to make permanent the repeal of the estate tax, which only affects a relative handful of taxpayers, anyway, after passing a \$450 billion increase in the debt limit, is the height of fiscal irresponsibility. Budget Committee chairman Kent Conrad (D-N.D.) used the so-called “turnaround” to make the same point. One year ago, the Congressional Budget Office was projecting a \$5.6 trillion surplus over the next ten years. Now, that projection is calling for a \$600 billion deficit over the same period, a turnaround that the Democrats blame on the Republican budget and tax cuts passed, last year. “It just does not make much sense,” Conrad said, “to eliminate this estate tax instead of reforming it.”

Energy Bill Heads Into Difficult Conference

The House on June 12 finally appointed conferees for the energy bill, which was originally passed in the House last August, and finally completed in the Senate in April. The two bills are so different that almost everything is likely to be under dispute, from drilling in the Alaska National Wildlife Refuge, which the Senate rejected, to subsidies for the oil, natural gas, and nuclear industries.

Even before those issues are considered, however, a dispute over who is going to chair the conference has to be resolved. Senate Energy and Natural Resources Committee Chairman Jeff Bingaman (D-N.M.) is claiming that it is the Senate’s turn to chair the conference, given that the House

chaired a 1995 conference on export of Alaskan oil. House Energy and Commerce Committee Chairman Billy Tauzin (R-La.) is claiming that the 1995 bill was not under Energy jurisdiction, therefore, it is the House’s turn to chair.

In the House, the process of appointing conferees became engulfed in a debate about the budget. Rep. Ed Markey (D-Mass.) moved to instruct the conferees to ensure that no provision in the bill creates a deficit in the non-Social Security portion of the budget. Markey said that the subsidies in the bill are fine, but they “should not come out of the Social Security and Medicare trust funds.” The Republicans did not object to Markey’s motion, but that did not prevent the Democrats from launching into invective against GOP budget and energy policies. Rep. Marcy Kaptur (D-Ohio) told the House the bill “provides for a world of opportunity for wasting taxpayer dollars in pursuit of very bad policy.” Markey’s motion was approved by a vote of 412 to 1.

There are other issues of contention between the House and the Senate. The two bills take different approaches to corporate average fuel economy standards for sport utility vehicles (SUVs). The Senate bill includes a provision on ethanol fuels which is not in the House bill. The Senate bill also includes an electricity title, not in the House bill, although Tauzin indicated that he would work with the Senate on that. Tauzin also said that there are 148 features in the Senate bill that are not in the House bill, which just adds to the work of the conference. The difficulties are such that both sides admit that they may not reach agreement before Congress adjourns for the year.

AIDS Policy Adds Up to Genocide

How many times does the world community have to be told, and have proof presented, that the current policy toward the AIDS pandemic is leading to a holocaust that will cause global depopulation? When will statesmen finally emerge who will come forward behind the policies of Lyndon LaRouche, the only politician who foresaw the emergence of this disease as a result of International Monetary Fund austerity conditionalities, and committed himself to solving it?

How many more people have to die?

In mid-June, the National Intelligence Council, a division of the Central Intelligence Agency, once again raised the alarm about the parameters of the AIDS pandemic. According to partial reports, the study estimates that, if trends continue, the scope of the crisis which has been predominating in Southern Africa, has spread northward now, into Nigeria and Ethiopia. In addition, the NIC expects the overall infection rate in Africa to double over the next five years, and pointed to dangerous rates of increase in India and China.

But this is not news! It was only two years ago that the same NIC issued NIE99-17D, a report entitled “The Global Infectious Disease Threat and Its Implications for the U.S.” That report defined the scope of the pandemic as a threat to all mankind, and even to the security of the United States. A few months later, an AIDS conference in Durban, South Africa put more detail on the picture, highlighting the fact that the AIDS infection rate was also leading to *depopulation* in sub-Saharan African nations. Botswana’s President Festus Mogae bluntly reported that his nation, with a more than 35% rate of AIDS infection, was faced with physical extinction by the spread of the pandemic.

There was a flurry of speeches around the world, and some minimal actions by the Clinton Administration and others around providing anti-AIDS drugs to Africa, and building up a United Nations-run fund to provide some relief. Two years later, virtually nothing has been done, and the situation is worse, much worse.

The key lies in the explicitly genocidal policy which stands behind the International Monetary Fund and the leading financial players internationally. That policy was most brutally expressed in a document called National Security Study Memorandum 200. Authored under the personal direction of National Security Adviser Henry Kissinger in 1974, this document addressed the “Implications of Worldwide Population Growth for U.S. Security and Overseas Interests.” Its recommendations were officially adopted, as covert U.S. policy on population matters, in November 1975, and it was declassified on June 6, 1990. (It is on file at the U.S. National Archives in Washington.)

In this infamous report, which *EIR* publicized in a widely circulated Special Report in 1992, the maniacal Kissinger, a product of Nashville Agrarian William Yandell Elliott’s evil career at Harvard, identifies 13 nations as the leading “targets” for U.S. population-reduction policy, on the grounds of national security. Not surprisingly, these nations include many of the countries which are now most wracked by AIDS—Nigeria, Ethiopia, and India being leading examples.

What was NSSM 200’s argument? Directly contrary to reason, and the founding principles of the United States, the authors claim that population growth in certain nations will hinder access to their raw materials by the United States, which has strategic need for them. Thus, those populations must be checked.

The implications are staggering, but true. Denying African countries (and others) access to anti-AIDS drugs, increasing their debt burdens and death rates, and permitting “natural disasters” to devastate them, are literally the implementation of a genocide policy, established at the top of the Anglo-American financial oligarchy, and mercilessly put into effect.

That explains why the bankers, and leading Western politicians, won’t do anything about AIDS, even as it threatens human existence. But, what about you?

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