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Italy First to Vote for New World Monetary System
Ibero-American Integration and a New Bretton Woods
War Party Takes Setback in German Elections

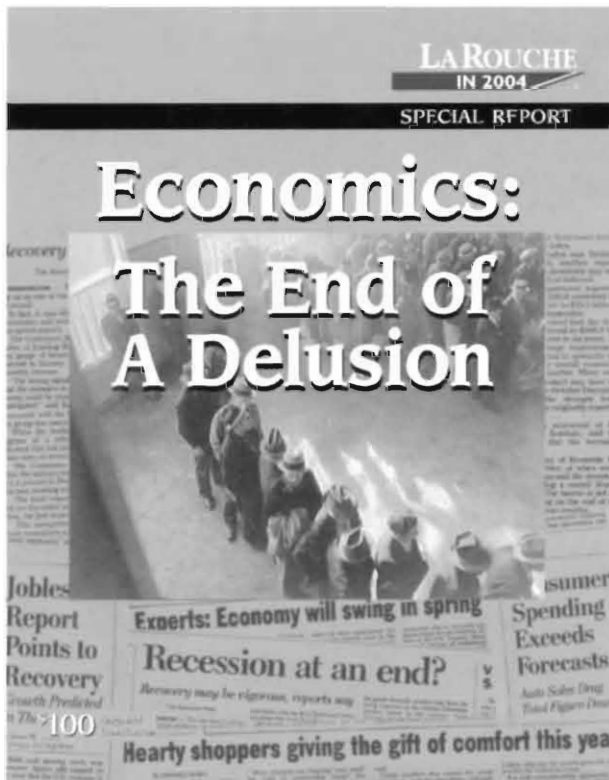
LaRouche Says Cheney Must Resign



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—Lyndon H. LaRouche, Jr.

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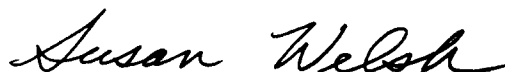
From the Associate Editor

With Lyndon LaRouche's call for the resignation of Vice President Dick Cheney, *EIR* has assembled this week a powerful round of ammunition against the utopian faction that has grabbed control of U.S. policy. Walking in the footsteps of Britain's H.G. Wells and Bertrand Russell, and draping themselves in the mantles of Julius Caesar and Napoleon, this grouping—of whom Cheney is the most exposed institutional focal point—is driving the world toward perpetual war, the better to maintain their imperial domination. Or, so they hope.

But they are highly exposed and vulnerable. Their strategy is insane; their economy is bankrupt; there is widespread international opposition to what they are doing. They can be defeated, if we move fast, under LaRouche's precise direction.

Our *Feature* documents how the Cheney-Wolfowitz grouping first put together what has now emerged as the "new" U.S. national security doctrine of pre-emptive war, as early as 1990, when the demise of the U.S.S.R. was on the horizon. Their utopian imperial doctrine was that the United States should move pre-emptively, including by military force, to prevent *any nation* from rivalling its power, worldwide. They tried to foist this on the Clinton Administration, but were substantially blocked. Even the malleable G.W. Bush did not initially accept it—until the events of Sept. 11, 2001. While we cannot say precisely who was responsible for those Sept. 11 attacks, we reiterate what LaRouche has said consistently since the morning of Sept. 11: that domestic U.S. military-intelligence forces had to have been responsible. And we can say now, precisely, who the beneficiaries of 9/11 were.

In this context, the unanimous vote of the Italian Parliament for a resolution demanding "a new global financial architecture" assumes great strategic significance. This is a victory for LaRouche's effort to bring about a New Bretton Woods system. Italian Rep. Giovanni Bianchi, in motivating the resolution during the parliamentary debate, said, "Let us not let . . . a somehow prophetic figure, like Lyndon LaRouche, who had forecast the destiny of the bubble, be the only one to carry on this issue." If other nations follow Italy's lead now, this will be the most powerful flank to defeat the utopian Chickenhawk faction.



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Italian Parliament Votes For New World Financial System

by Claudio Celani

After hearing a Senator proclaim, “Let us not let . . . a prophetic figure, like Lyndon LaRouche . . . be the only one to carry on this issue,” the Parliament of Italy on Sept. 25 became the first national legislature to mandate its government to promote internationally “a new financial architecture able to support the real economy and to avoid speculative bubbles and financial crashes.” Such a new financial architecture must be the answer, the resolution says, to the current “crisis of the whole financial system.”

The resolution (reproduced below) is the conclusion of a series of Parliamentary motions and resolutions of important Italian cities, all initiated by the LaRouche movement in Italy; it represents a compromise motivated by the intention of achieving unanimity among all political parties. In the process leading to the final draft, it was softened in some aspects, changed in some others, and new elements were added. Despite that, it constitutes an excellent impetus for other nations’ Congresses and Parliaments to rapidly build a world coalition for a “New Bretton Woods” conference out of the systemic financial collapse, as specifically proposed by U.S. Presidential pre-candidate Lyndon LaRouche.

The Italian resolution was originated by a motion on the Argentine economic crisis, written by the chairman of the Italian LaRouche movement, Paolo Raimondi, and by economist Nino Galloni, Director General of the Italian Welfare Ministry. The original motion was presented first in the Senate last March, by Sen. Oskar Peterlini, and eventually in the lower house of parliament, the Chamber of Deputies, by Rep. Sigfried Brugger, a member of Senator Peterlini’s parliamentary faction.

It soon became clear that the motion had a great potential for a large bipartisan majority, and it was thus decided, with

the support of Chamber of Deputies Chairman Ferdinando Casini, to seek a unanimous vote of approval, such that it would have a maximum impact on government foreign economic policy. A precedent for such a decision was the vote in favor of the resolution on foreign debt in the year 2000, solicited by the Pope’s call for a remission of debt for poorer countries (see *EIR*, July 21, 2000).

However, this time it was clear that the fight would not be easy, because the motion called for a reform of the whole financial and economic system, and—it happens in the best of families—resistance was expected by forces which oppose such a reform. But, as the parliamentary debate shows, a nice fight took place and the opposition did not succeed in emasculating the final resolution, which kept the fundamental elements of 1) calling the crisis a systemic one; and 2) calling for a new world financial architecture to protect the real economy from financial speculation. This success is to be attributed entirely to the influence of Lyndon LaRouche, whose unique role in forecasting the collapse of the international financial system was recognized during the debate. The success is even more important, because it took place in the midst of another debate, on the Iraq issue, in which the pro-war faction has polarized the Italian political spectrum, and has so far prevented a bipartisan consensus.

Argentine Crisis and New Bretton Woods

The fact that the resolution is dedicated to Argentina, indicates the global significance of Argentina’s 2001-2002 economic meltdown, and also the important role which that South American country plays in the hearts of Italians, many of whom still have relatives who emigrated to Argentina in the early 20th Century. When the Argentina crisis struck last



Lyndon LaRouche speaks in Milan in August 2001, one of LaRouche's many invitations to explain his New Bretton Woods idea, which led to the Parliament's historic Sept. 25 vote. At left, the original Bretton Woods monetary conference convoked by Franklin Delano Roosevelt in 1944.

year, a spontaneous wave of sympathy grew in Italy, prompting the government to implement early support initiatives which bypassed the International Monetary Fund's watchdogs.

But the Argentine crisis, as Rep. Siegfried Brugger stressed in opening the parliamentary debate on Sept. 23, "is not specific to that nation, but concerns the whole Latin American continent; where Mexico and Brazil, for instance, have been led by the IMF to the edge of a crash like the Argentine one—and other nations, such as, for instance, Turkey or even Poland; in a very strong manifestation of the crisis of the whole system, which is emphasized in a more and more tangible and quantifiable manner also in the United States, in Japan, and Europe. Therefore, a durable solution for Argentina can take place only in the context of a total productive reorientation, and a reorganization of the international economic and financial system."

Brugger then, as in his original motion, reminded the Assembly of the position taken by the Catholic Church in Argentina in its open letter on foreign debt, and pointed to a series of measures to be taken in order to re-establish Argentine sovereignty over its economy. He called on the government to support, in particular, the request for cancelling the foreign debt, as well as projects for relaunching investment in the productive economy. "Otherwise, as concerns the crisis of the whole international financial and monetary system, the government must commit itself to carry out, in all forums, the request for a total revision of the role and of the policy of the International Monetary Fund, and to undertake, in particular, the initiative of proposing to convoke a new international conference, with heads of state and government, like the con-

ference held in Bretton Woods, New Hampshire in 1944, to the purpose of founding a new international monetary system, and taking those initiatives necessary to eliminate the mechanisms that created the speculative bubble and the systemic financial crash, and to start reconstruction programs for the world economy."

Brugger's intervention was supported by the next speaker, Carla Rocchi, a former trade unionist who is a member of the Social Democratic (DS) party. But the expected ambush came soon after, carried out by a real blue-blooded member of the aristocracy, Marquis Gian Paolo Landi di Chiavenna, who happens to be the spokesman for immigration policies of Alleanza Nazionale, a member of the ruling coalition. In a long, pedantic intervention, Landi di Chiavenna described the 1990s economic policy of disgraced former Argentine Economic Minister Domingo Cavallo (the IMF's man) in apologetic terms, calling it an "economic recovery;" and blamed the "corrupt political class," and not the IMF, for the collapse. He posed conditions for the approval of the Brugger motion, first of all eliminating from the text the proposal for foreign debt moratoria.

The irony is that Marquis Landi di Chiavenna had signed the original Brugger motion—a fact which other representatives stressed later on. Why had he changed his mind, or who had convinced him to change it? This was clearly an intervention from the highest levels, aimed at sabotaging the motion.

The next speaker, Rep. Marco Boato, from Brugger's faction, faced Landi with this contradiction: "It seemed I had seen your signature," and quoted IMF Managing Director Horst Köhler himself, who admitted the IMF's responsibility

in the Argentine crisis. As for Argentina's "corrupt political class," Boato said, when three Presidents are replaced in a few days, "the credibility of the political class is indeed at a very low level," and you have an "institutional crisis." But such a polemic is nonsense, because "we all know that the economic-financial bankruptcy is accompanied also by a political bankruptcy."

A Global Collapse

These aspects were stressed more forcefully by Giorgio Benvenuto, former chairman of the House Banking Committee, and currently international economic spokesman for the DS party. Benvenuto declared that "we are facing a crisis of the world financial system, characterized by a speculation which is out of control." He described the explosion of the Argentine foreign debt from 1991 to 2001: "The responsibility lies in the fact that to cover the debt, one should have dealt with the question of increasing the competitiveness of the system. . . . Therein lies the problem of the IMF policy. It is not possible to cover the debt if you start a deindustrialization policy, which was pushed by the macroeconomic policies adopted starting in 1991." Therefore, Benvenuto said, "there is responsibility on the side of the government, there is corruption, there is capital flow abroad, there is privatization; but we would be making a very serious mistake if we did not pose the problem of responsibility, and of mistakes committed by the international institutions." Benvenuto supported the idea of an international conference ("we recall the great importance of the Bretton Woods system in 1944") to build "a new international monetary system."

The first phase of the debate was closed by the government representative, Deputy Minister for Foreign Affairs Mario Baccini. Baccini, from the Christian Democratic party CCD, basically supported the Brugger motion, saying that "on many issues, the government has nothing to object to. There are elements for a common evaluation of a crisis, which is not only a crisis of the Argentine ruling class. I believe that it would be unduly limited to discuss here the domestic aspects of policy." Baccini spoke of "a crisis of the entire geographic area," and, referring to the IMF and other banking institutions, said that in his meetings in Washington, he "explained to those gentlemen that on many occasions, the primacy of politics must overcome the logic of numbers." Nevertheless, Baccini proposed to "reformulate" the text, in order to "find all political forces united on a problem concerning in particular Argentina."

The Final Text

The next day, the final text was drafted. An agreement was found on a text which would include part of a separate motion, presented by Rep. Luca Volonté, which supports and expands the bilateral actions already undertaken by the Italian government in support of the Argentine economy, such as credits for the health system and small enterprises, commercial agreements, and immigration policies. On this



A Resolution supporter, Lombardy Region Gov. Roberto Formigoni, presented an award to LaRouche's collaborator, Schiller Institute Vice President Amelia Boynton Robinson, one day before the vote.

last issue, a highly controversial sentence was added, which facilitates visas for Argentines of Italian origin who want to return to Italy. It was correctly observed that such an action would impoverish Argentina, instead of strengthening it, and the all-party agreement threatened to collapse. It was then decided to divide the resolution into three parts, to be voted on separately, so that most of it could get a unanimous vote, and the "controversial" part could be passed with a simple majority.

It was also decided that the original LaRouchian formulation "convoke a new international conference at the level of heads of state and government, like the one which took place in Bretton Woods in 1944," should be replaced with "pursuing, in the competent international forums, the activity of studying and proposing a new financial architecture." This formulation is more generic—and therefore weaker—but it does not contradict it. In regard to future initiatives by other national legislative bodies, here there is room for improvement.

However, before the vote on the new text—which now is called a resolution, because it is a deliberative act—several spokesmen pointed out that the desired model for a new financial architecture, is exactly the Bretton Woods one. In particular, Rep. Giovanni Bianchi, who spoke as a representative of the center-left group La Margherita, reminded the legislators of Lyndon LaRouche's role in starting this initiative. "Not by chance," Bianchi said, "one speaks of a new Bretton Woods. I believe that we are in such an evident disorder that the need and the demand for some order is necessary. Let us not let . . . a somehow prophetic figure, like Lyndon LaRouche, who had forecast the destiny of the bubble, be the only one to carry on this issue. Well, Italy's and Argentina's destiny lies within these international events, and I believe that this resolution is a step to deal with it."

Italian Parliament's Resolution 6-00030

Passed Sept. 25, 2002

The Chamber of Deputies, Finding That:

The escalation of banking and financial crises—starting from the 1997 crises in Asia, Russia, and Latin America, up to the more recent collapse of the New Economy in the U.S.A., to the giant, ongoing Japanese banking crisis and the bankruptcy of Argentina—cannot but be of concern, to the general population, the ruling classes, enterprises, investors, and savers, because this is not a series of isolated cases, but rather, is the manifestation of a crisis of the whole financial system, characterized by financial speculation which has reached the level of \$400 trillion (of which \$140 trillion alone occurs in the United States), as compared to a world gross product of about \$40 trillion (which difference has been growing during recent last years);

Between Italy and Argentina, there exists, in addition to a relationship of strategic partnership, which involves particular obligations for cooperation, as well as very strong cultural links resulting from a common history, shared by generations of Italian emigrants, and, lastly, numerous joint education projects resulting from cooperation among the universities of both countries;

The Italian government has already intervened promptly to support the Argentine economy; re-including this nation among the beneficiaries of the Italian Fund for Development Cooperation; increasing the personnel of consular and diplomatic offices in Argentina, intervening to support small and medium-sized Italian enterprises; promoting, together with non-governmental organizations in Argentina, initiatives aimed at mitigating the effects of the crisis on weaker social layers; and dealing with the health emergency by sending medicines and supplying health services;

[The Chamber] Mandates the Government

To proceed with the already-undertaken action, to foster the identification of a solution to Argentina's economic, financial, and social crisis, including in consideration of the significant presence of Italian citizens, and of citizens of Italian origin, with special reference to the most-impooverished population layers;

To use, to that purpose, all available instruments, with the Development Cooperation [fund] in the first place; to support, also with direct participation, projects to relaunch investment in the productive economy;

To support the introduction, among the European Community system of generalized preferential tariffs, a group of products exported by Argentina, so as to favor the economic recovery of small and medium-sized enterprises;

To support initiatives promoting culture and science and teaching of the Italian language, with special regard to activities aimed at enhancing the image of our Country in those sectors in which it excels;

To give adequate priority, in the agenda of the European Commission, to the realization of an interregional EU-Mercosur agreement which could help and support the Argentine economy;

To strengthen forms of bilateral and multilateral cooperation through international agencies to develop and defend the environment;

To reconsider the possible request for restructuring the quota of Argentine foreign public debt owed to Italy, in the framework of multilateral agreements with the 'Club of Paris';

To strengthen measures and interventions in social welfare and health sectors in favor of the most impoverished layers of the population, also in collaboration with non-governmental organizations;

To undertake, in particular, the initiative of continuing, in responsible international forums, the activity of studying and proposing a new financial architecture capable of supporting the real economy and avoiding speculative bubbles and financial crashes;

To undertake any reasonable political and economic initiative, aimed at ensuring that the Argentine government pays maximum attention to Italian savers affected by the crisis of the financial system;

To consolidate, on a broader level, relaunching of Italian policy towards Latin America as a whole—above all in view of the next semester of EU chairmanship—giving this priority in national foreign policy, in consideration of the traditional political and cultural bonds connecting us to that region, of the broad and articulated presence of our co-nationals or citizens of Italian origin in the whole continent, and of a strong and well-established entrepreneurial presence;

To facilitate the return of Italian citizens resident in Argentina and, more in general, in Mercosur, in the framework of a more rational management, closer to the national interest, of immigration flows.

Initiating Signers

Volonte, Brugger, Ricciotti, Boato, Landi di Chiavenna, Benvenuto, Rossi, Rocchi, Intini, Pisciocchio, Moroni, Pisapia, Colle, D'Agro, Gianfranco Conte, Pistone, Spini.

U.S. Banks Lead Global Financial Collapse

by John Hoefle

Caught between rising levels of unpayable debts and a failing economy, the U.S. banking system is disintegrating. Only by ignoring the vast wasteland that the banks count as assets on their books, are the banks able to keep their doors open. On top of that, the indications are growing that two of America's largest banks, J.P. Morgan Chase and Citigroup, have been secretly taken over by the Federal Reserve to keep their insolvency out of public view. There are also rumors that Bank of America has received a line of credit from the Treasury, to calm nervous counter-parties.

Some might argue that these banks are solvent, citing their publicly disseminated balance sheets as proof, and indeed the banks do publish figures which show black ink on the bottom line; but these balance sheets are, to put it politely, pure fiction. We have already seen the banks post billions of dollars of losses on companies such as Enron and WorldCom, and there are a lot more hidden losses in the corporate world than have been revealed so far. Were corporate America to publish an honest set of books, the loan losses alone would sink the banks, and the level of loans pales in comparison to the level of off-balance-sheet derivatives and other funny business. The U.S. banking system as a whole, and the big derivatives banks in particular, are likely bankrupt several times over.

Vaporizing Banks

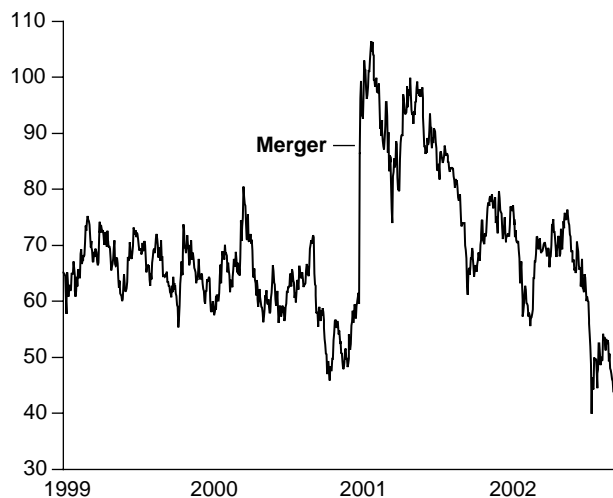
Leading the pack is J.P. Morgan Chase, the world's largest derivatives bank. Morgan isn't really a bank any more, but a giant casino specializing in the derivatives market. As of June 30, 2002, it had over \$26 trillion in derivatives—up \$2 trillion from the first quarter—compared to just \$207 billion in loans, which amounts to \$127 in derivatives for every dollar of loans. In fact, the bank has more credit derivatives outstanding—\$278 billion—than it does loans. Morgan has over half the credit derivatives held by all U.S. banks, easily topping Citicorp's \$106 billion and Bank of America's \$77 billion.

Morgan's derivatives exposure is so great, that a loss equivalent to just 0.16% of its derivatives portfolio would be enough to wipe out every nickel of its \$43 billion in stockholders' equity, making it insolvent by any standard.

Only compared to Morgan Chase does Citigroup look

J.P. Morgan Chase Vaporizing Market Capitalization

(Billions \$)



good. Citigroup had \$9.5 trillion of derivatives in the second quarter, backed by stockholders' equity of \$86 billion, meaning it would take a loss equivalent to a whopping 0.5% of its derivatives portfolio to wipe out its equity capital. Bank of America's \$10 trillion in derivatives gives it a wipe-out point of 0.9%. For the U.S. banking system as a whole, the comparable figure is 1.2%.

This incredibly thin margin is all that stands between a nominally solvent U.S. banking system and a total collapse, and there indications that some banks have already gone over the edge.

Morgan Chase, for example, has seen its market capitalization drop sharply in recent months (**Figure 1**), making the bank worth less than Chase Manhattan was alone, before it acquired J.P. Morgan. In effect, all of J.P. Morgan and a chunk of Chase have simply vaporized, and the plunge is continuing. Morgan Chase's market capitalization is off 74% from its post-merger peak, while Citigroup is off 50% from peak and Bank of America is off 27%.

These banks are in a death spiral, and no amount of market manipulation, such as the desperation moves now being tried in Japan, will be able to save them.

Wave of Scandals

Related to this collapse is the current wave of scandals hitting the banks, reflecting their descent ever deeper into unethical and even criminal behavior, in an attempt to fleece enough money out of their customers to maintain the appearance of solvency.

Faced with declines in corporate lending, the big banks increased their credit card and consumer lending businesses

by expanding into the sub-prime market, where higher fees and interest rates could be charged to customers with poor credit records.

To bolster its consumer-lending business, Citigroup bought Associates First Capital, the largest U.S. consumer finance company, in 2000, merging it into its CitiFinancial unit. In March 2001, the Federal Trade Commission filed suit against Citigroup, charging Associates with “systematic and widespread abusive lending practices.” On Sept. 19, 2002, the FTC announced it had reached a settlement with Citigroup, under which Citi would pay \$240 million, the largest consumer-protection settlement fine in agency history.

“The Commission will not tolerate the fleecing of sub-prime borrowers through deceptive lending practices,” stated FTC Chairman Timothy Muris.

The banks are also catching flak for their use of shares in initial public offerings (IPOs) and hanging “for sale” signs on their analysts’ stock ratings to drum up investment-banking business. Earlier this year, Crédit Suisse First Boston, a unit of Switzerland’s Crédit Suisse, paid \$100 million to settle charges that it gave certain hedge funds IPO shares in exchange for inflated commissions on other stock trades, and the bank faces possible criminal charges on other IPO-related abuses. In May, Merrill Lynch paid \$100 million to settle charges by New York State Attorney General Eliot Spitzer that it traded favorable ratings on Internet stocks to bolster its investment-banking business. Spitzer, who called Merrill’s actions “a shocking betrayal of trust by one of Wall Street’s most trusted names,” is also investigating Citigroup’s Salomon Smith Barney for both IPO abuses and tainted research.

The National Association of Securities Dealers (NASD) also investigated Salomon Smith Barney, charging it with issuing “materially misleading” reports on the telecommunications company Winstar. Salomon agreed to pay a \$5 million fine for touting Winstar as a good buy to its customers, even as the company collapsed. “What occurred in this case was a serious breach of trust between Salomon and its investors,” said Mary Schapiro, NASD’s head of regulatory policy.

The larger point which must be made, however, is that it was common knowledge, on Wall Street and in Washington, that these practices were occurring. These practices were known, defended, and even aided by the so-called private regulatory bodies, government regulators, and Congressional oversight committees. Only after the dot.com and telecom bubbles have popped, and the money stopped flowing, are the regulators taking any action.

Depressing Economy

While the banks augur in, the physical economy is falling with breathtaking speed. One indicator of this is the record current account deficit reported in the second quarter; at \$130 billion, it is not only the highest quarterly deficit in U.S. history, but a larger deficit than any other nation has ever reported

for a full year! The major component in the current accounts deficit is the trade in physical goods, in which the U.S. imported \$123 billion more in goods than it exported, reflecting a decline in domestic manufacturing.

At the same time, domestic debt is soaring, with U.S. credit market debt rising \$600 billion in the second quarter, to \$29.8 trillion. Household debt topped \$8 trillion for the first time, even while the net worth of households plunged by \$1.4 trillion, mainly due to evaporating stock markets. The conjunction of rising debt and falling net worth is yet another indicator of economic collapse.

Home mortgage foreclosures also hit a record in the second quarter, with nearly 640,000 homes put into foreclosure. While that represents only 1.2% of the total home mortgages outstanding, it was the highest foreclosure rate in the 30 years the Mortgage Bankers Association has been keeping records. Another 4.8% of all home mortgages were at least 30 days delinquent, the highest level since 1985.

Global Meltdown

The news is no better outside the United States, with markets falling all around the world, and desperate measures a sign of the times.

In Germany, insurance giant Allianz has begun a mass sell-off of its stock market portfolio, in an attempt to stem the decline of its capital base. Other insurers, including Munich Re, are also selling, further depressing German and other stock markets.

In Japan, Bank of Japan Governor Masaru Hayami announced on Sept. 18 that the central bank would begin buying some of the shares held by his nation’s banks. Japanese banks hold large amounts of stock in the nation’s industrial and infrastructure companies, and Hayami’s action is an attempt to protect Japanese banks and companies from the effects of the global blowout.

In Ibero-America, the values of national currencies are plunging versus the dollar, making it even more impossible for those nations to pay their dollar-denominated debt and escalating their inevitable descent into default. Seven of the ten worst-performing currencies in the world this year are in Ibero-America, falling against the dollar even as the dollar falls against other major currencies.

This is a systemic, global collapse, with no recovery in sight absent LaRouche’s recovery plan.

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Japan's Emergency Steps Fall Short on Crisis

by Kathy Wolfe

As another fall on Wall Street drove Japan's Nikkei index toward the 9,000 danger mark, Bank of Japan (BOJ) Governor Masaru Hayami made the surprise announcement on Sept. 18, that the BOJ will intervene to "buy [stock market] shares directly from the banks, not through the market" in Japan. Stock market gyrations "have become a risk to Japan's banks and could threaten the stability of financial markets and the financial system," Hayami told the press. The collapse of the Wall Street bubble by over 25% since May alone, and the accompanying collapse of Japan's Nikkei and European markets, will be the "focus of the Group of Seven" International Monetary Fund leadership meeting Sept. 27-29, Tokyo's *Yomiuri News* reported. Leaders are so desperate to "stop the current stock price falls" that the BOJ action may be the main subject of discussion.

On Sept. 25, Nihon Keizai (Nikkei) news service reported that the BOJ is now asking the government for new legislation to allow the central bank to inject capital into failing private banks right away. As it stands now, the BOJ is unable to do so, unless Prime Minister Junichiro Koizumi formally declares that Japan "faces a financial crisis," which Koizumi again refused to do in a Copenhagen speech to the Asia-Europe Meeting Sept. 22. BOJ Deputy Governor Yutaka Yamaguchi on Sept. 25 visited the presidents of several top Tokyo banks, demanding they write off bad loans much more rapidly—a move which could bring several banks toward technical bankruptcy, requiring emergency BOJ funds injections.

The combined stock holdings of Tokyo's eight major bank groups totaled \$210 billion at the end of March, the BOJ said. Nikkei reported on Sept. 23, citing BOJ sources, that the BOJ plans to buy as much as \$144 billion in stocks from the banks over the next six months. Neither Hayami nor the BOJ would confirm any figure.

While the London *Financial Times* and *Washington Post* screamed "Bailout!" in fact Japan has the right to protect its banks and its core industrial companies. Industrial stocks in Japan "are already below real value, and Japan's equity must not be allowed to collapse further" due to the crash of the global bubble, as New York Asian analyst Henry Liu noted. Rather, equity should be "semi-nationalized, as they are doing now," to protect the national patrimony.

Japan's real error now is actually their attempt to patch up the Japanese financial system alone. In fact, it is the bank-

ruptcy of the *entire global system* which is causing the problem in Tokyo. Until Japan's elites come out in public and demand a new monetary system on a global level, they won't be facing reality.

The Bank of Japan Plan

Bank of Japan officials told *EIR* that the stock-buying plan is meant to protect the banks, not the market. "These new initiatives are not a stock market price-keeping operation" one BOJ source said. "These are policy measures to enhance financial institutions' efforts to reduce their share holdings." The BOJ is not proposing to buy stocks on the open market from all sellers, or all stocks from all banks. At the demand of U.S. deregulation "experts," Japan a decade ago enacted a series of U.S.-modelled bank deregulation measures known as "Big Bang." Under these laws, Japanese banks are being forced to sell their holdings of industrial shares on a legal timetable—as it happens, right in the middle of a global stock market implosion. If the banks simply do as the laws demand, core Japanese industrial companies such as Toyota and Fujitsu will see their stock collapse to nothing. The BOJ says that Japan's government has some obligation to ease the process, and not to let deregulation collapse prices even lower than Wall Street's crash has done.

Japanese banks have held shares since they were first created in the 19th-Century Meiji Restoration. BOJ chief Hayami, in his Sept. 18 press conference, explained that this is a major difference between the U.S. and Japanese systems. "In Japan, banks own a large amount of stocks. Except for Germany, there are no other countries that do so," Hayami said. But now, with world markets crashing, "reducing this risk is an urgent task from the viewpoint of ensuring financial system stability." Hayami was pointing to the shared Japanese and German heritage of "industrial banking," where banks' mandate is to create industry; large portions of Japan's major industrial stocks are still held by banks.

Nikkei's list of stocks held by Japan's Top Four bank groups—Mizuho, Bank of Tokyo-Mitsubishi, Mitsui Sumitomo, and UJF—overwhelmingly features industrial and infrastructure companies like Toyota, Honda, Nippon Steel, Mitsubishi Heavy Industries, Hitachi, Asahi Glass, Fujitsu, Matsushita, Japan Railways, and Tokyo Electric Power, along with IT, financial, and real estate stocks. Hayami noted the BOJ could hold the stocks "as long as ten years," indicating the seriousness of the policy.

Failure on Global Level

After Hayami's Sept. 18 statement, the Tokyo stock market recovered slightly. But two days later, the Finance Ministry held a \$14.7 billion (1.8 trillion yen) auction of 10-year government bonds and, for the first time ever, was unable to find enough buyers!

Criticism from outside Japan has also been intense. One

City of London source told *EIR* on Sept. 20, that the BOJ plan “to buy worthless shares” and the failed bond auction—something that “even in the darkest days of 1998” has never happened—are indications that “Japan is plunging into a systemic crisis” in the near future. But Tokyo officials say Japan must attempt to protect its industrial base from what is a global, not a local Japanese crisis. “The stocks held by Japan’s banks are not worthless,” objected one, “These are not dot.com stocks or Enron or WorldCom; these are the stocks of Japan’s premier industries.”

Unfortunately, neither Hayami nor the BOJ’s official statement mentioned the fundamental cause of Japan’s crisis: the collapse of the global asset bubble, led by that of the “Great Wall Street Bubble” of the 1990s, which is now dragging the entire world into depression. This bubble was caused by the post-Bretton Woods floating-exchange-rate monetary system—which has meant no monetary system at all. This in turn produced the “Enron Mentality” of the “Wall Street Business Model” whose collapse is now devastating world production.

Neither Japan nor any other nation can solve such problems using purely “domestic methods,” *EIR* Founding Editor Lyndon LaRouche commented. Even sweeping domestic

measures can not touch the problem, whose root is not inside Japan. What is rotting out Japan is the rot of the dollar-based, IMF-centered global system, LaRouche repeated again in a recent interview.

Governor Hayami was closer to the mark in August, when he warned that the dollar is poised for a bottomless collapse. The logical consequence of that, is that some rational new global monetary system is needed, such as LaRouche’s proposal for a New Bretton Woods, to replace today’s non-system of floating rates. Now even the IMF, in its *World Economic Outlook* of September 2002, warns of an uncontrolled dollar crash. “The question is not whether the U.S. deficit will be sustained at present levels forever—it will not—but more when and how the eventual adjustment takes place.” “The overvaluation of the dollar has not yet been corrected,” the IMF warns, “and an abrupt and disruptive adjustment remains a significant risk.” Such an event, would have an “adverse impact on the international financial system.”

Japan is a world power, with considerable authority at the world negotiating table now. To save its economy and its world market, Japan is responsible to propose global solutions rather than acting like a local player.

Korea Solution: ‘Iron Silk Road’

“Truly momentous changes are taking place on the Korean Peninsula” South Korean President Kim Dae-jung told the Asia-Europe Meeting (ASEM) summit in Copenhagen on Sept. 22. “We have opened a new chapter in the inter-Korean relations,” Kim said. “Agreements reached in the South-North Joint Declaration . . . are now being translated into concrete actions. In particular, the reconnection of the inter-Korean rail and road, which began last week, bears great significance in that it leads to the easing of military tensions. More specifically the barbed wire fences along the DMZ are being removed, even if only in limited sections. There will be considerable exchanges between the two Koreas in the social and cultural fields and economic cooperation will flourish. This will herald a historic shift towards a united Korean Peninsula.

“The reconnection of the inter-Korea rail link holds even deeper meaning. It completes a land link between Korea and Europe, which we like to refer to as the ‘Iron Silk Road.’ This will provide an unprecedented opportunity to realize the lofty ideal of ASEM, a united commu-



The Korea “unification train” prepares to enter the Demilitarized Zone in celebrations on Sept. 18.

nity. Trains departing from Europe will be able to cross the Eurasian continent to arrive in Korean destinations such as Seoul and Busan, the world’s third largest container port and a gateway to the Pacific. Likewise, trains departing from Korea also will be able to reach Western Europe, thereby forming a connection to the Atlantic. This will result in a drastic reduction in both logistics costs and transportation time. . . . When the ‘Iron Silk Road’ is completed, Asia and Europe will come closer as one community in the spirit of cooperation.”

Business Briefs

California

Companies Withheld Power in Blackouts

After more than a year and a half of study, the California Public Utilities Commission released its report Sept. 17, which concludes that the blackouts suffered by the state in 2000 and 2001 were caused by companies withholding available power. Between November 2000 and May 2001, five companies—Duke, Dynegy, Reliant, Mirant, and AES-Williams—withheld 37-46% of their available generating capacity, the report found, which power could have avoided most, if not all, of the blackouts. The reason, the report states, was to create a shortage crisis to drive prices up as high as possible.

While the charges were contested by the companies—which continue to claim that twice as many megawatts of capacity were idle in February 2001 as compared to February 1999, due to the need for repairs—the report cites many specific cases which belie this. In one, a power plant owner refused to offer power to the state Independent System Operator, haggling over the price. But when grid operators insisted the power was needed to avoid blackouts, the company called back and said the plant was unavailable due to air quality restrictions.

Other investigations into the California energy crisis continue. The Federal Energy Regulatory Commission announced on Aug. 13 a formal investigation into misconduct by Avista Corp., El Paso Electric, and three Enron affiliates, for manipulation of short-term electric and natural gas prices. The probe is in coordination with the Department of Justice and Securities and Exchange Commission.

Finance

Brazil Leads Plunge of S. American Currencies

Ibero-America's currencies are plunging, and the Brazilian currency, the real, led the way on Sept. 19, losing 3% of its value, to close at just under 3.46 to the dollar—then

fell again on Sept. 23 to 3.565, an all-time low. Brazil's benchmark bond—which makes up one-third of all trading in developing-sector debt internationally—lost 4% of its value, and is now worth just under 53% of par.

The renewed acceleration of Brazil's march towards default, combined with U.S. economic troubles, caused even the "safe-haven" preferred by fools—Mexico—to be hit. The Mexican peso fell 1.7% on Sept. 19, to 10.18 to the dollar, its lowest level since the height of the January 1999 Brazilian blowout. It fell further to 10.255 on Sept. 23, and Mexico's Central Bank intervened by increasing its withdrawal of liquidity from the economy to 100 million pesos daily. The Colombian peso fell 1%, to hit a new record low of 2,809 to the dollar. Venezuela's bolivar fell yet again, by 1.1%, to 1,466 to the dollar.

Seven of the world's ten worst-performing currencies this year against the dollar—which itself has fallen—are in Ibero-America. Thus far in 2002: Argentina's peso has lost 73%; Venezuela's bolivar, 48%; Uruguay's peso, 47%; the Brazilian real, 32%; Colombia's peso, 19%; Mexico's peso, 10%; and the Chilean peso, 9.5%. Think of the vastly increased rate of looting which results from such devaluations, through increases in foreign debts, and soaring costs of imports.

United States

White House Spokesman Flunks Economics

An unidentified reporter asked spokesman Ari Fleischer a pertinent question at the White House briefing Sept. 20:

Q: "The national security document says that the lessons of history are clear in the point that market economies, and not command and control economies, are the path to prosperity and peace. How do you square that statement with recent political and economic events in Latin America?"

Fleischer: "I'm not sure I follow your premise. Are you saying that it's inconsistent?"

Q: "The growth of Latin America during the '90s was less than it was in the '60s and

'70s. And there's now a wave sweeping across Latin America, that's both political and economic in nature, that seems to represent a repudiation of this statement."

Fleischer stumbled, asserting that "Latin America and Central America are real success stories in many cases," naming El Salvador and Peru as proof. The reporter came back:

Q: "Then why are the economies stagnant?"

Fleischer: "Well, I think economies can always be stagnant. In capitalist countries, and in free and democratic countries, there's growth and there's recession and there's retraction. . . ."

Asia

'Super Rice' Only Two to Three Years Off

Singapore's *Business Day* reported on Sept. 19 that farmers in key rice-producing Asian countries are expected to start growing high-yielding "super rice" in two to three years to feed rising populations, according to a senior scientist from a non-government organization. Use of the hybrid rice, now grown on 50,000 hectares of farmland in China and being tested abroad, is expected to expand steadily, Gurdev Khush, consultant at the International Rice Research Institute, said at the Institute's conference on Sept. 17.

Almost all of the people in Asia, or 60% of the world's population, rely on rice as a staple. Khush, often considered as one of the fathers of the 1960s Green Revolution for his work in developing high-yielding rice strains, sees "super rice" making up a fifth of the world's key paddy fields in the next five years. Khush said China's super rice is mainly grown in the southwestern province of Yunnan, while the Guangxi region and Jiangxi and Hunan provinces are now testing the strain before growing it on larger acreages.

China, with 1.3 billion people the world's most populous nation, is the top global rice grower, producing about 180 million tons annually. Its output makes up about a third of the world's rice production, industry officials at the conference said.

Germany

Leading Insurer Sells Off Stock

Allianz Insurance was selling off its stock portfolio on Sept. 18, as Germany's Dax stock index crashed to a new five-year low.

While the Dax was plunging below the 3,200 mark on Sept. 18—compared to 8,100 points in March 2000 and 5,400 points just half a year ago—Allianz AG, the largest German insurance company, hit the panic button and started a mass sell-off of its stock market portfolio in order to save at least some of its core capital, according to market reports.

Other insurance companies, including Munich Re, were also selling their stock holdings, further contributing to the market meltdown. About 30% of the assets of Europe's insurance companies had been invested in the stock markets, and more than \$165 billion of that money has gone up in smoke, over this quarter alone.

The stock prices for Allianz itself, which stood above 400 euros two year ago, have fallen below the 100 euro mark, the lowest level in nine years. The Dax on Sept. 19 hit its lowest close since February 1997. The Nemax-50 index of the German "New Market" fell to a historic low, below 400 points, compared to 9,600 points in March 2000.

Russia

Economic Monthly Features EIR Exposé

"The Last Superpower, in the Debt Noose," is the headline given to a Russian translation of the *EIR* article by Richard Freeman and John Hoefle, "Rollover of U.S. Debt Will Yield Weimar Hyperinflation," as published in the September issue of the Russian monthly *Valyutny Spekulyant (Currency Dealer)*. The original article appeared in the July 5, 2002 issue of *EIR*. The Russian version is illustrated with three of the graphs from the original, plus a photograph of a crumpled dollar bill.

A brief introduction identifies the source

of the article as "Lyndon LaRouche's *Executive Intelligence Review*," adding that LaRouche right now "is one of the politicians, most in demand in the entire planet." Referring to LaRouche's early-Summer public appearances in Rome, *VS* cites him: "He speaks convincingly about the total bankruptcy of the existing monetary system and proposes to convene a New Bretton Woods conference.

"In LaRouche's view, the establishment of a new global monetary system will create preconditions for world economic recovery—in particular, through the issue of long-term, low-interest credits, earmarked for large-scale investment projects. One of these, which LaRouche has proposed, is the construction of a Eurasian Bridge."

Uruguay

Government Seeks A Debt Moratorium

Press on Sept. 20-21 report the desperate government of Jorge Batlle is examining options for rescheduling its debt, via a swap of short-term for longer-term debt, but is anxious that the move not be seen as a default, but rather an "authorized moratorium." Government authorities see this as an implementation of IMF Deputy Managing Director Anne Krueger's crazy scheme to allow debtor nations to restructure their debt, while imposing severe austerity. The Uruguayan officials don't want to cause problems for the country's creditors, according to *El Observador*.

For the rest of this year and through 2003, Uruguay must pay \$2.2 billion in interest and principal, and another \$1 billion in 2004. It is scheduled to receive a total of \$3.8 billion from the IMF/World Bank/Inter-American Development Bank, which will be used to pay these obligations.

Meanwhile, the country's collapse continues unabated. Imports for August declined a whopping 51%, compared to the same month last year. *La Republica* reported on Sept. 23 that real wages have fallen 30% this year, making this the worst year for real wages in the country's history.

POVERTY in the United States rose in 2001, with an increase of 1.3 million in the number of people living below the poverty line. Household incomes fell in 2001 for every population group, dropping 2.2% for all households. And this, in statistics released Sept. 24 by the U.S. Census Bureau, which *do not include* losses in stocks, suffered by nearly half of all households. The only thing increasing in 2001, according to the figures, was the income gap between the richest and poorest Americans.

ALCATEL the largest European telecom equipment producer, announced the week of Sept. 16 that its sales are still falling sharply this quarter—50% for its optical components unit—and will continue to fall in the near term. Alcatel will cut, not the planned 10,000 jobs by the end of next year, but 20,000, bringing its workforce down from 130,000 two years ago, to 60,000 at the end of next year. Its stock prices were cut in half the same week to a new historic low.

JOBLESS claims, according to the U.S. Labor Department Sept. 19, were at 424,000 in the week ending Sept. 13; the Department revised the previous week's figure to 426,000, raising the four-week running average of such new claims to a high 418,500. Continuing claims for unemployment, for the week ended Sept. 7, rose from 3.54 million to 3.61 million, and the four-week moving average rose by 29,500, to 3.56 million.

U.S. AIRLINES, facing financial ruin from an Iraq war, sought financial support from Congress, including tax breaks on jet fuel, and terrorism insurance subsidies. Airline executives, worried about rising fuel and insurance costs, and fewer passengers over fears of retaliatory terrorist attacks, met with lawmakers ahead of House Transportation Subcommittee on Aviation hearings on Sept. 24.

Ibero-American Integration And the New Bretton Woods

by Lorenzo Carrasco

We continue our coverage of the historic continental seminar, "Mexico-Brazil-Argentina: The Hour of Integration; March to a New Bretton Woods," held Aug. 22-23 in the city of Guadalajara, Mexico (see EIR, Sept. 6, for the presentations of the first day of the seminar). Nearly 300 political, military, and constituency activists attended, and Lyndon LaRouche addressed the gathering by telephone.

We present here sections of the Aug. 23 speech by Lorenzo Carrasco, executive committee member of the Ibero-American Solidarity Movement (MSIA) in Brazil. In a subsequent speech, Carrasco discussed the importance of undertaking major infrastructure projects across Ibero-America, as the strategic complement to LaRouche's proposal for a Eurasian Land-Bridge that can put the world back on the path of growth and development.

Yesterday, we analyzed two key developments that took place 20 years ago—the Malvinas War and the Mexican debt moratorium—and how they ended as defeats for the continent. And what happened during those 20 years? Was it time wasted? Did we simply wait for another opportunity to come along? Yesterday, it was made clear that countries, from that point onward, suffered a process of destruction, or rather, self-destruction. But that period nonetheless provides us with a means of determining who the enemy is and what his intentions are. So, it is not true that it was a lost period, but neither can we say that

20 years is nothing, because we did lose time, and thousands of human lives withered on the vine.

Today I could say . . . that we are in much better shape than in 1982 to build an integration movement that can pull our nations out of this self-destructive process. And who is this enemy that we have learned to recognize, this common enemy that confronted us in the Malvinas, that confronted us in the Mexican moratorium, and that confronts us today, in this final phase of destruction of the nation-state?

This enemy is embodied in the utopian faction of the An-



Speakers at the Guadalajara conference, left to right: Oscar Preciado, state leader of the CROC trade union (Mexico); Vice Adm. Sergio Tasso Vázquez de Aquino (Brazil); Maj. Adrián Romero Mundani (Argentina); João Pereira of the Alumni Association of the Superior War College of Brazil; Lorenzo Carrasco, of the executive committee of the Ibero-American Solidarity Movement (MSIA).

glo-American oligarchy, which seeks to impose a new Roman Empire, a post-modern version of a new Roman Empire. This utopian faction began to emerge in its contemporary form, most clearly, as of 1971, when President Richard Nixon destroyed the world financial system, which was the cause of all the economic misfortunes the world faced for the next 30 years. August 1971, the breaking of the Bretton Woods agreements, launched an era in which the world political system of sovereign nation-states could not coexist with, was not compatible with, the floating exchange-rate system.

These are two essentially exclusive, essentially incompatible systems, because monetary controls and the emission of credit and money are attributes of the nation-state—perhaps the most important attributes of the nation-state—since money and credit are as important as having an army. They are symbolic expressions of the national wealth, of the growth of national wealth and of the national esteem of its citizens. This began to become corrupted, and we can see it in its exaggerated form in the Argentine situation, where basically the dollar was adopted as their own currency, and at that moment, it became clear that the limit had been reached in the process of dissolution of that nation-state. . . .

And so, in 1982, we saw the beginning of this painful process, which identified for us who were friendly forces, and who were the enemy forces. It is interesting that, while we did not know [Argentina's Col. Mohamed Alí] Seineldín, who was in combat at the time, we in Mexico were waking up to a very real sense of international life, because up until that time, we had been concerned only with Mexican politics. Yes, we had the mission to save the sovereignty of Mexico, but we paid little attention in reality to how we were going to defend the sovereignty of Argentina or of Brazil.

And so, with the Malvinas War, with the campaign that LaRouche led, the huge worldwide mobilization that he headed, we were given a responsibility that we couldn't have imagined: We were taken off the farm and told, "Look, this world is more complicated than you ever imagined." And so, the mobilization was born. And so, too, later in that same year of 1982, *Operation Juárez*, the mission for Ibero-American integration which later led us to the creation of the Ibero-American Solidarity Movement.

The enormous mobilization in favor of Argentina launched us into South America, because LaRouche was the only politician who, from inside the United States, came out in defense of Argentine sovereignty, taking as his argument the Constitutional precepts of the United States itself. Today, we have in this meeting, a large number of the protagonists of that unique year. Seineldín was fighting on the [Malvinas] Islands; LaRouche was defending a principle with an unprecedented mobilization; and later, President José López Portillo joined that fight in defense of the sovereign nation-state.

We stayed in contact with President López Portillo, and he had the patience and kindness to receive politically immature youth, and to tell them that they had to ready themselves to govern the country—which was repeated to us several times.

We took it as encouragement, but not yet as a concrete responsibility. . . .

The problems we face today are not going to be resolved merely by the ideas of a seminar, or with the ideas of an elite. These ideas are guidelines, but war is won by logistics, by the improvisation of each one of the individuals who confronts the enemy. The responsibility lies within each one of you. Governments that are today aligned with globalization will fall, destroyed by the very process of the crisis. If we assume the responsibilities that lie before us, we can transform the painful defeats of 1982 into a strategic victory, which we will be able to record for all posterity.

Marivilia Carrasco

We Are in the Final Phase of the System's Disintegration

Marivilia Carrasco, president of the Ibero-American Solidarity Movement (MSIA) of Mexico, gave this speech on Aug. 23, 2002, on the second day of the seminar "Mexico-Brazil-Argentina: The Hour of Integration; March Towards a New Bretton Woods." The speech has been translated from Spanish.

I am going to present to you a picture of how we are definitely in the end phase of the disintegration of the current international financial system, and of the policies associated with it which have been implemented over the past 35 years. This picture must be viewed from the standpoint of what has happened in Mexico, Brazil, and Argentina, a joint view of these three countries, which demonstrates that this crisis in fact is also a window of opportunity for achieving integration.

We can scientifically prove that the conditions exist for a qualitative change in the economic situation, as long as there is a political movement to achieve integration, because change will not occur unless we are capable of intervening in the regional and global strategic situation. This is the purpose of holding this seminar. And so, we will also present a picture of the disintegration of the U.S. bubble, and its effects on the real physical economy.

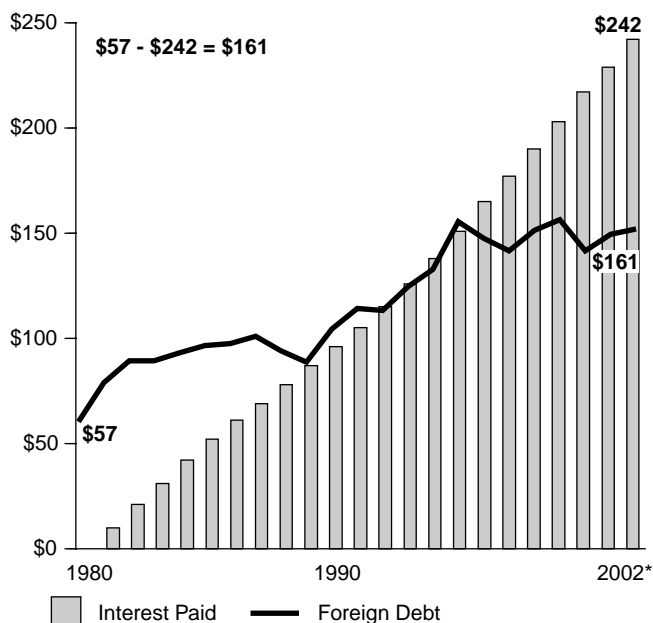
I will begin with a figure that shows what everyone knows as "bankers' arithmetic." It is very clear that those of us who learned to add 2+2, did not use the arithmetic of bankers, who add and subtract in an incomprehensible, irrational, and absurd way.

The most recent research we are using is that of my col-

FIGURE 1

Mexico: Bankers' Arithmetic

(Billions \$)



* Projection

Sources: Mexican Finance Ministry; World Bank; *EIR*.

league and friend Ronald Moncayo, together with Dennis Small of *EIR* magazine. Earlier such studies were prepared by Dennis, along with my colleague Carlos Cota Meza, of the MSIA executive committee, who died on March 21 of this year, and who would have liked nothing more than to participate in this event, at which we today honor his memory.

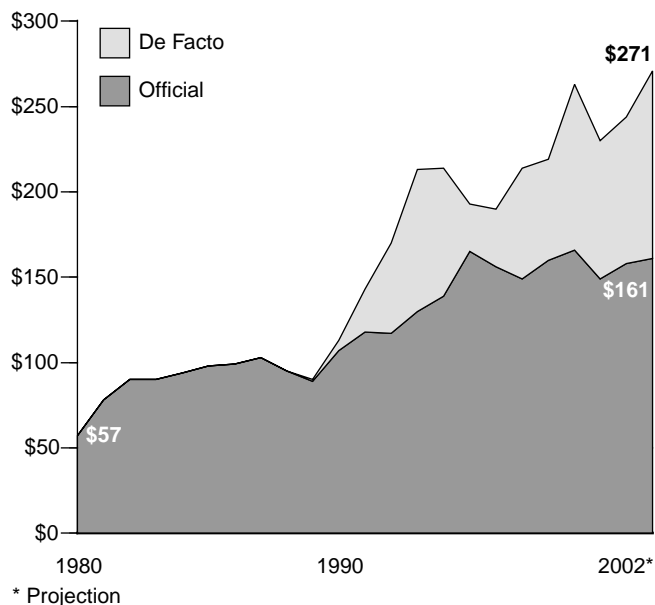
Figure 1 describes cumulative interest payments, from 1980 through the first six months of 2002, and Mexico's official foreign debt. We owed \$57 billion in 1980, and we have paid \$242 billion in interest since then, but we still officially owe \$161 billion: $57 - 242 = 161$! It is said that Mexico's official foreign debt is \$161 billion—public and private foreign debt, that is—although that is not the real de facto foreign debt. The figure shows cumulative interest payments, not amortization, according to World Bank sources, and that equals \$242 billion (which is four times the original debt). But the current official debt of \$161 billion is three times the original debt. The official debt includes government and private sector debt owed to the multilateral institutions, governments, and private international banks.

Figure 2 shows the real foreign debt of Mexico. On top of the official foreign debt of \$161 billion, Mexico has an additional de facto foreign debt of \$109 billion, which includes a certain amount of government bonds (*Cetes*). Although denominated in pesos, some of these bonds are in the

FIGURE 2

Mexico: Real Foreign Debt

(Billions \$)



Sources: Mexican Finance Ministry; 2002 State of the Union, Mexico; Mexican Stock Exchange; World Bank; *EIR*.

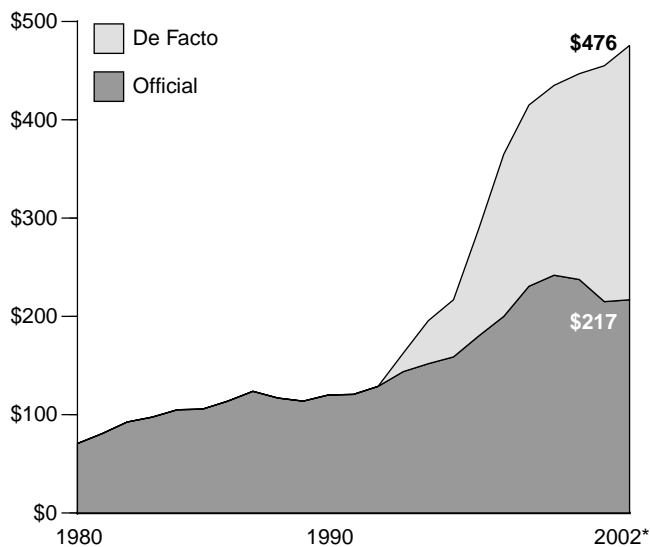
hands of foreigners and are therefore de facto foreign financial obligations. The de facto debt also includes foreign investment in the stock market, and the so-called *Pidiregas*, which are financial obligations that, while not formally loans to the government, nonetheless commit the government's debt-carrying capacity. The government claims it has reduced and stabilized the foreign public debt by approximately \$80 billion over the last few years. It is true that the portion of the public foreign debt held by multilateral agencies and foreign governments has been reduced, but that has not reduced the total real foreign debt, because new financial obligations have been contracted in the form of IOUs, the *Pidiregas*, to which we will return later.

Brazil's situation is comparable, as can be seen in **Figure 3**. The government acknowledges \$217 billion as the official foreign debt; however, the de facto foreign debt of Brazil, according to our calculations, brings the total real foreign debt to \$476 billion. Brazil is facing an explosive situation, similar to the bubble that burst in Mexico in the form of dollar-denominated government bonds, the *Tesobonos*, in December 1994. The dollarized domestic debt, which de facto becomes foreign debt, is \$259 billion in Brazil. We will return to this, as well.

In **Figure 4**, the real foreign debt of Argentina, Mexico, and Brazil is compared. Argentina has a real foreign debt of \$242 billion; Mexico's is \$270 billion; and Brazil's is \$476 billion. The rate of growth of Mexico's real foreign debt between 1989 and 1994 was 14% a year, on average. In 1994,

FIGURE 3
Brazil: Real Foreign Debt

(Billions \$)

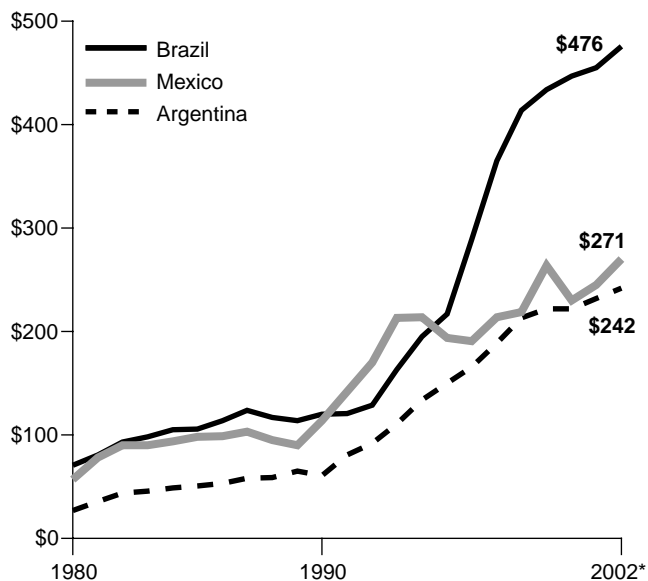


* Projection

Sources: Brazilian Central Bank; World Bank; *EIR*.

FIGURE 4
Real Foreign Debt

(Billions \$)



* Projection

Sources: Mexican Finance Ministry; 2002 State of the Union, Mexico; Mexican Stock Exchange; Banco de México; Brazilian Central Bank; INDEC, Argentina; World Bank; *EIR*.

the crisis of the Tesobonos exploded, and Mexico fell into bankruptcy and the entirety of the national banking system disintegrated. The Tesobonos were paid off with emergency foreign loans, which were then covered with a massive contraction of the domestic economy. It is estimated that, in 1995, Mexico paid more than \$70 billion in foreign obligations. So the debt was reduced, but it nonetheless continued to grow at a rate of about 5% a year.

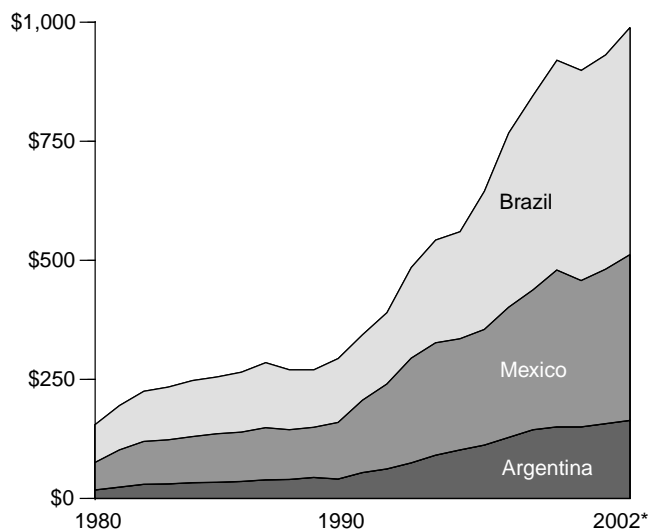
The Brazilian bubble, like Mexico's of the early 1990s, has had an annual growth rate of 12% between 1995 and 2002. The greater part of that indebtedness are the Brazilian equivalent of Tesobonos, the so-called NTN-D bonds, which is the name given to these domestic government bonds, which are denominated in dollars. That is, it is a nominally domestic debt, but in reality, they are foreign financial obligations.

Figure 5 shows the bubble of the combined real foreign debts of Mexico, Brazil, and Argentina, which adds up to nearly \$1 trillion. Not exactly insignificant; this is an unpayable bubble of \$989 billion which could be defaulted on at any moment.

The growth of the de facto foreign debt of these countries is not the legitimate result of loans for reconstruction or investment, which, once the project matures, are easily payable. No; what we are seeing is the dynamic of looting, plain and simple. The debt grows at the same time that the conditions for repaying it worsen. In the global system, this is leading to a process associated with a collapse function. For example, devaluations of a national currency directly impact the cost

FIGURE 5
Combined Real Foreign Debt

(Billions \$)



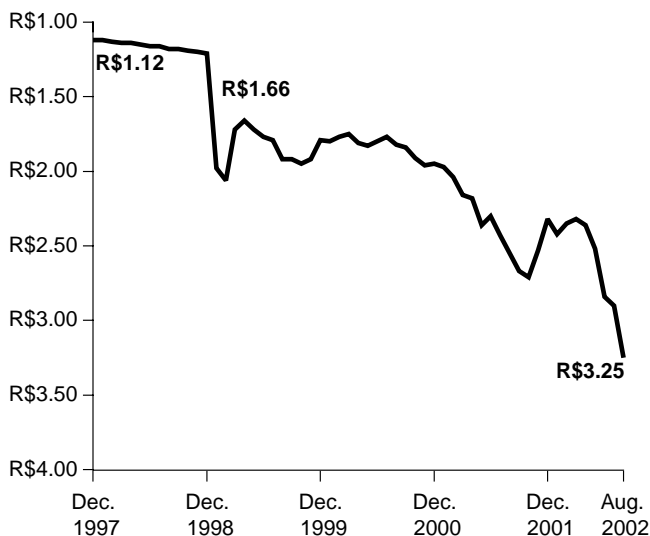
* Projection

Sources: Mexican Finance Ministry; 2002 State of the Union, Mexico; Mexican Stock Exchange; Banco de México; Brazilian Central Bank; INDEC, Argentina; World Bank; *EIR*.

FIGURE 6

Brazil: Devaluation of the Real

(reals/dollars)

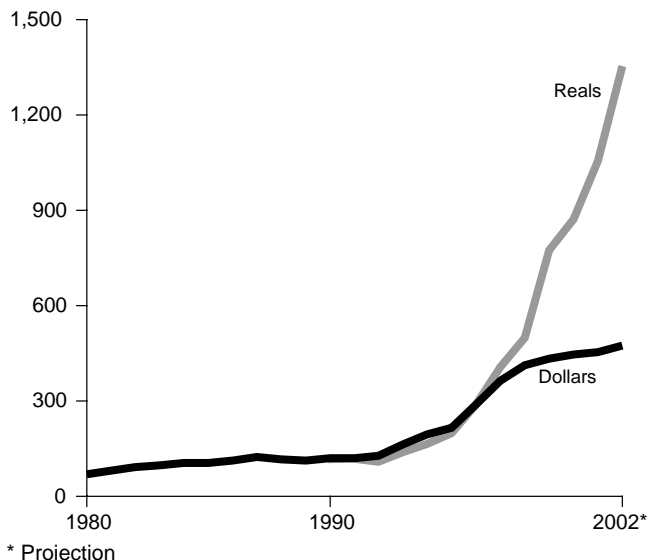


Source: Brazilian Central Bank.

FIGURE 7

Brazil: Real Foreign Debt

(Billions)



Sources: Brazilian Central Bank; World Bank; EIR.

of indebtedness for that country. The foreign debt, denominated in a foreign currency, usually dollars, grows in direct proportion to the devaluation of the national currency. More national economic resources, which are denominated in the national currency that is being devalued, must be allocated to the debt.

In the case of Brazil, as can be seen in **Figure 6**, their currency, the real, traded at 1.12 to the dollar in December 1997; in the December 1998 crisis, which nearly led to a Brazilian default, the real was devalued by 33%; and currently, the real is worth 30¢. A dollar can now be bought for 3.25 reals. That means an additional devaluation of nearly 50%.

At the time of the 1998 Brazilian crisis, George Soros called for building the now famous “wall of money” to prevent a Brazilian default. The hyperinflationary policy of huge bailouts continues today, and Brazil is being forced to issue its version of Tesobonos, despite the fact that the Mexico case showed how extremely explosive and highly dangerous these are. Today, in the middle of a world financial storm, and following the bankruptcy of Argentina, Brazil is facing deadly pressure against the real.

In Argentina, the value of the peso was maintained at an artificial rate of one to the dollar for 12 years, causing the shutdown of half of the agricultural and industrial plant of the country. The dollar today is at about 3.66 pesos, a devaluation of more than 70% since December 2001.

We show Brazil in **Figure 7**, but the cases of Argentina

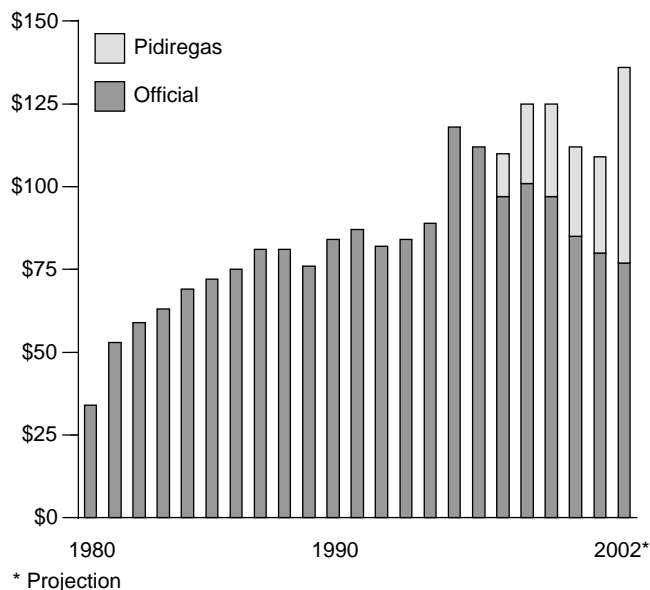
and Mexico are the same: The Brazilian foreign debt, as measured in dollars, is shown against the same debt measured in reals. The gap between the two reflects the magnitude of the looting of the Brazilian economy. The difference has to be paid in real physical terms every time the currency is devalued.

This is the absolutely incredible looting mechanism that was initiated as of Richard Nixon’s 1971 decision to end the fixed-exchange-rate system, and which opened up the global system to currency speculation. This dynamic worsened as of 1982, becoming a truly voracious, destructive, and implacable process, which explains the subsequent deterioration and destruction of the economy and the public institutions, and of the very nations themselves. The line that nations impoverished themselves due to “the corruption of politicians and government officials,” is a cover story for the true corruption of the usury and looting of the international financial system through the foreign debt.

In the real foreign debt of Mexico we have to include the *Pidiregas*. In **Figure 8**, we discover one of the accounting frauds which are used to hide the true magnitude of the real foreign debt. With the idea of deregulating, or in this case piratizing, the energy sector, international financiers hope to apply a model in the oil and electricity sectors, whereby the government contracts with foreign or national companies for the construction and operation of a given facility or plant. The government then gives the company an IOU for the cost of the project, but it also buys up the plant’s product or output at

FIGURE 8
Mexico: Real Public Foreign Debt

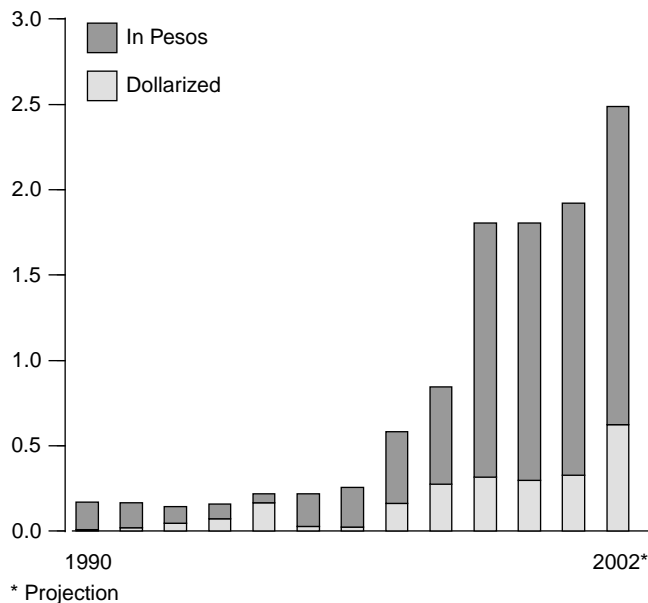
(Billions \$)



Sources: Mexican Finance Ministry; 2001 and 2002 State of the Union, Mexico; Mexican Stock Exchange; Banco de México; *EIR*.

FIGURE 9
Mexico: Dollarization of the Public Domestic Debt

(Billions of Pesos)



Sources: Mexican Finance Ministry; 2001 and 2002 State of the Union, Mexico; Mexican Stock Exchange; Banco de México; *EIR*.

market prices. The IOU is turned into an immediate, de facto debt, although the project may take years to complete. This reduces the government's capacity for indebtedness for other purposes.

This model was chosen to carry out the dogma of deregulation and privatization of energy production, in particular; but it turns out to be more costly for the nation than if the federal government were to make the investments directly. And the actual obligation is not counted as part of the official foreign debt.

The argument that governments haven't the resources for such direct investments is a fallacy, used to justify various means of looting national resources. The government only acknowledges \$80 billion of public foreign debt, but hides the debt of the *Pidiregas*. We estimate that a full 75% of these IOUs are in the hands of foreigners, and thereby constitute de facto foreign debt—in fact, the government itself accounts for the *Pidiregas* at an exchange rate of 10.10 pesos per dollar. This is a good example of unofficial foreign debts, but which are de facto financial obligations of the nation.

Figure 9 shows the dollarization of the domestic public debt, a mechanism by means of which that debt is turned into de facto foreign debt, because part of the public debt is denominated in dollars. In 1994, Mexico issued the short-term dollar-denominated government bonds, or *Tesobonos*, which over time, with the crisis of 1994-95, were converted

into official foreign debt. The government had to pay \$33 billion in this category alone, while the bankruptcy of the entire Mexican banking system occurred. Mexico no longer issues those bonds, but Brazil does.

In Mexico, however, in absolute numbers, the dollarized portion of the public domestic debt is more than double that of 1994. Today, 25% of the Mexican public domestic debt is either denominated in dollars, or held by foreigners; here, we include *Cetes*, the *Fobaproa* debt [for bailing out the bankrupt Mexican banking system], etc. This amounts to some \$65 billion, while the ability to pay that debt today is worse than in 1995.

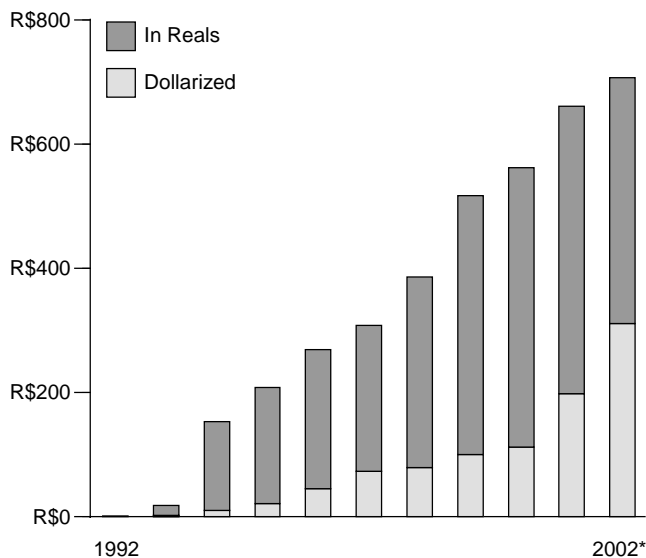
This has paved the way for the dynamic of collapse, in which we see hyperinflation of financial obligations, at the same time that a hyperdepression of the real economy is occurring, from which the resources to pay inflated financial obligations are being squeezed.

Currently, Brazil is even worse off than Mexico. Forty percent of the Brazilian domestic public debt is denominated in dollars, as can be seen in **Figure 10**, due to the existence of Brazilian version of *Tesobonos*, known as *NTN-D*. (One should actually think in terms of *TNT*, rather than *NTN*, because they are truly a time bomb.) The government refuses to admit this, but they are not actually domestic debt: They are foreign obligations.

FIGURE 10

Brazil: Dollarization of the Public Domestic Debt

(Billions of Reals)



* Projection

Sources: Brazilian Central Bank; World Bank; EIR.

Argentina Is Dying

We can see similar statistics in Argentina. Reality, however, is not limited to statistics. As was so correctly stated yesterday by Maj. Adrián Romero Mundani, the moment has arrived in which all these statistics are now translating into horrible reality, into a nightmare affecting flesh-and-blood people. It is a horror show, but if we are truly impassioned about bringing this message to active people—not impotent people, but inspired people, with a will to change—then I am certain that this crisis, the Argentine tragedy, can be used to change the hearts of many people.

In late August, the statistical institution of Argentina, INDEC, issued its latest report, which includes information through May 2002. It acknowledges an official unemployment level of 22%. This report is obviously closer to reality than the statistical fraud perpetrated on Mexicans, where a mere 2.4% unemployment rate is accepted officially. In Mexico, we have masses of unemployed, and 53 million of our 100 million Mexicans are surviving under the most extreme conditions of poverty, but “officially” we have virtually no unemployment.

In Argentina today, it is reported that 53% of the population is already living under the poverty line, while 25% of the population is barely managing to survive under conditions of *extreme* poverty. According to parameters of the United

Nations, the officially “poor” person is one who receives less than \$2 a day, while the “extremely poor” receives less than \$1 a day. There is little difference between the two, in real life. The most impressive fact is that 4 million Argentine children are living below the poverty line, that is to say, they are indigent. Seventy percent of Argentine children under the age of 14 live in poverty. In this light, remember the story that we heard yesterday of the starving child who, just before dying, asked her mother if there was food in heaven.

This is the reality that cries out for divine justice. And thus, I insist on the need to convert this knowledge into a potent message of revolutionary change. If we don’t do this, this society of ours will rapidly lose its capacity to survive. Because these statistics also demonstrate that the forces against which we are battling have no scruples, no limits, and their hearts cannot be moved to change these conditions to allow for the recovery and dignity of the people.

After the Argentine INDEC report was released, they admitted that from October 2001—on the eve of the December bankruptcy—through May 2002, four million more people became poor; that is, 4 million joined the ranks of the unprotected in Argentina. Not only did they admit that the purchasing power of the average wage had fallen 25% in the same period, but they estimate that every four seconds, another person enters the ranks of the poor. They also admitted that there are some places, such as the city of Formosa, where 78% of the population is impoverished.

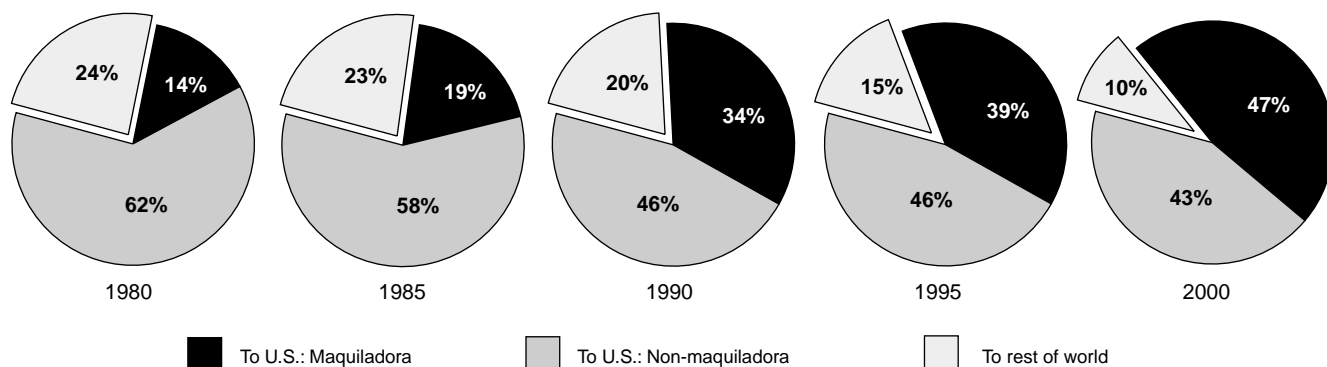
Everything that has been said here, however, has been insufficient to stop the International Monetary Fund’s genocide. Once again, in my experience, I am convinced that what rules these forces’ way of thinking is a genocidal concept. There is an intrinsic evil in their way of conceiving of economics. In contrast to all this, we counterpose the universality and value of the ideas of Lyndon LaRouche regarding what is economy and how to truly measure the economy: relative potential population density.

Mexico and the U.S. ‘Recovery’

The nature of this crisis is still being debated by some: whether this is a systemic crisis, as we maintain, or merely a cyclical crisis. Some insist that the United States is already on the road to recovery, although there is not a bit of evidence of this. Last week, Mexican President Vicente Fox said that there have already been unequivocal signs of recovery, and predicted, without any basis in fact, that by the end of this year’s fourth quarter, Mexico will be growing by 4% a year. And absurdities of this sort.

It is thus necessary to return to the threat that hangs over Mexico as a result of the inevitable collapse of the U.S. financial bubble. We honor [President] José López Portillo and his 1982 decrees, because these were, for Mexico, the culmination of the fight for its dignity, and so that the nation would no longer be looted. López Portillo resorted to the prerogatives of the Executive branch to impose exchange controls as a barrier

FIGURE 11

Mexico's Export Dependency on the U.S.

Sources: Banco de México, INEGI.

against looting, to recover the sovereignty of the Central Bank, to extend control over the national banking system and try to make it function, while surviving the storm. With these measures, he hoped to build a better future.

The administration that succeeded López Portillo imposed IMF measures. It said that it did not seek to attack the industrialization of Mexico, but the country nonetheless entered into a de facto phase of deindustrialization. From 1982 to 1986, an enormous number of industrial jobs were lost. We lost what had been built in the area of machine tools, of capital goods, which is the weakest sector in Mexico, as a result of the Anglo-American veto against the nation's industrialization—the idea that they would never permit another “Japan south of the United States.” The attempt to launch an industrial program truly went against the current.

As of 1982, all of these programs were wrecked, and Wall Street's bankers came to offer us a new model; they told us that now we were going to industrialize with the fraudulent model of the *maquiladoras*. They told us that the *maquiladoras* helped to industrialize Japan, Taiwan, South Korea. These were lies. In fact, neither Japan, Taiwan, nor South Korea industrialized with *maquiladoras*. The *maquiladoras*, rather, were foreign enclaves which had nothing to do with the national economies.

The truth about *maquiladoras* was stated by Milton Friedman, when he stated: “The Free Trade Agreement and the *maquiladora* do not have the purpose of improving the living and wage conditions of Mexicans. Their objective is to reduce the salaries of the population and of U.S. workers.”

The *maquiladoras* represent a form of labor recycling through the use of cheap labor, slave labor deployed against the workers of the advanced sector, a fascist recycling of labor to sustain the speculative bubble.

Mexican President Carlos Salinas said at the time that

“our competitive advantage is cheap wages, cheap labor.”

Figure 11 shows the absurd dependency that was created in Mexico around the *maquiladora* sector, now being slammed by the crisis in the United States. These figures show Mexican exports from 1980 to 2000, divided into three categories:

1. *maquiladora* exports (almost all go to the U.S.);
2. non-*maquiladora* exports to the U.S.; and
3. exports to the rest of the world.

As can be seen, Mexico has always been very dependent on trade with the United States. In 1980, seventy-six percent of our exports went to the United States, combining the *maquiladora* and non-*maquiladora* sectors, and only 24% went to the rest of the world. Twenty years later, we export 90% of our products to the U.S., and only 10% to the rest of the world. What is the tragedy here? What is scandalous, truly destructive, is that the composition of what we send to the United States has changed qualitatively. Of the 90% we now send to the U.S., half comes from *maquiladoras*.

The dream throughout the 1990s was that the United States would be an eternal importer of the *maquiladora* sector's products. The worst case, among all the countries which are oriented to the U.S. market, is Mexico.

Figure 12 shows the growth of the U.S. current account deficit. The current account includes the trade deficit plus payment of interest on the debt and other so-called “service payments,” such as insurance. The United States today has an annual deficit of more than \$400 billion, which requires a daily average inflow of \$1.5 billion. This is the deficit to which Lyndon LaRouche referred yesterday, when he indicated that the world model is collapsing, and cannot be saved. The United States has stopped pulling in anything near that amount in investments or sale of government bonds, which is needed to sustain the global model. The global model requires

FIGURE 12
U.S. Current Account Deficit

(Billions \$)

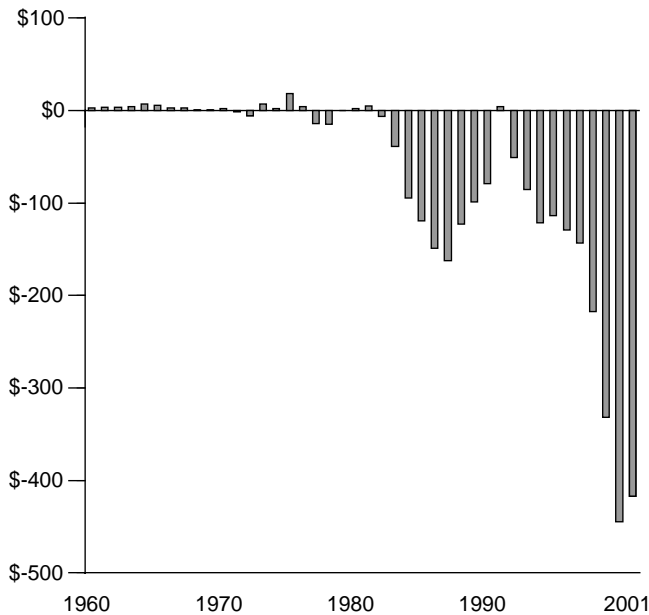
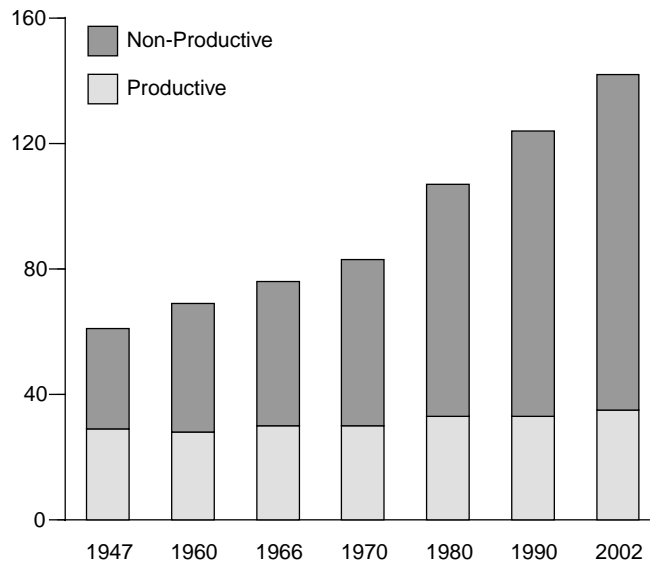


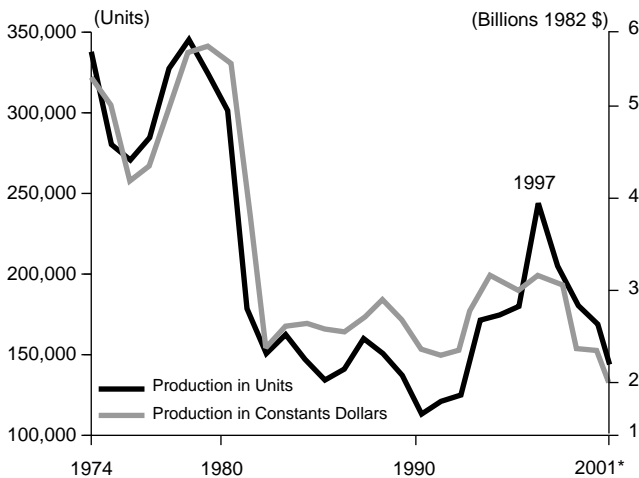
FIGURE 13
U.S. Labor Force

(Millions of Workers)



Sources: Bureau of Labor Statistics, *EIR*.

FIGURE 14
Physical Economy: U.S. Machine Tools

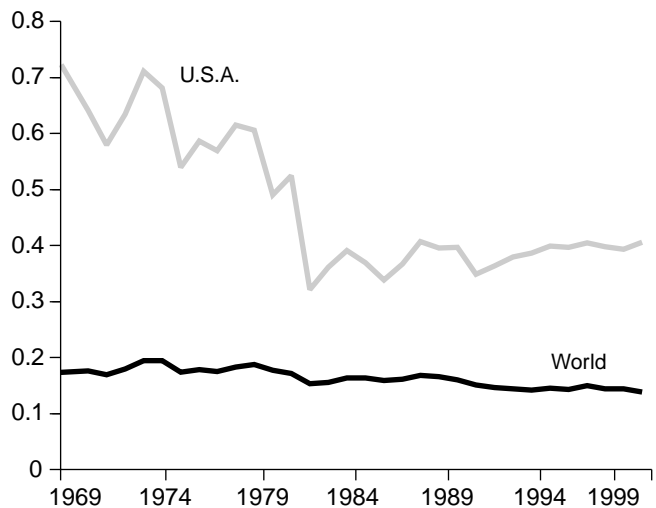


* projected, based on first three quarters of 2001.

Sources: Association for Manufacturing Technology; U.S. Department of Commerce; *EIR*.

FIGURE 15
World and U.S. Steel Production Per Capita

(Short Tons)



Sources: American Iron & Steel Institute, U.S. Census, *EIR*.

such vast U.S. imports, but its deficit is not sustainable any longer.

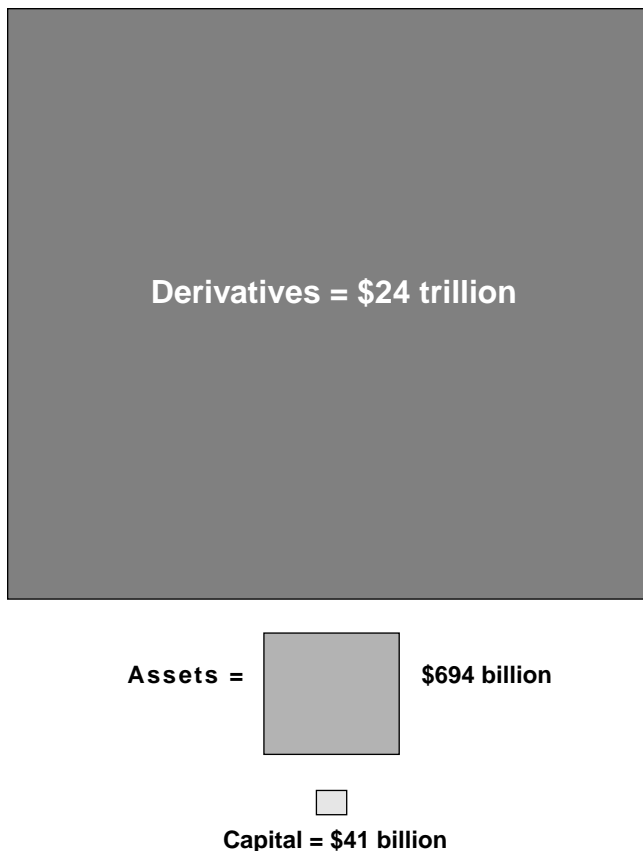
To the U.S. current account deficit, one must add the structural crisis of its economy, which LaRouche has studied since

the mid-1970s. The United States slowly lost the role it had won, during and after the government of Franklin Delano Roosevelt, of being the center of industry and prosperity of the entire world. In **Figure 13**, one sees the shrinking of the

FIGURE 16

J.P. Morgan Chase & Co.

(As of Dec. 31, 2001)



Source: *EIR*.

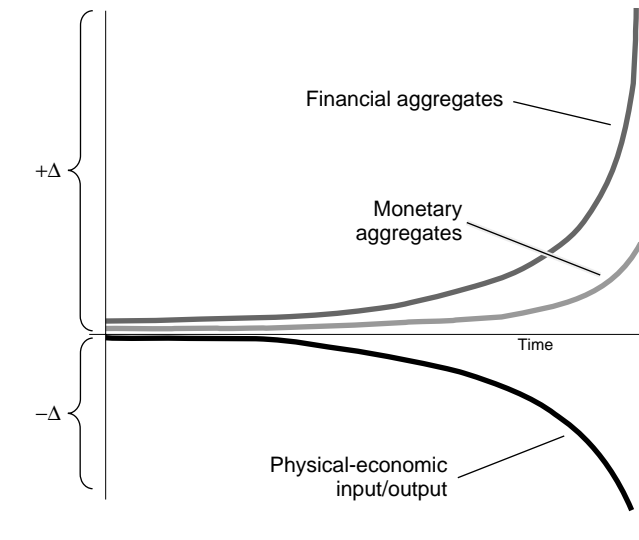
productive sector of the labor force in the post-war period. At the end of World War II, one productive worker was employed for every worker employed in services. Five decades later, there is only one productive worker for every four service workers. This weakness is critical at a moment when the speculative financial bubble is blowing apart. The bubble is, in essence, the entire U.S. economy of the 1990s.

Beyond the looting of other economies, such as that of Mexico, the United States dismantled its own productive capacity. Unlike the 1929-33 crisis, the current one is affecting the United States at the end of a period of more than 30 years of take-down of productive capacity, while sustaining a much larger bubble than has existed in any other moment in history. We are talking about the greatest crisis in modern history, and in the history of the United States.

The decay of U.S. industry can be seen in the machine-tool sector, as shown by **Figure 14**, measured both in physical units and constant dollars. The decline, beginning in 1979, is associated with the administration of Jimmy Carter, who

FIGURE 17

A Typical Collapse Function



imposed the high-interest-rate policies of [Federal Reserve Board Chairman] Paul Volcker that accelerated the process of deindustrialization.

Figure 15 shows what happened to U.S. steel production, another key indicator of the state of the real economy. Without machine tools and steel, you cannot have a real industrial economy. There is less per-capita productive capacity in the United States today, than there was 10, 15, 20, and 30 years ago.

The disintegration of the bubble accelerated in May 2000. From that point to the present, two-thirds of the nominal value of the Nasdaq index has disintegrated. The Nasdaq index is considered the chief indicator of the success of the New Economy. Add to this the megafrauds, the fall of Enron, World-Com, U.S. Airways, etc., which are the best-known bankruptcies of the past nine months.

EIR estimates that some \$7 trillion in financial values have been lost in the past two years; some are fictitious fortunes, but some involve countries like Argentina or companies that produce physical goods, European and Japanese as well as American. These financial assets are nonetheless a small percentage of the global financial bubble, which LaRouche estimates at \$400 trillion. That is to say, the worst is still to come. The bankruptcies of Brazil, Mexico, Colombia, Peru, Venezuela, and so forth are waiting to happen.

Figure 16 shows financial obligations acquired by J.P. Morgan Chase on the derivatives market. In that merger of J.P. Morgan and Chase Manhattan, the consolidated, financial obligations are \$24 trillion, against \$694 billion in assets and \$41 billion in capital. This is the case in which the flea is larger than the dog. Losses of \$700 billion—or \$41 billion—in derivatives, will wipe out the assets and capital of that company, which is already technically in bankruptcy. Further,

J.P. Morgan Chase, in particular, has been slammed by the Enron and WorldCom bankruptcies, as well as by a possible Brazilian default. This explains why the U.S. government so urgently facilitated the \$30 billion IMF loan to Brazil. The object was to save Citibank and J.P. Morgan Chase, not Brazil. And it was done despite the U.S. government having insisted earlier, “Not a penny for Brazil. We will not do any more bailouts, like what we did for Mexico in 1995.”

J.P. Morgan Chase’s financial derivatives represent double the GNP of the United States. That’s the size of the problem that can hit us tomorrow morning when we wake up. This is what LaRouche meant, when he said the worst is yet to come. But what must be understood is that the crisis *has already begun, and no one can stop it.*

The final figure, **Figure 17**, is the famous typical collapse function, designed by LaRouche. This figure reflects the methodology of economic study used, by counterposing the growth of financial aggregates and monetary aggregates, which become a hyperinflation of financial obligations, against the hyperdeflation of real economic values. This is the scientific instrument that we have in hand, and which we have used to prove to you the historic moment we are facing.

Thank you very much.

Rubén Cota Meza

National Development or Jorge Castañeda’s ‘Imperial Maquiladora’

Presented on Aug. 23 to the Guadalajara meeting. Mr. Cota Meza a leader of the MSIA in Mexico.

Since the disastrous era of Antonio López de Santa Anna and the wretched imperial design of that puppet of the Holy Alliance, Napoleon III, and the heedless Maximilian of Hapsburg, never in our history has the existence of our nation as an independent and sovereign republic been more at risk than it is today under the co-government of Jorge Castañeda Gutman.

Castañeda’s policies and commitments are to an imperial plan; a plan already well defined by him, of which he has spoken and written publicly, which he has documented, argued for, and issued open calls to other political forces to help bring about. He has already designated the “two axes” of his foreign policy, which are a North American Community, and an Empire of International Law as the “supreme law” of Mexico.

Castañeda doesn’t even bother to disguise his proposals, but presents them crudely under the title of “diplomatic realism.” In the debate on Mexican international strategy, Castañeda says, “two forces are arrayed against each other”; one is “real politics” and the other is “moral politics. . . . The new foreign policy of Mexico is realist; it recognizes the incontrovertible fact that there exists a hegemonic power today, to which we are closely tied by reasons of history, geography, and concrete interests”: the United States, which “occupies a position of undeniable hegemony” (*El Universal*, June 29-30, 2002). Based on the premise of “incontrovertible fact,” and with the “undeniable hegemony” of the United States thus accepted, Castañeda goes on to develop a strategy for annexing Mexico to that superpower.

The Diplomacy of Anticipated Surrender

Following Vicente Fox’s electoral victory of July 2, 2000, wrote Castañeda in the Feb. 24, 2002 issue of *Reforma*, it was imperative to bring Mexico’s relations with the rest of the world “up to date.” To do this, President Fox established a double strategy. On the one hand, “to give greater depth to our long-term strategic relationship with the United States, which for both historic and geopolitical reasons is—and will continue to be for the foreseeable future—Mexico’s most important partner.”

For “greater depth,” Castañeda understands the creation of “a new set of permanent institutions” in North America, which would “promote prosperity,” while at the same time contributing to Mexico’s achievement of “a successful and definitive transition to democracy.” Specifically, he says one must seek “a new set of permanent institutions that will permit the free movement of capital, goods, services, and people,” which he dubs a North American Community. Such a Community would require designing mechanisms for “resource transfer” from the United States to Mexico, and then, to “strengthen social cohesion and develop infrastructure.” By “resource transfer,” he means opening Mexico’s doors to so-called “foreign investment,” which, according to Castañeda himself, “represents a correct step in the right direction that was taken more than a decade ago.” That is, Castañeda is proposing going further down the path that was traced by [President] Carlos Salinas de Gortari.

Says Castañeda, the North American Free Trade Agreement “was proposed and presented as a means of anchoring the new macroeconomic policies of the United States and Canada.” However, according to Castañeda, the clearest limitations of NAFTA derive from the “typically authoritarian manner” in which the instrument was negotiated. NAFTA “left national sovereignty practically intact,” laments Castañeda, and “this last is crucial,” since “our country should transcend limitations which—in the context of a poorly understood sovereignty—have atrophied its potential for development.” For Castañeda, consolidating democracy “demands that we update that notion of sovereignty,” so that “Mexico commits itself to adhering to supranational rules in exchange

for encouraging prosperity and assuring the political stability of our society.”

With this policy, says Castañeda, Mexico “approaches the world in search of a new identity.” That is, what Jorge Castañeda seeks to carry out in Mexico is a profound change, an historic change: abandoning what Mexico has been as a nation, to make the country into something different. That “something different” is to be the laboratory experiment of a new form of imperial supranational government. In order to incorporate Mexico into this global structure, ruled and governed by a bureaucracy that no people have elected, international law must be imposed as the supreme law of the country.

That is why the Fox government, says Castañeda, chose as the “second axis” of its foreign policy, a “new activist deployment of our country in regional and multilateral fora,” which he pompously calls “multilateral bilateralism.”

Beyond NAFTA: Castañeda’s End of Sovereignty

In the December 2001 issue of the magazine *Nexos*, Castañeda writes that “the world is establishing the new norms and rules” that will have to orient “the process of change.” The two world wars and the failure of the League of Nations, he lies, led to the conclusion that “a world composed solely of unrestricted sovereignty, led inevitably to war.” From that conviction emerged the United Nations and its Security Council, granted powers to “restrict the sovereignty of states” in matters relating to peace and international security, although “the international system continued to base itself almost exclusively on the sovereignty of the state.” The basic premises of the Treaty of Westphalia continued to prevail: “the exclusive action of the states in the international arena, and the full sovereignty of each state within its territory.” With the end of the Cold War, the tendency toward universal jurisdiction “began to prevail.” Now, the “formation of a new system of international relations, based on universal rules and norms,” which must impose themselves above national sovereignty, has begun to take shape. . . .

“Some would perhaps have preferred that the international system of the 21st Century be established on the basis of principles of non-intervention, the juridical equality of states, and rejection of the use of force,” says Castañeda, with a perverse pleasure, but the reality is that the new rules “are more interventionist than non-interfering; particular, rather than general; concrete, rather than abstract.” Therefore, the new Mexican government, Castañeda confesses, has decided to involve itself “in the multilateral process of codifying the new rules of the international system.” Not to understand and accept his decision to dismantle national sovereignty and hand the country over to the domination of “universal fascism,” according to Castañeda, is “intellectual conformity.”

To facilitate Mexico’s transition from a sovereign nation to a satrap of the “global empire,” Castañeda and his masters and political operatives need an exemplary case through which they can impose international law as the supreme law

of the national judicial system. That is the case of the trial of former President Luis Echeverría Alvarez.

The new Mexican identity of which Castañeda speaks, faces obstacles. The most important of these is that “Mexican society still has to fully understand the enormous advantages that can be derived from adopting the idea of a North American Community.” Castañeda laments the form in which Carlos Salinas de Gortari negotiated NAFTA, that he did not inform the population of the profound changes implied by the agreement. . . .

A Program for National Development

Faced with this as the current policy of the federal government, we must see what courses of action are required to confront this, and find adequate policies for genuine national development.

As Mexico is still a republic, in its Constitution and in its secondary laws, the juridical instruments and economic planning tools for constructing a future other than being the mere territory for housing slave-labor manufacturing plants, known as *maquiladoras*, do exist.

The nation’s public universities, for example, have produced, apart from such renegades as Jorge Castañeda, many technical cadre committed to the general welfare of the nation. To many of these, we owe the historic tradition of engineers and scientists who are nation-builders. This tradition of Mexican engineering has produced absolutely feasible ideas for the economic development of the nation, on condition that we defeat the servile attitude of asking for crumbs at the back door of the slavemaster’s home, and instead rescue the dignity of our Republic.

With the natural and human resources this country possesses today, and building the necessary infrastructure works, Mexico could sustain a dignified living standard for 750 million Mexicans. Subsequent scientific and technological development would permit that population to be sustained at even better living standards, and eventually for an even greater number of Mexicans. Mexico is still not yet entirely built.

The necessary projects have already been planned by the current of nationalist Mexican engineers, such as Don Pedro Moctezuma, Manuel Frías Alcaraz, Pablo Tapié Gómez, Cliserio González López, among others. . . .

The Southeast Development Project

There currently exist, already constructed on the Grijalva River, the La Angostura, Chicoasén, Malpaso and Peñitas hydroelectric projects, which were all built between 1959 and 1987. These store 37 billion cubic meters of water, and have an installed electricity-generating capacity of 3,900 megawatts, with an average annual production of 11 billion kilowatt-hours.

To consolidate and broaden the operations of the Mexcala-Grijalva Hydroelectric System, Mexican engineering has designed a score of great new infrastructure works in

FIGURE 1

'Mexico in the Third Millennium'



the basin of the Usumacinta River, which would contribute 11,200 MW (31% of the total current electricity-generating capacity of the country) and would help to control flooding, recovery of inundated lands, and the provision of hydraulic resource contributions to other parts of the region, and would have a direct impact on the intra-state development of the region that includes Chiapas, Tabasco, southern Veracruz, eastern Oaxaca, Campeche, Quintana Roo, and Yucatán.

One of these is the Boca del Cerro project (see map, **Figure 1**), located 10 kilometers southwest of Tenosique, Tabasco. It includes a 135 meter-high dam, which will create an artificial lake containing 19.5 billion cubic meters of water, and a 4,200 MW hydroelectric plant. This complex could generate 17.4 billion kilowatt-hours, equivalent to . . . 67% of the total hydroelectric capacity of Mexico. By combining this with other flood control projects in the region north of Tabasco and southeast of Campeche, a million and a half hectares of fertile land could be recovered for agriculture, grazing, and aquaculture. It would also make possible a river canal

with various branches, which could supply fresh water to the Yucatán Peninsula.

'Tzenvalle' System in the Northeast

In Mexico's northeast, projects would have to be constructed like those which form the "Tzenvalle" system, situated in the Huasteca region of San Luis Potosí state, along the Tamuín River, 21 kilometers southwest of the city of Valles. By regulating and controlling the drainage of the Tamuín and Valles rivers, artificial lakes would be created, and small cities could be constructed on their shores, linked to each other by water transport, where previously there only existed deep and inhospitable canyons. . . .

By optimizing the hydroelectric potential of the Tamuín River, a third of the runoff of the Pánuco River would be regularized, and a total capacity of 1,600 MW provided, which would yield 4.3 billion kilowatt-hours a year. This hydroelectric capacity would play a strategic role in meeting the growing demands for power and energy in the Northeast

and central region of the country. . . .

The artificial lakes created by this system would constitute a valuable reservoir of energy and fresh water, to supply the current future population centers of the country. They would also increase the hydroelectric production by 16.5%, and would facilitate navigation through the Pánuco river. . . .

The new development poles would be the magnets to reorganize Monterrey and Saltillo, and for the relocation of businesses of La Laguna, one of the most critical regions of the country, together with El Bajío and The Valley of Mexico, because of water resource shortages. . . .

There are also detailed plans for the rest of the country. There does not exist a region in Mexico which does not possess great development potential.

The Pacific West Complex

From north of Puerto Vallarta to the port of Mazatlán, one finds one of the best coastal zones of the country with regard to physiographic features and the variety of natural resources for the development of Mexico's food potential. In southern Nayarit, for example, the San Pedro Mezquital and Santiago Rivers empty the Acaponeta River in the center and the Presidio and Baluarte Rivers in the extreme north. Together, these rivers carry an average annual flow, along their 300 km length, of 15.3 billion cubic meters—which, if dammed and administered rationally, would constitute 154.3 billion cubic meters of water, or about 340 cubic meters per second, sufficient to sustain agro-industrial development and new population centers for 110 million Mexicans. Already constructed dams along these Nayarit rivers, and others that are planned, would allow the interconnection, through canals and transfer tunnels, of all the hydraulic networks of the central and northern zone of Sinaloa, and southern Sonora.

Along these coastal areas of the Gulf of Mexico and the Pacific, apart from the management of water for multiple uses, corridors of agro-industrial development could be built, fed by packages of communications infrastructure, high-speed freight and passenger trains, modern highways, fiber-optic "highways," and high-tension grids for transmission of electrical energy. The development corridor could be conceived as one gigantic assembly line for connecting a city and its surrounding agro-industrial zones.

Similarly, other development corridors have been proposed, with the same characteristics, that would run "transversely," from the coasts of the Gulf of Mexico to the coasts of Mexico's Pacific. . . .

If we build this polygon of development corridors, we will not have to beg at the back door of the slavemasters. Mexico will be able to build its own destiny. We have the resources, the intellectual capacity, the technical cadre—albeit reduced at the moment—all waiting to be tapped. With these, we could establish the basis for a new generation of development. Putting this revolution in basic economic infrastructure into gear, we could achieve the development goals that would give Mexican families opportunities for decent

jobs and for a dignified life, instead of entering into the human grinding mills known as *maquiladoras* and/or illegal emigration to the United States.

To carry this development strategy forward, we need to defeat Jorge Castañeda's political plan. This is the plan of those currently in power. We are still on the other side. My proposal is thus to develop a campaign of political attack. We have the forces to attack on this flank and to put an end to Castañeda's imperial design by exposing him for what he is. Castañeda laments that Mexican society doesn't yet understand the advantages of his annexationist policy. What I believe is that, if we let the population know what this policy truly is, the Mexican people will be ready to defeat this annexationism, because they still want to continue to be Mexican. . . .

To launch this political assault of ours, we will publish a pamphlet with all these elements of information and analysis, which must be broadly distributed and debated, above all in the universities. The students intuit, or know, that under the current policy, they have no future, that their fate is unemployment, misery, and the dustbin of history. The youth, the students, must fight for their future. That future is national economic reconstruction, beginning with the construction of basic infrastructure works. If the youth present at this meeting attract more youth to these ideas, we will be on our way to victory.

Sérgio Tasso Vasquez de Aquina

Sovereignty, Security, And National Dignity

From the speech by Vice Adm. Sérgio Tasso Vasquez de Aquina, former Deputy Chief of Staff of the Brazilian Armed Forces, at the seminar on Aug. 23.

. . . The aspiration for freedom is a gift of God, given to all human beings, and which is transmitted to the collective conscience of people who seek self-determination and their own means of carrying out their national mission; to be masters of their destinies, without accepting foreign servitude, limitations, and interference. . . .

The creation of the state is a political construct of nations, with the essential attributes of being one people, with one territory, and sovereignty. And from this sovereignty comes the incontestable right to exert force over their geographic jurisdiction, with due respect internationally for the principles of juridical equality among states, the right to self-determination, and non-intervention in the internal affairs

of other nations. . . .

After the fall of the Soviet Union which followed the Solidarity revolution in Poland and the fall of the Berlin Wall, the globalist neo-liberal wave surfaced, and with it, the paradox of the current world, where it is now confirmed that weaker peoples of the so-called free world had greater freedom of sovereign action under the balance of terror that had existed between the Soviet Union and the United States, than they do today, under the hegemony of a single superpower . . . dominating on a planetary scale, based on usury, on money, on submission to material appetites, and on access to power on the global scale; without fear of God and without any charity toward the poorest and weakest people and nations, as has been exposed in this book which was put together by the friends who convoked this seminar, and which is called *The Plot to Annihilate the Armed Forces and Nations of Ibero-America*. . . .

One tragic result of the neo-liberal world order has been the destruction of public services and the persecution of public servants, as a means of destroying the nation-state and facilitating the surrender of national patrimony by means of this suspicious “privatization.” For example, in Brazil, on the pretext of privatizing the energy and communications companies, many were sold to state companies of France, England, etc. at an absurd price. This constituted a real surrender of the national patrimony, achieved at such great cost by generations and generations of Brazilians. This is now occurring in all of our countries.

There are outrages committed against sovereignty, under the tutelage of the IMF: the growing indebtedness and national impoverishment, the unhappiness of my people, and the contempt for them, manifest in the systematic and planned destruction of the health, sanitation, education, housing, employment, retirement, and public security systems; the dismantling of strategic energy, transport, and communications infrastructure; the cannibalization of industry; and the scientific and technological backwardness. . . .

The imposition of the IMF as the director of national and economic policies, with the large-scale diversion of national revenues for payment of the growing brutal interest rates on foreign and internal debts; the speculative and volatile capital which in Brazil we call “motel capital”—it enters, spends the night, and is gone—earns money but does not put a cent into national development. . . .

There is pressure, as I exposed in 1992, as Deputy Chief of Staff of the Armed Forces, to transform the Armed Forces of all of our countries into gendarmes, a police force to oversee “democracy,” fight the drug trade, environmental crimes, and so on. Then we are to hand over our national defense, but to whom? To a multinational force. Commanded by whom? By the United States. . . .

There is a real threat of territorial dismemberment, an international ambition toward the Amazon, in the same way that it is expressed in Argentina toward Patagonia, and also

toward our Pantanal region, which is a rich biological reserve. With the nation-state weakened, and the Armed Forces reduced, it is much easier to try such a thing, which would not succeed under any other circumstances.

‘I Am Not Against the United States’

I want to clarify one point. I am not against the United States. I have lived there twice, once as a child during the Second World War. I speak English as if it were my second language, and at that time, I found a country in solidarity against the war, some very pleasant people. Each family had a son fighting in the Pacific, or in Europe. I believe that Americans have the right to defend their interests. We must make common cause where we have shared interests, but the rights of the Americans must be respected, just as the rights of Brazilians, and all the other free people of the Americas and the world. . . .

I came here to call for the union of Latin America, to strengthen our fight for the good, and in this union, I believe Brazil, Mexico, and Argentina have a fundamental role to play. It is necessary that we join hands—both civilian and military—across Latin America, without prejudice, but with total respect for the sovereignty of each nation-state. We must emphasize that which we have in common, to allow for the construction of a more dignified and just world, with the blessings of God.

Twenty Years Later

López Portillo Speaks Out on State in Crisis

by Gretchen Small

With Mexico’s leading daily, *Excélsior*, taking the point, the nation’s media prominently, and unexpectedly, celebrated the 20th anniversary of an event that Wall Street had hoped it had killed and buried for all time: President José López Portillo’s dramatic announcement, on Sept. 1, 1982, nationalizing Mexico’s banking system and Central Bank and imposing full exchange controls, to stop anti-national forces from bleeding the country by speculation and capital flight.

Excélsior chose to commemorate the anniversary by interviewing López Portillo on his past actions, and their relevance for the much greater crisis that Mexico faces. The interview, published in two parts on Sept. 9 and 10, was given maximum play, the first part published as the newspaper’s

lead, front-page story, under the banner headline, “The State and Sovereignty Are in Crisis: López Portillo.” The former President rose to the occasion with a political bombshell in today’s supercharged atmosphere of economic collapse, and the growing impatience with the current administration: He called for the banks to be nationalized again.

Nor was *Excelsior* alone in featuring coverage of what López Portillo did and said at the time. Clips of his historic 1982 speech were broadcast on several television channels; Internet users could listen to audio clips of it on the website of *El Universal* daily. The two-decade-old speech seemed written for the leader whom Mexicans desire for today. “Mexico is not dead,” he had told the nation; it would defend itself, its industry and its production, against looting by speculators who, like the rats of medieval times, spread “the financial plague . . . [which] plunders country after country.”

The media coverage marked a dramatic break from two decades ago, when, by policy, López Portillo was vilified and blamed for the destruction of the productive economy in the 1980s and 1990s, actually committed by the bankers and the International Monetary Fund (IMF). The decision to give him prominence now, is a telling sign of the volcanic pressures for radical policy change building up under the administration of President Vicente Fox, as a growing number of Mexicans fear their country faces nothing less than extinction as a nation.

A Meeting Which Changed History

Wall Street and London had hoped the specter of José López Portillo had been eliminated; they have not forgiven him, nor U.S. statesman Lyndon LaRouche, for what happened in 1982, during Ibero-Americans’ last great battle to save their nations from destruction at the hands of usurious foreign debt collectors. Three and a half months before he nationalized Mexico’s credit system, López Portillo had met with LaRouche at the Presidential residence, Los Pinos, on May 23; this was at the height of the Malvinas War between Britain and Argentina. Their discussions were private, but the fact of their meeting was not. LaRouche held a press conference at Los Pinos afterward, attended by some 60 media. He there proposed that the Ibero-American debtors unite, and threaten to drop “the debt bomb” against the City of London, were Great Britain not to cease its armed aggression against Argentina.

LaRouche returned to Mexico, in July of that year, and shortly thereafter authored *Operation Juárez*, a strategy document for how Ibero-America—led by Mexico, Argentina, and Brazil—should declare a moratorium on their combined \$200 billion in foreign debts, to force the industrial powers to come to their senses and accept negotiations on establishing a New World Economic Order.

Twenty years later, amid a greater crisis, the two leaders are collaborating again. LaRouche, now a Presidential pre-candidate, and the former Mexican President were the key-

note speakers at an Aug. 22-23 seminar in Guadalajara, organized by LaRouche’s Ibero-American Solidarity Movement (MSIA), to build regional integration as key for the battle for a New Bretton Woods system. Unable to attend for health reasons, López Portillo submitted his speech in writing, in which he offered his experience in the 1982 fight, as representative of what must be addressed for a reorganization of the world financial system as a whole. The Bretton Woods institutions must be “radically transformed,” he argued, so as to provide sufficient financial resources to nations which otherwise cannot import the machinery, technology, and other inputs required to develop, despite very rich physical resources (see *EIR*, Sept. 6, 2002).

A Command Decision

Memories of the battles of 1982 are reviving throughout the continent as recognition grows, after Argentina’s current breakdown, that its citizens face a crisis in which their nations’ very existence is at stake.

López Portillo demonstrated in 1982 the kind of command decisions required in today’s crisis. Perhaps the most vivid record of what transpired, was written at the time by LaRouche himself, in a Sept. 5, 1982 statement, titled “Mexico: ‘Back to an Industrial Society.’” LaRouche then called López Portillo’s Sept. 1 actions “the most brilliant blow in defense of industrial capitalism . . . executed with a strategic brilliance which would have brought favorable comment from the great Douglas MacArthur.” LaRouche recreated for foreign audiences, the drama inherent in the moment:

Overnight, the military forces of Mexico were positioned, in preparation for the actions they would take at noontime, the following day, at the hour the Presidential decrees became law.

All the leading public and private circles of Mexico gathered, together with the national legislature, to hear the President’s “State of the Nation” address, the *Informe*. All but a few were taken by surprise as the President began his three-hour address—an address often interrupted by joyous demonstrations of patriotic fervor in the aisles. . . .

The first hint which the outgoing president of the Bank of Mexico [the central bank], Miguel Mancera, had of the moves, was during the minutes before the address. He was told he would not be included in the official photograph of the cabinet.

As the private bankers heard that their banks had been nationalized, the President dramatically glanced at his watch, to announce that the decrees had already been published as laws. It was an accomplished fact: the military were already occupying the banks’ premises, ensuring that no records were removed or destroyed.



The event is being widely remembered on its 20th anniversary, a signal to current Mexican and other governments: President José López Portillo exhorts a Mexico City crowd on Sept. 3, 1982, two days after nationalizing Mexico's banks.

The most important decision taken, LaRouche emphasized, was that all of Mexico's resources would be concentrated to build up the levels of productive employment in agriculture, industry, and infrastructure. "Speculative parasitism" had been crushed, "and a development policy in the footsteps of U.S. Treasury Secretary Alexander Hamilton and President George Washington will be energetically pursued. . . . Mexico has acted to transform itself once again into a goods-producing nation, the first nation to break free of the lunacy of the 'post-industrial society' cult-dogma now ruining the U.S.A. and many other nations."

LaRouche elaborated how other nations, including the United States, must follow suit.

What It Takes To Lead

Other nations did not follow Mexico's lead, however, and Mexico was left isolated. López Portillo's term ended three months later, and when he had left office, his successors bowed before the prevailing powers.

Was López Portillo wrong to have fought? Did he fail, as most now believe? Some Mexicans, it would appear, are revisiting that assumption. Interviewed by *Excelsior*, López Portillo delivered a lesson in statecraft and leadership. He warned that globalization has an imperial military and economic intent, "but who knows if it can succeed; these are new

times," he said. Sovereignty must be enforced, and it is the job of the State to do so. Defending his actions of 20 years ago, he called for similar measures today, including the re-nationalization of the banks. Neither the Constitution nor the Mexican Revolution are dead, he emphasized, and Mexico could defend itself today; all it takes is guts.

The exchange was humorous. *Excelsior* asked the former President what he thought about the fact that the majority of Mexico's banks today are foreign-owned. This is one of the hottest issues going in Mexico. None of the Presidents who followed López Portillo continued the industrial policy which shaped his centralization of national credit in 1982, and a decade later, the banks were finally sold back to the private sector for a song, under the Salinas de Gortari Administration. The banks had to be nationalized again, de facto, after they all were bankrupted in the 1995 debt blow-out—only to be re-sold again, this time to foreign interests, under the Zedillo government. Adding insult to injury, however, the government assumed the bad debts before selling them, increasing the government's debt by some \$100 billion! Yet, since 1995, the banks have not lent more than a pittance to the domestic economy, serving as simple conduits for payment of foreign debts.

"Is it difficult to recover the banks?" *Excelsior* asked the man who had nationalized them.

"Of course."

"But, how can they be recovered?"

"With a new expropriation."

"But we don't have a nationalist President, as when you expropriated the banks in 1982. How can it be done now?"

"With balls [*huevos*], my friend. From that standpoint, I do believe I was [a nationalist]."

Excelsior asked López Portillo's advice. The new generations do not know what the State is, nor how to defend sovereignty. "The State is the product of human evolution and the political activity of societies; it is the juridical and norm-setting framework of modern societies, which allows healthy coexistence, equality, respect, order, welfare, and peace," he answered, adding that the modern State arose out the Renaissance.

How did you exercise power as Head of State, he was asked. "With acts of a free, sovereign and independent nation, conscious of History's permanent judgment, sticking to the State of Law, with a high public morale, without believing in a weak State, nor in a liberalism without restraint, because they do not represent paths to progress; but through a strong State, despite the fact that today's world offers dependence, devastation, more poverty and injustice. The nationalization of the banks was an act of national sovereignty, adhering to the powers which the Constitution grants to the Federal Executive.

"In reality," López Portillo added, "the Presidency of the Republic is only learned by being President. It is the only school, because there are no others. Learning to be President

is a daily matter, and each day one receives his lesson, his experience; sometimes bitter and painful, sometimes joyful, and when one has learned, the Presidential six-year term is over.”

Documentation

‘Mexico Shall Live’

Excerpts from President José López Portillo’s Sept. 1, 1982 State of the Union address, explaining his decree nationalizing the banks.

The world’s productive capacity has been increasingly subjected to contraction and unemployment by an unjust and obsolete financial system that claims those policies are the only remedy to the growing crisis. . . .

The lack of coherence between industrial progress, whose technology advances by ever more astonishing leaps, and a world financial structure that has responded to the technological challenge primarily by attempting to stop it, is increasingly evident. The financial plague wreaks more and more havoc around the globe. As during the medieval era, it plunders country after country. It is transmitted by rats, and in its wake lie unemployment, misery, industrial bankruptcy, and speculative enrichment. The remedy of the witchdoctors is to deprive the patient of food and submit him to forced rest. . . .

What we could not deal with was the loss of confidence in our peso, aggravated by those—inside and outside the country—who could manipulate expectations, and cause what they pronounced, by the mere pronouncements themselves. . . . Against this, the vigor of our economy simply could not hold out. . . .

One of the unavoidable decisions that the New World Economic Order must take before the current system collapses in an untimely and perhaps catastrophic manner, is the formation of a system of compensation, so those nations that are victims of capital flight can have access to some form of credit originating in those resources, through a special recycling mechanism. . . .

We would like to discuss this with representatives of the financial system of the United States, and, I emphasize, to convince the generous American people that in the solution to our respective problems, we are not trying to harm the American taxpayer, but rather to make accessible to Mexico the credit represented by extensive Mexican resources that have left our country in a way that creates economic and trade problems on both sides of the border. . . .

The Mexican state has never expropriated for the sake of

expropriating, but rather for the public good. What we now do liberates the free initiative and the free productive impulse of Mexicans from free trade and the straitjacket imposed by a parasitic system. . . .

‘Speculation Leads to Ruin’

[W]e can conservatively affirm that within the past two or three years, at least \$22 billion has left the Mexican economy; and an unregistered private debt . . . of around \$17 billion more has been generated, adding to the country’s foreign debt. These figures, when added to the \$12 billion in Mexdollars [accounts in Mexican banks denominated in dollars but originally funded mostly by pesos]—in other words, a total of \$54 billion—are the equivalent of half of all the deposits in the Mexican banking system at this moment, or about two-thirds of the entire recorded public and private debt of the country. . . . [I]n the past two years, Mexican rentiers have made more investments in the United States than all of the foreign investment in Mexico in all of history. The book value of the foreign investment in Mexico is approximately \$11 billion, 70% from the United States. The net income to our country in 1981 from foreign investment was \$1.7 billion. A ridiculous sum in light of what flowed out of here. . . .

It has been a certain group of Mexicans . . . counselled and supported by the private banks, that has taken more money out of the country than all the empires that have exploited us since the beginning of our history. . . .

The fundamental question is determined by the difference between an economy increasingly dominated by absenteeism, by speculation, and rentier finance, versus an economy vigorously oriented toward production and employment. Speculation and rentierism translate into a multiplication of the wealth of a few without producing anything, and is necessarily derived by the simple plundering of those who produce. And over the long run, it inevitably leads to ruin.

In effect, our country, given its total shortcomings and its social dynamic, cannot afford to allow the development of speculative activities. Our nation has the imperative of dedicating all its resources to production. . . . Mexico cannot permit financial speculation to dominate its economy without betraying the very essence of the system established by the Constitution: democracy as the constant economic, social, and cultural betterment of the people. . . .

We must organize to save our productive capacity and provide it with the financial resources to move forward. . . . In response to these priorities, I have expedited two decrees: one that nationalizes the country’s private banks, and another that establishes general exchange controls. . . . It is now or never. They have looted us; Mexico is not dead. They will never loot us again. . . . Let joy and excitement in the battle reign in every Mexican home. . . . We have shut down the capital flight.

Mexico has lived. Mexico lives. Mexico shall live.
Viva México!

Iraq Is a Fuse, But Cheney Built The Bomb

by Lyndon H. LaRouche, Jr.

September 20, 2002

As said two days ago, in a first-impression reading, the two relevant documents issued by the George W. “43” Bush White House as draft U.S. policies, echo the fabled King Canute’s wild, and useless ranting against the wind and the waves. The first document is a fraudulent blank check payable to Infamous Folly; an unconstitutional, proposed draft U.S. Declaration of War against Iraq. The second, is a meandering, incoherent, but deadly potpourri of White House Presidential utterances, pasted, after the style of Georges Braque, on a sheaf of paper, “The National Security Strategy of the United States.”

The following three, crucial sets of facts concerning these two wretched documents are most notable.

Fact #1: The existing proof is, that neither of these two documents has been prompted in any way by factually defined, recent developments within the Iraq-controlled portions of the area within that nation’s borders, nor the fraudulent claim by the Administration, that the U.S. “war on terrorism” is a reaction to the attacks on the U.S.A. by any of the nations or organizations fingered as “rogue states,” since Sept. 20, 2001.

The fact is, that the policies contained within those two fraudulent documents were first surfaced during Spring 1990, as emissions of a task force directed by then-Secretary of Defense Dick Cheney, a task force then headed by Paul Wolfowitz, Lewis Libby, and Eric Edelman. Although unsuccessful—until now—they represent the persisting, mad obsession of Dick Cheney and his Chickenhawk accomplices over the course of no less than the past dozen years.

Fact #2: The evidence since 1992 is, that the policy uttered in those documents, is not a reflection of 2001-2002 developments, but is merely another of many re-warmings of the previously failed work product embodied in a September 2000 revival of the previously suppressed Cheney doctrine of 1990. This was a policy of Vice Presidential candidate Dick Cheney, designed as a global strategic doctrine intended to govern the foreign policy of a 2001-2005 Bush Administration.



“Vice President Dick Cheney’s recurring wet dreams of a U.S. worldwide Roman Empire” . . . are made more dangerous by Ariel Sharon’s plans for “Palestinian removal” in a general Mideast war. The threat to civilization, says LaRouche, “demands that Cheney’s prompt resignation be sought, and accepted.” Here, Cheney with Israeli Prime Minister Ariel Sharon (left).

Fact #3: This doctrine, pushed repeatedly by Cheney and his Chickenhawk accomplices since 1990, had no notable success in securing adoption until the events of Sept. 11, 2001. Although no actual proof of the authorship of the Sept. 11, 2001 physical attacks on New York City and Washington, D.C., has been presented by any government, without those attacks the previously unsuccessful policies of Cheney and his Sharon-allied Chickenhawks could not have been brought forth as the two new Bush Administration doctrines now. Solely as a result of the psychological impact of Sept. 11, 2001, Cheney, his Chickenhawks, and Ariel Sharon are now being given the war they have desired so passionately, so obsessively, over a dozen years to date.

Demand Cheney’s Resignation

What a remarkable set of coincidences!

I have merely summarized three sets of facts which are each and all heavily documented, and undeniable.

If the U.S.A. is foolish enough to adopt the policies proposed in these two documents, the consequences for both the world, and the United States itself, will be early, often, and awful. As I emphasized two days ago, it must be acknowledged that, for all the rags and tatters of its ruined and collapsing economy, the now virtually bankrupt U.S. Government still has the kill-power to ruin any Middle East targets on which it is willing to spend between \$2-3 trillions during the remainder of the George “Belshazzar” W. Bush’s quixotic term as President. In other words, it has the power to destroy, even perhaps obliterate the fuse, but it could not conquer the bomb of perpetual warfare which the burning of that fuse

would set off.

Such a war, once launched by the U.S.A., will degenerate quickly into an echo of Europe’s 1618-1648 Thirty Years War. That war, like all religious wars known to Europe since the beginning of the Crusades, is the type of war which ends, not with peace, but with a burning-out of the territories and peoples of all those nations drawn into its maw. Then and now, those heathen packs of right-wing, nominally Christian gnostics, or pro-fascist Jews of a similar bent, which launch such wars—like Adolf Hitler more recently—unleash the kinds of destructive force which, like the United States’ 1964-1972 war in Indo-China, ultimately ruin the perpetrator and his allies alike.

Let the cowardly slaves of the mass media be warned. It were better to defeat such follies as those of Cheney and his Chickenhawks—as did El Cid, even in death—than to bequeath such nightmares as these fraudulent policies to present and future generations. Shall the future measure the honor and courage of the American people, by our Congressional and other cowards’ flight from an apparition of Chickenhawks? Or, will men and women of honor cease their cowardly quaking, and rally around me in saving our nation and its sacred Constitution from these wretched and Hellish creatures?

In summary, Vice President Dick Cheney’s recurring wet dreams of a U.S. worldwide Roman Empire are, in and of themselves, the world’s greatest single threat to the continuation of civilization in any part of this planet today. These facts demand that Cheney’s prompt resignation be sought, and accepted.

LaRouche Demands Cheney's Resignation

by Jeffrey Steinberg

Democratic Presidential pre-candidate Lyndon H. LaRouche Jr. based his Sept. 22 demand for Vice President Dick Cheney's resignation on newly accumulated evidence that Cheney, and a team of his longtime underlings, have willfully lied to the American public, Congress, and the President, about the circumstances under which they have promoted war against Iraq; and have promulgated a dangerous new national security doctrine for the United States, based on the abrogation of the basic principles of international law and the Constitutional principles of the American Republic. The basic facts of the case are clear.

The White House's Sept. 19 proposed Congressional resolution on Iraq, and "The National Security Strategy of the United States of America," issued Sept. 17 over President George W. Bush's signature, have been presented as a "new" national security doctrine, forced by the events of Sept. 11, 2001, and by Saddam Hussein's persistent pursuit of weapons of mass destruction, which he is purportedly about to unleash against American targets and/or share with terrorists. The common feature of the draft war powers resolution and the "National Security Strategy" is that they promote a doctrine of American unilateral pre-emptive military action.

But as LaRouche wrote on Sept. 22, "The existing proof is, that neither of these two documents has been prompted in any way by factually defined, recent developments within the Iraq-controlled portions of the area within that nation's borders, nor . . . the attacks on the U.S.A. by any of the nations or organizations fingered as 'rogue states' since Sept. 20, 2001."

The doctrine of preemptive war, which Bush Administration hawks claim is an outgrowth of 9/11 and the imminent threat posed by Saddam Hussein, was actually written in 1990, by Paul Wolfowitz, I. Lewis Libby, and other utopians. It was triggered by the fall of the Berlin Wall in 1989 and the prospect of the Anglo-American utopians moving unfettered to their goal of world imperium, in the image of H.G. Wells' book *The Open Conspiracy*.

Details of 1990 Pre-emption Doctrine

This was documented in an April 1, 2002 *New Yorker* magazine article by Nicholas Lemann. In "The Next World Order," Lemann reported:

"After the fall of the Berlin Wall, Dick Cheney, then the Secretary of Defense, set up a 'shop,' as they say, to think

about American foreign policy after the Cold War, at the grand strategic level. The project, whose existence was kept quiet, included people who are now back in the game, at a higher level: among them, Paul Wolfowitz, the Deputy Secretary of Defense; Lewis Libby, Cheney's chief of staff; and Eric Edelman, a senior foreign-policy advisor to Cheney—generally speaking, a cohesive group of conservatives who regard themselves as bigger-thinking, tougher-minded, and intellectually bolder than most other people in Washington. . . . Colin Powell, then the chairman of the Joint Chiefs of Staff, mounted a competing and presumably more ideologically moderate effort to re-imagine American foreign policy and defense. A date was set—May 21, 1990—on which each team would brief Cheney for an hour; Cheney would then brief President Bush, after which Bush would make a foreign-policy address unveiling the new grand strategy.

"Everybody worked for months on the 'five-twenty-one brief,' with a sense that the shape of the post-Cold War world was at stake. When Wolfowitz and Powell arrived at Cheney's office on May 21st, Wolfowitz went first, but his briefing lasted far beyond the allotted hour, and Cheney (a hawk who, perhaps, liked what he was hearing) did not call time on him. Powell didn't get to present his alternate version of the future of the United States in the world until a couple of weeks later. Cheney briefed President Bush, using material mostly from Wolfowitz, and Bush prepared his major foreign-policy address. But he delivered it on August 2, 1990, the day that Iraq invaded Kuwait, so nobody noticed."

Lemann continued: "The team kept working. In 1992 the *Times* got its hands on a version of the material, and published a front-page story saying that the Pentagon envisioned a future in which the United States could, and should, prevent any other nation or alliance from becoming a great power. . . . Controversy ensued about the Bush Administration's hawks being 'unilateral'—controversy that Cheney's people but an end to with denials and the counter-leak of an edited, softer version. . ."

The "softer version" was the parting-shot, January 1993 "Defense Strategy for the 1990s: The Regional Defense Strategy," issued by Cheney. Lemann also noted that another member of the Cheney team, Zalmay Khalilzad, published a short book, putting forward the same thesis several years into the Clinton Administration, under the title *From Containment to Global Leadership?*, which featured the same call for the United States to take preemptive steps to "preclude the rise of another global rival for the indefinite future. . . . It is a vital U.S. interest," Khalilzad preached, "to preclude such a development—i.e., to be willing to use force if necessary for the purpose."

Buttressing the basic point of the Lemann story on the Cheney "Team B" exercise in the Spring of 1990, Jim Lobe wrote about the Spring 1992 Cheney draft Defense Planning Guidance (DPG), which promoted the same preemptive war doctrine, causing a factional firestorm inside Bush 41's team.

Lobe wrote, in several online news publications in early September 2002, "When excerpts of the document first appeared in the *New York Times* in the Spring of 1992, Sen. Joe Biden, now chairman of the Senate Foreign Relations Committee, was particularly outraged, calling it a prescription for 'literally a Pax Americana,' an American empire. . . ."

"The document argued that the core assumption guiding U.S. foreign policy in the 21st century should be the need to establish permanent U.S. dominance over virtually all of Eurasia." Among the strategies spelled out by Wolfowitz and Libby: "Deterring potential competitors from even aspiring to a larger regional or global role," and taking preemptive action against states suspected of developing weapons of mass destruction.

Lobe reported, "The draft, leaked apparently by a high-ranking source in the military, sparked an intense but fleeting uproar. At the insistence of then-National Security Advisor Brent Scowcroft and Secretary of State James Baker, the final DPG document was toned down beyond recognition."

Lobe then made the crucial link which Lyndon LaRouche had elaborated one day earlier during his Sept. 11, 2002 webcast (see *EIR*, Sept. 20): "Through the nineties, the two authors and their boss, then-Pentagon chief Dick Cheney, continued to wait for the right opportunity to fulfill their imperial dreams.

"Their long wait came to an end on the morning of Sept. 11, 2001, when two hijacked commercial airliners slammed into the World Trade Center towers in Manhattan and a third into the Pentagon outside Washington.

"And the timing could not have been more ideal. Dick Cheney had already become the most powerful vice president in U.S. history, while the draft's two authors, Wolfowitz and Libby, were now Deputy Defense Secretary and Cheney's chief of staff and national security adviser, respectively."

Lobe noted, "Advocates of the new paradigm are part of a coalition of three major political forces, which include right-wing *Macht*politikers, like Rumsfeld and Cheney, mainly Jewish neo-conservatives closely tied to the Likud Party in Israel, and leaders of the Christian and Catholic Right."

Project for the New American Century

Yet another piece of evidence supporting LaRouche's webcast analysis: The Sept. 15 issue of the Scottish *Sunday Herald* published an article by Neil Mackay, titled "Bush Planned Iraq 'Regime Change' Before Becoming President." Mackay wrote that "a secret blueprint for U.S. global domination reveals that President Bush and his cabinet were planning a premeditated attack on Iraq to secure 'regime change' even before he took power in January 2001."

Mackay referred to the September 2000 report, "Rebuilding America's Defenses: Strategy, Forces and Resources For a New Century," by the rabid neo-conservative think-tank, Project for the New American Century (PNAC). He quoted from the section of the 90-page report dealing with Iraq: "The

United States has for decades sought to play a more permanent role in Gulf regional security. While the unresolved conflict with Iraq provides the immediate justification, the need for a substantial American force presence in the Gulf transcends the issue of the regime of Saddam Hussein."

The PNAC study precisely repeated the language of the 1990 and 1992 Cheney Defense Department studies, promoting a "blueprint for maintaining global U.S. preeminence, precluding the rise of a great power rival, and shaping the international security order in line with American principles and interests." It is not surprising that the study so closely followed the Pentagon studies of a decade earlier. Two of the principal participants in the task force that produced the document were Paul Wolfowitz and Lewis Libby. Others included Robert Kagan, William Kristol, and Dov Zakheim (now Pentagon Comptroller).

The Introduction to the PNAC's Sept. 2000 study was unabashed about the fact that it was based entirely on the Cheney Defense Department studies from the early 1990s. The Introduction stated, "In broad terms, we saw the project as building upon the defense strategy outlined by the Cheney Defense Department in the waning days of the Bush Administration. The Defense Policy Guidance (DPG) drafted in the early months of 1992 provided a blueprint for maintaining U.S. preeminence, precluding the rise of a great power rival, and shaping the international security order in line with American principles and interests. . . . The basic tenets of the DPG, in our judgment, remain sound." This is hardly a surprising conclusion, given that the two primary authors of the Cheney DPG, Paul Wolfowitz and Lewis Libby, were participants in the group.

Indeed, the September 2000 study stated: "At present the United States faces no global rival. America's grand strategy should aim to preserve and extend this advantageous position as far into the future as possible. There are, however, potentially powerful states dissatisfied with the current situation and eager to change it, if they can, in directions that endanger the relatively peaceful, prosperous and free condition the world enjoys today. Up to now, they have been deterred from doing so by the capability and global presence of American military power. But, as that power declines, relatively and absolutely, the happy conditions that follow from it will be inevitably undermined. Preserving the desirable strategic situation in which the United States now finds itself requires a globally preeminent military capability both today and in the future."

Reviewing this book of evidence against the Cheney cabal, LaRouche noted that while there is no evidence placing responsibility for the 9/11 attacks on the doorsteps of this group, it is undeniable that no one else gained as much from them. From 1990, when the policy was first promoted, in response to the imminent collapse of the Soviet Empire, through to Sept. 11, 2001, the doctrine of imperial pre-emption and unilateral American military supremacy had been

promoted by this group of utopians, but persistently beaten back, by combinations of military traditionalists and other institutional forces inside the United States, appalled at the idea of the U.S.A. abandoning its heritage for a British or Roman pursuit of world empire. The Cheney-Wolfowitz-Perle-Sharon gang moved, in the wake of 9/11, to pursue their Well-sian nightmare.

Utopian War Doctrine: A Decade in the Making

by Jeffrey Steinberg

As the following timeline demonstrates, the so-called “new” National Security Strategy for the United States, presented in the Sept. 17, 2002 document issued under the signature of President George W. Bush, is not new at all. The formulations contained in the Bush document are derived 100% from published documents, devised by the utopian imperial faction inside the Dick Cheney Pentagon in the 1990-92 period, in response to the collapse of the Soviet Union. The same content reappeared under various sponsorships throughout the 1990s and in September 2000—all prior to the events of Sept. 11, 2001.

May 21, 1990: Paul Wolfowitz, Assistant Secretary of Defense for Policy, made a presentation before Secretary of Defense Dick Cheney, arguing that the United States must pursue a national security policy of denying any other nation or group of nations the ability to challenge America’s military supremacy, in the aftermath of the demise of the Warsaw Pact. The Wolfowitz doctrine was prepared by Wolfowitz, I. Lewis Libby, and Eric Edelman, at Cheney’s behest.

Feb. 17, 1992: Patrick Tyler published an article in the *New York Times*, “Pentagon Imagines New Enemies To Fight in Post-Cold War Era,” revealing a draft text of a Defense Planning Guidance, prepared by Wolfowitz for Cheney, which repeated the call for the United States to establish long-term unassailable military supremacy over the globe, including the use of pre-emptive force to block any nation from achieving the capacity to undermine that American dominance. “The world order is ultimately backed by the U.S.,” the document declared.

1993: Zalmay Khalilzad, another member of the Cheney-Wolfowitz Pentagon team, enunciated the doctrine in a book, *From Containment to Global Leadership?*, demanding that the United States “preclude the rise of another global rival for the indefinite future . . . to be willing to use force if necessary for this purpose.”

July 8, 1996: Richard Perle, close ally of Wolfowitz, delivered a report to Israeli Prime Minister Benjamin Netanyahu, to be the basis for a July 10, 1996 Netanyahu speech

before a joint session of the U.S. Congress. The report, “A Clean Break: A New Strategy for Securing the Realm,” advocated abrogation of the Oslo Accords, annexation of the West Bank and Gaza Strip, and a war against Iraq, to divide the Arab world and create a permanent rift between the United States and the Arabs, to establish a new Washington-Tel Aviv axis of military domination over the Near East and Persian Gulf. Principal authors of the study, which was prepared for the Jerusalem-based Institute for Advanced Strategic and Political Studies (IASPS), were Perle, Doug Feith, David Wurmser, Meyrav Wurmser, and Charles Fairbanks. Fairbanks is a longtime associate of Wolfowitz, and, in effect served as Wolfowitz’s representative on the task force. IASPS produced two in-depth studies to facilitate implementation of “Clean Break”: “Coping With Crumbling States: A Western and Israeli Balance of Power Strategy for the Levant,” and “Succession in Saudi Arabia: The Not So Silent Struggle,” which spelled out detailed strategies for destabilization and “regime changes” in Iraq and Saudi Arabia.

Feb. 19, 1998: Richard Perle and former Congressman Stephen Solarz (D-N.Y.) sponsored an open letter to President Bill Clinton, demanding military action to overthrow the Saddam Hussein regime, and replace it with the Iraqi National Congress, headed by convicted swindler Ahmed Chalabi. The letter was co-signed by 40 leading neo-conservatives, including Doug Feith, Zalmay Khalilzad, David Wurmser, and Paul Wolfowitz, who were all involved in either the 1990 Pentagon study and/or the 1996 “Clean Break” study.

September 2000: The Project for the New American Century issued a report, “Rebuilding America’s Defenses: Strategy, Forces, and Resources for a New Century,” which repeated the 1992 Defense Planning Guidance call for U.S. global military supremacy and the use of pre-emptive military force to defeat any challenges to that supremacy. The report was prepared by a task force that included 1992 co-authors Wolfowitz and Libby, along with Eliot Cohen, Robert Kagan, William Kristol, and Dov Zakheim.

Documentation

World Responses to U.S. Preemptive War Doctrine

Western Europe

Neil Mackay, “Bush Planned Iraq ‘Regime Change’ Before Becoming President,” *Sunday Herald*, Glasgow, Scotland, Sept. 15:

“A secret blueprint for U.S. global domination reveals that President Bush and his Cabinet were planning a premeditated attack on Iraq to secure ‘regime change’ even before he took

power in January 2001.”

Mackay refers to the September 2000 report, “Rebuilding America’s Defenses: Strategy, Forces and Resources For a New Century,” by the Project for the New American Century (PNAC), and quotes from the section of the report dealing with Iraq: “The United States has for decades sought to play a more permanent role in Gulf regional security. While the unresolved conflict with Iraq provides the immediate justification, the need for a substantial American force presence in the Gulf transcends the issue of the regime of Saddam Hussein.”

The PNAC study precisely repeated the language of the 1990 and 1992 Cheney Defense Department studies, says Mackay, promoting a “blueprint for maintaining global U.S. pre-eminence, precluding the rise of a great power rival, and shaping the international security order in line with American principles and interests.” It is not surprising that the study so closely followed the Pentagon studies of a decade earlier. Two of the principal participants in the task force that produced the document were Paul Wolfowitz and Lewis Libby. Other project participants included: Robert Kagan, William Kristol, and Dov Zakheim (currently the Comptroller of the Pentagon).

French President Jacques Chirac, Sept. 23, in Copenhagen for the Asia-Europe Meeting (ASEM) summit conference:

“Let us give peace a chance; war is always the worst solution. As far as Iraq is concerned, war is not unavoidable.” Chirac said he would resist the new American preemptive war doctrine “with all means,” because that doctrine, once implemented, would “lead to the worst excesses.” He voiced disagreement with British Prime Minister Tony Blair’s dossier on Iraq, and, according to wire service reports, clashed with Italy’s Prime Minister Silvio Berlusconi, because the latter supported the Bush view “more than is good for Europe and for the world,” as Chirac is said to have characterized the discussion.

Peter Kilfoyle, “Defending Ourselves,” *The Guardian*, London, Sept. 23:

Kilfoyle, a senior British Labour Party parliamentarian, was Minister of Defense in the Blair government (1999-2000), and is now a critic of Blair. He writes that Europe should unite, to “counterbalance an increasingly paranoid and hawkish America.”

“In ancient Rome, the statesman Cato the Elder was renowned for declaiming at the end of every speech, that ‘Carthage must be destroyed,’ referring to Rome’s long-standing enemy. It is perhaps appropriate, therefore, that one of the right-wing think-tanks in the U.S. should be called the Cato Institute—except that the ultra-right of American politics sees enemies everywhere. The thinking of these ideologues is alien to most of us.”

Kilfoyle calls Deputy Secretary of Defense Paul Wolfow-

itz “so extreme, that the description ‘hawk’ does not do him justice.” After mentioning the National Institute for Public Policy and the Heritage Foundation, Kilfoyle writes that “perhaps the strangest pair of these factories of paranoia are the Center for Security Policy, and the Project for the New American Century (PNAC). The former is run by the ultra-hawk Frank J. Gaffney. He calls UN inspections in Iraq ‘hare-brained,’ and is very well-connected in Washington.

“Back in 1997, Gaffney was co-signatory of the principles of PNAC, along with Donald Rumsfeld, Dick Cheney, Paul Wolfowitz, and Lewis Libby (all senior officials to President Bush), together with Jeb Bush, brother of the President.”

Russia

“Preemptive Attack on the World,” *Krasnaya Zvezda*, official newspaper of the Russian Defense Ministry, Sept. 24:

“Official Washington is preparing to shift from the doctrine of deterrence, which the U.S. has held to throughout the Cold War until recently today, to a strategy of carrying out preemptive attacks on those countries judged to be sources of threats to U.S. interests. This means that the object of American military operations can become any country which refuses to agree to any demand from Washington.”

Krasnaya Zvezda notes that “the idea of preemptive strikes has been circulating in military political circles in the U.S. for a long time; moreover, preemptive attacks had been included in many documents in the Pentagon, including at the highest-level leadership. But only now has it become official. . . . The process began long before Sept. 11, and the terrorist attack simply strengthened and accelerated it.”

The paper remarks that “nuclear weapons play a special role in the doctrine of preemptive attacks,” pointing to indications of development of new types of nuclear weapons in the United States, including mini-nukes.

Chris Floyd, *Moscow Times*, English-language Russian daily, Sept. 24:

“Not since *Mein Kampf* has a geopolitical punch been so blatantly telegraphed, years ahead of the blow. . . . Adolf Hitler clearly spelled out his plans to destroy the Jews and launch wars of conquest . . . in his 1925 book, long before he ever assumed power. . . . Similarly—in method, if not entirely in substance—the Bush regime’s foreign policy is also being carried out according to a strict blueprint written years ago, then renewed a few months before the Regime was installed in power by the judicial coup of December 2000.

“The first version . . . was drafted by a team operating under then-Defense Secretary Dick Cheney in 1992. . . . When the Dominators were temporarily ousted from government after 1992, they continued their strategic planning with funding from the military-energy-security apparatus and right-wing foundations. This culminated in a new group, the aptly named Project for a New American Century (PNAC). Members included hard-right players like Cheney, Donald

Rumsfeld, Paul Wolfowitz, Zalmay Khalilzad (now ‘special envoy’ to the satrapy of Afghanistan) and other empire aspirants currently perched in the upper reaches of government power. In September 2000, PNAC updated the original Cheney plan in a published report, ‘Strengthening America’s Defenses.’ . . . Anyone still ‘puzzled’ over the Bush Regime’s behavior need only look to these documents for enlightenment. They have long been available to the media. . . . The Dominators dream of empire. . . . One of their chief gurus, Reaganite firebreather Michael Ledeen, says that if the Dominators reject ‘clever diplomacy’ and ‘just wage total war’ to subjugate the Middle East, ‘our children will sing great songs about us years from now.’ This madness, this bin Laden-like megalomania, is now driving the hijacked American republic—and the world—to murderous upheaval.”

United States

John Ikenberry, “America’s Imperial Ambition,”
Foreign Affairs, October 2002:

Ikenberry, a Georgetown University professor of “Geopolitics and Global Justice,” criticizes “America’s imperial ambition” and traces the new Bush doctrine to Paul Wolfowitz’s 1990 draft. He argues that a unilateralist and pre-emptive U.S. strategy will be self-defeating, in that it will weaken and destroy the alliances, such as NATO, and international campaigns, such as that against proliferation, which are needed against terrorism.

“History shows,” he writes, “that powerful states tend to trigger self-encirclement by their own overestimation of their power. Charles V, Louis XIV, Napoleon, and the leaders of post-Bismarck Germany sought to expand their imperial domains and impose a coercive order on others. Their imperial orders were all brought down when other countries decided they were not prepared to live in a world dominated by an overweening coercive state. America’s imperial goals and *modus operandi* are much more limited and benign than those of age-old emperors. But a hard-line imperial strategy runs the risk that history will repeat itself.”

Ikenberry discusses the doctrine that America’s military strength must be kept beyond the ability of any nation or coalition to try to challenge it. He writes, “This goal made an unsettling appearance at the end of the first Bush Administration, in a leaked Pentagon memorandum written by then Assistant Secretary of Defense Paul Wolfowitz.”

Ibero-America

Editorial, “The Apotheosis of American Supremacy,”
O Estado de São Paulo, Brazil, Sept. 24:

This Brazilian establishment daily excoriates the arrogance and “Orwellian doublethink” of the newly released U.S. National Security Doctrine document.

“The text was not surprising. Since at least the President’s speech at West Point Military Academy, last June 1, it was known that the new thinking dominant in Washington was



British Prime Minister Tony Blair is alone with U.S. warhawks—here, with Defense Secretary Donald Rumsfeld: Blair is virtually the only world leader supporting the new Bush pre-emptive war doctrine and its application to Iraq.

retiring the philosophy of deterrence and containment that had guided the United States to final victory during nearly a half-century of Cold War with the Soviet Union. . . . But, if it was not surprising to anyone who had closely followed Bush’s foreign policy for the almost 20 months between his inauguration and the Sept. 11 massacre, the document is stunning for the absolute matter-of-factness with which the U.S. government makes clear that it will respect such [international] norms and institutions only to the precise degree that they represent no obstacle to Washington’s decisions. . . .

“In a demonstration not that far from that which the late English writer George Orwell called ‘doublethink’ to characterize the lexicon of totalitarian regimes, the Bush government called the principle guiding what is without doubt the most aggressive security policy adopted by the U.S.A. since President Reagan, ‘authentic American internationalism,’ in opposition to what would be a search for ‘unilateral advantage.’ Reminiscent of the ‘Big Stick’ era of Theodore Roosevelt. . . .

“In other words, no nation will have the liberty to develop

a defense system which the United States considers potentially competitive with its own. But all of them, on the other hand, must accept their 'sovereign responsibilities' in the battle against terrorism."

Helio Jaguaribe, "Superpower and Legitimacy," *O Globo*, Brazil, Sept. 23:

Jagueribe, a sociologist who is close to President Fernando Henrique Cardoso, writes that the Bush Administration's new security doctrine is changing the most important characteristic historically of the United States: that it adhered to principles of democracy and legality, in matters both domestic and international. Such was the case from Presidents Washington and Jefferson, through Lincoln and Franklin D. Roosevelt, to Kennedy and Clinton. This consistent democratic orientation is what permitted the United States to become a world power in World War I, and a superpower in World War II, with the agreement of the civilized and democratic world.

Bush, after a contested election in which a majority of the citizens voted against him, instead of adopting a moderate position, "formed, with the notable exception of Secretary Powell, a Cabinet of ultras, representative of the most reactionary currents of the country, and intends now, in the name of the battle against international terrorism and the pretext of keeping Saddam Hussein from accumulating dangerous stocks of weapons of mass destruction, to militarily invade Iraq, to overthrow its President and replace him with an American puppet.

"The world now faces . . . the unilateral assertion by the only superpower, that it will superimpose its will upon international law. The long historical tradition of the United States, as an open and democratic society, respectful of law, is threatened by a frontal attack from the man who happens to be President. . . . Suddenly, President Bush declares himself willing to use, arbitrarily and unilaterally, his military superpower, including, if judged convenient, nuclear weapons. This challenge places the United Nations and the democratic and civilized world in an unescapable dilemma. Should American unilateralism be tolerated, even implicitly, the world will cease to be free, democracy cease to be universal, and the power of the strongest will prevail."

Mideast

***Al-Watan*, Saudi Arabian daily, publishes an article by *EIR*'s Jeffrey Steinberg, "Pollard's Spies in the White House" Sept. 20:**

Steinberg reports the latest revelations made by Democratic Presidential pre-candidate Lyndon LaRouche on the role of Israeli agents, including people in the office of Vice President Cheney, such as Lewis Libby.

Zainil-Abdin al-Rikabi, *Asharq al-Awsat*, Saudi Arabian daily, Sept. 14:

Zainil-Abdin Al-Rikabi, a well-known Saudi religious author, comments on President Bush's decision to take the Iraq case to the United Nations. "Bush's backing down from a direct war could be due to the growing opposition, or an attempt to contain the wide opposition to the war both domestically and internationally. Meanwhile, we should not downplay the other options, because the plans to attack Iraq are mixed and interconnected with parallel strategies aiming at redrawing the maps of the region. There are people in Washington who are pushing into this direction to serve the Zionist strategy, as American political leader Lyndon LaRouche has said. And, this is what he said literally: 'There is now firm evidence that the ongoing drive to induce President George W. Bush to launch a war against Iraq, is a 1996 Israeli policy that is being foisted on the President by a nest of Israeli agents inside the Israeli government.'"

Patrick Seale, "Have the Washington Hawks Been Defeated?" *Al-Hayat*, London-based Saudi-Lebanese daily, Sept. 20:

"The hawks in Washington and Tel Aviv are furious. They were preparing to smash Iraq, unseat Saddam Hussein, install a puppet government in Baghdad, and redraw the political map of the entire region, shifting the balance of power decisively in favor of the United States and Israel," writes Seale, a British Mideast expert, pointing to the Iraqi decision to allow UN weapons inspectors back.

"As they voice angry skepticism about the sincerity of Iraq's intentions, the hawks' disappointment is palpable. They want to kill Saddam Hussein, not merely to disarm him." Under the subtitle "Likudniks in the Bush Administration," Seale writes: "The hawks in Washington and Tel Aviv do not want Saddam to be serious about weapons inspections. They want him to cheat and provide a pretext for war. For them, Iraq's alleged possession of weapons of mass destruction (WMD) has always been something of a side issue, while Iraq itself was only a means to an end. They dream of 'regime change' in Iraq as a stepping stone to bigger things—control of Iraq's oil, thereby reducing Western dependence on Saudi oil; pressure on Iran, seen as the major long-term threat to Israel; possible 'regime change' in both Iran and Syria; a free hand for Israel to break the Palestinians and draw new expanded frontiers; 'democratic' reform, U.S.-style, in both Egypt and Saudi Arabia; a new imperial order in the Middle East under joint U.S.-Israeli control. . . . Such are the geopolitical fantasies devised by a group of fervent American Likudniks—Deputy Defense Secretary Paul Wolfowitz, Assistant Secretary for Defense Policy Douglas Feith, Chairman of the Defense Policy Board Richard Perle—and which have been adopted, uncritically, by the two most powerful men in President Bush's Administration, Defense Secretary Rumsfeld and Vice President Cheney, and apparently by the President himself." He warns that "some of these men are aware that, if Iraq manages to escape from war, their own ideological

vision and political fortunes could be sacrificed. They need to move fast because the timetable is extremely tight.”

From Our Archives

Suspected Soviet Cell Wrote Reagan's Long-Term Strategy

by Jeffrey Steinberg

Reprinted and excerpted from EIR, June 3, 1988.

On Feb. 19, 1988, *Washington Post* associate editor Bob Woodward published a front-page story detailing the Pentagon and CIA's futile search for "Mr. X," the designation for a high-level intelligence community mole who was believed to be providing Pollard with top-secret code numbers of classified military documents that Pollard, a counterterrorist analyst at a Naval Investigative Service facility in Suitland, Maryland, would then pilfer and pass on to Israeli and Soviet intelligence. Shabtai Kalmanowitch, a Russian-born Israeli multi-millionaire, soon to be tried in Israel as a KGB spy, is widely believed to have been one of the Israel-Soviet "back channels" through which the "Mr. X" loot was shared with Moscow.

According to one Pentagon source, the elusive "Mr. X" is actually known to be an entire cell of shared Soviet-Israeli agents, rather than just one well-placed individual. While Woodward's headline-grabbing revelations about "Mr. X" were aimed at blocking the Department of Justice from shutting down its Pollard investigation altogether, under reported strong pressure from State Department chief counsel Abraham Sofaer and Secretary of State George Shultz himself, Pentagon and CIA officials have been reportedly aware that they are dealing with an "X Committee," buried deep inside the American national security establishment.

One version of the "X Committee" list, reportedly passed from the office of the general counsel to the Secretary of Defense and on to the FBI early this year, contained such prominent Reagan Administration figures as: Iklé, Richard Perle, Steven Bryen, Doug Feith, Andy Marshall, Henry Rowen, and Frank Gaffney, Jr. All were, up until very recently, senior officials at the Pentagon, the Arms Control and Disarmament Agency, and the CIA's National Intelligence Estimates Board.

For the past month, a team of *EIR* investigators has con-

ducted an extensive background cross-check of these named individuals and others closely associated with them, such as Michael Ledeen, Roy Godson, and Neil Livingstone. This preliminary special report summarizes the findings to date.

Albert Wohlstetter Recruits a Net

Decades before there was Pollard and Kalmanowitch, Dr. Albert Wohlstetter had already established himself as one of America's preeminent "nuclear strategists"—certainly one of the figures upon whom the early 1960s character "Dr. Strangelove" was based. First at the RAND Corporation and the University of Chicago, and later at his own consulting firm, Pan-Heuristics, Wohlstetter groomed literally scores of protégés for future sensitive government posts.

Using the Senate offices of the late Henry Jackson (D-Wash.) and Clifford Case (R-N.J.) as stepping stones for placing his epigones into the Washington, D.C. policymaking circuit, Wohlstetter had succeeded, by the time the Reagan Administration entered office, in placing his assets in sensitive and powerful positions at the Pentagon. Dr. Fred Iklé, a Wohlstetter protégé from their days together at RAND, became the Deputy Secretary of Defense. Richard Perle, who had come under Wohlstetter's wing while still a student at Hollywood High School, and who survived a 1970 near-arrest, reportedly for passing secrets to the Mossad while on Scoop Jackson's staff, became President Reagan's most trusted arms control adviser up until his departure from the Pentagon late last year. Perle was the actual author of the disastrous INF treaty proposal jumped on by Soviet boss Gorbachov at Reykjavik. . . .

Wohlstetter apparently went to great lengths to distance himself from his years of activity as a figure in the American communist movement in the 1930s and 1940s.

By 1983, Wohlstetter and his network had so penetrated the national security apparatus of the Reagan Administration that the "father of America's MAD strategy," as Wohlstetter was known, was formally appointed—at the same time as Henry Kissinger—to the President's Foreign Intelligence Advisory Board, a post he retains today. While not exactly an operational assignment, membership on PFIAB entitles Wohlstetter to access some of America's most important and operational intelligence secrets.

When the Reagan Administration set out to define a long-term strategy for confronting the Soviet threat going into the early decades of the 21st Century, a "private" blue ribbon commission was empaneled by Defense Secretary Caspar Weinberger. The co-chairmen of the panel were Wohlstetter and Iklé.

The final product of the Wohlstetter-Iklé Commission, once one grasps the implications of the "X Committee" authorship, was predictable. Released at a Pentagon press conference on Jan. 12 of this year, *Discriminate Deterrence, a Report from the Commission on Integrated Long-Term Strategy*, made two particular policy pronouncements that were

tantamount to treason.

First, the report stated categorically that the United States should formally remove its nuclear umbrella from its European NATO allies, thus virtually assuring the Soviets of an unchallenged conventional military takeover of Western Europe at any moment they might choose.

Second, the report called for the abandonment of the President's Strategic Defense Initiative by refocussing on the more narrow objective of a point defense of America's land-based nuclear arsenal. By abandoning the overall doctrinal shift to Mutually Assured Survival based on a broad defense against all Soviet nuclear weapons, the report called for killing the whole program while at the same time abandoning the post-war doctrine of deterrence by massive retaliation.

As if to remove any doubt as to the intention of the report, co-author Wohlstetter told an *EIR* journalist at the Pentagon press briefing, "The SDI will eventually die of embarrassment [because] the notion that the Soviet Union would launch a nuclear attack against the population of the United States is absurd."

The Search for 'Mr. X'

by Joseph Brewda

Reprinted and excerpted from EIR, June 3, 1988, this profile of leading candidates for the "X Committee" controlling the espionage of Jonathan Pollard, exposes much of the warhawk leadership of the Pentagon today.

U.S. government investigators are hot on the trail of "Mr. X," the senior U.S. government official deemed responsible for having placed convicted Soviet-Israeli spy Jonathan Pollard in a sensitive post at U.S. Naval Intelligence. Without such an official, or officials, Pollard could never have reached his position. *EIR* has received a list of suspects currently being investigated by the U.S. government for having played that treacherous role. It is *EIR*'s judgment, moreover, that the individuals on the list, far from being a random collection of suspects, constitute a tightly organized conspiracy, which was responsible, *as a whole*, for patronizing and protecting Pollard. Perhaps the best description of them is "Albert Wohlstetter's children." . . . Wohlstetter was one of the founders of the RAND corporation, a center of crackpot strategies, together with Andrew Marshall, Henry Rowen, and Herman Kahn.

Altogether, the list includes:

Henry S. Rowen. Currently a senior fellow at the Hoover Institution, Rowen joined Wohlstetter and Kahn at the newly formed RAND corporation in 1951, following graduation from Massachusetts Institute of Technology. His most recent government post was chairman of the National Intelligence

Estimates Board at CIA, 1980 to 1983.

In 1951, Rowen and Wohlstetter succeeded in expanding their penetration of U.S. defense circles through a RAND study on the vulnerability of Strategic Air Command bases to Soviet surprise attack. Rowen and Wohlstetter designed the insane doctrine of "flexible response" and "controlled escalation" at RAND, and later sold it to Defense Secretary Robert McNamara.

In 1959, Rowen, Wohlstetter, and Andy Marshall became key figures in the John F. Kennedy campaign. Following Kennedy's election, Rowen was appointed Deputy Assistant Defense Secretary under McNamara, where he advocated the "Mutually Assured Destruction" deterrence thesis, in opposition to the traditional military doctrine of "war-winning." Rowen served as President Johnson's assistant director at the Bureau of the Budget, and then returned to RAND. Rowen reemerged as the leader, with Wohlstetter and Kahn, of the team which wrote Jimmy Carter's notorious PD-59, a policy which removed the strategic nuclear umbrella from Western Europe.

Andrew Marshall. Currently the director of the Defense Department's Office of Net Assessments, a post he has held since 1973, Marshall oversees all Pentagon studies comparing the relative strengths of the U.S. and Soviet military. The office's assessments have been notoriously incompetent. A founder of RAND, Marshall assisted Albert Wohlstetter and his wife, Roberta, in their influential study on the vulnerability of the Strategic Air Command. While at RAND, Marshall also trained future Defense Secretary James Schlesinger.

In 1957, Marshall joined H. Rowan Gaither in directing the Council of Foreign Relations-linked Gaither Committee, which concluded that the United States would not be able to follow the doctrine of "massive retaliation," and had to, they insisted, accept the idea of U.S.-Soviet strategic parity. The committee's ideas were later picked up by Henry Kissinger. In 1973, Secretary of Defense James Schlesinger hired his mentor Marshall to become director of the Office of Strategic Assessment. Under Marshall, it became the key Pentagon office overseeing the subcontracting of strategic assessments to private firms, such as RAND. Marshall has also served as the key liaison with the Israeli Defense Ministry. In 1982, Marshall, Fred Iklé, and Richard Perle co-authored the Reagan Administration's guidelines on defense guidance.

Fred Charles Iklé. Product of an elite family associated with the National Bank of Switzerland, Iklé was trained at the RAND Social Sciences department under Wohlstetter and Marshall. From 1981 through February 1988, Iklé was Undersecretary of Defense for Policy. He is the co-author with Wohlstetter, of the recent Pentagon study, *Discriminate Deterrence*.

In addition to serving in his family's Zurich-American Insurance Company and teaching at MIT, Iklé directed the Arms Control and Disarmament Agency under President Ford. He has served as the main patron of the "X Commit-

tee's" Richard N. Perle and Stephen D. Bryen within the Defense Department.

Richard N. Perle. From 1981 through April 1987, Perle was Assistant Secretary of Defense for International, Economic, Trade, and Security Policy, serving under Undersecretary Iklé. Perle is now based at the American Enterprise Institute. Perle formulated the treasonous "zero option," and sold the policy to Ronald Reagan for the 1986 Reykjavik summit. He is married to Leslie Joan Barr, formerly a top officer at the Commerce Department and currently in the sensitive post of director of the Customs Service's International Program Management Division.

Perle got his start by dating Wohlstetter's daughter in high school. He was later a London School of Economics college roommate of another Wohlstetter protégé, nuclear strategist Edward Luttwak. Perle was sent into the Congress in 1970, as a top aide to the late Sen. Henry "Scoop" Jackson, with access to high-level classified information. In 1970, U.S. wiretaps of the Israeli embassy showed that Perle was feeding some of this classified information to the Israeli government, probably in association with Kissinger associate Helmut Sonnenfeldt.

In 1976, Perle left government to form the Abingdon Corporation, an arms trading company, with future Navy Secretary John Lehman. Perle maintained Abingdon's lucrative account with Soltam Corporation, Israel's largest mortar manufacturer, which was later implicated in the Iran-Contra arms sales. Perle was later caught receiving over \$100,000 from Soltam, after he joined the Reagan Administration in 1980, allegedly for past services due. Simultaneous with forming Abingdon, Perle founded the Jewish Institute for National Security Affairs (JINSA) with Stephen Bryen; Michael Ledeen, a suspected Mossad or Soviet spy later central to the Iran-Contra affair; and Yossef Bodansky, reportedly the Israeli intelligence handler of Jonathan Pollard.

Stephen D. Bryen. Currently employed at the new post of Deputy Undersecretary of Defense for Trade Security Policy, Bryen had been a deputy of Perle at Defense since 1980. Bryen got his start as an aide to Sen. Clifford Case in 1971, quickly becoming Perle's closest associate in the Senate. Bryen co-founded JINSA with Perle, and his wife, Shoshana Bryen, has served as JINSA's executive director since its inception.

In 1978, Bryen was caught red-handed with the Mossad's Washington station chief, Zvi Rafiah, discussing giving the Israeli government classified information. Bryen was then staff director of the Senate Foreign Relations Subcommittee on Near Eastern and South Asian Affairs. Like Perle, Bryen escaped prosecution.

While serving as Perle's assistant at the Defense Department, Bryen formed the Technology Transfer Center, with oversight over the smuggling of strategic technology. Bryen hired Pollard's reported handler, Yossef Bodansky, to serve at the center, as well as Michael Ledeen's wife, Barbara Ledeen.

Frank Gaffney, Jr. Now based at Herman Kahn's Hudson Institute, Gaffney was Deputy Assistant Secretary of Defense for Nuclear Forces under Perle, and was slated to be his replacement until his resignation from government last November. Like Perle, Gaffney got his start working for Sen. Scoop Jackson, and has often been described as a Perle protégé. Since his resignation, Gaffney has loudly criticized the INF treaty, whose worst features Perle masterminded. He has not broken with Perle, however, and co-authored a loyal "critique" of the treaty with Perle in February.

Douglas J. Feith. At his own Washington law firm since 1986, Feith served as Perle's deputy in varying capacities at Defense since 1982, most recently as deputy assistant secretary for negotiations policy. He had previously served on the Reagan National Security Council.

John F. Lehman, Jr. Secretary of the Navy from 1981 through 1987, Lehman is currently touted as a National Security Adviser or Defense Secretary in a Bush Administration. A relative of the late Princess Grace of Monaco, Lehman got his start as the Oxford University roommate of David Walker, a future leader of Britain's elite Strategic Air Services (SAS), and founder of KMS, Ltd., a firm which Lehman ensured handled much of the Iran-Contra arms trafficking.

Lehman was a senior staff aide and counsel to Henry Kissinger, both at the NSC and the State Department. Beginning in 1975, Lehman served as Iklé's deputy director at the Arms Control and Disarmament Agency. During the Carter years, Lehman formed the Abingdon Corporation with Richard Perle.

Paul Dundes Wolfowitz. Currently ambassador to Indonesia, Wolfowitz had been Wohlstetter's student at the University of Chicago, together with Donald Fortier, the recently deceased deputy director of the National Security Council. Wolfowitz's first government post was as special assistant to Fred Iklé, 1974-77, then directing the Arms Control and Disarmament Agency. After a three-year stint at the Defense Department Regional Programs Office, Wolfowitz became director of the Policy Planning Staff at the State Department, in 1981-82, and then Assistant Secretary of State for East Asian and Pacific Affairs through 1985. At that post, Wolfowitz played a key role in the overthrow of Philippines President Ferdinand Marcos.

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George Pratt Shultz: The Vulcans' Godfather

by Scott Thompson

According to news accounts of Summer, 1998, a Bush family war council took place at their Kennebunkport, Maine vacation compound, where it was decided to make George Pratt Shultz (a high-ranking official in every Republican Cabinet since President Nixon's), head of then-Gov. George Bush "43's" Presidential Exploratory Committee. Shultz's deputy on the Committee, launched shortly thereafter, was former President Bush "41's" Secretary of Defense, Dick Cheney, who has since emerged as one of the most powerful Vice Presidents in history. Like Shultz, Cheney brought with him baggage, such as his 1990 Defense Secretary's brief advocating a Roman-style *Pax Americana*. Clearly, Shultz did not disagree, because almost every member of Bush 41's foreign policy team shared the post-Cold War mirage of building an "American empire." It was these two Anglo-American Establishment members of the Republican "Old Guard" who paved the way for Bush 43's successful Presidential campaign.

One of the first selections made by Shultz—who was himself then a Distinguished Fellow at the Hoover Institution among other positions—was of Condoleezza Rice, also a Hoover Fellow, who had just finished a term as Provost at Stanford. It was she who dubbed Bush 43's strategic policy team "The Vulcans," after a statue of the Roman god of metal-forging in the steel center of Birmingham, Alabama, her home town. (Some wags have suggested since, that she ought better to have dubbed the team "Martians," after the Roman god of war.)

Shortly after the Kennebunkport summit, Bush 43 visited Shultz's home in Palo Alto, California and approved the woman who was to be part "nanny," part "school marm," and today Presidential Assistant for National Security Affairs. With Condi Rice as the self-described "quarterback of the Vulcans," one of the first drafts by Shultz and Cheney was Paul Wolfowitz, Deputy Secretary of Defense. Wolfowitz, as a member of the Cheney Defense Department under Bush 41, had argued loudly that the time was ripe for a *Pax Americana* empire. Wolfowitz in turn is believed to have brought in Richard Perle, today chairman of the Defense Policy Board, having served as the highly suspect Assistant Secretary of Defense for International Security Affairs from 1981-87 in President Reagan's Administration.

Thus came together the followers of H.G. Wells who

would be the trainers and advisers of the current President, whom Lyndon LaRouche has called "a dupe from birth."

Shultz and the Pollard Affair

His role with "The Vulcans" makes it hardly surprising that as Reagan Administration Secretary of State, Shultz did everything within his power to halt the investigation of convicted "spy for Israel," Jonathan J. Pollard. As *EIR* reported, from well-informed U.S. intelligence sources, the reason Pollard has never been released from prison to Israel, lies in the sealed affidavit of Reagan's Secretary of Defense Caspar Weinberger. Weinberger attested that far from Pollard's main focus being Arab "enemies of Israel," he gathered the most highly classified material on the U.S. war-fighting strategy against the Soviet Union, which Israel then used for trading with the U.S.S.R.—e.g., for the release of Jews to Israel.

EIR learned from Pentagon and other U.S. intelligence sources, and published, that an investigation was ongoing, not simply to find the "Mr. X" director of Pollard's spying activities, but to identify an "X Committee" acting as a Soviet-Israeli "molehill" in Washington, telling Pollard what documents were available to be turned over to the Israelis.

Ironically, one of the foremost suspects in the "X Committee" was Richard Perle (a.k.a. "The Prince of Darkness). Perle, whose appointment as chairman of the Defense Policy Board did not require Senate approval, and who reports directly to Paul Wolfowitz, has been foremost among those arguing for war on Iraq, for U.S. occupation and takeover of Saudi Arabia's eastern oil fields, for a total break with the House of Saud, and for a purge of those American military chiefs who don't agree with him. Still, Shultz drafted Richard Perle as one of the first members of "The Vulcans," who held daily conference calls "to bring Governor Bush up to speed."

It was this investigation into the "X Committee" that Shultz, when Secretary of State under Reagan, had tried to nip in the bud. For this purpose, Shultz deployed the Legal Adviser of the U.S. State Department, Abraham Sofaer, who was a former Federal Judge nominated by President Jimmy Carter, and an alleged Mossad agent. Judge Sofaer had presided over the lawsuit brought by then-Gen. Ariel Sharon against *Time* for its straightforward coverage of the slaughter in Lebanon by Falange militia under General Sharon's oversight.

No sooner did Shultz tip Sofaer to try to bury the Pollard case, than Sofaer led a delegation in late 1985 to Israel to interrogate Rafael Eitan. Eitan had been the head of Lekem—the "off-the-reservation" technological intelligence unit that was believed to have been the Israeli counterpart of the "X Committee." Not only did nothing come out of this interview with Eitan, but, while in Israel, Sofaer—according to columnists Evans and Novak—gave an interview to the Israeli daily *Ha'aretz*, where he praised Sharon's invasion of Lebanon, Israel's bombing the Palestine Liberation Organization (PLO) in Tunisia, and its interception of an Egyptian airliner.



George Shultz (left) with Caspar Weinberger, in 1987. Shultz was instrumental in protecting Jonathan J. Pollard, who was convicted of espionage for Israel.

So, Shultz used an avowed advocate of Israel's fascist "Terror Against Terror"-style tactics, to cover-up the extent of the Jonathan Pollard espionage network. And, he rewarded Judge Sofaer by seeing that he is now a Fellow at the Hoover Institution, along with Shultz.

Other Treachery Against U.S. Interests

Shultz's personal disdain for the general welfare of U.S. citizens may originate with his background before entering high office. He was one of the first Secretaries of State, whose training had been largely that of a nerdy, cybernetics "time study" man. Shultz earned a Ph.D. in industrial economics from the Massachusetts Institute of Technology, where he also taught from 1948-57. He became Dean of the Graduate School of Business at the University of Chicago (1962-68). There Shultz was a "sherpa" for the likes of such "Chicago School" types as the Milton Friedman who followed in the footsteps of Nazi Finance Minister Hjalmar Schacht. A 1960 Shultz book that helped him obtain this job was *Management Organization and the Computer*, which peddled the fraud of artificial intelligence, and what became known as the late, great "Information Age."

Shultz served as Secretary of Labor in the Nixon Administration from 1969-70, and was then appointed Director of the Office of Management and the Budget (OMB). It was in the latter position, according to well-informed sources, that Shultz was one of the persons who strong-armed Treasury Secretary John Connolly to accept the 1971 decision to destroy the Bretton Woods monetary system. This process, especially, included dumping gold-reserve-pegged parities among currencies, to create the floating exchange-rate system. Of all the disastrous policies in the post-World War II era, this decision to destroy Bretton Woods did perhaps more than any other, to extinguish President Franklin Delano Roosevelt's success in reversing the Great Depression. In physi-

cal-economic terms, it has meant negative growth for the United States since 1971. It was critical in creating the current, accelerating, global systemic economic collapse. As a reward, the tragic Nixon appointed Shultz Secretary of the Treasury—replacing Connolly—where Shultz implemented austerity measures upon American citizens from May 1972 until May 1974.

In 1981 Shultz was made chairman of the incoming President Reagan's Economic Policy Advisory Board. In that position, he did nothing to reverse the ravages upon the physical economy—industry, agriculture, infrastructure—wrought during the previous Carter Administration by Federal Reserve Chairman Paul Volcker's usurious interest rates. Rather, Shultz embraced the New York Council on Foreign Relations' "1980s Project" work of 1976, which had called for "controlled disintegration."

In 1982, Shultz was promoted to become the 60th Secretary of State, and served until Jan. 20, 1989. Toward the end, following then-Prime Minister Lady Margaret Thatcher's advice that Mikhail Gorbachov was a "man with whom you can do business," Shultz proposed what was then known as a "global condominium" or "New Yalta" arrangement with Gorbachov. Ironically, by 1989, Soviet hardliners, fearing an impending economic collapse, were preparing for a potential "global showdown," and Gorbachov was Secretary General in name only.

Exemplary of the "New Yalta," is the case of the Middle East, where Shultz rudely rejected Israeli and other suggestions that an economic development program for the region ought to be the key component of negotiating political solutions. Taking a page from Zbigniew Brzezinski's "Arc of Crisis," Shultz carried out secret diplomacy, offering Israel the West Bank (which had been part of Jordan), plus a part of southern Lebanon, if Israel would grant Syria, which was then a Soviet satrap, the remainder of northern Lebanon. Thus, the map of the Mideast would be redrawn into a "Greater Syria" and a "Greater Israel"—an arrangement which left the Palestinians, with whom Shultz refused to deal, with nothing.

Since leaving office, Shultz has not changed his disregard for the general welfare. He teamed up with "British Golem" and mega-speculator George Soros to promote a series of referenda to legalize narcotics, making him truly the "Godfather of The Vulcans." Thus, in an Oct. 7, 1989, speech to the Stanford Business School, Shultz said that the time had come "to make it possible for addicts to buy drugs at some regulated place at a price that approximates cost. . . . We need at least to consider and examine forms of controlled legalization of drugs." Shultz's argument, in historical effect, has been for skyrocketing addiction wherever it has succeeded.

In semi-retirement in the Hoover Institution's ivory towers, Shultz has done very well indeed, giving economic advice to many companies gullible enough to accept it from the man who helped bring about their impending demise.

He is a member of the board of directors of Bechtel Group, Fremont Group, Gilead Sciences, Unnext.com, and Charles Schwab & Co. He is also chairman of the International Council of J.P. Morgan Chase, which *EIR* analysts believe may have been taken under protection of the Federal Reserve after it nearly went under this year. For now, Shultz is being well rewarded for his years of servitude to the Anglo-American Establishment.

The ‘Neo-Conservative’ Problem

by Dr. Clifford A. Kiracofe, Jr.

In the last several weeks, EIR has reprinted, with permission, notable commentaries questioning war against Iraq, including articles by former U.S. National Security Adviser Gen. Brent Scowcroft, former Republican U.S. Rep. Pete McCloskey of California, and speakers at a conference of the National Council on U.S.-Arab Relations in Washington. The following comments by Dr. Clifford Kiracofe were made on Sept. 9 to that conference. Kiracofe, an historian who was a senior staff member of the Senate Committee on Foreign Relations, anticipated the contents of President George W. Bush’s “neo-imperial” doctrine by several weeks. Further speeches from the U.S.-Arab conference will be covered in next week’s EIR.

In June, I had the opportunity to visit Saudi Arabia and Egypt. It was instructive to be in the region again. The situation is dangerous and the gulf is widening between the United States and our friends in the region. I was pleased to meet and hear from such personalities as H.R.H. Crown Prince Abdullah, the Egyptian Foreign Minister, and the head of the Arab League. . . . Turning now to this town, I shall now comment on neo-conservatives, Christian Zionists, and the print news media.

Congressmen and Senators, while home during recess, evidently encountered a deeply skeptical electorate with respect to war against Iraq. Scurrying back to this town, somewhat chastened politicians seem nervous about the elections just ahead and the international situation.

Where the United States had the whole world behind it last 9/11, the whole world today—one can say, with good reason—is against the United States, because of the Administration’s neo-conservative Middle East policy, to attack Iraq and to do nothing to solve the Palestine question.

While many in this room are familiar with the “hawks versus doves” or “unilateralists versus multilateralists” analysis of the foreign policy debate, may I offer the perspective

of “Traditionalists versus Neo-Conservatives”? In my view, the current policy debate is a confrontation between those who advocate the core values of the traditional United States approach to foreign relations, as established by the Founding Fathers, and those who are the alien-minded advocates of a radical break with American tradition.

The alien-minded neo-conservative policy network advocates the revival of a 19th-Century European imperialism—if not a ruthless and cynical 20th-Century German *machtpolitik*—as the basis for a new permanent direction in U.S. foreign policy. In fact, the neo-conservative policy network demands that the United States adopt a policy of global imperialism. That this is a constant theme in their propaganda is well known, and observable on a daily basis.

The policy of permanent global imperialism is the core of the dark, hysterical, and alien mind-set of the neo-conservatives. American foreign policy traditionalists, of course, reject permanent global imperialism and pre-emptive war. Traditionalists say international law must be respected, and that our policy should be to “observe good faith and justice toward all nations.”

Because of the penetration of the Republican Party by the neo-conservative policy network during the past 20 years, the Republican Party now faces a severe internal crisis. This is reflected in the situation in Congress today by the sharp split between pro-Zionist Republicans and non-Zionist Republicans. A few sensible and respected Republican leaders of an older generation, such as James Baker and Brent Scowcroft, stepped forward to caution fellow citizens about the dangers of neo-conservative foreign policy. But the neo-conservative network of a younger generation of ideological zealots operating inside the Bush Administration, and supported by most Republicans in Congress—at least for the time being—goes about its work unimpeded, and is in fact protected at the highest levels of the Administration. . . .

1. Who Are the Neo-Conservatives?

When I refer to “neo-conservatives,” I mean a particular network of Jewish-American intellectuals, operative since the 1950s. Gentile allies of the self-styled neo-conservatives, such as Gary Bauer, began to refer to themselves in the 1980s as “Social Conservatives.” The followers of William Buckley, who have been allies of the neo-conservatives since the 1950s, tend to call themselves “Conservatives.”

With respect to Buckley, I recall his *National Review* magazine lambasted President Eisenhower for his Middle East policy during the Suez Crisis in 1956. President Eisenhower, of course, opposed the neo-imperialism of Britain, France, and Israel. The “neo-conservative” movement emerged in the 1950s from the work of two key intellectuals, Norman Podhoretz and Irving Kristol. They had, according to some intellectual historians, drifted from pre-World War II Trotskyism to post-World War II Cold War Zionism. They



Dr. Clifford Kiracofe:
"American traditionalists oppose a policy of permanent global imperialism and pre-emptive war."

became Truman Democrats.

The intellectual roots of neo-conservative thinking on foreign policy matters can be traced, in large measure, to Prof. Leo Strauss and Prof. Hans Morganthau—both emigrés from Nazi Germany teaching at the University of Chicago. Morganthau advocated *realpolitik* foreign policy in what came to be called the "Realist School." The philosophical underpinnings of these "Realists" and neo-conservatives are, demonstrably, Friedrich Nietzsche with his advocacy of amoral power, and Spinoza with his advocacy of a certain esoteric intellectual elitism. This is certainly a very far cry from the traditions of the United States, our Founding Fathers, and our Constitution.

In the early 1970s, the neo-conservatives clustered around U.S. Sen. "Scoop" Jackson. They then, opportunistically, bolted the Democratic Party led by President Jimmy Carter, in disagreement with his approach to the Middle East. And what did they do next? They simply penetrated the Republican Party and the incoming Reagan Administration in 1981.

2. What Do the Neo-Conservatives Advocate?

The neo-conservative policy network advocates a destabilization and balkanization of the Middle East. Out of the chaos, they say, will come a new order through "regime change," the redrawing of borders, and the reallocation of the control of the hydrocarbon resources of the region. Neo-conservatives see the destabilization of the Arab and Muslim Middle East as good for Israel. I myself, to the contrary, think this policy is harmful—even dangerous—to the long-range security of Israel, not to mention to the region as a whole.

One element of neo-conservative foreign policy seems drawn from Lord Palmerston, ca. 1840. Palmerston devised a Middle East policy for the British Empire that promoted a Jewish entity in historic Palestine, linked to the Turkish Empire as a counterweight to Egypt. This policy was later modified when the British Empire seized Egypt outright in the latter 19th Century.

The neo-conservative, neo-imperial policy for the Middle East is based on an alliance between Israel, the United States,

Turkey, Jordan, and a "Hashemite Iraq." One can imagine that the next step will be to restore the Holy Places to Hashemite control after dismembering Saudi Arabia, by carving out the Eastern Province as a separate state. . . .

Neo-conservatives go further than mere routine imperialism. They advocate active "pre-emptive" warfare, and the erection of a "new order" in the Middle East. Their policy position is akin to the cynical German *macht*-politicians and diplomats who sought a "New Order" in Europe, and launched the "pre-emptive" attack on Poland that triggered World War II.

3. Neo-Conservatives and Christian Zionists in Congress

Why has Congress become an engine for the destruction of U.S. relations with the Arab and Muslim worlds? Beginning about 1980, the parasitic neo-conservative element in the Republican Party aligned with the fundamentalist Christian Right. Christian Zionists, such as Jerry Falwell and Pat Robertson, follow the bizarre cultic theology spread in parts of the United States during the mid-19th Century by the defrocked Anglican priest from England, John Nelson Darby. This bizarre cult has no relationship, at all, to the traditional Christian churches established in the United States during the 17th and 18th Centuries. Darby spread the cult between 1859 and 1872 during visits to the United States. Because the apocalyptic Darbyite cult underlies the Christian Zionist influence in Congress, and in the Administration, it must be understood for what it is.

You can explain the behavior of a Dick Armey and a Tom DeLay and dozens of members of Congress, as well as some Senators, when it is understood that they themselves are Darbyite Christian Zionists. A simple Internet search of the name "John Nelson Darby" will flood your desktops with ample data, I can assure you.

Jerry Falwell's trip to Israel in 1979 was key to the alliance between the Darbyite Christian Zionists in the United States and the Likud party in Israel. In fact, the American Christian Zionists developed complex and close relations with a range of extreme Messianic Jewish circles in Israel, including the Gush Emunim, the "settlers' " movement, and the old-line Jabotinsky right-wing nationalists of Begin's Herut party.

Prior to the 1980 elections in the U.S., the Israeli New Right made preparations to form political relationships with the Christian fundamentalist groups in the United States that adhered to the Darbyite apocalyptic cultic theology. These Christian Zionists, in turn, would pressure Congress and the White House to support Likud's "Eretz Israel" ("Greater Israel") policy.

The Israeli operational guide for targeting and manipulating Christian Zionists in the United States was published in 1978. It is entitled, *American Fundamentalism and Israel: The Relation of Fundamentalist Churches to Zionism and*

the State of Israel. Written by the late Israeli scholar Yonah Malachy, the book was published by the Institute of Contemporary Jewry at the Hebrew University of Jerusalem.

The Christian Zionist lobby came out of the closet with its first “National Prayer Breakfast for Israel” held in Washington on Feb. 6, 1985. The event attracted many key political personalities. Benjamin Netanyahu, then Israeli Ambassador at the United Nations, gave the keynote address and praised the work of Christian Zionists who, he said, “influenced the thinking of Lloyd George, Arthur Balfour, and Woodrow Wilson.”

Fast forward to 1998-1999. The neo-conservatives, under the protection of “pro-Israel” George Shultz, were able to form the so-called “Vulcan Group” of policy experts—led by Paul Wolfowitz and Richard Perle, and coordinated by Condi Rice—that advised Presidential candidate George W. Bush. Their advice to candidate Bush on Middle East policy was to put Iraq on the front burner, and to put the Palestine question on the back burner, if not in the freezer. Following Bush’s election, the neo-conservative policy network was rewarded with a variety of top positions in the new Administration. Their advice is unchanged: Iraq on the front burner, and the Palestine question in the freezer, if not in the trash. And this policy line is supported by the Christian Zionist phalanx of Republicans in Congress led by Armev and DeLay on the House side.

The Print News Media and Public Opinion

Significant editorial opinion in newspapers in the United States reflects caution and restraint with respect to pre-emptive war against Iraq. Furthermore, significant editorial opinion in newspapers in the United States urges a just solution to the Palestine question.

While Washington might be a three newspaper town—the *New York Times*, the *Washington Post*, and the *Washington Times*—there is the rest of the country, after all. And we should not forget this. We all know the handful of big-name columnists who serve as the vector for Israeli propaganda, neo-conservative foreign policy, and the Christian Zionists. But they are just a handful. There are dozens, if not hundreds, of working journalists across the United States who reject the neo-conservative line.

Reviewing U.S. newspaper editorial opinion for the last couple of months, I have found editorial after editorial, from across the United States, that call for caution and restraint with respect to the Iraq question. Similarly, I have found editorial after editorial that advocate a just solution of the Palestine question.

Please examine, for example, the editorial pages of such papers as: the *San Diego Union*, the *San Francisco Chronicle*, the *Sacramento Bee*, the *Rocky Mountain News*, the *Kansas City Star*, the *Chicago Tribune*, the *Minneapolis Star-Tribune*, the *Detroit Free Press*, the *Atlanta Journal-Constitution*, and the *Hartford Courant*, to name just a few.

The White House can’t fail to notice American editorial opinion. And my guess is that this explains why the White House appears somewhat unnerved just at the moment. The “pro-Israel” lobby does not fail to notice American editorial opinion. In fact, it seeks to manipulate or intimidate it.

That is why the “pro-Israel” lobby moved to establish three key operations to attack the American media, in order to intimidate and silence working journalists who advocate peace and justice in the Middle East, rather than slavishly push the extremist line of the Likud, the Sharonists, and the neo-conservatives.

I would cite MEMRI, CAMERA, and HONESTREPORTING.COM. They all have websites, and they are linked to the U.S. “pro-Israel” lobby, as well as to certain Israeli government, military, and intelligence circles. There is no question that CAMERA and HONESTREPORTING.COM exist to intimidate American journalists in order to stifle freedom of the press in our land. A simple review of their websites will demonstrate this fact to you. . . .

American traditionalists oppose a policy of permanent global imperialism and pre-emptive war.

After listing 13 key “fundamentals” of American foreign policy, Prof. Samuel Flagg Bemis of Yale University once said, of our greatest President from a foreign policy perspective: “Implicit in all these fundamentals, which all together we may connect with the name John Quincy Adams more than with any other one man, was a feeling, strongly sensed and practiced, of anti-imperialism.”

What Is To Be Done?

We must return to traditional principles of foreign policy such as respect for the rule of law—not to mention respect for our own Constitution.

We must reject the neo-conservative agenda of permanent global imperialism and pre-emptive war.

Allow me to quote President “George W.” when he said: “Observe good faith and justice toward all nations. Cultivate peace and harmony with all. Religion and morality enjoin this conduct.”

Oh, by the way, I am quoting the real “George W.”—President George Washington, that is—in his Farewell Address. To continue with President George Washington’s words: “Nothing is more essential than that permanent, inveterate antipathies against particular nations and passionate attachments for others should be excluded. . . . A passionate attachment of one nation for another produces a variety of evils. Sympathy for the favorite nation, facilitating the illusion of common interest where no real common interest exists, and infusing one with the enmities of the other, betrays the former into a participation in the quarrels and wars of the latter without adequate inducement or justification.”

The passionate attachment of the neo-conservatives for Israel may well be the Achilles’ heel of the Bush Administration, if not this republic.

Setback for the War Party In Germany's Elections

by Rainer Apel

In the Sept. 22 national elections in Germany, incumbent Chancellor Gerhard Schröder's "red-green" government coalition of Social Democratic (SPD) and Green parties secured a majority of 11 seats in the Bundestag (lower house of parliament) over the "black-yellow" opposition camp of Christian Democrats (CDU-CSU) and Free Democrats (FDP). The SPD's sudden "recovery" (it had, after all, a net loss of 2.4% compared to the last elections in 1998) during the last two weeks of the campaign, and the 1.9% gain of the Greens,

are the reflection of a genuine, broad sentiment against war, among German voters of all ages. Schröder (SPD), who four weeks before Election Day was not certain to win, secured his thin margin over CDU-CSU challenger Edmund Stoiber mainly because, in early September, he copied a central theme from Helga Zepp-LaRouche's Civil Rights Movement Solidarity (BüSo) party: complete rejection of a war against Iraq.

Schröder focussed his campaign on this during September, and posed a trap for Christian Democrat Stoiber: On the one hand, Stoiber wanted to counterpose to Schröder's criticism's of President George W. Bush, his own reassurance of "institutional" German friendship with the Americans; on the other hand, Stoiber could not support the war drive of the Bush Administration, strongly opposed by more than 80% of Germans according to opinion polls.

The 11-seat Bundestag margin does not really match the voter percentages: Nationwide, the SPD only received 8,864 votes more than the Christian Democrats; each party won 38.5% of the vote and 247 seats in the Bundestag. And in many cases, the margins by which the candidates won were paper thin. But the SPD managed to get three more candidates elected directly, in their districts, than the CDU-CSU. The German election system allows each voter to cast two votes—one for a candidate, one for a party, in each district—and compensates the parties if their candidates' votes exceed the party's vote percentages. So the SPD was given four extra seats, and the CDU only one. Percentage gains by the Green party added to the 11-seat majority of the governing coalition.

Economic Storm Clouds Gather

Schröder "ducked" the other central theme in the BüSo campaign, the warning against an impending world financial



Of BüSo leader Helga Zepp-LaRouche's two campaign focusses, "Financial Crash and Danger of War," Chancellor Schröder took on the second, and surged to re-election. Here, a BüSo campaign table in Darmstadt warns, "Even an Iraq war can't save Wall Street any more."

collapse, and the urgency of formulating an alternate economic design. Only vaguely, in his campaign statements and interviews, did Schröder make reference to the fact that Germany's economic problems and the rise of its unemployment are related to the ailing state of the global economy; and he used this to claim that Germany could not change anything on the global scale. Debating his challenger Stoiber on eco-

nomics, Schröder did not perform well during the entire campaign, and with that, he would not have convinced many voters to vote for his red-green majority.

What did help Schröder to rebuild some popularity, was his prompt response to the August flood in eastern Germany, where the Social Democrats gained votes significantly. He declared the Elbe River flood, which caused estimated dam-

LaRouche on Schröder's Surge to Narrow Victory

This statement was issued by the LaRouche in 2004 Presidential campaign committee on Sept. 23.

The coalition behind Germany's Chancellor Gerhard Schröder and Foreign Minister Joschka Fischer surged from behind, to a narrow victory in Sunday's national election. As the surge in the vote for Fischer's Green Party indicates, it was the Chancellor's tough refusal to participate in a war against Iraq, combined with rival Edmund Stoiber's opposition to general relief for recent flood-devastated regions, which enabled Schröder to retain the Chancellorship.

As both rival Chancellor candidate Edmund Stoiber and the Bush White House have been shown, the German election-campaign and its results happened to coincide with a growing, powerful reaction, around most of the world—especially throughout Eurasia—against the Bush Administration's current support for the lunatic imperial war-policies of U.S. Vice President Dick Cheney and Cheney's flock of what are known in leading U.S.A. and United Kingdom circles as "The Chickenhawks."

It would be a mistake to view these results as defining a trend for the months ahead. The present ironies in international relations are only the warning gusts of two great, global hurricanes soon to arrive: the economic and other effects of the snarling strategic lunacies of the obsessed Vice President Cheney, and the already onrushing collapse of the world's present monetary-financial system. Under these circumstances, candidate Stoiber's near-miss in his challenge to Chancellor Schröder does not define a trend. If Stoiber continues to burden himself with the current economic ideologies of his CDU/CSU-Liberal alliance, he were likely to figure in the future role of Don Quixote riding a dead horse to a battle with the German Greenies' windmills.

Many trends are still undecided; what is certain, is that no current policy of any nation of the Americas or Europe will be left standing a year from now. Unless the Bush

Administration scraps both Cheney's strategic doctrine and Bush's own deeply-rooted economic policies, the gulf between the U.S.A. and Eurasia will deepen and widen. Eurasia will not willingly submit to the increasing horror produced by the continuation of Cheney's strategic lunacies. Eurasia could not survive in tandem with the tragic economic delusions presently taxing the credibility of the Bush Administration.

Merely typical of that Administration's economic-policy follies, is the fantasy displayed by one of the scrapbook items pasted into what is called "The National Security Strategy of the United States," Bush's March 22, 2002 address at Monterrey, Mexico. That appears in that Braque-like paste-up under the title of "VI. Ignite a New Era of Global Growth Through Free Markets and Free Trade." Were those policies continued, the super-armed U.S. gunman would, at present rates, soon lack the price of the ticket to travel to his latest war.

Meanwhile, of course, the blacked-out, and poorly financed electoral campaign of Helga Zepp-LaRouche's BüSo party, did show some interesting indications for the future, especially in Berlin, Bavaria, and Saxony. Under presently erupting international trends, Schröder's come-from-behind victory showed factors which coincide with the longer-range policy-outlooks which the BüSo has pioneered in Germany's political life.

The BüSo brought its warning of financial collapse and war, and stimulated public debate on these subjects. It ran lists totalling 150 candidates in eight Federal districts, and 45 individual candidates for direct election in nine Federal districts. The BüSo's lead candidate, Helga Zepp-LaRouche, ran for a direct mandate in Berlin-Mitte, on the platform of a Just New World Economic Order.

Both the number of votes for the BüSo's individual candidates, and for its slates, doubled from the last election in 1998. The former rose from 10,260 to 22,503 votes, and the latter from 9,662 to 17,020 votes. BüSo individual candidates polled between 0.4% and 1.2% in Saxony, 0.2% to 0.5% in Berlin, and 0.2% to 0.8% in Bavaria.

Despite press and party blackouts against the BüSo, LaRouche's New Bretton Woods, as the way out of the depression, can no longer be ignored in Germany.

—Lyndon H. LaRouche, Jr.

ages of \$20 billion, a “national catastrophe,” and decreed that extra money outside the regular budget had to be made available for the victims. This enabled Schröder to present himself as a “friend of the eastern Germans”; and indeed, his Social Democrats did visibly better in the eastern election districts, than the Christian Democrats of Stoiber.

Schröder’s victory is an unstable one, however: the policies which he has advocated during the past four years, and which he wants to continue (as he said on election day), will not help to reduce the mass unemployment (over 4 million officially, 7.5 million in reality), which has drastically increased during the last months of his term. Nor will Schröder’s policies defend the German economy against the next inevitable rounds of financial market collapse. With the anti-industrial, pro-“New Economy” Greens in the government, the re-elected Schröder will not be able to master the coming world economic and strategic storms. The Greens also are the main source of calls for even deeper budget cuts and more fiscal austerity, which makes them an obstacle to any serious move toward economic recovery. An early failure of the new red-green coalition government, and its abrupt replacement by a Grand Coalition between Social Democrats and Christian Democrats, can be expected. This were actually in accord with what the majority of German voters would prefer.

BüSo Organizing New Voters, Activists

The LaRouche BüSo party’s own election campaign doubled its vote results from the 1998 election, and in Berlin (where party Chairwoman Helga Zepp-LaRouche ran, and where harassment and slanderous media coverage prevailed), election results for the party were considerably above the national average. For example in the Berlin districts Marzahn and Pankow, 0.5% and 0.4% were received. Another example of the BüSo impact is the eastern state of Saxony, in which the three districts Freiberg, Dresden II, and Zwickau yielded 0.6%, 0.6%, and 0.8% respectively. Two other districts in Saxony—Sächsische Schweiz and Görlitz, yielded 1.0% and 1.2% of the vote. In Wiesbaden and Neu-Ulm, BüSo candidates gained 0.5% and 0.8%.

All in all, the BüSo reported a visibly increased recognition in all districts where the party’s candidates ran. Its forceful campaign for an in-depth reconstruction of the flooded regions, on the basis of long-term productive loans guaranteed by the government, contributed to the high recognition of the party in Saxony. Many voters noticed the difference between this sound approach on the reconstruction challenge, and the government’s approach, which wants to “generate funds” by scrapping tax cut promises and suspending infrastructure projects planned for future fiscal years.

With its successful intervention in the election campaign, the BüSo has laid a sound basis for broadening the debate in Germany on an alternate economic and financial policy—which is exactly what Germany needs now.

Leading Israelis Show Iraq War Opposition

by Dean Andromidas

Leading Israelis have come out publicly against the Bush Administration’s determination to launch a war on Iraq, at a time when Israeli intelligence sources warn that Prime Minister Ariel Sharon and his generals are counting on a U.S. war, in order to expel the Palestinians from the West Bank. In recent weeks, Sharon and his ministers have kept a low profile, avoiding comments on Iraq so as not to complicate the White House efforts in mobilizing international support, nor have many public statements been made against the proposed war.

These same sources point to fears among circles within the military-security establishment, about the effect on Israel of launching war on Iraq. These circles see a war aggravating the Israeli conflict with the Palestinians; not to mention that Sharon will try to expel the Palestinians by launching a new regional war. There is also a growing concern that under such a strain, the deeply depressed Israeli economy will collapse, threatening to bring down Israeli state institutions.

Writing in the *Jerusalem Post* on Sept. 5, Prof. Shlomo Ben-Ami, former Foreign Minister in the government of Ehud Barak, attacked the Bush Administration’s post-Sept. 11 policy, which he characterized as “dominated by a disproportionate . . . exaggeration of al-Qaeda” and an “obsession with Iraq.” Ben-Ami’s views are representative of much of the peace camp. “It is to be hoped that the Bush Administration will not be tempted to let itself be persuaded by its own rhetoric to launch an all-out offensive against Iraq; there would be no justification for it in the eyes of Arab regimes or their public,” he wrote. “In 1990, the case was cut-and-dried: Iraq invaded a sovereign neighboring state, though even at that time, the coalition’s attack sparked angry demonstrations throughout the Arab world. . . . Today, with no such clarity—there is no proof of nuclear weapons in Iraq. . . . The U.S. is obviously in no position to form a coalition with the nations of the Middle East. . . . [T]here is no doubt that an American offensive against Iraq will unleash anti-American and anti-Israeli feelings throughout the Arab world, on an apocalyptic scale.”

“At such a time,” Professor Ben-Ami concluded, “bin Laden and al-Qaeda will return, and fundamentalist Islam will become the driving force behind every frustrated and humiliated young Muslim. . . . An offensive against Iraq will give this process added momentum which will hit hard at the foundations of Arab nations too. The American experience in

Afghanistan, the single piece of reality to date in the war on terror, was not an overwhelming success, and it is doubtful whether it augurs well for further and more intricate adventures in Iraq.”

Specifically, Ben-Ami warned that the attack on Iraq could lead to the overthrow of President Hosni Mubarak in Egypt and the Hashemite Kingdom of Jordan, which could lead to an “existential threat to Israel.”

Make a Grim Situation Worse

Another critic is Gen. (Res.) Danny Rothschild, president of the Council of Peace and Security, a group of 1,400 retired military, Mossad, and Shin Bet officers, established 14 years ago by Maj. Gen. (Res.) Aharon Yariv, with the view of using their professionalism and experience to address Israel’s security policy. For six months, they and other groups have called for a unilateral disengagement from the Palestinian territories.

In an interview with *EIR*, General Rothschild expressed ambivalence toward the Bush Administration’s intentions. “Saddam Hussein and Iraq, and Iran,” he said, “are a threat to Israel. In a way, an existential threat. Although one has to deal with this threat, I question whether this is the way to do it and is this the time to do it. Should the United States go, without building a coalition of states, both in Europe and the Arab world, as they did in 1991? I am not sure they should. This is despite the fact that I would be happy to see someone dealing with Saddam Hussein.” General Rothschild’s views are without doubt shared by many in Israel, particularly in the political center, who see a new Iraq war as aggravating Israel’s already unacceptable security situation in its conflict with the Palestinians.

Another remarkable criticism of the war appeared in the daily *Ha’aretz* on Sept. 24. Writing under the headline, “Waging War on Iraq Is Not Justified,” Brig. Gen. (Res.) Aharon Levran cautioned, “What are we fighting for? That is a crucial question when going off to war, and certainly before initiating one. The Bush Administration has no solid grounds for waging war on Saddam Hussein, and the arguments about the variety of risks Saddam poses are exaggerated.” Levran then, point for point, disputed the Bush Administration’s pretexts.

“Despite his bombastic lying declarations,” Levran wrote, “Saddam is well aware he was defeated. It is clear to him that he cannot take on the might of America, and it is no accident that he has folded now on the issue of nuclear weapons inspectors. . . . His limited aims are to protect Iraq and deter others from harming it, and—of course—to survive. . . . Saddam is striving to remove the burdensome economic sanctions and the humiliating inspection regime.” Nonetheless, he knows his limitation. “A brutal and crafty despot, Saddam has proved to be careful and sane in his moves.”

Levran discounts the nuclear threat. “Iraq today has no nuclear power, mainly because it has no fissile material like plutonium or enriched uranium. . . . This material was taken away from Iraq, and today it does not have the capabilities to

enrich uranium with centrifuges or in other ways. . . . It is doubtful that post-war Saddam is striving wholeheartedly to build a nuclear bomb, because the moment he approaches it, this will not go unnoticed in the United States, and he would be sentencing himself to an immediate liquidation attempt.”

Although Iraq may have had chemical and biological weapons during the Gulf War, it “did not dare use those weapons,” Levran wrote. As for launching such weapons, the Iraqi Air Force in 1991 “did not demonstrate any considerable attacking power—never mind after the war when it was very much weakened.” And as for its missile threat, “there is no evidence that Iraq has many launchers and missiles, especially in the middle range. . . . There is also the question of whether they could be operated freely in western Iraq as they were in 1991. . . . It seems one may establish that the risks from Saddam Hussein are not so bad as they are made to appear.”

‘Why Should Israel Pay?’

Demonstrating that he is no leftist, “realist” Levran sees the threat from Iran and the Hezbollah guerrillas in Lebanon as more acute. He concludes, “It is not desirable that the United States, so important to the free world, should pitch its power against a danger that is not first rate.”

General Levran told *EIR* that this was the third such commentary he had written, the others having been published on May 13 and July 31. His motive, as he described it: “I am for just war. Our armed confrontation against the Palestinians is just, but this one, a war against Iraq, is not so justified.” He said the war poses three dangers. First, the United States does not have an Iraqi equivalent of the Northern Alliance, as it did in Afghanistan, “so they will have to sacrifice people. That’s OK in a just war, but this one is not so just.” Second, it will distract from the U.S. war against terror since, Iraq is not involved in international terror. Third, there is the “involvement of Israel, and I don’t like it. Why should Israel pay? It makes me furious.” The general sees Israel in the same position as Great Britain; but, referring to Prime Minister Tony Blair’s Iraq dossier, he said, “I saw Blair on CNN; I wasn’t convinced.”

Levran knows U.S. Deputy Secretary of State Paul Wolfowitz and Defense Policy Board Chairman Richard Perle personally, he said, “and I will tell you, I don’t know why they are supporting this war.” He believes that when the war goes sour, Perle’s and Wolfowitz’s role will throw blame on Israel.

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Field of Thorns: Sharon To Expel Palestinians

by Dean Andromidas

Israel Prime Minister Ariel Sharon and his generals are poised to expel the Palestinian population from the “Land of Israel.” Sharon’s latest actions are not a “reaction” to the suicide bombings of Sept. 18-19, but part of his war plan which he has systematically implemented since coming to power. A U.S.-launched war on Iraq has been considered necessary for the final implementation of these plans. Yet, the imprisonment of Palestinian Authority President Yasser Arafat in his Ramallah headquarters is a dramatic confirmation that Sharon might not be able to wait for the American assault.

An Europe-based Israeli intelligence source warned that the generals dominating the upper command levels of the Israeli Defense Forces (IDF) could push Sharon to launch the “transfer” sooner than expected. Among the most dangerous of these generals is IDF Chief of Staff Moshe Ya’alon. In 1996, as chief of Israeli military intelligence, Ya’alon drafted a war plan called “Field of Thorns.” Since Sharon’s Sept. 28, 2000 march on to Jerusalem’s al-Haram al-Sharif/Temple Mount, the Field of Thorns has been systematically implemented to crush Palestinian resistance.

Only two steps remain to be carried out. The first is the final destruction of the Palestinian National Authority with the arrest and/or killing of the entire Palestinian political leadership. This has already been partially implemented. The second is the deportation of Palestinians from “sensitive areas”—the entire West Bank.

According to these sources, the generals hoped to implement this policy amidst a major Middle East war, for which an attack on Iraq is crucial. They have three options. First, implement it in the wake of a U.S. attack on Iraq—already begun in the past weeks with attacks on Iraqi radar and other sites, to provoke a reaction from Iraq that can be used as a pretext for the war. Second, a Palestinian mega-terror attack inside Israel. Third, an Israeli attack on Syria and Lebanon. The sources located the “water dispute” between Lebanon and Israel, as simply an Israeli pretext to launch such an attack.

Hawks and Chicken-Hawks

The Field of Thorns war plan is not simply a product of the warhawk generals who have been carefully placed by Sharon at all levels of the Israeli military-security establishment. It is a plan drafted in full coordination with the American “Chicken-hawks” who have been equally carefully

placed by Vice President Dick Cheney within the U.S. military-security establishment, particularly in his own office and that of the U.S. Defense and State Departments. These include Deputy Secretary of Defense Paul Wolfowitz; Chairman of the Defense Policy Board Richard Perle; Assistant Secretary of Defense for Policy Douglas Feith; and David Wurmser, special assistant to State Department chief arms control negotiator John Bolton.

It is this group that, for over a decade, since Cheney was Secretary of Defense in the administration of George Bush “41,” have been mobilizing for a new Middle East war to overthrow virtually all the Arab and Muslim regimes in the region. Yet not until the events of Sept. 11, 2001 have they been able to fully implement it.

Despite the 1991 Gulf War, this policy was never fully realized under the elder Bush. Nor was it welcomed by the Clinton Administration. Most significantly, the strategic decision by Israeli Prime Minister Yitzhak Rabin to sign the Oslo Accords in September 1993 put Israel on the road to peace with its neighbors. But Rabin’s assassination at the hands of a Israeli right-wing extremist in November 1995 sounded the death knell for the Oslo Accords, and enabled a full mobilization of this network, from outside and inside the Clinton Administration, to reintroduce their plans for a new Middle East war.

On July 8, 1996, Richard Perle presented then-Prime Minister Benjamin Netanyahu with a strategic war plan called, “A Clean Break: A New Strategy for Securing the Realm” co-authored by nearly all the Chicken-hawks in the current Bush Administration. The policy rejected the “land for peace” principle of the Oslo Accords, and targetted Syria, Iran and Iraq as the enemies of peace. Netanyahu enthusiastically accepted the policy and presented its outlines in a speech he made before both houses of the U.S. Congress on July 11, 1996.

As soon as Netanyahu became Prime Minister in June 1996, General Ya’alon, then chief of Israeli military intelligence, led the team that drafted a military operational counterpart to the “Clean Break” policy, code-named “Field of Thorns.” The plan’s mission was to crush the Palestinian Authority and expel the Palestinians from the West Bank, and put the Israeli defense forces in a position to launch a new Middle East war against Lebanon and Syria in particular. Within months, both plans were implemented, in a scenario that parallels exactly what could be expected if the current Bush Administration attacks Iraq.

In September 1996, less than two months after the Clean Break policy was announced, the Clinton Administration was manipulated into launching major air raids on Iraq. Despite the fact that Clinton could not stomach Netanyahu, warhawk Vice President Al Gore maintained a warm relationship with the Likud party’s Prime Minister. Within days of these attacks Netanyahu provoked a major confrontation with the Palestinian Authority by opening a “tourist tunnel” under the al-Haram al-Sharif/Temple Mount, one of Islam’s most holy sites.



The “Field of Thorns” plan to destroy the Oslo Accords and expel the Palestinians from the West Bank, was already policy of the Israeli military warhawk faction within a year after Oslo. Now in full swing, the plan specified destruction of the Palestinian Authority (here, its radio-television headquarters is destroyed), and closure and levelling of Palestinian cities and enclaves by provoking street warfare.

As was expected, this led to mass Palestinian demonstrations, and was the pretext for the IDF to launch operation Field of Thorns. Gun battles between Palestinian police and Israeli troops led to hundreds of deaths and casualties. A deterioration into a wider Middle East war was averted only after President Clinton de-escalated by pulling back his bombers from Iraq, and pressured Netanyahu to suspend the Field of Thorns operation, and eventually forcing him to accept the Wye Agreement with Arafat.

Christian Zionists Pushed ‘Field of Thorns’

But Field of Thorns became the operational war plan of the IDF, intensified as the “pro-Oslo” generals were replaced, one by one, with hardliners, during the government of Netanyahu. The ultra-hawk Gen. Shaul Mofaz was elevated to Chief of Staff, and Gen. Dan Halutz became head of the air force. This year, “Bomber” Halutz was responsible for dropping a one-ton bomb in Gaza that killed 11 children along with one targeted Hamas commander. By 1998, Ya’alon became head of the Central Command, where he prepared his troops for implementing Field of Thorns by training them in the same operational tactics that Nazi SS Gen. Jürgen Stroop used to crush the Warsaw Ghetto uprising.

On Sept. 4, 1997, the *Jerusalem Report* wrote that the policy “is the scenario for a bloodbath: Israeli tanks roll into Palestinian cities, and are confronted by youths armed with stones, Molotov cocktails, and guns. Israeli soldiers and Palestinian police fight it out in house-to-house battles; Israeli attack helicopters make pinpoint strikes on strategic Palestinian targets. Casualties are immense. . . .”

While Israeli media were denouncing the policy, it received the praise of the American “Christian Zionist” right wing. In September 1997, the newsletter of the International

Christian Embassy in Jerusalem, run by Jerry Falwell, wrote: “They called it ‘Field of Thorns’—a recent exercise to determine the cost of re-taking areas given to Arafat’s PLO. . . . Retaking the Yesha areas [on the West Bank] from Arafat could be the one issue Israel has to deal with ruthlessly. . . . Our congressmen and parliamentarians must be informed, challenged, and reminded again and again that . . . the failure of Oslo . . . is the failure of the PLO.”

The policy was also endorsed by Anthony Cordesman, Middle East expert at the Washington-based Center for Strategic and International Studies (CSIS), in a study entitled “Peace and War versus the Palestinians: A Second Intifada,” released in December 2002. Cordesman detailed the plan in full, warning that the Palestinians should accede to Israeli demands, or suffer the consequences.

By September 2000, the Oslo Accords were driven into the ground after the diplomatic sabotage by Prime Minister Ehud Barak, whose chief military adviser was General Ya’alon. The imminent departure of Bill Clinton from the White House paved the way for implementing Field of Thorns in full force. Sharon’s march onto the al-Haram al-Sharif/Temple Mount in September 2000 provided the match to ignite the powderkeg of Palestinian rage.

Plan Almost Fully Implemented

The attacks on Sept. 11, 2001 brought the “Clean Break” policy back to Washington in the form of President Bush’s “axis of evil” and pre-emptive strike national security strategy, with “regime change” in Iraq at the center. Since that date, the IDF military operations have escalated tremendously, with Palestinian casualties doubling. According to the Palestinian Human Rights Monitoring Group, 1,203 Palestinians were killed and 41,000 were wounded between

September 2001 and September 2002—double the figure of last year.

The brutal events of the last months parallel everything that is laid out in the Field of Thorns plan. These include operation Defensive Shield of this Spring—better known as “Operation Warsaw Ghetto”—and the ongoing daily military operations in the West Bank and Gaza Strip, which feature the destruction of Palestinian infrastructure and economy, targeted assassinations, closures, curfews, and sieges of Palestinian cities.

The only two elements remaining to be implemented are the final destruction of the Palestinian Authority, with the arrest and/or murder of its leaders, and the forced evacuations of Palestinians from the entire territory of the “Greater Land of Israel.”

But there is one last element that has not been made public about Operation Field of Thorns, and that is the deployment of nuclear weapons, about which American statesman Lyndon H. LaRouche has warned.

Nuclear Hysteria Targets Israelis

Sharon has prepared the ground for this as well. For weeks, his government has warned that Israel will retaliate if Iraq launches missiles, especially weapons of mass destruction, against Israel. Sharon claims this is necessary for Israel to regain the “deterrence” it lost when it did not respond to Iraq’s 39 Scud missiles launched toward Israel in the 1991 Gulf War. While an Iraqi strike on Israel is seen, even by Israeli security experts, as unlikely, the Sharon government and the Israeli media have been creating mass hysteria in the population over it.

Senior military commentator Reuvan Pedatzur, writing in the Israeli daily *Ha’aretz* on Sept. 26, warned that Sharon is leading Israel to the deployment of nuclear weapons. Pedatzur wrote that according to Sharon’s logic of deterrence, “the central problem that will face Israel if it is attacked by Iraq is the choice of means and targets for the response. An Israeli response using conventional weapons will be a drop in the ocean of destruction that the U.S. Army is planning for the Iraqis. Therefore, a response that is meant to transmit the Israeli message has to be unconventional. From here it’s a short distance to the many hints by politicians and senior officers about the need to use strategic weapons.

“To remove any doubt about the policy to be followed by Israel when the American war against Iraq breaks out, Sharon made it clear to senior administration officials that Israel’s decision not to react in 1991 undermined its ability to deter an enemy attack. In addition, he emphasized that the Israeli public will demand a reaction if Iraq attacks. Thus Sharon completes an interesting circle.

“First you frighten the public, inflate improbable threats, emphasize the continuing damage to deterrence, hint at the need to use strategic weapons, and finally you tell the Americans that we have to respond, since the public demands it.”

Israeli Think-Tanks And U.S. War Hawks

by Steven Meyer

Lyndon LaRouche’s Presidential campaign reported, in a mid-September mass leaflet, that a group of “chicken-hawks” currently in high posts in the Bush Administration, had, on July 8, 1996, released a document prepared for Israeli Prime Minister Benjamin Netanyahu, entitled “Clean Break: A New Strategy for Securing the Realm.” Published by the Institute for Advanced Strategic and Political Studies (IASPS) of Washington and Jerusalem, the paper called for Israel’s repudiation of the Oslo Accords, its permanent annexation of the entire West Bank and Gaza Strip, and the elimination of the Saddam Hussein regime in Baghdad as the first step in overthrowing the governments of Syria, Lebanon, Saudi Arabia, and Iran. Netanyahu endorsed the document immediately, and it is now the policy of Israeli Prime Minister Ariel Sharon.

To ensure that these policies had an institutional foundation in Israel, the authors of “Clean Break” and their allies in the Likud party also created several think-tanks in Israel, including the Ariel Center for Policy Research and the International Policy Institute for Counter-Terrorism. These institutes are part of what Lyndon LaRouche has described as the Israeli “glove” on the hand of Anglo-American oligarchical policymakers. Even if the current international intervention succeeds in preventing the Bush Administration from launching a war in the Middle East, LaRouche warned, it is still possible that Sharon would launch a nuclear attack on behalf of himself and his defeated colleagues sitting inside the Bush Administration.

Ariel Center for Policy Research

The Ariel Center, located in Ariel, Israel, issues research papers to the international academic community, and its spokespersons are often featured in the Israeli and U.S. media. Of crucial importance is the capability of “playing back” Ariel’s policies into the United States.

The center was officially introduced to the public through a Sept. 27, 1997 letter from founding member Yitzhak Shamir, the former Stern Gang terrorist and Likud Prime Minister. Wrote Shamir: “I am frequently asked by friends around the world what they can do to help alter the course Israel has been forced into since the signing of the Oslo Accords four years ago, almost to the day. . . . After devoting much thought to the subject, I came to realize that we have very few options available to us. We should attempt to influence future events certain to impact on our security and survival in our ancient

homeland, by voicing alternative views and opinions as loudly and widely as possible. . . . It is for this purpose that we have now established an academic research center, The Ariel Center for Policy Research.”

The center announced that its wide range of topics would include: “Arab Anti-Semitism; Western Anti-Semitism; Islamic Terror; Military Expenditures in the Middle East; Ballistic Missile Defense, Weapons of Mass Destruction Escalation; The Survival Paradigm of the Jewish State, and The Phenomenon of Jewish Self-Hatred.”

In the November 1999 issue of *NATIV*, the center’s bi-monthly journal, Christopher Barber, an historian at Pembroke College, Cambridge University, wrote the lead article entitled “Professor Huntington’s ‘Clash of Civilizations’ and Its Bearing on Israel’s Security.” It endorses Harvard Prof. Samuel Huntington’s thesis that the current world strategic situation is a clash between Islam and the West, and therefore, “the so-called peace process has no chance of bringing peace but instead must be viewed as a means of further weakening Israel’s capacity to resist destruction at the hands of Muslim Arab enemies.” Barber is a contributing author to the book *Oslo’s Gift of “Peace”: The Destruction of Israel’s Security*, which was published by the center. He is also on the board of advisers to the Freeman Center for Strategic Studies in Houston, Texas.

The September 2001 issue of *NATIV*, coinciding with the Sept. 11 terror attacks, included “The Afghan Alumni and the Clash of Civilizations,” by counterterrorism specialist Shaul Shay. This is an abridged version of a detailed study entitled “The ‘Afghan Alumni’ Terrorism—Islamic Militants Against the Rest of the World,” which the author prepared for the International Policy Institute for Counter Terrorism (see below). Co-authored with Yoram Schweitzer, the report was issued on Nov. 6, 2000. It uses historic events to validate Huntington’s thesis and spotlights the “Afghan Alumni” terrorist groups as having formed an Islamic International which threatens Western civilization. Osama bin Laden is described as the most dangerous threat, and the conclusion sets forth a plan of international action for Western governments—which could have been handed to President George Bush on Sept. 11, 2001.

Ariel’s board of directors includes Mark Zell, Esq., who was the law partner of Douglas Feith, the Bush Administration’s Assistant Secretary of Defense for Policy, and a leader of the “chicken-hawk” faction. Zell is a member of the Likud central committee and of its policy bureau. After being introduced to the Israeli settlers movement by the extremist Gush Emunim group in 1985, Zell became an orthodox right-wing Zionist and moved from Washington to the Israeli settlement of Alon Shvut. Zell is also the spokesman for Republicans in Israel.

On Nov. 7, 2000, Election Day in the United States, Zell wrote an editorial for the *Jerusalem Post*, entitled “The Right Man at the Right Time,” in which he endorsed George W.



Former Israeli Prime Minister Yitzhak Shamir formally established the Ariel Center, one of several think-tank roosts in Israel which are full of “U.S. chicken-hawks” like those now dominating the Bush Administration Pentagon.

Bush and prophesied that as President, Bush would not intervene in Israel’s domestic affairs as the Clinton Administration allegedly had around Oslo. Saying that the United States, as the sole remaining superpower, had the responsibility to “lead the struggle against those who were waiting to lash out at Judeo-Christian civilization,” he added, “The rise of Bush will also mean the rise of people [such as] Paul Wolfowitz, Richard Perle, Frank Gaffney, Condoleezza Rice, Douglas Feith, and [Colin Powell], whose support for Israel is grounded not on weak sentimentalism. . . .”

It was Richard Perle, now Chairman of the Defense Policy Board, who in 1996 presented the “Clean Break” document to Prime Minister Netanyahu, and Perle and Feith, along with Meyrav Wurmser, an Ariel Center “contributing expert,” were co-authors of the report. Frank Gaffney, whose Center for Security Policy deployed to wreck the Oslo Accords, is also listed as a “contributing expert” to Ariel. Ariel’s advisory council includes William Van Cleave, an old neo-con hand, who is a board member of IASPS, and who runs IASPS’s intern program, which posts Israeli and American graduate students to the U.S. Congress. Van Cleave is also a trustee of the Philadelphia-based Foreign Policy Research Institute (FPRI). Its founder, the late Robert Strausz-Hupé, floated the original clash of civilizations thesis in the 1950s. Ariel’s advisory council also includes neo-con Eugene Rostow, the former director of the executive board of the now-defunct Committee on the Present Danger.

Also on Ariel’s board of directors is Yossef Bodansky, who has served as the Director of the Congressional Task Force on Terrorism and Unconventional Warfare of the U.S. House of Representatives. His book, *Osama bin Laden: The Man Who Declared War on America*, was released in September 2001. Bodansky has written numerous studies for the Freeman Center.

Other “contributing experts” to the Ariel Center include Angelo Codevilla, the Director of Research in Strategy at IASPS, and Dr. Irving Moskowitz, a financial angel to Netanyahu and the Israeli settlers movement.

The director of the Ariel Center, Arie Stav, is an “official core supporter” and member of the Golden Circle of the

United States Committee for a Free Lebanon (USCFL). Many of the same cast of characters mentioned above are collaborators at USCFL, which publishes the monthly *Middle East Intelligence Bulletin*, circulated widely in the U.S. Senate and House.

International Policy Institute for Counter Terrorism (ICT)

The ICT, which published Shay's paper endorsing Huntington's Clash of Civilizations thesis, was created in 1996, at the Interdisciplinary Center in Herzliya, Israel. The chairman of the board, Shabtai Shavit, spent 30 years in the Israeli intelligence service, the Mossad. He was director of the Mossad from 1989-96 before "retiring" and founding ITC. Shavit also spent a year at Harvard's Kennedy School of Public Policy. He is a close friend of former CIA director James Woolsey, a loud war-hawk in the "get Saddam" chorus.

The board of trustees, primarily dominated by terrorist experts and former military and intelligence officials, includes Avner Azulay, the executive director of the Marc Rich Foundation. The ICT inaugurated an annual International Conference on Terrorism, in March 1997, which featured then-Prime Minister Netanyahu, then-Ambassador Woolsey, and Maj. Gen. (Res.) Meir Dagan, who is also an associate of the institute, and who was recently appointed to head the Mossad.

The ICT has co-sponsored conferences with U.S. organizations such as the Jewish Institute for National Security Affairs (JINSA) and the Anti-Defamation League of B'nai B'rith (ADL). On May 26, 2002, the ICT and the ADL ran a day-long conference in Jerusalem entitled "The Psychology of Terror: Tackling the Terrorist Threat." Opening the conference was ADL National Chairman Abe Foxman, who ranted that the United States should take pre-emptive measures against rogue states or terrorist groups that have access to nuclear or other unconventional weapons, as Prime Minister Menachem Begin had done when, in 1981, had he bombed Iraq's Osirak nuclear reactor.

Belittling the Arab leaders who wish a substantive peace in the region, Foxman said: "It is imperative to grasp the roots of the rage in the Arab and Islamic world, and the huge cultural and psychological chasm that yawns between that world and the Western world. There is little in Arab history or memory that allows the idea of an independent, sovereign, Jewish state in their region to be an acceptable idea. They will continue to fantasize about old maps, to dream of conquest to create a total pan-Arab world, to engage in revisionism proving the Holocaust is a propagandistic lie and that Jews have no roots and no rights and no history in the Middle East."

Panelists during the conference included Shaul Shay, Yigal Carmon, president of the Middle East Media Research Institute, and Dr. Jerrold M. Post, of the Political Psychology Department of George Washington University in Washington, D.C.

Russian Round Table

War Threat Linked to U.S. Economic Collapse

The Russian intelligence-linked weekly Zavtra published in its Sept. 11 edition, the transcript of a round table discussion on the world situation since Sept. 11 of last year. Participants were Zavtra deputy editor Alexander Nagorny, strategic analyst Gen. Leonid Ivashov, formerly of the Russian Defense Ministry, financial expert Mikhail Khazin, the prominent Russian television commentator Mikhail Leontyev, and former senior KGB officer Gen. Leonid Shebarshin. The discussion reveals interesting elements of the thinking among well-placed Russian observers about the present strategic situation, and about the United States, in particular.

Excerpts from the round table have been translated by EIR, and subheads have been added.

Sept. 11: 'An Attempted Coup d'État'

Gen. Leonid Ivashov: I hold to my opinion, that Sept. 11 was an internal operation in the United States. The situation in the world today shows clearly, that there are two forces, and two concepts, battling to establish world domination. The first force is associated with the Bush Administration, and represents the United States as a nation. The second force is the world financial elite. Its upper echelon, meaning the wealthiest people in the world and the circles behind them, believes that the time has come to establish world rule, subjugating the United States, inclusively. . . .

It is no accident, that many Western analysts write about Sept. 11 as an attempted coup d'état. It could not have been undertaken by people from some gorge in Afghanistan. The customer who placed the order, of course, was a rather more weighty figure, who it seems to me is connected with the world financial mafia, which has representatives in U.S. agencies of power, including the intelligence and special services. It is not a mere coincidence that, parallel with the investigation of the Sept. 11 explosions, investigations are under way in the United States into the activity of a number of other agencies, including the Mossad, within the U.S. intelligence community.

It seems to me that events in the United States will develop out of the conflict between these two forces. What unites them, is the necessity to use the military power of the U.S. to smash national borders and erase the civilizational destruction and the independence of other nations. The various geopolitical theories of [Samuel] Huntington, [Zbigniew] Brzezinski, et al. are used to bolster this. . . .

Evidently the U.S. feels it is under time pressure, to secure control over key world resources as well as policy control in the majority of countries. Why the hurry? First of all, because China is developing; secondly, the Arab East is consolidating itself; thirdly, Southeast Asia is developing at a brisk rate. The current state of Russia, naturally, suits the interests of the United States, but they cannot be sure what will happen tomorrow. Therefore, the United States is not at a break point. They have reached the climax of their adventure to establish control over the planet by force. What next?

I think this peak will have been passed in a period of one-and-a-half to two years, after which America will begin to be rolled back from its positions as a result of economic problems. I think that the attack on Iraq most likely will occur. I think Iran will be drawn into the confrontation, and it should not be excluded, that Israel will participate in military actions against Iraq. . . . After that, U.S. policy will begin to disintegrate, in the context of economic and socio-political collapse inside the United States. One gets the impression that the planet's financial oligarchy has no interest in the American population's maintaining its present standard of living and consumption.

Systemic U.S. Economic Crisis

Mikhail Khazin: I want to talk about the events of Sept. 11 from the standpoint of the economy. At the end of the 1990s, the United States entered a severe structural crisis. . . .

There is only one thing left for the U.S. to do: seek a sharp reduction of costs throughout the economy. . . . The only way to achieve this is through a reduction of world oil prices. They want prices at home to decline, while prices for other countries, especially those that export to the United States, to rise. . . . America needs oil prices in the region of \$12-13 per barrel. . . . Actually, in order to pull their economy out of its slump, gradually letting go the [failed] 25% that is the New Economy, while building up some new sector to compensate, they need even more financial assistance, to achieve which they would have to let oil prices fall to \$8-9 per barrel, better still, \$7 per barrel. This would be possible only if they had total control over the petroleum resources of Iraq and Saudi Arabia. Isn't that what we are seeing? . . .

They have a four- to six-month time limit, defined by their own oil reserves. . . . Within half a year, they need to seize total control of Iraq and Saudi Arabia. . . .

Certainly, the global forces and antagonisms, mentioned by Leonid Ivashov, exist. But global events don't happen, until the objective economic situation is ripe. . . . And the situation in the U.S. economy has become intolerable. It is obvious, that Sept. 11 was prepared by many forces. . . . But those explosions took place exactly when the interests of those two American groupings coincided. . . .

Mikhail Leontyev: Indeed, the United States really is in a systemic, structural crisis, which is not only economic, but also social. Qualitatively speaking, this crisis is reminiscent

of the crisis in the Soviet Union at the beginning of the 1980s. At that time, few people realized how quickly the country would disintegrate. Today in America, as in the U.S.S.R. then, the elite is either not able, or at least does not demonstrate the capability of getting out of the crisis using its old forces and old methods. Obviously, this crisis did not begin on Sept. 11, nor did it end at that time. But what happened on Sept. 11 was necessary for a transition to other, new methods. . . .

The battle between the two groups that have been mentioned—I call them the “military force” people and the “isola-

“It is no accident, that many Western analysts write about Sept. 11 as an attempted coup d'état. It could not have been undertaken by people from some gorge in Afghanistan. The customer who placed the order, of course, was a rather more weighty figure, who it seems to me is connected with the world financial mafia. . . .”

—Gen. Leonid Ivashov

tionists”—has become brutal. The isolationists are people who think chiefly in terms of the survival of the U.S. economy and industry. They think the United States should concentrate on its own problems, e.g., by carrying out a controlled devaluation of the dollar in order to make capital at least a little bit more competitive in America. In foreign policy, they have no use for total world hegemony, only for a system of loyal regional gendarmes. The policy for a rapprochement with Russia is the new policy of these isolationists, who want to use us as one of the gendarmes. Naturally, they have to recognize some of Russia's interests in nearby areas, which Russian formulates rather clearly. And they are prepared to do this.

So far, the military force group is losing. But the battle is not with Saddam Hussein or with the terrorists. The battle is for the brain of Mr. Bush. . . . The military force group's tactics are better than before, due to a better understanding of the depth of the crisis in the U.S. economy, and not only in the economy. And, rather than fiddling with finances in an attempt to salvage the New Economy through some sort of world economic regrouping, the military force group wants to exploit the unique area, where they have an overwhelming advantage and no competitors—the military-political sphere.

There is a high danger of explosion, of an uncontrolled development of the situation. Bombing is one thing, entailing no massive human casualties for the United States; but

launching a ground operation is another. This could be quite prolonged. And the situation would become worse and worse, while the internal struggle between different groups inside the United States grew more acute.

It would be unrealistic to try to forecast the development of this systemic crisis. The important thing is to define the algorithm for Russia's reaction. . . . Russia needs a radical shift in its domestic policy. At present, we simply don't have a domestic economic policy. . . . We need a shift to an economic growth policy, based on maximum utilization of internal resources, in order to prepare ourselves for the damage, that will be associated with the virtually inevitable global crisis.

Drive Toward War

Alexander Nagorny: The systemic crisis in the United States subsumes the political and ideological situation in the American elites, which is intense and has no exit. . . . The whole Iraq operation also hangs by a thread. Cheney says twice in the space of two weeks, that actions should begin as soon as possible, making Bush's formulation sound rather surprising, when he talks about more consultations, consensus, etc. . . . Nonetheless, it appears that the decision to act has already been taken, insofar as it is connected with the President's personal situation and that of his group. The deterioration of U.S. economic indicators, complicated by social factors, essentially mean a failure for the Republicans in the mid-term elections, and 2004 is approaching very fast. Bush needs to make a final leap, in case it can be a leap to victory.

My scenario is rather categorical: The bombing has to start in September, followed by landing operations beginning a week before the Nov. 2 mid-term elections, in order to secure support from the Democrats. Then there are two and a half months to seize Baghdad. . . . The appearance of a temporary "liberation" regime in Iraq . . . would create a whole new situation in the Middle East. It is important to note, that this is not just a question of an anti-terrorist raid against Saddam, but a major operation, implying a new level of legitimization of the United States in Saudi Arabia, inclusively: Only with a change in the Saudi regime, will the economic and financial maneuvers Mikhail Khazin was talking about become possible. Of course, the Americans will also face the serious possibility, that Muslims of the entire world will declare general

jihad against them, and that the entire campaign will spill over into a major war, consisting of many regional conflicts. This means a deterioration of the situation in Afghanistan, Pakistan, Palestine, and an entirely new situation around Israel. But if the U.S. doesn't do this, but gets tied up with United Nations resolutions, the moment will be lost and the entire operation will come to naught.

'Everything Could Disintegrate'

Leonid Shebarshin: I think that America's goal in Afghanistan amounted to a demonstration, for the man in the street and the rest of the world, of its readiness to act. . . . They installed their Prime Minister and gave him 72 bodyguards, which became an island of stability in Afghanistan. And now there is talk about the Americans remaining in Afghanistan for five to ten years, or maybe even longer.

Another important result is that the Americans used Afghanistan, in order to take over positions in former Soviet Central Asia. They got very good bases in Kyrgyzstan, a base in Tajikistan, agreements with the Uzbeks, pressure on Kazakhstan. I think we are looking at preparations for a serious confrontation with China, which is turning into a strategic issue. The same thing is happening with China, as earlier with the Soviet Union: bases in Central Asia, Afghanistan, Pakistan, the return of the Americans to Cam Ranh Bay, which we abandoned, the base on Okinawa. Thus, China is surrounded by a chain of U.S. bases, while Russia is being drawn into NATO institutions.

But this is a long-term perspective. At the moment, after the "triumphal" victory in Afghanistan, the U.S. is launching a new adventure: war with Iraq. Afghanistan was a "limited operation," although the firepower used there was colossal. . . . But Iraq is not Afghanistan. Here the situation is "50-50." The U.S. might stumble, and if this happens, it could be the beginning of a total collapse. Everything could disintegrate, just as the Soviet Union disintegrated, when a great state ceased to exist in just four days.

Khazin: One very important point. No coups or ground operation will halt the structural crisis. . . . I would like to note that Desert Storm was financed by the Japanese. This time, nobody will pay, for a very simple reason. The people who really control financial flows in the world understand that the only purpose of all the turmoil around Iraq would be to pull America out of a deep economic hole. . . .

If Afghanistan, indeed, entailed a PR operation for American domestic consumption, this time there would be a specific political-economic goal: to reduce the price of oil to \$6-7, or a maximum level of \$8. And I firmly believe that the U.S. will go far in pursuit of that goal. I believe that their operational plans include the use of tactical nuclear weapons, just to terrorize the world by showing that they will stop at nothing. . . .

The real weakness of the United States, is that in a genuinely critical situation, people with a very ordinary mentality are in power. . . .

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Glazyev's Success Draws National Attention

by Rachel Douglas

The unexpectedly strong showing of economist Sergei Glazyev in the first round of the Krasnoyarsk gubernatorial elections, held Sept. 8, has become a hot topic of discussion in Russia. Running as the Communist Party electoral bloc's candidate for the post left vacant by the death of Gov. Aleksandr Lebed last April, Glazyev came in third, with over 21% of the vote. According to some reports, the failure of officials to count several thousand of Glazyev's votes may have cost him a spot in the run-off election. Glazyev, however, opted not to contest the election results.

As head of the State Duma's Committee on Economic Policy, Sergei Glazyev last year invited Lyndon LaRouche to keynote special hearings on how to save the national economy, under conditions of global financial crash (see *EIR*, July 6 and 20, 2001).

Nezavisimaya Gazeta of Sept. 18 carried an article on Glazyev, subtitled, "The Krasnoyarsk Election Has Given the Left a New Leader." Journalist Anatoli Kostyukov wrote: "Sergei Glazyev has proved to be the greatest discovery of the gubernatorial election in Krasnoyarsk. Everyone expected him to perform poorly, but he came in third in the election—without the benefit of any substantial administrative, political, or financial support. . . . Neither Alexander Uss nor Alexander Khloponin [the two candidates in the run-off—ed.] even tried to conceal that Glazyev had given them a serious fright; and when they recovered from the shock they started to pay him a lot of compliments."

Whereas Uss and Khloponin are tied to "specific industry sectors and specific sources of funding. Glazyev had only one asset: the support of the Communist Party (CPRF). However, the Communists are not highly rated in Krasnoyarsk Territory, and do not win many seats even in the [regional] assembly. Therefore, Glazyev himself was a political resource for his own election. This election was Glazyev's first experience of this kind; earlier he had been included on slates by the Communists or other political forces that needed brains."

The article recounted Glazyev's principled opposition to the looting of Russia under the guise of reforms, in the early 1990s. He was a government minister, and "could have become a tycoon," but he resigned from the Cabinet and would not pursue personal enrichment.

The *NG* article concluded that if the CPRF can understand



Economist Sergei Glazyev surprised Russia with his strong showing in the race for governor of Krasnoyarsk. He invited Lyndon LaRouche to Moscow for Duma hearings during 2001.

how important it is to show a real ability to govern, "then Krasnoyarsk has given them a new trump card. Now they have a new person, who is able not only to write alternative budgets, but also construct a new left alternative and become the leader of the left wing. The young and well-educated Glazyev has proved to be a successful public fighter, too."

Although CPRF leader Zyuganov endorsed Alexander Khloponin (Governor of the Taymur region, within Krasnoyarsk Territory; former head of Norilsk Nickel) in the run-off election, Glazyev declined to back either Khloponin or Alexander Uss (Speaker of the Krasnoyarsk legislature, endorsed by Oleg Deripaska of Russian Aluminum). On Sept. 20, he also urged his voters not to cast votes for "none of the above." He said that Krasnoyarsk voters "are literate, and know both the candidates," both of whom "have stated that they share [my] program in large part, and have signed the Treaty on Social Responsibility"—drawn up by Glazyev's team during the first-round campaign. Glazyev said that the task of the CPRF should be not to support one candidate or the other, but to make both candidates accept "elementary responsibility for working to raise the population's standard of living, and to acknowledge that they should resign, if people's welfare is not improved."

Khloponin won the Sept. 22 run-off.

The Russian leftist daily *Sovetskaya Rossiya* Sept. 21 carried a report from the intelligence-linked Stringer agency, which claims that Russian President Putin's staff is preparing to invite Glazyev to become an economic adviser to the President, and Nikolai Ryzhkov and Yuri Maslyukov as advisers to Prime Minister Kasyanov. Ryzhkov is a former Prime Minister of the U.S.S.R., while industry expert Maslyukov served as First Deputy Prime Minister in Yevgeni Primakov's 1998-99 government. Stringer casts the allegedly planned appointments strictly as a political maneuver to split the CPRF forces, ignoring the economic policy implications—at a moment when more and more people in the Russian elite realize that a new economic policy is needed.

U.S. 'Pre-emption' Aims At Indonesia in Asia

by Michael O. Billington

While world leaders insist that the United States has presented no sufficient evidence to justify an invasion of Iraq, a similar process is unfolding in Asia, in regard to the recent escalation of American accusations that Southeast Asia has become a new headquarters for al-Qaeda, with Indonesia as its center. Combined with the imperial doctrine of unilateralism and preemptive military action to meet perceived terrorist threats, such accusations regarding Asia are being taken very seriously in the region.

In fact, the global "Code Orange" terror alert declared by the Bush Administration in the days before the anniversary of the 9/11 attacks—the highest alert level declared to date—was based on reported confessions by one Omar al-Faruq, a Kuwaiti arrested in Indonesia and deported into the hands of U.S. authorities in June. Al-Faruq was the subject of a cover story in the Sept. 23 *Time*, supposedly based on leaks from the CIA and other intelligence agencies involved in his interrogation. The article claimed al-Faruq had confessed to: being al-Qaeda's senior representative in Southeast Asia; planning bombings at U.S. Embassies in seven Southeast Asian countries, and Taiwan, on the 9/11 anniversary; being responsible for the infamous Christmas 2000 church bombings in Indonesia; planning two assassination attempts against Indonesian President Megawati Sukarnoputri; and other serious crimes.

Charge of Terrorist "Superstate"

Most importantly for future developments, al-Faruq is reported to have claimed that Abu Bakar Ba'asyir, an Islamic cleric living in Indonesia, had "authorized Faruq to use Jemaah Islamiah operatives and resources" to carry out the terrorist operation. Ba'asyir is accused by Singapore's overlord Lee Kuan Yew, and by most of the U.S. press and government agencies, of being the leader of a region-wide terrorist group (Jemaah Islamiah—Islamic Community) connected to al-Qaeda, accused of targetting Western facilities for terror attacks, and of efforts to bring about a regional "Islamic state" including Indonesia, Malaysia, Brunei, and parts of the Philippines and Thailand. Indonesia has interrogated Ba'asyir, but has adamantly refused to arrest him merely on the basis of foreign accusations and press reports, lacking any concrete evidence to back up the accusations.

What is the truth?

There is absolutely no way to know whether or not al-Faruq in fact confessed to any of these deeds. He is being held, like all U.S. detainees on suspicion of connections to terrorism, with neither the rights to counsel and due process guaranteed under the U.S. Constitution to those placed under arrest (including non-citizens), nor the rights of prisoners of war under the Geneva Convention. If the *Time* account is to be believed, he was held by the United States in Afghanistan after his arrest and deportation in June, where he was subjected to psychological and physical torture for three months, before he "broke" on Sept. 9.

Clearly the deeds and confessions ascribed to al-Faruq conveniently facilitate the policies of the utopian war party now attempting to turn the United States into a global imperial power, contrary to the history and character of the the United States Republic.

Indonesia is not acquiescing to the attempted power play. Although President Megawati has kept silent, at least publicly, Vice President Hamzah Haz, who is also the head of a leading Islamic party, joined with the leaders of the two mass-based, moderate Islamic organizations—Ahmad Syafi'ie Maarif of the 30-million strong Muhammadiyah, and Hasyim Muzadi, head of the 40-million strong Nahdlatul Ulama—in dismissing the story of assassination attempts against President Megawati. Maarif told reporters, "I'm afraid [the report] is an attempt to divide Indonesia." Hasyim Muzadi went further, warning that "If Indonesia is continuously bothered, certain parties, including moderate elements, may take adversary actions against the U.S." He further denounced the *Time* story as "various propaganda tricks," adding, "We greatly deplore these moves because they amount to U.S. interference" in Indonesia. Muhammadiyah Deputy Chairman Din Syamsuddin accused Washington, in cooperation with certain elements within Indonesia, of "spreading a self-fulfilling prophesy—to pit Muslims against nationalists here."

Even the bomber convicted in a shopping mall bombing in July 2001, which al-Faruq reportedly says was aimed at President Megawati, dismissed the story in an interview in the Sept. 21 *Koran Tempo*, as "unimaginable."

Munir, a prominent Indonesian human rights lawyer, also dismissed the *Time* story, saying: "I think the assassination thing is a way of pressuring Megawati to be more cooperative in the so-called war on terror."

American Ambassador Escalates

Throwing oil on the fire, Matthew Daley, U.S. Assistant Secretary of State for East Asia and the Pacific, said in Hanoi on Sept. 24 that the United States may place Jemaah Islamiah on their "terrorist list," and made it clear that he meant "Ba'asyir's group." This could, of course, imply American military action under the "new" doctrine of pre-emptive military attack.

The United States, Britain, and Canada also issued a warn-

ing for their citizens travelling to the city of Yogyakarta or nearby Solo, the area of Ba'asyir's residence and his school, claiming that Westerners "may be targetted for violence in the immediate future." President Bush called President Megawati, and sent Karen Brooks, the National Security Advisor for Asian Affairs, to meet with her in Jakarta, increasing the pressure.

In response, the Sultan and Governor of Yogyakarta, Hamengkubuwono X, who is a leading religious and political leader in the nation, has cancelled a high-profile visit to the United States which was to have begun at the end of September. Sofian Effendi, the rector of the University of Gadjah Mada, who was to accompany the Sultan on his visit, asserted that Indonesia provides adequate security for all visitors, and that the U.S. "must know that we do not like being treated like that—we have our dignity."

Indonesian Foreign Minister Dr. Hassan Wirajuda said on Sept. 23 that there was an "urgent need" for the United States to provide an explanation regarding the alleged intelligence findings, and that the claims about international terrorist networks in the country "may provoke widespread resentment against the United States and other western countries."

Foreign Minister Hassan spoke with *EIR* after a diplomatic dinner in Washington on Sept. 12. In regard to the pressure on Indonesia to round up radical Muslim leaders as terrorist suspects, he said: "We have questioned Abu Bakar Ba'asyir, the Jemaah Islamiyah leader. But our police have not found evidence even sufficient to arrest him. Unlike Malaysia and Singapore, we do not have an equivalent Internal Security act. We *did* have such a law, under Suharto, which was used in suppressing anyone who had any aspirations toward Islamic state concepts, or applications of Islamic *sharia* law. But now, in our democratic setting, our people are free to express, to have an open debate, even on sensitive issues such as Islamic state concepts and application of *sharia*."

In his speech to the UN General Assembly on Sept. 18, Foreign Minister Hassan addressed his nation's serious concerns regarding U.S. unilateralism and pre-emptive intentions, and the double standard regarding Israel. "Nowhere is the necessity for multilateralism more glaring," he said, "than in our response to the scourge of our time: international terrorism. And nowhere else is the role of the United Nations more vital. . . . Multilateral affirmative action can also bring about peace where for many years there has only been violence and bloodshed. In the Middle East, the powers that wield great influence on the region are called upon to adopt a just and balanced approach to the issue of Palestine. They can, if they wish, persuade Israel to withdraw its forces from the occupied territories and to cease settlement activities in accordance with the relevant UN Security Council resolution."

Target: China

The targetting of Indonesia must be seen in the context of the broader goal of the war party—confronting China, as

spelled out in the July Congressional and Pentagon reports on the Chinese military (see *EIR*, Aug. 9, 2002). To see this clearly, we must look at the dire state of the Indonesian economy, which could be given the "Argentina/Brazil treatment" at any time by the International Monetary Fund, and counterpose to that the crucial economic and political relations developing between China and Southeast Asia, and Indonesia in particular. Note also the great strides over the past weeks toward peace on the Korean peninsula (in which Indonesia, with many others, played a significant role), which is viewed as a challenge to the promoters of the infantile, but dangerous, "axis of evil" doctrine.

Indonesia, with the world's fourth-largest population, was ravaged by the 1997-98 speculative assault on its currency, the rupiah, and by the subsequent IMF conditionalities imposed to roll over a foreign debt of \$210 billion, whose debt service requirements simply can not be paid. A debt moratorium on it, principle and interest, was granted on a yearly basis. Indonesia's domestic debt was created by the forced bailout of the banking system after the destruction of the currency in 1997-98; it must be paid, to keep the domestic economy afloat. But it is the foreign debt which gives the IMF and its Anglo-American controllers the power to play the "Argentina" card any time they so choose.

Other aspects of economic relations with the West are even more grim. Foreign direct investment dropped by a huge 42% for the first six months of this year, while capital flight continues unabated. Some \$8.2 billion was pulled out of the country in 2001, after losing over \$13 billion in 1998 and nearly \$10 billion in 1999 and 2000. Among the major nations of Southeast Asia, only Indonesia has continued to suffer this severe drain on its capital.

Without writing off this debt, in the context of a New Bretton Woods world financial system, Indonesia can not survive. Asked by *EIR* about the failure of the world community to create a new world financial architecture after the 1997-98 crisis, Foreign Minister Hassan said, "We would not expect much from countries outside our region. . . . But at least we are trying within our own region—in particular the ASEAN+3 process—we have been talking about the future of the East Asian community. In fact, ASEAN has been somewhat insisting, because we want to have this process. . . . In fact, we have concrete projects, road and railway networks connecting our region east-west and north-south; human resources, telecommunications, and the energy sector." He added that "we knew from the beginning that the big powers are not too happy for Asia to have their own financial arrangements."

China's Crucial Role

Asked about China's role, he said: "They have offered us important assistance, in particular for a bridge connecting Sumatra to Java, and one from Java to Bali." Although these mega-projects are still in the planning stage, the government announced that China will be building a bridge connecting

Surabaya, the capital of East Java, to the island of Madura, a 5.43-kilometer span, to begin construction in February. Also, on Sept. 26, China signed six agreements for major energy projects in Indonesia, including oil, mining, and power development; while on Sept. 27 the two nations signed a huge, \$8.4 billion contract for the supply of liquified natural gas from a new facility in the Indonesian Province of Papua, to supply the Chinese Province of Fujian.

Making the point even clearer, Indonesian Army Chief Gen. Endriartono Sutarto announced Sept. 19 that Indonesia was seeking alternatives to the United States as the nation's arms supplier. Following a meeting with Chinese Defense Minister Gen. Chi Haotian in Jakarta, General Endriartono said that Indonesia could not continue to be dependent on one source, since that source has been disrupted by embargos based on political considerations. He named China as one likely new source.

The National Strategy Report released by the U.S. White House on Sept. 20 includes the following passage on China: "Yet, a quarter century after beginning the process of shedding the worst features of the Communist legacy, China's leaders have not yet made the next series of fundamental choices about the character of their state. In pursuing advanced military capabilities that can threaten its neighbors in the Asia-Pacific region, China is following an outdated path that, in the end, will hamper its own pursuit of national greatness. In time, China will find that social and political freedom is the only source of that greatness."

This is the same document in which President Bush put his signature to the following utopian doctrine, endorsing preemptive military action against perceived threats: "As a matter of common sense and self-defense, America will act against such emerging threats before they are fully formed. We cannot defend America and our friends by hoping for the best. So we must be prepared to defeat our enemies' plans, using the best intelligence and proceeding with deliberation. History will judge harshly those who saw this coming danger but failed to act. In the new world we have entered, the only path to peace and security is the path of action."

The future of Indonesia, of China, of Asia, depends absolutely on the global effort to end both this utopian war policy, and the unfolding financial collapse, while building the necessary alliance of sovereign nations to create a new world economic structure.

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Sri Lanka Talks To End 19 Years of Civil War

by Ramtanu Maitra

While U.S. President George W. Bush was busily precipitating a war against Iraq, a remarkable event took place on Sept. 16-19, in southern Thailand, where the Sri Lankan government and the Liberation Tigers of Tamil Eelam (LTTE), hitherto murderous adversaries, began an arduous journey to end the 19-year-old civil war. Tucked away in private villas under the tight security at the Sattahip naval base, 160 miles southeast of Bangkok and close to the resort city of Pattaya, the two parties ended their first round of talks and set the dates for the next three rounds: Oct. 31-Nov. 3, Dec. 2-5, and Jan. 6-9, 2003.

The outcome of the first round of talks was most encouraging. Beside expressing their "resolve to address the full range of issues pertaining to a lasting political settlement of the ethnic conflict in Sri Lanka" and pledging their "determination to continue upholding the Cease-Fire Agreement and expanding the range of confidence-building measures over the period ahead," the two sides discussed in depth "the urgent need to address the difficult humanitarian situation in the north and east of Sri Lanka." They agreed to set up a joint task force for humanitarian and reconstruction activities, the press release said.

Behind the Peace Effort

In the process of bringing about the first round of talks, a number of nations had played key roles, especially Norway, India, and the United States. But, according to observers, two unrelated events perhaps contributed the most in making the parties agree to break the cycle of violence that has taken almost 65,000 lives and created serious security concerns for not only the Sri Lankan citizens, but also for the nations in the region.

The first was the violent events in the United States on Sept. 11, 2001, which caused revulsion in Sri Lanka at the loss of thousands of innocent lives. The second turning point was the election of a new government under the United National Party (UNP) leader, Ranil Wickremasinghe. Prime Minister Wickremasinghe had made a "peace plan" the center of his election campaign. Though his appeal was strongly opposed by a significant segment of the ethnic-Sinhala majority, who consider elimination of the Tamil minority as the only possible solution to the ethnic strife, at the end, a war-weary country responded by endorsing Wickremasinghe's

approach of a negotiated settlement of the civil war, and handed him a narrow victory.

At the talks, the Colombo government was represented by a Cabinet Minister and a close confidant of Wickremasinghe, Prof. G.I. Peiris, while the Tamil Tigers' negotiator was their spokesman, Anton Balasingham. Equally significant was the presence of Sri Lankan Muslim representative Rauff Hakeem, as an equal partner to the talks. Hakeem's 12 Members of Parliament belonging to the Sri Lankan Muslim Congress (SLMC) provide support to Wickremasinghe's government and their pullout could collapse the government, and the peace talks, instantly. On the other hand, the Muslims are a distinct ethnic minority, forming almost 7% of the island's 19 million people, and are concentrated in the northeastern and eastern provinces of Sri Lanka. In these provinces, the Tamils are the single largest ethnic group. Earlier the Tamils had tried to expel the Muslims from these provinces to boost their own numbers. It is evident that by bringing the Muslims in as an equal partner to the talks, the Tamils have exhibited flexibility and goodwill.

Autonomy, Not Separatism

Perhaps the most encouraging feature of the first round was the environment that prevailed throughout the three days of talks. Both sides were eager to move forward and accomplish something positive. At the end, the Tigers, who rejected government's proposal to disarm until a permanent solution meeting the aspirations of the Tamil people is reached, said categorically that they do not seek a separate nation. What the Tamils want, Balasingham explained, is autonomy. "The LTTE does not operate with the concept of a separate state. We operate with the concept of a homeland and self-determination. Homeland does not mean a separate state," Balasingham said.

Balasingham's statement was warmly welcomed by the government in Colombo, and Professor Peiris told the press that the Tigers' aspirations "can be fulfilled within one country, if we set about it in the proper way." The Norwegians, who had sponsored the talks, also announced that both sides have agreed to set up a panel to resettle some 1.6 million people who were displaced by the two decades of civil war.

Seeking International Support

As soon the talks began, Wickremasinghe flew over to New York, where the United Nations General Assembly was in session, and where he met with Indian Prime Minister Atal Behari Vajpayee and then, went to Washington to meet with U.S. authorities. Although the Sri Lankan Prime Minister's visit to the United States was labeled as "a mission to attract financial support to rebuild the war-battered nation," it was obviously more than that. It is likely that the Prime Minister was on a mission to seek support from powerful nations in order to continue with the peace process.

The one-day visit to Sri Lanka by U.S. Deputy Secretary

of State Richard Armitage late in August, has drawn international attention. Armitage visited the northern city of Jaffna, traditionally the Tigers' stronghold, and saw some of the worst scenes of destruction caused by the war. He visited the second largest town in the north, Chavakatchery, and met with a delegation led by the veteran Tamil politician, Sampanthan. Upon his return to the capital, Colombo, Armitage met with Wickremasinghe and former Foreign Minister Kadirgamar, a Muslim, who deliberated with the American diplomat in his capacity as President Chandrika Kumaratunga's international affairs adviser.

There are a number of reasons why Wickremasinghe is keen in garnering outside support. For one thing, he faces strong opposition to the peace process within the country. To begin with, the Tamil Tigers are a dangerous opponent, and the Sri Lankan government would not like to drop its guard to accommodate the peace process. Moreover, the Tamil Tigers seek to make Trincomalee, the deep-water port on Sri Lanka's east coast, its capital. Trincomalee, considered by experts as the best deep-water port in Asia, was used by the British and other Allies during World War II, and was eyed as a prized port by the United States, Israel, and Britain during the Cold War days. It is likely that Wickremasinghe would like to know the level of Washington's present interest in Trincomalee.

Internal Opposition

Prime Minister Wickremasinghe's peace efforts are openly resisted by Sri Lankan President Kumaratunga, who years ago had tried to negotiate with the Tigers and failed. Subsequently, Mrs. Kumaratunga became the target of the Tiger assassins and she has already survived one assassination attempt. The past has made President Kumaratunga bitter, and some observers contend that she would do her very best to scuttle the peace efforts launched by her political adversary, Wickremasinghe.

In addition, Wickremasinghe will have to convince yet another powerful adversary, the Buddhist temple-based organization, the Sangha. Those Sinhala chauvinists who oppose the peace process, have sought support recently of the Buddhist monks. On Sept. 2, under the aegis of the newly formed "National Conference on Buddhist Monks," hundreds of monks demonstrated in Colombo, denouncing the Norwegian peace brokers. The monks demanded that the government abandon its plan to lift the ban on the Tamil Tigers ahead of the talks. It is clear that President Kumaratunga has allied with the powerful Buddhist Sangha to foil the peace efforts.

Wickremasinghe is fully aware of the powerful influence that the Sangha exercises on Sri Lankan politics and its role in nearly two decades of civil war. His Defense Minister has called on the powerful Buddhist monk Malwatte Mahanayake Thera, to obtain his blessings for the peace process, and has assured the revered monk that the government's decision to lift the ban on the Tamil Tigers would not compromise nation's security.

Energy Bill Hung Up On Alaska Drilling Issue

Negotiators working on a compromise energy bill expressed optimism that progress was being made, but the whole effort can still die on the issue of oil drilling in the Alaska National Wildlife Refuge. That is the not-so-veiled message that came from both sides, on Sept. 19 and 24. Republicans, in particular, are putting the issue within the context of a likely war with Iraq, claiming that oil from the ANWR can replace the 600,000 barrels per day the United States is currently importing from Iraq. Sen. Frank Murkowski (R-Ak.) told reporters on Sept. 19 that OPEC's decision, that day, not to increase production, also increases the pressure for drilling in ANWR.

On the other side, Senate Energy and Natural Resources Committee Chairman Jeff Bingaman told the U.S. Chamber of Commerce on Sept. 24, that the Senate position is to stimulate drilling in other, less controversial areas, including Alaska's North Slope, where oil is already under development. The House bill includes a provision for drilling in ANWR, but the Senate voted down a similar provision last Spring.

Another issue that could cause problems is electricity. The electricity title in the Senate bill completes the job of deregulation, by repealing the 1935 Public Utility Holding Company Act, and papers that fact over by establishing standards for pricing, distribution, energy source diversity, and fuel efficiency. It also encourages the development of regional transmission organizations. The House-passed bill does not address electricity, but House Energy and Commerce Committee Chairman Billy Tauzin (R-La.) indicated on Sept. 24, that the House negotiators had submitted a proposal on that, to the conference committee. He

said its goal is to encourage the construction of new power plants and increase capacity of the transmission system.

Some Raise Doubts Over Bush's War Resolution

The doubts swirling around President Bush's Iraq policy intensified on Sept. 19, when his proposed war resolution arrived on Capitol Hill. While the war party welcomed the language giving Bush the authority to use "all means that he determines to be appropriate" in dealing with "the Iraq problem," others are warning that what Bush is demanding is a threat to the Constitution. Senate Minority Leader Trent Lott (R-Miss.) told reporters on Sept. 20, "I'm perfectly happy with the language." Majority Leader Tom Daschle (D-S.D.) was not much less enthusiastic. He said that "there is absolutely no difference of opinion with regard to the threat that Saddam Hussein poses and the need to address that threat in multiple ways." He noted, however, that some Democrats want to make changes in the wording that would narrow, at least to some extent, the broad authority that Bush wants.

At the same time, the voices of outright opposition, if they have not become more numerous, have become louder. A caucus of some 20 Democrats has emerged in the House, led by Representatives Dennis Kucinich (D-Ohio) and Jim McDermott (D-Wash.). Rep. Lynn Woolsey (D-Cal.), a member of this group, warned the House on Sept. 18, "America's greatest asset is our moral authority, not our military power. Attacking a sovereign country, unprovoked, forfeits that authority completely." House Minority Whip Nancy Pelosi (D-Calif.) is among

those working on alternative language, along with Ike Skelton (D-Mo.) and John Spratt (D-S.C.).

On the Senate side, both Russell Feingold (D-Wisc.) and Robert Byrd (D-W.Va.) have spoken out strongly against the resolution. Feingold said that it "appears to actually authorize the President to do anything, anywhere in the Middle East." Byrd took to the floor of the Senate on Sept. 20 to complain that Bush has yet to offer solid evidence, and that rather than using the forum of the UN to offer evidence and proof of his claims, he "tried to play international prosecutor." He warned that Congress "must not hand this administration or any other administration a blank check for military action." He then put forward a series of questions, including how much would a war cost, who would pay for it, what would be the civilian toll, and would the United States use nuclear weapons.

Appropriations Still Frozen in Gridlock

Intransigence and immobilism continues to be the order of the day on both sides of Capitol Hill, especially in the appropriations process. The House has not acted on any more of the 13 annual spending bills since Congress returned from its August recess, and the Senate has not been able to come to a resolution on the Interior Department Appropriations bill, even after three weeks of debate. The House blames the Senate for the gridlock, and Senate Democrats blame the White House for not being willing to raise the discretionary spending ceiling beyond the \$758 billion decreed by Office of Management and Budget Director Mitch Daniels.

With attention focused on the “high-profile” issues of Iraq and homeland security, there seems to be very little interest in solving the problem, in spite of a looming \$157 billion deficit for fiscal 2002 and, likely, a much larger one for 2003. Various suggestions have been floated for either a long-term continuing resolution—to as far as February 2003—or a lame duck session after the November election.

The odyssey of the Interior bill is indicative of where the whole process has gone. Senate Appropriations Committee Chairman Robert Byrd (D-W.Va.) proposed an amendment to the bill to provide funding to cover the costs of fighting forest fires in the western states. Byrd and other Democrats complained that the GOP was holding up the amendment, and a cloture vote failed, 50 to 49, on Sept. 17. “The reason we’ve not been able to reach agreement,” said Senate Majority Leader Tom Daschle (D-S.D.), “is simply because most of our Republican colleagues will not agree that there has to be some minimal environmental sensitivity, here.”

Airlines Blame Security, Insurance Costs for Woes

On Sept. 24, four major airline CEOs were among the witnesses who testified before the House Aviation Subcommittee on the financial condition of the airline industry. Delta Airlines CEO Leo Mullin told the subcommittee that “our industry’s viability is seriously in question, and the industry’s capacity to perform its expected role is in jeopardy.” He and the others blamed the industry’s collapse, in part, on increased security and insurance costs in the aftermath of the Sept. 11, 2001

attacks. Among other measures, the industry is asking Congress for relief from the aviation security act, passed last year, and for terrorism risk insurance for at least one year. “We ask for that help,” Mullin said, “because aviation is key to our nation’s economic health.”

The impact on the industry of a possible war with Iraq also raised concerns. Subcommittee Chairman John Mica (R-Fla.) warned that such a war could “dramatically spike aviation fuel prices that, in fact, could substantially impact the already bleak bottom line” of the industry’s balance sheet. Joseph Leonard, CEO of AirTran Airways, suggested that in the case of war, the loan guarantee program should be reopened, which Mica agreed “is something we should look at.”

While the airline chiefs and most members of the subcommittee discussed the industry’s problems in the context of “market conditions,” Rep. Peter Defazio (R-Ore.) had a different view. “I think what we’re confronted with here,” he said, “is the ultimate failure of the promise of deregulation.” He said the longer-term and structural problems of the industry raise the question “of whether or not we’re going to continue to have a system of universal air service.”

Labor Rights Stalls Homeland Security Bill

Senators Phil Gramm (R-Tex.) and Zell Miller (D-Ga.) unveiled a compromise on labor rights that they expect will break the logjam bogging down the Homeland Security bill. The compromise would maintain the President’s authority to exempt workers from labor rights laws, but would add notification requirements for both

workers and the Congress. Gramm, in presenting the proposal, declared, “The President has got to have the power, in defending our homeland and defending our people, to put the right person in the right place at the right time.” He accused the Democrats of trying to take away power that every President has had since Jimmy Carter. Miller added, “Choosing to fixate on workplace procedures, choosing to fixate on rules and guidelines, unfortunately, says a great deal about our choice of priorities.” President Bush, in an effort to get the process moving again, offered his immediate support for the Gramm-Miller proposal.

Meanwhile, Senate Appropriations Committee Chairman Robert Byrd (D-W.Va.) successfully continued his efforts to drag out the debate as long as possible. On Sept. 18, he introduced a substitute amendment that would create the top-level bureaucracy of the new department, but require additional legislation to transfer the agencies. He told the Senate that his amendment would give Congress “additional opportunities to work through details about worker protections, civil liberties, privacy, secrecy, and which agencies and functions should be transferred to the new department.” He said it would also “give Congress the opportunity to gauge and modify how the new department is being implemented, while it drafts legislation to transfer additional functions and agencies.”

Senate Governmental Affairs Committee Chairman Joe Lieberman (D-Conn.) immediately rose to oppose Byrd’s amendment. He said that adoption of Byrd’s proposal would “eviscerate” his bill and take out of it, most of the work his committee has put in.

Lieberman prevailed, in the end, when Byrd’s amendment was defeated on Sept. 24 by a 70 to 28 vote.

Is Tim LaHaye The Anti-Christ?

by Mark Burdman

Desecration: Antichrist Takes the Throne

by Tim LaHaye and Jerry B. Jenkins
Wheaton, Ill.: Tyndale House Publishers, 2001
407 pages, hardbound, \$24.99

The Remnant: On the Brink of Armageddon

by Tim LaHaye and Jerry B. Jenkins
Wheaton, Ill.: Tyndale House Publishers, 2002
405 pages, hardbound, \$24.99

In the aftermath of the Sept. 11 terror atrocities, in the midst of the worst economic-financial crisis to hit Western civilization in centuries, and as new wars are being prepared by the imperial-utopian elements in the Anglo-American realm and their cohorts in Israel, it is a particularly dangerous phenomenon, that a book series exulting about a coming Armageddon and the slaughter of billions of human beings has been at the top of bestseller lists in the United States. Such books are the cultural-psychological equivalent of a deadly virus being unleashed against the American population.

The Tim LaHaye-Jerry B. Jenkins series of “Left Behind” novels are such a “virus.” *Desecration* and *The Remnant* are the latest, the ninth and tenth, in this series. The eighth, *The Mark: The Beast Rules the World*, became, during 1998, the number-one bestseller at Amazon.com, selling most aggressively in the Southern, “Bible Belt” states, led by Texas and Georgia.

Following Sept. 11, things have gotten worse. By March-April 2002, *Desecration: Antichrist Takes the Throne*, released on Oct. 30, 2001, had sold nearly 3 million copies, and, it is to be assumed, *The Remnant*, released in June 2002, will also make a giant profit for the two wacko authors and their publisher. Its initial print run is 2.75 million copies.

Tim LaHaye is reportedly the highest-paid author in the world (*Frankfurter Allgemeine Zeitung*, March 27). His writings, including those with Jenkins as co-author or ghostwriter, have been translated into many languages. LaHaye’s publisher claims that 50 million “Left Behind” books, including children’s and comic-book editions, have been sold since the series began, seven years ago. There is now an industry of “Left Behind” products, including CDs of “dramatic broadcast performances”; audio editions; “Left Behind” calendars; “religious” objects; and more.

Tim LaHaye is also very well-connected into the American Christian fundamentalist movement (also known as “Christian right” or “Christian Zionist”). This network numbers in the tens of millions, and has its claws in various elements of the Bush Administration, including part of the mind of “Dubya” himself.

LaHaye and his wife Beverly are leading members of the “Calvary Council” of the Religious Roundtable, which has been blackmailing the White House to support Ariel Sharon or lose the 2002 elections. The Roundtable says that it “promotes a strong military and strong law enforcement and opposes abortion, pornography and divorce. The group is also an opponent of the Equal Rights Amendment and rights for gay people and is antcommunist and anti-Soviet. The group is strongly pro-Israel . . . and a clearinghouse” for right-wing groups.

LaHaye is also active in that brand of right-wing politics



Between them, these two varieties of magical belief in “little green men under the floorboards” fixing the outcome of the world, are dominating American popular book sales. Tim Lahaye’s super-popular “Left Behind” series of Armageddon books are written as close to Spiderman comic style as possible.

that intersects murky intelligence operations. He worked for years, as a paid official of the Sun Myung Moon organization. In the 1960s, LaHaye co-founded, with spook-ideologue Paul Weyrich—a nominal “conservative Catholic”—the Council on National Policy (CNP). This secretive organization played a covert role in the 1990s operations against President Bill Clinton.

‘Iraq = Babylon’

The Swedish daily *Svenska Dagbladet*, on Sept. 9, ran a feature on the “Left Behind” series, trying to explain what it called the “bizarre ideology” contained therein, to a Swedish audience. Author Eva Johansson usefully pointed out, that this ideology is “fully normal” for many major figures in the Republican Party, is part of the “right-wing Christian standpoint” that has influence inside the White House, and has relevance to certain aspects of American policies. Most notably, she stressed that the “Left Behind” series is germane to “the plans to invade Iraq,” especially as the books are a crude, literal interpretation of the New Testament’s Book of Revelation, in which the Anti-Christ “is steering his empire from Babylon”—i.e., Iraq today. In the LaHaye-Jenkins novels, the “Antichrist” has his headquarters in “New Babylon.”

Indeed, at a July 10 press conference at the National Press Club in Washington, to hype the release of *The Remnant*, LaHaye ranted against “rogue nations” with “access to weapons of mass destruction,” clearly a plug for war against Iraq. He told the Washington audience that “God has chosen to use this tool”—his books. In other locations, LaHaye has claimed that one of the signs now rampant, of the activity of the “Antichrist,” are the “manifestations of Allah.” This is the “religious” contribution to the Clash of Civilizations design of Harvard’s Samuel P. Huntington, Zbigniew Brzezinski, and the wide assortment of neo-conservative nuts running loose

in Washington. That the Christian fundies have extensive ties with the Sharon-Netanyahu Likud party fascists in Israel, makes the dynamic more dangerous.

‘Imagine the Turmoil, the Devastation’

LaHaye and Jenkins (a former speechwriter for the late televangelist Billy Graham) appeal to the crudest Manichean (“good guys vs. bad guys”) strain in the American ideology: God and His followers on the one side, and “Antichrist” and his legions on the other. In this unfolding Armageddon, the death of billions of human beings is welcomed, as a necessary part of the divine design for bringing the world to an end as soon as possible. When the war fever against Iraq and Islam is being whipped up, this is a true devil’s brew.

As *Svenska Dagbladet*’s Johansson pointed out, the basic fraud—common fare among American “fundies”—is, that the Book of Revelation must be taken as the literal foretelling of historical events. This confounds the true nature of Christianity, the standard of which is natural law and the search for truth, as exemplified by the magnificent Chapter 13 of St. Paul’s First Epistle to the Corinthians; reading such a New Testament passage, is the best antidote for the pagan, anti-Christian eccentricity promoted by LaHaye and Jenkins. The Book of Revelation was never meant to be prophecy, and certainly not a foretelling of future history. It was, rather, in the mode of an apocalyptic vision, an elaboration of the quality of the Roman Empire as a doomed civilization.

Flowing from that literalist fraud, the warped LaHaye-Jenkins “theology” maintains that everything is effectively predetermined; there is no free will, just a limited field for action in a game already rigged. Theirs is a perverted notion of “grace,” in which, by a mystical act of faith, an “elect” can be saved. Outside of this elect, the rest die. The “God” of the “Left Behind” series, while repeatedly praised by his follow-

ers in the novels as a “God of mercy,” is a cruel monster, a genocidal beast, something out of the worst sermons of the American fundamentalists’ 18th-Century idol Jonathan Edwards. As the novels progress, God combats the Anti-Christ by such actions as turning the world’s seas into blood, unleashing unbearable heat upon the Earth, turning everything into utter darkness, all of which lead to deaths of billions of human beings.

But since all this supposedly fulfills the passages of Revelation, and brings on the coming “Kingdom of Heaven,” this makes his followers happy! By the end of *The Remnant*, the prophet for the “good guys,” Tsion ben-Judah, states: “The world is a spent cartridge. . . . Poverty is rampant. Law and order are relics. . . . Imagine the turmoil, the devastation. Power shortages, air conditioning overloads, breakdowns. And all this coming with half the population already gone. We are not far from anarchy. . . . God is just and God is holy, . . . but I do not believe he would send any more judgments on the world now if he weren’t still jealous that some repent.”

These books’ puerile style is a cross between a Spiderman comic-book and the script for a computer game. This is laughable, but also, literally, diabolical, in two senses. First, it contributes to the dumbing-down of Americans’ thinking, reducing things to simple and silly fantasies. And it trivializes the kinds of genocidal slaughter described, as if only part of a game. Co-author Jenkins is otherwise a writer of baseball stars’ biographies; the “Left Behind” seems almost to refer to failing to get out of third grade. Typical of the elegant prose, is the description of how Hattie Durham, a “good guy,” reacted, when visited by the Archangel Michael: “Hattie sat panting.” But my favorite gem is the comment by hero Buck Williams to his wife Chloe: “Be serious. We all need R and R before Armageddon.”

‘Bloodiest Season in the History of the World’

As to where the words “Left Behind” come from, and how the story line unfolds, we now give a brief account.

Desecration and *The Remnant* take place in the second half of the seven years of the “Great Tribulation,” described as “the bloodiest season in the history of the world.” By the conclusion of *The Remnant*, we are near the end of these seven years, at the end of which will come “The Glorious Appearing,” the Second Coming of Jesus Christ. One assumes that all this will be described in a coming volume, if the world hasn’t ended by then.

The “Left Behind” series began after the big shock had already hit the world: “The Rapture,” accompanied by all sorts of chaos and confusion, when “in one cataclysmic moment, millions around the world disappear.” These “disappeared” were sucked up to Heaven, to be reunited with their family members among the good guys, when the “Kingdom of Heaven” arrives.

In the seven years of the Tribulation, there is a cosmic battle between the “believers” and the Anti-Christ, who is a bizarre figure named Nicolae Carpathia. He became the Anti-

Christ after having been killed—during his incarnation as potentate of the “Global Community” (he had previously been President of Romania and Secretary General of the United Nations)—and then having miraculously risen from the dead. He now heads a religion called “Carpathianism,” whose followers are branded with a “loyalty mark” on their right hands or foreheads, and “vaccinated” with a biochip with personal information (this detail was omitted somehow from Revelation). If they refuse, they are executed by the guillotine. The depiction of the infinitely cruel Nicolae Carpathia most often reads like a cross between a gangster in a Grade-D Hollywood movie, and the super-evil “bad guys” in Spiderman or Batman comic books.

The heroes are led by the “Tribulation Force,” based, for some reason, out of Chicago, a city that had earlier been almost totally destroyed in war. Since the Tribulation Force had not disappeared during the Rapture, are still alive on Earth and not—yet—in Heaven, they are those “left behind.”

The Tribulation Force has the disadvantage of having to operate underground, to avoid the “Global Community Peacekeepers” of the Anti-Christ Carpathia. But they have two advantages. The first, another glaring omission from Revelation, is that they have vast Internet and computer capabilities. The Force’s spiritual leader and teacher, Tsion ben-Judah, manages to communicate with no fewer than 1 billion people a day through the Internet—apparently, while millions of others are dropping dead like flies. The other “weapons” they have are the Archangel Michael, who manages to intervene whenever the going gets really rough, and God Himself, Who sets the rules. In the end, everything is preordained and predetermined, the game is rigged, the good guys win.

‘Completed Jews’

We spare our readers further details, only to point to one interesting “catch” in the whole story, which is implied in the central roles of two of the heroes, Dr. Chaim Rosenzweig and Tsion ben-Judah. Both are Israeli Jews, by origin. Rosenzweig had been a Nobel Prize-winning Israeli botanist, before he killed Carpathia; while ben-Judah had been a rabbinical scholar and Israeli statesman. But, in the novels, they are the strongest devotees of Christ the Messiah, and their central mission is to bring Israeli Jews into Christianity. Ben-Judah had revealed his belief in the Messiah on international TV, and now propagates the idea that the Jews have a chance to reverse their “mistake,” in not having recognized Jesus as the Messiah, originally.

The main drama in the novels is the process of mass conversion of Israeli Jews. So, in the end, there will be no more Jews. Jews are the heroes of the book, as long as they become what American fundies like to call “completed Jews.” This desired fate for the mass conversion of Jews, is at the core of the Christian fundie/Christian Zionist belief-structure. Doesn’t this make Israeli fanatics like former Prime Minister Benjamin Netanyahu, who have spent so much time and energy building ties to the fundies, all the more insane?

The Bubble For Dummies

by Harley Schlanger

dot.con: The Greatest Story Ever Sold

by John Cassidy

New York: HarperCollins Publishers, 2002
372 pages, hardbound, \$25.95

On Dec. 5, 1996, Federal Reserve Chairman Alan Greenspan surprised an audience of the American Enterprise Institute, a gang of triumphalist free-trade ideologues come to honor him, by questioning whether the rapid appreciation of U.S. stock markets over the previous three years had been good for the country. While praising the U.S. economy, comparing it favorably to Japan's "so-called bubble economy," Greenspan asked, "But how do we know when irrational exuberance has unduly escalated asset values, which then become subject to unexpected and prolonged contractions as they have in Japan over the past decade?"

This question, which dominated financial news for the rest of the year, triggered a flood of propaganda, whose gist was that the exuberance was in fact rational, as the U.S. economy had entered an era of the "New Economy." Typical was a feature in *Business Week* on Dec. 30, 1996 by Michael Mandel, "The Triumph of the New Economy," which argued that, "Underlying the equity boom is the emergence of a New Economy, built on the foundation of global markets and the Information Revolution."

A signature moment in this post-"irrational exuberance" propaganda offensive was the publication of an influential piece in *Wired* magazine, in July 1997, "The Long Boom: A History of the Future, 1980-2020," by Peter Leyden of *Wired* and Peter Schwartz, co-founder of Global Business Network. In a burst of euphoria, they wrote that "We are watching the beginnings of a global economic boom on a scale never experienced before. We have entered a period of sustained growth that could eventually double the world's economy every dozen years and bring increasing prosperity for—quite literally—billions of people on the planet. We are riding the early waves of a 25-year run of a greatly expanding economy that will do much to solve seemingly intractable problems like poverty and to ease tensions throughout the world."

The New Economy

In this piece, and in countless others that mimicked it, economists, Wall Street brokers and analysts, and journalists,

fell over themselves to be overheard agreeing with the (Wired) scenario: The industrial era is over, replaced by a new era ushered in by globalization and the Information Revolution.

The New Gospel was being preached even from the established houses of Wall Street. For example, Mary Meeker, an analyst at Morgan Stanley, argued that a new model had to be developed to measure "valuation" of Internet stocks. Traditional valuations could be misleading, she proclaimed. Current earnings should be replaced as a measure of a company's success, by "earnings potential," which can be assessed through determining the "mind share and market share" of a company.

Morgan Stanley's release of "The Internet Report" in February 1996, prepared by Meeker and an assistant, helped fuel the flood of Initial Public Offerings (IPOs) beginning in 1996, which made multi-millionaires of those who launched them. For example, in the IPO of Yahoo!, on April 12, 1996, 2.6 million shares were sold. The shares were issued at \$12 per share, opened at \$25 per share, and closed that day at \$33 per share. Thus, Yahoo!, a company with 68 employees at the time, was valued at \$850 million!

These absurd stock valuations soon became one of the leading arguments for those promoting the idea of the New Economy. In *Business Week's* Nov. 17, 1997 issue, the Editor-In-Chief, Stephen B. Shepard wrote, "We have the most powerful gauge of all telling us that something profound is going on: the stock market."

One of the other great gurus of the New Economy was Goldman Sachs' Abby Joseph Cohen, the bull's bull, who became one of the chief ideologues of the movement. Cohen argued, in the Spring of 1996, that what was driving higher corporate profits—and therefore, generating higher stock prices—was a previously unmeasured increase in productivity. "I believe the government's productivity figures are wrong," she said, pressing this point during frequent interviews with the financial press.

New Paradigm or Bubble?

The story of how Wall Street hypesters like Meeker and Cohen, in collaboration with "venture capitalists," anti-government free trade academics, and the financial media—especially the new networks, such as MSNBC—combined to snooker the American public into literally betting the house on the "new economic paradigm," is the subject of John Cassidy's appropriately titled book, *dot.con: The Greatest Story Ever Sold*. Cassidy has written an interesting anecdotal chronology, from the invention of the microprocessor by an Intel engineer in 1971, through the go-go 1990s, to the market crash which was well under way by Sept. 11, 2001.

Along the way, Cassidy offers ample evidence to demonstrate that the wild upward curve of the markets beginning in 1995, followed the classical pattern of a speculative bubble. He provides, in the Prologue, what he calls the four stages of a bubble. First, there is "Displacement," in which something occurs which changes investors' expectations (in this case,

the computer/Internet “high-tech revolution”). Second comes the “Boom Stage . . . when prices are rising sharply and skepticism gives way to greed.” Third is “euphoria,” when “established rules of investing and often mere common sense, are dispensed with.” Fourth, “Finally, inevitably, comes the bust,” when everyone asks, “How did that happen?”

By the third stage, he writes, “most observers have a vested interest in avoiding stating the obvious—that delusion has replaced reality.” Among those he includes in this category are “Wall Street bankers eager to cash in on an unprecedented source of revenues;” journalists and the media companies, which cover financial news; economists and economic policymakers, “who refused to learn the lessons of history;” and Federal Reserve Chairman Greenspan, “who had convinced himself that miraculous things were happening to the American economy.”¹ And, of course, there could not be a bubble without the suckers, those “ordinary Americans, enticed by the prospect of instant wealth, parting with their hard-earned money for worthless pieces of paper.”

Cassidy’s book is filled with examples of how the bubble was created and encouraged. As legislation to deregulate the practices of Wall Street investment firms and commercial banking was passed by Congress, the first 401(k) plan was set up, in November 1981, to encourage employers and their employees to put retirement and pension funds into stocks. By 1985, ten million employees had 401(k) plans; by 2000, more than 40 million Americans had them, with \$1.7 trillion in (since shrunken) assets.

At the same time, again as an offshoot of deregulation, the number of mutual funds grew from 665 in 1981, to 1,527 by 1985. By the mid-1990s, there were 130 million mutual fund accounts and, by 2001, these funds contained more than \$7 trillion, with more than \$4 trillion of that total in stock funds.

The ‘New Valuation’ and Productivity

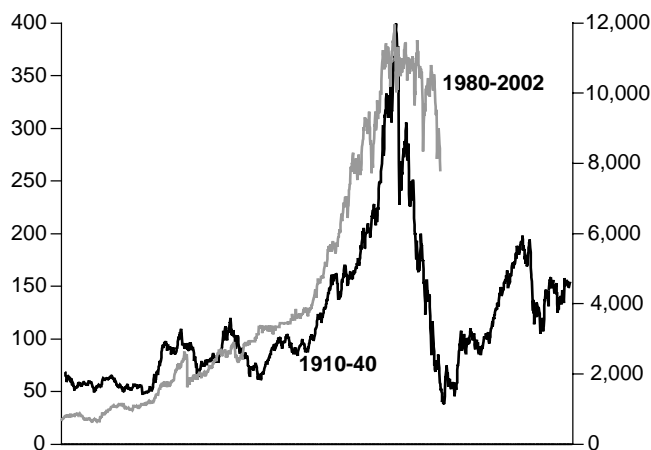
Cassidy offers numerous details of how these funds were sucked into the new Internet companies, many of which had not recorded any profits. Take the IPO of Netscape, which released its first Web browser—Netscape Navigator 1.0—in December 1994. At its IPO on Aug. 9, 1995, five million shares of stock were offered, with a recommended price of \$28 per share. It opened at \$71 per share, closed at more than \$58. In its first day of trading, its value (measured by stock price) reached \$2.2 billion, almost the total value of General Dynamics!

For Wall Street, Cassidy writes, “the Netscape IPO had legitimized a new business model—one in which earnings

1. A transcript of a meeting at the Fed on Sept. 24, 1996 indicates that Greenspan acknowledged even then that there was a stock bubble. In the transcript, in response to Lawrence Lindsey’s assertion that “this emerging bubble is nonetheless real,” Greenspan said, “I recognize that there is a stock market bubble problem at this point, and I agree with Governor Lindsey that this is a problem we should keep an eye on.” (Lindsey is now President Bush’s senior economic adviser.)

FIGURE 1

Dow Jones Industrial Average: Great Depression vs. Today



Source: Dow Jones.

Author John Cassidy does a scholarly job of showing that the “New Economy” was nothing but a stock bubble guaranteed to collapse; but he refuses to admit the reality, that that collapse is a new depression, worse than the Great Depression set off by the stock collapse of 1929-33.

and balance sheets didn’t matter. In the new Internet era, the game was to raise money from investors, clamber aboard an exponential growth curve, and worry about revenue and profits later.” He shows most of the IPOs in the “high-tech” sphere never made any profits.

However, the speculative profits made by Wall Street firms led to a drumbeat to recognize a “new valuation,” one which ignored the traditional measures, such as making a profit. It was not long after his irrational exuberance speech that Alan Greenspan began promoting the idea that a new way to measure the value of corporations is needed, which, he argued—in support of high-tech cheerleaders Meeker and Cohen—is to be found in the alleged growth of productivity caused by these “new technologies.”

With the bull market soaring in 1997, Greenspan told the Senate Banking Committee on July 22 that the economy’s performance is “exceptional,” and might represent a “once or twice in a century phenomenon that will carry productivity trends nationally and globally to a new, higher track. . . . What we may be observing in the current environment is a number of key technologies, some even mature, finally interacting to create significant new opportunities for value creation.”

Greenspan seemed to be embracing in public the outlandish claims of Meeker, Cohen, *Business Week*’s Mandel, and others, that the huge volume of funds flowing into Internet, telecommunications, and related stocks was due to “productivity.” The problem, they argued, was that the productivity

gains were not being measured; the old measures of productivity were outmoded, and new means were needed to measure “intangible” wealth creation.

Meeker, et al. were confusing increases in price, with productivity. Cassidy quotes a Morgan Stanley Dean Witter review prepared by Meeker in September 1997: “We have one general response to the word ‘valuation’ these days: ‘Bull market.’ We have been in the technology sell-side trenches for about a decade and simply—we believe that we have entered a new valuation zone.” This “new valuation” was nothing but millions of people’s willingness to pour money into buying stock in companies with no prospects to make a profit!

As the delusions continued through 1998, Greenspan increasingly aligned himself with the hypesters. He asked Fed officials to find a new way of measuring productivity, so that the soaring share prices could be seen as rational. On Jan. 28, 1999, Greenspan gave his cautious endorsement of the runaway market, saying, “there is at root something far more fundamental—the stock market seeking out profitable ventures and directing capital to hopeful projects before the profits materialize. That’s good for our system. And that, in fact, with all its hype and craziness, is something that, at the end of the day, probably is more plus than minus.”

By July 2000, Greenspan was less cautious, as at the National Governors’ Association: “With the adoption of information technology, the share of output that is *conceptual* rather than *physical* continues to grow. . . . As a result, information technologies have begun to alter significantly how we do business and *create economic value*” (emphasis added). The only problem with Greenspan’s analysis, was that it was dead wrong.

Productivity Comes From the Physical Economy

A major weakness of Cassidy’s book is his assumption that every one of the protagonists of the New Economy—brokers, financial journalists, policymakers, and investors—should have known it was a bubble, but fell victim to “collective insanity” and “herd behavior.” Further, that the “New Economy thesis would never have become so widely accepted if Greenspan hadn’t seized upon it and made it his own.” But after reviewing this descent into collective lunacy, Cassidy ends his book by embracing it! On the economy’s overall prospect after the market crash which continued from March 2000 through the end of 2001, he writes that there is a “depression scenario.” However, a “reasonably rapid recovery” would likely occur, if Americans “could be persuaded to return to the airports and the shopping malls pretty quickly.”

The continuing collapse of markets, which has accelerated again in September 2002, mocks Cassidy’s conclusion. This grows lawfully, however, from the book’s fatal flaw: Cassidy has left out the work of the only economist in the United States who correctly argued, from the beginning of the 1990s, that the “New Economy” was a wholesale fraud,

and that the speculative growth of the stock markets expressed a deadly dangerous delusion. That economist is Lyndon LaRouche, whose writings in *EIR* have provided the most in-depth analysis, and dead-on forecasting, of any economist in the world, for 35 years.

Take the question of productivity, which Cassidy identifies as a central problem for the New Economy. LaRouche repeatedly has pointed to the Aug. 15, 1971 decision by Richard Nixon—which formally ended the successful post-war Bretton Woods monetary system—as the take-off point for the shift from an economy based on physical production, to a consumer society. In the ensuing 30-plus years, productivity, as measured by the Bureau of Labor Statistics (BLS), had fallen to levels of less than half of that from the end of World War II until 1971. Under pressure from Greenspan and others, the BLS changed its productivity measurement, beginning in 1997, to show productivity increases, to match the hype pushed by promoters of the “New Economic Paradigm.” In August 2002, the BLS admitted this was an example of “accounting fraud,” and revalued down productivity “gains” from 1997-2000.

In an April 2000 paper, “Information Society: A Doomed Empire of Evil,” LaRouche defined the only sensible measure of productivity, premised upon “1.) What percentile of the total labor-force, is engaged in either a) applying new physical principles to increase mankind’s per capita power over nature, or b) generating the new physical principles and technologies being employed ‘at the point of production’? 2.) What is the rate of net increase of physical output per capita and per square kilometer of the Earth’s surface-area, as being expressed at the point of physical production of the basic economic infrastructure, agriculture, and manufacturing?”

He continued with advice which might have aided Cassidy, or any future, more serious report on the death of the New Economy: “Do not confuse price with physical reality; rather assess the meaning of prices, by subjecting them to the standards of physical reality.”²

Had LaRouche’s writings on physical economy over the last 35 years been studied, and adopted to shape policy, we could have avoided the catastrophic collapse of the financial system we are facing now. Failure to learn from him will doom civilization to a Dark Age. It is not simply greed and delusion which placed us in this precarious position, but the fear of challenging accepted “popular opinion.” including such policymakers as the fallen guru, Alan Greenspan.

Unfortunately, Cassidy ultimately did not have the courage to break with that popular opinion that he so properly skewered for more than 300 pages.

2. Lyndon H. LaRouche, Jr., “Information Society: A Doomed Empire of Evil,” in *EIR* Special Report, *Why the New Economy Is Doomed*, June 2000, and also in *EIR*, April 28, 2000. The collapse of productivity is also expressed by LaRouche in his Triple Curve Collapse Function (see p. 23), which serves as a pedagogical device to demonstrate how a speculative bubble is premised upon the destruction of the productive economy.

The U.S. Strategic Situation Today

With the world's present monetary-financial system now disintegrating, and the economies of all of the nations of the Americas and Europe presently in a power-dive, it should be clear that the generally accepted slogans, explanations, and recipes of the leaderships of our political parties, major news media, and popular opinion, represent, combined, nothing but a highway to a global catastrophe for our nation and its people.

Clearly, the time has come when the possibility of the survival of our republic depends on the willingness of a majority among our people to abandon their habitual mind-slavery to so-called popular opinion.

If our republic is to outlive the present crisis, we must not only abandon the war policies of Vice President Cheney and his Chicken-hawks. Despite the monstrous mental decay in our schools, universities, and financier-controlled mass media, our survival as a nation now requires a majority among us to turn to actually thinking; as Britain's Percy Shelley wrote in his *In Defence of Poetry*: We require a re-awakening of mental life of our citizens, away from mind-dulling populism and its fads, to the practice of "imparting and receiving profound and impassioned conceptions respecting man and nature."

It is now a time when we shall either think and discuss in rigorous and profound terms, or we shall not continue to survive as a nation for very much longer.

Dumbheadedness and opportunistic resort to populist rhetoric, instead of actually thinking, is presently the greatest single threat to our republic's security today. Demanding that politics be brought down to the level of, for example, outgoing Senator Phil Gramm's simple-minded populist slogans and carping wise-cracks, would ensure the continued stupefaction of our political processes and their leading

institutions, and the probable early disintegration of our republic.

Dumb may still be popular, but it is not the road to national security under today's national and world-wide crisis conditions.

Therefore, the putative Bush draft of "The National Security Strategy of the United States," should be dropped quietly, but definitively into the wastepaper basket, right now. Turn now to scientific method, instead.

The secure passage of our United States of America will be predetermined, not by any mere interpretation of the existing, imperilled world order, but, rather, by our choice of that intention, that mission, which predetermines our planet's successful orbital trajectory, its escape from the grip of the past and present, into the future.

This ability to discover and adopt creative physical-scientific and kindred choices of our republic's intentional orbit, is a power which exists only for the human species, and not for any other type of abiotic or living species within the Creator's universe.

Therefore the fault of the imperilled U.S. today, is, that its present policies are dominated by foolish conceits of those disciples of Thomas Huxley who have crafted the lunatic utopian doctrine of such Bertrand Russell followers as Vice-President Cheney and his unsavory flock of Chicken-hawks.

These dupes of the utopian rant of Russell et al., have, manifestly, like Russell himself before them, yet to recognize the existence of a principled distinction between mankind and British Lord Solly Zuckermann's baboons gathering nuts from the baobab trees.

—Lyndon H. LaRouche, Jr.

A Boldly Modest U.S. Global Mission
Sept. 24, 2002

FIDELIO

Journal of Poetry, Science, and Statecraft

Publisher of LaRouche's major theoretical writings

Winter/Spring 2002

How 'Democracy' Became Diseased

Lyndon H. LaRouche, Jr.

The fight for freedom is essentially a fight within the individual. It is a fight to uplift him, or her, from the habit of thinking like an "underling." If you give them freedom for a moment or two, but do not remove the habit of being an "underling" from them, they will shuck off newly gained freedom, as it were this January's torn Christmas wrappings.

How the 'Lost Corpse' Subverts the American Intellectual Tradition

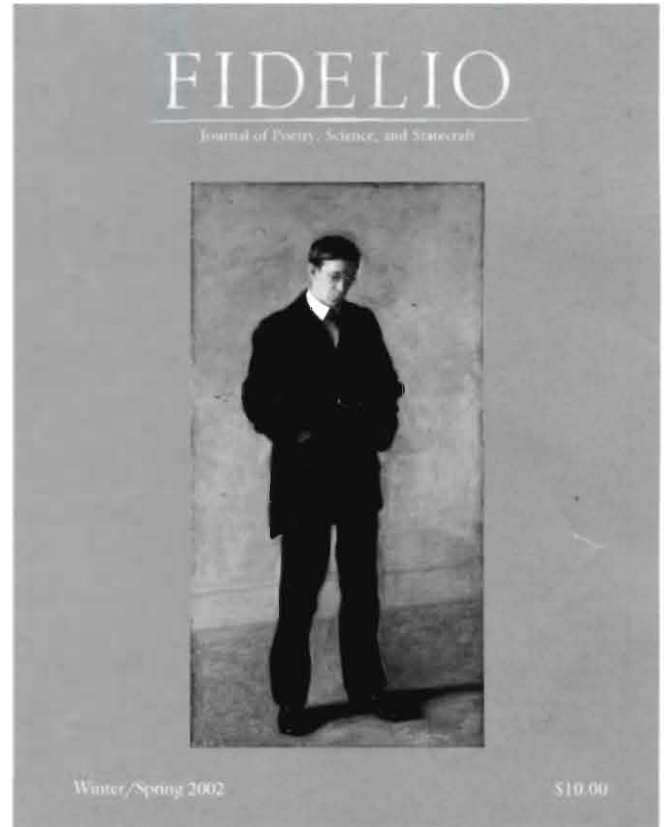
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