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North Korea Makes 'New Silk Road' Offer to U.S.
Maastricht Pact Is Dead, Awaits Official Burial
The 'Historical Individual' Is the True Statesman

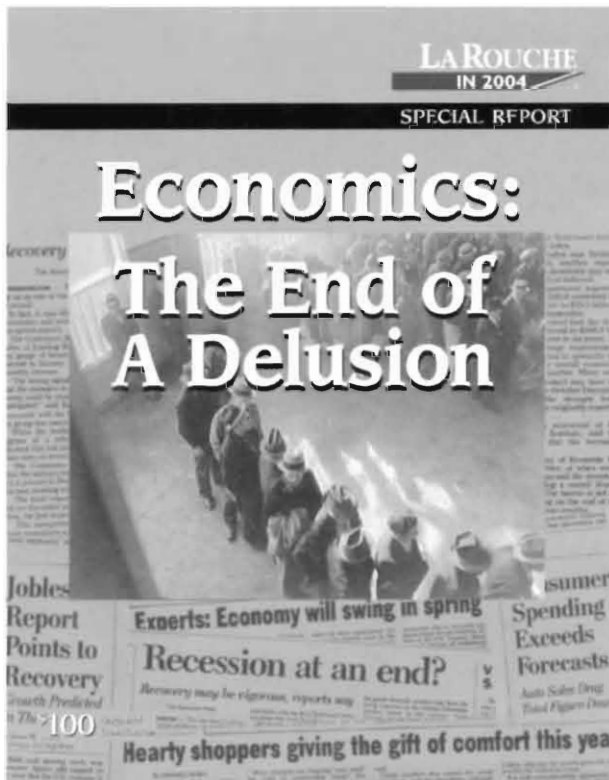
LaRouche: Moon a Target Too Big To Be Missed



Economy in Crisis:

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To Listen to Lyndon LaRouche?



"On the time-scale of history, the terminal moment of our nation's recent follies has now arrived. Now, if our nation is to survive, we must acknowledge, that the leading trends in policy-influencing opinion, over the recent thirty-odd years, have been cumulatively disastrous in their net effect."
—Lyndon H. LaRouche, Jr.

This Special Report features LaRouche's overview of the principles of a "science-driven" economic recovery strategy from the current global depression; the "Triple Curve" collapse function of the U.S. and world economies, and why it is qualitatively worse than that of 1929-33; and what must be learned from President Franklin D. Roosevelt's 1933-45 recovery strategy.

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From the Associate Editor

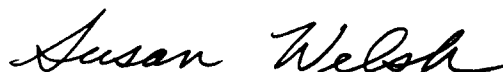
What in the world would induce right-wing televangelist Jerry Falwell, African-American Baptist preachers, leaders of the Nation of Islam, and Iran-Contra wing-dinger Ollie North, all to embrace a Korean sex cultist who proclaims himself the true Messiah, and says that Jesus failed in his mission because he didn't have children?

You guessed it: Money! (They spell it "Moonie," to make it more socially acceptable.)

Lyndon LaRouche identified the importance of the new flanking operation he has opened against the Moon subversion, which he called "a serious threat to our political order," on The LaRouche Show video webcast on Oct. 19 (see p. 50). Jeffrey Steinberg provides a mind-boggling dossier on how the Moon apparatus intersects the U.S. intelligence community and various seemingly home-grown American populist excrescences. In future coverage, we shall develop the matter of the Moonies' relation to H.G. Wells "Open Conspiracy"), the Moral Rearmament movement, and Noam Chomsky's defense of Bertrand Russell. We are dealing here with the strategic effect of cultural warfare that has been waged against the United States during the entire post-war period. Reverend Moon may not be the brains behind the operation—but he certainly does provide the cash.

Counterposed to this counterintelligence picture, see Kathy Wolfe's exclusive story on what really underlies the "North Korean nuclear weapons" scare. While the "Clash of Civilizations" crowd wants to paint North Korea as part of an "axis of evil," the fact is that Pyongyang is making an overture to the United States, worked out in coordination with China, Russia, South Korea, and Japan.

In our *Feature*, "The Historical Individual," LaRouche identifies his own role as a Presidential candidate. He has two principal missions, he writes. "First, to get you safely through the worst of the presently onrushing world and national crisis, and, second, to foster a new leadership, from among the ranks of our young people, which will understand the systemic features of history, and, therefore, were much less likely to make mistakes as foolish as most members of the recent two adult generations have made until now." A sequel to this article, titled "The Next Generation," will appear in a forthcoming issue.



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A Unification Church rally. Funds for a fascist current in America are coming through the Moon church.



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Rev. Sun Myung Moon, the freakish head of a gnostic sex-cult, has tentacles of financial control all over the U.S. political map: from the far right of Jerry Falwell and Richard Viguerie, to African-Americans who have sold their souls to this self-proclaimed Messiah. Said Lyndon LaRouche, in proposing a campaign to target the Moon apparatus: “You pull that out, and I guarantee you, the biggest factor of loose, religious, and other kinds of nuts, in the United States, will scamper. And the rest of the mess will be cleaned up.”

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The European Union’s pact is untenable—as *EIR* said right from the start. Finally, top EU officials are admitting that it is “stupid,” while trade unions in Portugal and Italy have taken to the streets against it.

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By Lyndon H. LaRouche, Jr. "The adequate leader for a moment at the brink of systemic crisis, like the scientific discoverer at a critical juncture in his work, must lead the nation away from its suicidal instinct, to adopt sweeping changes in the axiomatic assumptions on which that society has been operating up to that point. The would-be, 'practical' leader, who seeks approval from the authority of prevalent popular opinion before acting, is, like Hamlet, a menace to his nation. The needed leader, is *an exceptional individual*. No other will do, if the nation is to escape its imminent peril."

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Not Again!

Maastricht Stability Pact Is Dead, Awaits Official Burial

by Rainer Apel

When French President Jacques Chirac and German Chancellor Gerhard Schröder met in Paris Oct. 14 and announced there should be a “more flexible interpretation,” a “more growth-oriented interpretation of the stability criteria” of the European Union’s Maastricht Treaty system, it was clear that some profound changes were up in the EU’s “Stability Pact.” The Pact has come under heavy attack in Italy, France, and Germany, from leading experts and policy-makers, because the limits it places on state budget deficits make it impossible for nations to deal with the current collapse in industry and employment. When Portugal’s labor unions staged their one-day general strike on Oct. 16, and the Italian unions their general strike two days later—including slogans against the Maastricht criteria—it became all too evident that the Stability Pact had turned into the ridiculed emperor without clothes of Hans Christian Andersen’s famous tale.

But the blow come not from the governments which have become disloyal to its impossible criteria: It was delivered by one of the very Maastricht watchdogs himself—Romano Prodi, the President of the European Commission at the EU bureaucracy’s headquarters in Brussels. In an Oct. 18 interview with a leading French daily, *Le Monde*, Prodi said, “I know very well that the Stability Pact is stupid, like all decisions that are too rigid. . . . The Stability Pact is imperfect, we need a more intelligent mechanism and more flexibility.” Immediately, French Sen. Philippe Marini, a leading policy-maker, welcomed Prodi’s remarks, saying, “I am delighted that realism has entered the Commission. The Stability Pact has to be re-read . . . it no longer exists, actually.”

Pascal Lamy, another Frenchman who is Prodi’s commissioner of foreign trade relations, called the Pact “medieval,” and noted that Prodi had “just said loudly what everybody is thinking to himself, anyway.”

Principle of Infrastructure Credits

Prodi’s remarks provoked a storm of protest from the overwrought advocates of more monetarist austerity against depression-wracked Europe. Some demanded his resignation; but Prodi, who apparently had the tacit backing of the governments of France, Germany, and Italy, responded that he did “not regret a single word said in the interview”; he told France’s Europe 1 radio station on Oct. 20, “I could repeat that interview word for word.” He added that there is a “difference between the spirit and the letter” of the Stability Pact; what Europe needs is “an authority for the interpretation of all the problems and variants of economy. It is absolutely necessary to have a common economic government for the countries that share a common currency. . . . I underline the necessity to be intelligent, rather than being stupid . . . because one has to treat the economic problems with a real knowledge of the situation.”

The “common economic government” idea has been proposed, repeatedly, by leading French politicians and experts, and the fact that Prodi used that term was taken by many to point to some concert of action between the EU Commission and the French government. There was also evidence of German government backing, in remarks by Finance Minister Hans Eichel on Oct. 19: “The Pact must be applied in a concrete reality. We must achieve the target, but not create additional economic problems. If this is what Prodi meant, I agree.”

The next act was Prodi’s testimony before the European Parliament in Strasbourg, France on Oct. 21. There, he first made a sly effort to calm his critics, by stating that the Maastricht Stability Pact had “its merits,” but then added that it “should not be enforced inflexibly and dogmatically, but be modified according to the circumstances. That is why I called—and still call—it stupid.” Among those supporting

Prodi was the chairman of the European Parliament's financial and monetary policy committee, German Social Democrat Christa Randzio-Plath, who exclaimed, "How long has the Commission needed to acknowledge that!" This should have been declared already in 1997, she said, when the great majority of the European Parliament had called for "more flexibility in the handling of the Maastricht criteria." Instead, "the Pact has been administered so far [including by Prodi, who now admits the mistake—ed.] with ridiculous rigidity that has further weakened countries with already weak growth, with a counterproductive impact on employment. That is why one has to differentiate between deficits originating from current expenditures, and deficits originating from productive investment programs."

This has now become the "fighting issue" in the economic crisis of the European governments: that credit created for productive investments—such as infrastructure—must not fall under the rigid Maastricht limits on deficit spending as a fixed proportion of GDP. Among trade unions, there has been debate and actions for months: They demand that long-term loans for infrastructure, employment, and ecology projects be run entirely outside the Maastricht-controlled budgets. The German metal workers union has gone public, with proposals that the Frankfurt-based Kreditanstalt für Wiederaufbau (Reconstruction Bank) issue government-guaranteed long-term loans for public-sector investments in transportation, energy and water supply infrastructure, municipal housing, and education projects. The metal workers have called for an end to the "Stability Pact dictatorship over the three major productive economies of Europe," and for a complete redefinition of the work of the European Commission and European Central Bank.

LaRouche Right for a Decade

Thus Europe's leaders have to decide rapidly on an alternative to the Maastricht system. U.S. Presidential pre-candidate Lyndon LaRouche had warned them already a decade ago that the Maastricht criteria were insane and doomed, and that if ever enforced—as they were by the Stability Pact of 1997—they would be untenable and have to be abandoned. Immediately after the European Community's Dec. 9-10, 1991 summit in Brussels (which gave the green light for the Maastricht Treaty to be signed in February 1992), LaRouche warned it would deepen economic depression throughout Europe. And whereas Europe's leaders have tried to stay loyal to that system in the years since, LaRouche urged France and Germany to take the initiative to declare the Maastricht system dead, and to replace it, at the first opportunity, with a return to national bank arrangements and a concerted strategy



A major January 2002 Italian interview with Lyndon LaRouche, in which he insisted, "Under Maastricht and the present policies of the European Union, it is impossible to . . . save the economies of Europe from a general collapse." LaRouche declared Maastricht dead-on-arrival already a decade ago; European leaders now must admit, he was right.

for industrial recovery and mass re-employment.

In September 1992, only seven months after the signing of the Maastricht Treaty, such a chance arrived, when Europe was hit by a severe monetary crisis, and the EU Exchange Rate Mechanism (ERM) broke apart. The Sept. 20, 1992, referendum in France, which yielded a pro-Maastricht "majority" of only 0.9%, should have provided the pretext to drop Maastricht. France and Germany did establish special, bilateral economic and monetary consultations that would have had the potential addressed by LaRouche, had the governments in Bonn and Paris not timidly stopped half-way. The muddling-through that has dominated the ten years since, has been a disservice to Europeans.

In a first assessment of most recent developments, LaRouche said on Oct. 18 that with the Stability Pact declared dead, it is possible to press for several European countries to establish national banking arrangements. French, German, and Italian national banks could carry out debt issuances at 1-2% interest rates, over 25- to 50-year periods, to provide the needed credits for infrastructure projects and the build-up of long-term export agreements. With these regulations and long-term credit, LaRouche said, Europe can halt and reverse the collapse process, via Eurasia-wide infrastructure projects. Integral to that is long-term debt reorganization between Germany and Russia, as the necessary precondition of a vast expansion of continental trade between West and East.

Pointing to the Sept. 25 vote in the Italian Chamber of Deputies—in which he was cited—for a return to fixed-exchange-rate systems, LaRouche said the liquidation of Maastricht and an alliance among national banking systems, with fixed exchange rates to facilitate long-term development of industry and infrastructure, is what must be done. He warned that inaction now, by the European governments, would prolong the present period of bankruptcy, unemployment, and economic and monetary chaos.

Mergers, Derivatives Losses Reveal Bankruptcy of the U.S. Banking System

by John Hoefle

If one were to believe the profit statements reported by the U.S. banks, as dutifully aggregated by the Federal Deposit Insurance Corp. (FDIC), one might conclude that the banks were in reasonably good shape, despite certain ominous clouds on the horizon. After all, in the second quarter, the U.S. banking system as a whole reported a record \$23.4 billion in profits, eclipsing the previous record of \$21.7 billion set just three months earlier. With \$45 billion in profits in six months, the banks have already posted a larger profit than they did for all of 1994, and are on a pace to hit a whopping \$90 billion for the year. Assuming, that is, that they are still standing at year's end.

Recall that Enron, which ranked number seven on the *Fortune* 500 for 2000, actually moved up to number five in 2001, the year it died. What drove Enron's revenues up was not economic strength, but rather a profound economic weakness, which was masked by phony accounting to make the money-losing company appear profitable.

The name of the game, played by Enron and many others, is to artificially inflate profits while deliberately hiding losses, allowing failing companies to appear healthy.

The U.S. banks—especially the derivatives giants—are masters at this game, counting trillions of dollars of worthless IOUs—derivatives, overblown assets, and unpayable debts—on their books at face value, in order to appear solvent. In the late 1980s, the term “zombie” was used to refer to banks which manifested some mechanical signs of life but were in fact dead.

Today, the zombies have taken over the asylum.

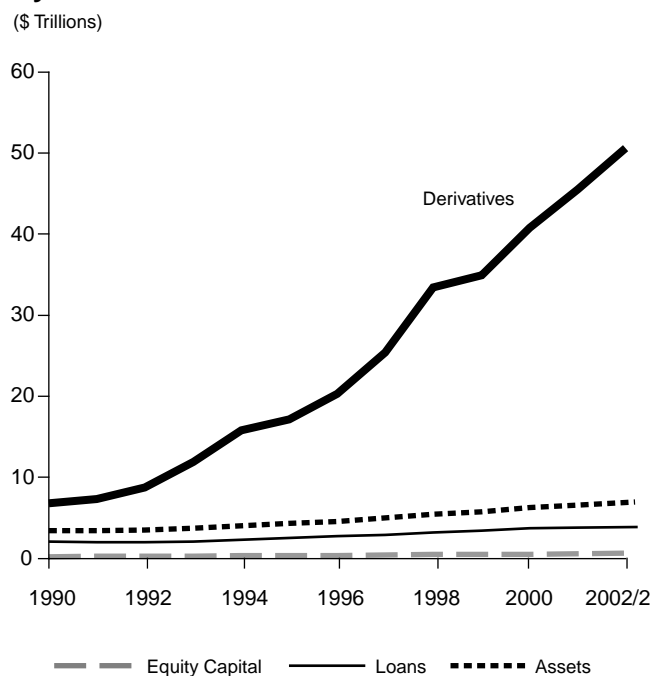
Banks Become Casinos

A little history is in order to back up these statements. The U.S. banking system actually went bankrupt in the late 1980s, with the collapse of the real estate bubble and the junk-bond market. The most obvious manifestations of the collapse were the failures of nearly every large Texas bank, and the Texas-centered blowout of the savings and loan sector, but Texas was just the leading edge of a systemic banking crisis. Citicorp was secretly taken over by the Federal Reserve in 1989, shotgun mergers were arranged for other giant banks, backdoor

bailouts were given through the Fed's lending mechanisms, and bank examiners were ordered to ignore bad loans. These measures, coupled with a headlong rush into derivatives and other forms of speculation, gave the banks a veneer of solvency while actually destroying what was left of the U.S. banking system.

That the banks have become casinos can be seen by comparing the growth of their off-balance-sheet derivatives holdings to the assets, loans, and equity capital they report on their books (**Figure 1**). As a whole, U.S. banks have notional

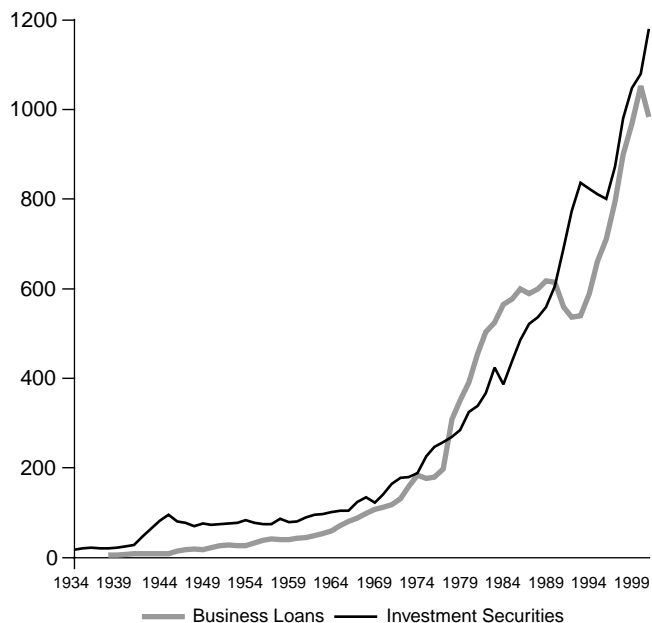
FIGURE 1
Derivatives Cancer Takes Over U.S. Banking System



Source: FDIC.

FIGURE 2
Banks Prefer Securities Over Business Loans

(\$ Billions)



Source: Federal Reserve.

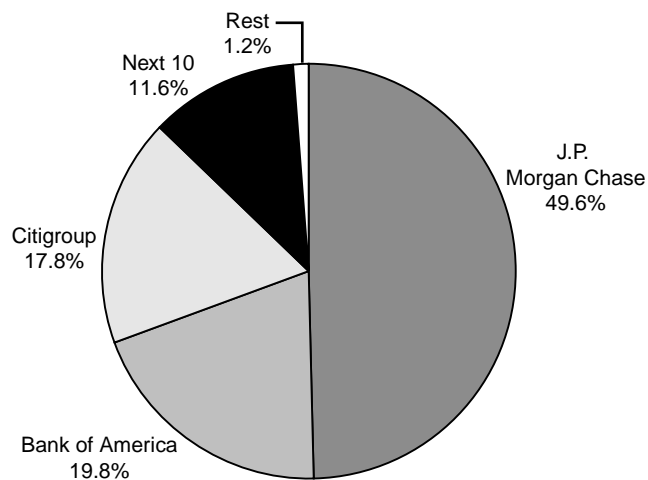
derivatives holdings 81 times their equity capital, 13 times their loan portfolios, and over seven times their asset base. Another reflection of the way in which banks have abandoned traditional banking for the casino is the way in which their holdings of investment securities now surpass their level of business loans (Figure 2). They would rather buy and hold corporate bonds, mortgage-backed securities and other instruments, than put their money to use the traditional way, making loans.

However, while the banking system is dominated by this derivatives bubble, the vast majority of these derivatives are concentrated in just a handful of banks (Figure 3). J.P. Morgan Chase alone had \$26 trillion in derivatives as of June 30, 2002, some 50% of all the derivatives held by U.S. bank holding companies. Bank of America held over \$10 trillion, or 20%, while Citigroup held \$9 trillion, or 18%, giving these three institutions together 87% of the total. The ten next-largest derivatives banks (Wachovia, Bank One, Wells Fargo, Bank of New York, HSBC, FleetBoston, Taunus, Countrywide Credit, State Street, and ABN Amro) held another \$6 trillion, or 12%, with all other U.S. banks combined accounting for the remaining 1%.

Rapid Consolidation

With the shift from real banking into speculation has come a rapid consolidation in the banking sector. At the end of

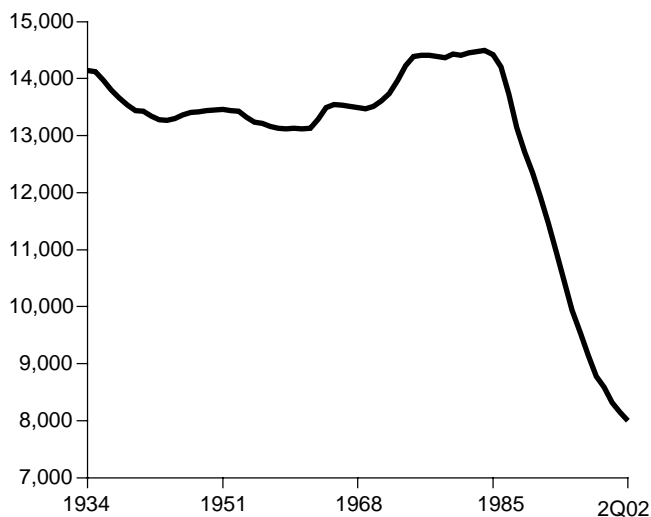
FIGURE 3
Derivatives Concentrated in Handful of Banks



Source: Comptroller of the Currency, EIR.

FIGURE 4
Rapid Consolidation of U.S. Banking System

(Number of Banks)



Source: FDIC.

1984, there were 14,496 U.S. banks, but in the intervening years, 6,473 have disappeared, a decline of 45% and the equivalent of one bank a day. As of June 30, there were 7,996 U.S. banks left, the smallest number since the FDIC began keeping statistics in 1934 (Figure 4).

Failures account for about 20% of the drop in the number

TABLE 1

Top Banks in 1985, Then and Now: Only Chemical Remains

1985 Rank	1985 Bank	Assets	Bought By:	Now a Part of:
1	Citicorp	173.6	Travelers, 1998	Citigroup
2	BankAmerica	118.5	NationsBank, 1998	Bank of America
3	Chase	87.7	Chemical, 1995	J.P. Morgan Chase
4	Manufacturers Hanover	76.5	Chemical, 1991	J.P. Morgan Chase
5	J.P. Morgan	69.4	Chemical, 2000	J.P. Morgan Chase
6	Chemical N.Y. Corp	57.0	—	J.P. Morgan Chase
7	Security Pacific	53.5	BankAmerica, 1991	Bank of America
8	Bankers Trust N.Y.	50.9	Deutsche Bank, 1999	Taunus Corp.
9	First Interstate	49.0	Wells Fargo, 1996	Wells Fargo
10	First Chicago	38.9	Bank One, 1998	Bank One

Notes: Travelers bought Citicorp, and changed its name to Citigroup
 NationsBank bought BankAmerica, then renamed itself Bank of America
 Chemical adopted the Chase name, then became Morgan Chase when it bought Morgan
 Wells Fargo was taken over by Norwest in 1995, which kept the Wells Fargo name
 First Chicago was taken over by NBD of Detroit in 1995, then Bank One bought First Chicago NBD

of banks, with 1,322 banks failing during the 1995-2001 period. During that same period, 8,092 banks were acquired by other banks, while another 3,300 were created through the issuance of new charters or conversions.

The sharp decline in the number of U.S. banks reflects the adoption by the U.S. financial system of the British banking model, in which a handful of big banks predominate, exercising unhealthy control over the issuance of credit.

That process is shown even more clearly in changes among the bigger U.S. banks. **Table 1** shows how, among the ten largest U.S. banks in 1985, *only one*, Chemical Bank, remains. Starting with the acquisition of Manufacturers Hanover in 1991, Chemical has acquired three banks on the 1985 list, buying Chase Manhattan in 1995 and J.P. Morgan in 2000, changing its name twice along the way, adopting the more prominent Chase and Morgan names. All together, four of the top ten banks—all based in New York—in 1985 have been rolled into the zombie known today as J.P. Morgan Chase. Bankers Trust New York, which suffered a derivatives blowup in 1994, was rehabilitated and eventually sold to Germany's Deutsche Bank. The remaining New York bank on the list, Citicorp, was taken over by Travelers in 1998, in a deal which was illegal at the time. Travelers bought itself a bank charter, renamed itself Citigroup, and became the biggest bank in the United States.

The West Coast banks were also wiped out. In 1991, San Francisco-based BankAmerica Corp. bought Los Angeles-based Security Pacific, and in 1998, Charlotte's NationsBank bought BankAmerica, and promptly renamed itself Bank of America. San Francisco-based Wells Fargo bought Los Angeles' First Interstate in 1996, but it wasn't really Wells Fargo anymore, but Norwest, the Minneapolis bank which bought Wells Fargo in 1995, adopting both the legendary

TABLE 2

The Largest U.S. Bank Holding Companies, by Assets, as of June 30, 2002

(\$ Billions)

Rank	Bank	Assets
1	Citigroup	1,083
2	J.P. Morgan Chase & Co.	741
3	Bank of America	638
4	Wachovia	325
5	Wells Fargo	315
6	Bank One	270
7	Taunus (Deutsche Bank)	231
8	FleetBoston	191
9	ABN AMRO North America	176
10	US Bancorp	173

Wells Fargo name and its hometown.

The only Midwest bank on the list, First Chicago, was taken over by Detroit's NBD in 1995; NBD renamed itself First Chicago NBD and moved its headquarters to Chicago, where it was bought by Columbus, Ohio-based Bank One, which didn't change its name, but did move to Chicago.

To complete the circle, Bank One is now being rumored as a buyer for the desperate J.P. Morgan Chase. The idea of the \$270 billion in assets Bank One, buying the \$741 billion Morgan Chase, is ludicrous, despite the fact that Bank One now has a higher stock market capitalization than Morgan. Still, letting Morgan fail, which it seems determined to do, is clearly unacceptable from the standpoint of the White House/

TABLE 3

The World's Largest Financial Institutions, by Assets, 2001

(\$ Billions)

Rank	Institution	Country	Assets
1	Mizuho Holdings	Japan	\$1,149
2	Citigroup	U.S.	\$1,051
3	Allianz	Germany	\$839
4	Sumitomo Mitsui Banking	Japan	\$820
5	Deutsche Bank	Germany	\$814
6	Fannie Mae	U.S.	\$800
7	Mitsubishi Tokyo Finl.	Japan	\$755
8	UBS	Switzerland	\$752
9	BNP Paribas	France	\$733
10	HSBC Holdings	U.K.	\$694
11	J.P. Morgan Chase	U.S.	\$694
12	Bayerische Hypo Bank	Germany	\$648
13	ING Group	Netherlands	\$627
14	Bank of America	U.S.	\$622
15	Freddie Mac	U.S.	\$615

Source: Wall Street Journal.

Federal Reserve Plunge Protection Team (inevitable, yes; acceptable, no).

The result of all these mergers is a group of much larger, and far more bankrupt, giant banks (**Table 2**). Citigroup, which like Morgan Chase appears to be on Federal life support, now has assets in excess of \$1 trillion, six times the size of Citicorp in 1985. While the first two banks on the list are based in New York, the next two (Bank of America and Wachovia) are based in Charlotte, N.C., and two of the banks, Taunus (the old Bankers Trust) and ABN Amro, are foreign-owned.

Table 3 shows how a similar process has played out worldwide. The three Japanese banks on the list (Mizuho, Sumitomo Mitsui, and Mitsubishi Tokyo) are all the result of mergers among Japan's top banks. Germany's Allianz, the world's largest insurance company, also owns the \$500 billion Dresdner Bank, while Switzerland's UBS is the result of a merger between Swiss Bank Corp. and Union Bank of Switzerland, and BNP Paribas combines two large French banks.

The global list also includes two institutions which specialize in pumping up the U.S. real estate bubble. Both Fannie Mae and Freddie Mac specialize in converting mortgages into mortgage-backed securities, and will vaporize when the U.S. housing bubble pops.

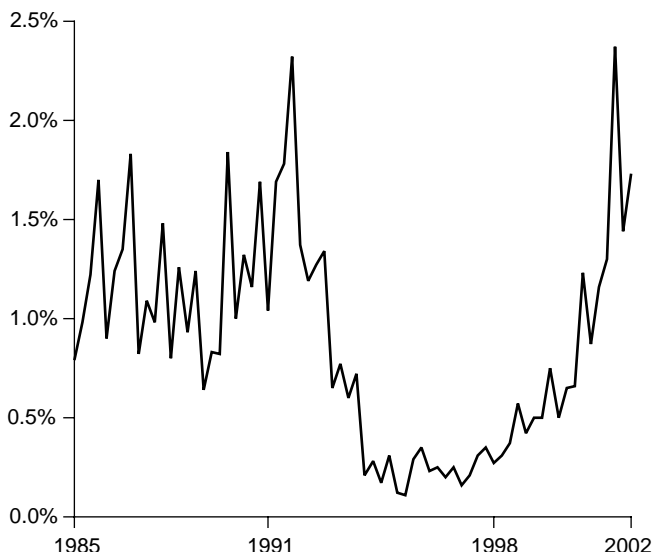
Vaporization

The wave of mergers worldwide results in the concentration of "toxic" derivatives exposure in an ever-shrinking cir-

FIGURE 5

Business Loan Charge-Offs Soaring

(Pct. of total business loans, by quarter)



Source: Federal Reserve.

cle of banks, at a point when world stock markets are plunging (the current Plunge Protection Team bump notwithstanding), and the bond markets are beginning to realize that a promise to pay is not the same as the ability to pay. According to European financial sources, blacklists are beginning to circulate, naming financial institutions that can no longer be trusted as derivatives counterparties. Leading almost everyone's list is J.P. Morgan Chase, and the *Financial Times* recently identified Cr dit Suisse and Commerzbank as "pariahs" in the derivatives market.

Derivatives, which supposedly reduce risk by spreading it among a larger pool of parties, actually serve to concentrate that risk in a handful of major financial institutions. Banks which specialize in selling credit derivatives to investors, for example, have to pay off when corporations such as Enron default. Since investors tend to buy credit insurance against their riskier holdings, the banks often take hits on their credit derivatives portfolios at the same time that they suffer loan losses from the same company. Morgan Chase, which has a larger credit derivatives portfolio than loan portfolio, may very well have taken a multibillion-dollar hit on credit derivatives written on Enron bonds, in addition to its acknowledged multibillion-dollar losses on loans to Enron.

In addition to the derivatives losses, the process of collapse can already be seen in record levels of business and personal bankruptcies, which have triggered soaring levels of credit card and business loan charge-offs at U.S. banks (**Figure 5**).

Europe's High Finance 'Faces Stiff Headwind'

by Lothar Komp

The worst meltdown of global financial asset prices since the 1930s, record numbers of corporate and sovereign defaults, and an *implosion* of investment banking undertakings—like initial public offerings (IPOs) and mergers—are devastating the world's largest financial institutions, and not least in Europe.

Already during the Summer of 2002, the European insurance sector was at the center of global financial worries, as about 30% of its huge reserves had been invested on the collapsing stock markets. In Britain, life insurance firms dramatically increased their penalty fees for early cancellations of contracts, trying to prevent panicking customers from taking their money out. In Germany, the association of life insurance firms established an emergency fund that could bail out one of their members in case of insolvency. Swiss Life, the largest insurance company in Switzerland, has lost about 80% of its stock price this year as, on top of overall market weakness, it had to restate its figures twice due to "accounting errors." Swiss Reinsurance, the world's second-largest reinsurer, in late August reported a 91% fall in profits for the first half of the year. Swiss Re explained, that the decline was neither caused by Sept. 11 nor by natural disasters, including the recent flooding in Central and Eastern Europe, but by the worldwide stock market crash. Two weeks earlier, *Crédit Suisse Group*, Switzerland's second-largest bank, reported a much bigger than expected loss, as it had to inject 1.7 billion Swiss francs into its troubled life insurance subsidiary Winterthur. In early October, *Crédit Suisse Group* again had to rescue Winterthur once again.

By mid-September, after the German DAX stock market index had fallen to 3,200 points, compared to about 8,000 points in March 2000, the German insurance giant Allianz, as well as other German insurance firms, hit the "panic button," selling off much of their stock portfolio in order to limit losses. By doing so, the insurance firms further accelerated the stock market decline. By the end of September, the German stock market closed its worst quarter since 1959, with a loss of 37%, which came on top of steep losses in the preceding nine quarters.

German Banking Crisis

Suddenly the issue of a "German banking crisis" entered the headlines of financial media. In the last week of Septem-

ber, the risk premiums on the debt of German banks exploded, as the creditworthiness of the German banking sector is being questioned by international markets. German banks have a particular exposure to the corporate sector, now hit by record-high bankruptcies, and the country's financial institutions—apart from their traditional holdings of domestic industrial stocks—entered the global stock market bubble relatively late in the game; that is, they often bought at bubble prices.

One of the triggers for the sudden eruption of fears concerning the German banking sector, had been rumors about considerable losses by *Commerzbank* in the credit derivatives business. The rumors were spread by the Merrill Lynch Europe headquarters in London, and were accompanied by a Merrill Lynch report on German banks entitled, "Turning Japanese," a reference to the enormous amount of bad loans in the Japanese banking system.

Within days, German bank stocks were crashing in a way even exceeding the dimensions of the Autumn 1998 Long Term Capital Management (LTCM) hedge-fund crisis. The total market losses of German banks within the last two and a half years are high enough to resemble those of some former "New Economy" high-rollers. *Commerzbank* stocks fell from 44 euros in 2000 to 5.3 euros on Oct. 8, 2002, the lowest price in 20 years, and a collapse of 88%. The market capitalization of *Commerzbank* in the same period sank from 24 to 3 billion euros. The other financial titles in the DAX-30 also faced huge losses: *Bayerische HypoVereinsbank* (-84%), *Deutsche Bank* (-64%), *Allianz/Dresdner Bank* (-83%), *Münchener Rück* (-75%), *MLP* (-96%). The entire market capitalization of these six firms crashed from 330 billion euros in 2000 to just 71 billion euros in early October 2002.

Extreme nervousness behind the scenes was revealed by an unusual number of statements by German banking supervisors and bank representatives. Frankfurt bankers accused *City of London* competitors of deliberately spreading "evil rumors." *Commerzbank* admitted that it will have to set aside more money than planned for bad loans. *Commerzbank* chief executive officer Klaus-Peter Müller gave interviews, claiming that "we have our problems under control," and urging that "no one should be questioning the existence of the bank." He nevertheless confirmed that banks are right now "facing the stiffest headwind in 30 or 40 years."

Four top bankers—Otmar Issing, European Central Bank chief economist; Edgar Meister of the Bundesbank directorate; Karl-Burkhard Caspari, vice president of the German financial supervisory agency BaFin; and Rolf E. Breuer, supervisory board chairman of *Deutsche Bank* and current president of the German banking association—all came out vigorously denying liquidity problems among large German banks. However, Issing had to admit that the situation of the German banking sector, at least on the stock markets, is indeed "dramatic." Already at the beginning of 2002, *Bankgesellschaft Berlin* was rescued from going bankrupt by a 21 billion euro state guarantee.

Japan's Banks Melt Down in 'Bush Crash'

by Kathy Wolfe

Public trust in Japan's mega-banks has been "damaged," the Bank of Japan (BOJ) said on Oct. 11, in extremely strong language for a central bank. "The strength of the banks has declined and the market's trust has been damaged," BOJ Governor Masaru Hayami told a news conference. "If there is a crisis, we will serve as lender of last resort." This was just the latest in a string of shocking statements from the highly conservative 85-year-old Hayami, after his surprise proposal on Sept. 18, that the BOJ buy up as much as \$100 billion in industrial company stocks held by the major banks. In Japan, banks were originally created to fund industry, and the top eight banking groups still hold over \$210 billion in industrial stocks as part of their capital.

But now, with the collapse of the Wall Street bubble and consequent crash of all global stock markets, the existence of Japan's banks is directly in question. President Bush's threats before Congress and the UN to go to war with Iraq, only magnify the crash in New York and Tokyo, Japanese analysts are warning, rather than propping the dollar as in prior Mideast wars. "People are realizing that a further rise in oil prices will worsen the U.S.'s enormous trade and budget deficits, and further deter capital flowing into the United States, and some are calling this the 'Bush Crash,' " one Japanese observer pointed out.

What is most shocking about the state of Japan's banks, is not merely the size of bad loans at the top 20 banks, estimated at \$1-1.5 trillion. Certainly there are bad loans in this amount at the major U.S. banks, not to mention the \$80 trillion or so in rotten derivatives at U.S. banks and other financial institutions.

But what is most dumbfounding, is the sheer size of Japan's banking system. If any one of Japan's mega-banks were to go under—and Financial Services Minister Heizo Takenaka said recently, that "No Japanese bank is too big to fail"—it could easily bring down the entire world financial system. The consolidated group assets of Japan's Big Four banking conglomerates, Mizuho Holdings (\$1.3 trillion), Bank of Tokyo/Mitsubishi (\$900 billion), UFJ (\$700 billion), and Sumitomo/Mitsui Bank (\$700 billion), come to \$3.6 trillion right there. Japan's largest eight bank groups have an estimated total of \$5.5 trillion in assets.

Among the Big Four banking groups alone, \$500-\$600 billion of their loans are estimated to be non-paying at this



*Bank of Japan
Governor Masaru
Hayami.*

point—which means, that while many of these loans may be worthy credits to productive industrial borrowers, those borrowers are not paying the banks at the moment.

Background to 'Bush Crash'

How did this ever happen? Japan is facing a "Bush Crash" in not one, but multiple senses of the term. It started back in 1985, when Donald Regan—the man from Merrill Lynch, and who became Ronald Reagan's Treasury Secretary, and had the support of then-Vice President George H.W. Bush, who provided the political muscle. They forced Japan to sign the infamous Plaza Accords, which up-valued the Japanese yen by 40%. By the end of 1988, when Bush took over as President, the yen had risen by 80%. Simultaneously, the United States forced the Japanese to lower interest rates, to as low as 3% already by 1990.

Wall Street and Washington's purpose in this was rather simple: to turn the docile Japanese, captive to the U.S. "nuclear umbrella" at the height of the Cold War, into a gigantic "cash cow" to finance the collapsing U.S. economy and ballooning U.S. government deficits. Increasing the value of the yen, quite simply from the U.S. standpoint, increased the amount of dollar assets Japan could be made to buy. During this time, the Japanese purchased over \$1 trillion in U.S. government debt alone—and countless trillions in relatively worthless U.S. real estate boondoggles, such as Rockefeller Center, half the golf courses in Hawaii and California, and so on.

But back home in Japan, this caused a massive real estate bubble, in which land prices in Tokyo were multiplied by six and seven times, and a gigantic stock market bubble, in which prices of everything went through the roof, creating infamous Tokyo \$10 cup of coffee. During the "post-Plaza" era, Japanese banks, which had to finance all of this, grew extremely

rapidly to absurd dimensions, out of all proportion to the size of Japan's domestic economy. And no wonder: Japanese banks were financing a major chunk of the U.S. and global trade deficits.

It was the equivalent of the "Roaring Twenties" in the United States—except that tiny Japan was being asked to print enough money for itself, the United States, and a chunk of the European economies, too. So, when the Great Tokyo Bubble popped in 1990 with a bang, it caused prices to crash just as precipitously. Just writing off the non-existent bubble values of the land and loans to real estate and related bubble companies, was enough to decimate the banks.

Bad Loans, and Worse

Ever since that time, prices in Japan have been actually falling, in a 1930s Depression-style deflation, meaning that, no matter how many bad loans the banks write off, there will always be more business going under each day, and more bad loans piling up—a sort of "bankrupt's arithmetic." Japanese banks have written off some \$205 billion in bad loans in the years since, but many today have worse balance sheets than before, because of the collapsing world economy, which keeps turning good loans bad at a rate faster even than the banks can write off the paper. Over the nine years through fiscal 2000, Japan's banks took over \$650 billion in losses after disposing of bad loans. At major banks, such write-offs have been much higher than their profits in recent years—which is to say, that most of the banking system has been operating in the red for the past two years at least.

"Disposal of bad loans has come a long way, but there are loans that are newly becoming bad loans. That's the problem," BOJ Governor Hayami said in a press conference on Oct. 16. He said that non-performing debt is no longer the legacy of the bubble economy era, as it has often been portrayed. What has the BOJ worries about now, is the pace at which new bad debt is appearing, which is outstripping the banks' ability to roll it over.

Now, add in the crash of world stock markets, over which Japan has little or no control, and it's a like throwing a match into an oil well. Of the \$210 billion in industrial stocks which Japan's largest eight banking groups hold as part of their capital, as much as \$50 billion or 25% of this value evaporated between June 1 and Oct. 24, as Tokyo's Nikkei stock index suffered an almost 30% drop, from 12,000 to the 8,500 level—just following the Dow Jones and the Nasdaq on down, a phenomenon familiar to millions of unhappy American 401(k) owners. Japanese authorities are virtually powerless to stop the Nikkei from a bottomless slide for the rest of this year, since it is simply following the falling New York markets, and the U.S. physical economy, into the pit. Japan's economy is totally dependent on exports to U.S. consumers, who are buying on credit.

Nobuo Yamaguchi, head of the Japan Chamber of Commerce and Industry, warned on Sept. 6 that a further Nikkei drop would decimate shares of financial institutions ahead of

the Sept. 30 closing of the books for the first-half of the fiscal year. "The stability of the financial system is the most important thing," Yamaguchi said. "The BOJ believes that the Japanese economy is trapped in a vicious cycle," *Nikkei Keizai News* wrote in its Sept. 9 editorial: "An economic downturn resulting from cuts in loans by banks is helping to push down stocks. Consequently, banks' available funds to dispose of non-performing loans are shrinking, because of eroding shareholders' equity, making them become more risk averse, and reducing loans further."

Japan now has a \$150 billion fund sitting at the government Deposit Insurance Corp. to be tapped for injection into banks and other reorganization measures. But past bank bailouts, in 1998 and 1999 during the "Asia crisis," were complete failures. The government handed out more than \$75 billion in public funds to ailing banks, but the cash was just used to bail out the bad debt. Under pressure from the United States, Japan abandoned its traditional practice of directing credit, and the government just handed out money, without insisting that loans to productive companies be saved, and that those to unproductive companies be ditched.

Directed Credit?

Finally during October, there was some discussion of a directed-credit bank reorganization. *Nikkei* reported on Oct. 13 that instead of letting Japan's banks just collapse, certain members of the ruling Liberal Democratic Party (LDP) are working on a plan to transfer \$83 billion in bad loans held by banks to the government-backed bad-debt purchasing body, Resolution and Collection Corp. (RCC). While the RCC was set up some years back at the behest of U.S. Federal Reserve Chairman Alan Greenspan and Wall Street, most Japanese banks until now have been reluctant to sell assets to it, because the RCC was only buying loans at very deep discounts, solving nothing.

What is new about this proposal, is that it "calls for separating the recipients of the loans bought by the RCC into viable, and nonviable companies," *Nikkei* reports. "The debts against viable companies will be administered by a newly created 'corporate revival firm,' supporting the resuscitation of such companies."

EIR had previously been told by BOJ circles who follow the work of Lyndon LaRouche, that they were looking into such a new use of the RCC, after the failure of Japan's previous bank re-capitalization programs. This comes after *EIR*'s strenuous intervention into Tokyo to stress LaRouche's concept that government direction of bankruptcy operations and new credits are necessary for a banking reorganization, such that good debt tied to productive facilities is to be saved, and speculative debt is to be ditched. The LDP plan reportedly is looking at this, and aims to cushion the impact on corporate borrowers of a fast cleanup of bad bank loans, since fears of a fast write-off of bad bank loans have caused a panic that industrial corporate borrowers are about to be foreclosed upon *en masse*. Under the plan, loans judged as viable to productive

companies will result in new capital to be injected into the banks which sell such loans to the RCC.

None of this addresses the truly urgent need for Tokyo to speak up about the bankruptcy of the global system. The truth of the matter, is that nothing the Japanese do domestically, by themselves, can stop Japan's banking system from blowing out. Only the creation of an entirely New Bretton Woods monetary system can save Japan; and so, the only rational course for the Japanese, is to call for it early and often in international forums. Discussion of directed credit, however, is a baby step in LaRouche's direction.

Japan Elites Rip Harvard Boy Takenaka

by Kathy Wolfe

Nobuo Yamaguchi, chairman of the Japan Chamber of Commerce and Industry, at a news conference on Oct. 18, kicked off what has become a flood of attacks on Harvard-trained Japanese Financial Services Minister Heizo Takenaka, for his International Monetary Fund-dictated economic policy of "surgery without anesthesia." Takenaka's new austerity plan was scheduled for release on Oct. 22, but Prime Minister Junichiro Koizumi ordered it rewritten by the end of the month.

"The United States backs Takenaka; but Japan needs to work out countermeasures on its own," Yamaguchi said, referring to statements by Glenn Hubbard, the monetarist chairman of President Bush's Council of Economic Advisers. "While scholars can rewrite dissertations, no re-do is permitted for economic phenomena," he added. (Takenaka had been an economics professor at Keio University.) The yen rose briefly on Oct. 23, when the press reported that Takenaka would be fired.

Prime Minister Koizumi was heavily attacked over the Takenaka appointment by his own Liberal Democratic Party (LDP) and the two other parties in his ruling coalition in the Diet (Parliament), on Oct. 22-23, in what Yomiuri News called "an effective vote of no confidence." "Steamrolling reforms may send the national economy into turmoil," said Mitsuo Horiuchi, chairman of the LDP General Council. Akihiro Ota, secretary general of the Komeito party, also called on the administration to expand job-relief efforts, saying, "What the people are calling for is 'reform with encouragement,' rather than 'reform with pain.'"

Mikio Aoki, secretary general of the LDP upper house, demanded that Koizumi immediately change policy. "Is Mr. Takenaka serious?" he asked, when presented with the draft of Takenaka's austerity plan. "A plan like that would certainly



Japan's Financial Services Minister Heizo Takenaka is under fire for demanding the takedown of Japanese industry, on orders from the IMF and Washington.

cause stock prices to crash."

"LDP Don Aoki Gives Koizumi Tongue-Lashing Over Policy," was the *Asahi News* headline. "Political heavyweight Mikio Aoki, a one-time defender of Junichiro Koizumi, blasted the prime minister Tuesday, saying his 'private-sector experts' have no business in deciding the nation's economic policy," *Asahi News* wrote. "They have not been chosen in elections," Aoki said of Takenaka and his Wall Street advisers. "It is a problem if people who are not in position to take responsibility provide opinions that influence grave national policies and the people's future."

Pressure From the United States

The press is openly reporting what Bank of Japan officials have told *EIR* for some weeks: that Takenaka's program will devastate Japanese industrial corporations, but produce an enormous "cheap shot" for American "vulture funds" to buy them up a quarter on the dollar, as was done in Korea in 1998-99. AT&T Corp. Chairman Michael Armstrong told the Japan-U.S. Business Council in Tokyo on Oct. 23 that Takenaka's program must be implemented with no further delay, because "Japan's structural reforms are behind schedule compared with the timetable promised in February" to President Bush. Armstrong repeated Bush and Hubbard's calls in February for Japan to let bad loan paper and industrial shares "go free into the markets," where they would collapse.

Nikkei News commented: "But some critics say that U.S. financial circles are hoping that the sale of shares would lead to more business opportunities" for American vultures. Calls by U.S. Treasury Undersecretary for International Affairs John Taylor, at a Tokyo press conference on Oct. 23, endorsing Takenaka's shock therapy plans, also didn't help much. "The United States believes it is essential for Japan to rebuild its financial system because it may need Japan to help shoulder the costs for its continuing anti-terrorism efforts," said Nikkei bitterly.

FIAT Faces Bankruptcy, Amid World Auto Crisis

by Claudio Celani

Italian automaker FIAT is threatened with bankruptcy as a consequence of accumulated debt, a sales crisis and plunging market capitalization. FIAT's debt at the end of 2001 was 238% of its assets (in 1993 it was "only" 140%). In two and an half years, FIAT's market capitalization has collapsed from \$12 billion to \$1 billion. At the end of 2001, FIAT's net indebtedness was \$6 billion, and currently the company is losing \$1.5 billion per year.

While worldwide, the automobile sector has been hit by the depression, with declining sales in 2002, FIAT was hit harder than its competitors; whereas, by April, the whole European Union saw a 2.6% decline in auto sales from the year before, FIAT lost 20.1%, its market share falling from 10% to 7.9%. The management has reacted to the crisis with dramatic production cuts and 8,000 layoffs in July. As a result, FIAT production in August dropped 51.5% from 2001, affecting total Italian industrial production, which fell 7%.

Since FIAT represents the entire Italian auto industry (its auto division includes FIAT, Alfa Romeo, and Lancia, and Ferrari belongs to FIAT's holding company) its crisis has become a national issue. The loss of FIAT Auto would mean the loss of Italian auto production altogether. This perspective has prompted the government to seriously consider a plan for a state bailout. FIAT's management has asked for state aid, and has presented a so-called restructuring plan. However, FIAT's conduct so far has supported allegations that the group's management has no intention whatsoever to rescue FIAT Auto; on the contrary, indications are strong that the owners, the Agnelli family, are now pulling the strings of a long-planned strategy to get rid of the auto division and concentrate on the high-yield sectors of energy and insurance. To most Italians, this sounds like nothing less than national betrayal.

Looting FIAT Auto

And indeed, if one looks back at FIAT's history, one can see that the seeds of betrayal were laid, when current FIAT owner Gianni Agnelli, grandson of founder Giovanni Agnelli, took over the firm in 1966. FIAT under Gianni Agnelli is a typical example of what Lyndon LaRouche has identified as the paradigm shift from a competent industrial management, to cost-benefit kinds of modern accounting practices.

Already the second largest automaker in Europe after Volkswagen, FIAT was run under a strictly centralized man-

agement, and basically as a family-owned firm. Gianni—a playboy educated in Great Britain and co-opted into Pamela Harriman's and David Rockefeller's salons—started to introduce "modern Anglo-Saxon methods" of management, which progressively impoverished FIAT's capacity to produce high-quality cars and reinvest surplus in technological improvements. At the beginning of the 1970s, Agnelli brought in a new generation of managers from the Olivetti firm, who had the bizarre idea that the automobile had no future and that FIAT should start to "diversify," i.e., move into other sectors like construction, etc.

The oil shock of 1973 found FIAT so unprepared, that the company was rescued only by the entrance of Libya as partner, with fresh capital. Eventually, FIAT Auto was relaunched by a new manager, Vittorio Ghidella, who was able, in 1989, to achieve a 10.7% current account surplus on its turnover. The following year was the beginning of the current crisis. Not accidentally, 1989-90 is the year of the fall of the Soviet Empire, and the start of the so-called "globalization" policy under Margaret Thatcher and the George H.W. Bush Administration.

Agnelli, a member of the Anglo-American establishment, is a player in the new game. FIAT must "invest" in sectors with short-term high yield, like banks, insurance, services, and utilities. Where does he find the money? Simple: by looting FIAT Auto. In 1988, FIAT Auto had scored its highest profits, \$2 billion. Ghidella wanted to reinvest the profits in the auto sector, expecting "hard times." But Agnelli needed the money to buy his new toys. Ghidella was defeated and left FIAT Auto.

In 1993, profits at FIAT Auto had already plunged to -4.4%. In the following years, except for a 4.6% gain in 1997, there was a steady decline. In 2002, FIAT Auto again lost 4.1%. Debt has become unmanageable. Investments in research have dropped to half as much as FIAT's European competitors invest. Despite that, FIAT engineers (generally coming out of Turin's Politecnico) are still producing innovations: ABS and Common Rail were patented by the FIAT Research Center. But instead of industrializing them, FIAT has sold the patents abroad.

In the meantime, FIAT Holding (Agnelli) went shopping, taking loans for the purpose, on top of looting the auto sector. According to the trade union magazine *Rassegna*, "a consistent quota of the debt comes from the policy of acquisitions implemented at the end of the 1990s: in particular Pico [capital goods] and Case [agricultural machinery]."

'Shareholder Value Gone Mad'

By 1999, it was clear that FIAT Auto was in trouble, and that the crisis could be solved only through a massive investment plan. But instead, FIAT decided to sell. In March 2000, a deal with General Motors was announced, whereby GM purchased 20% of FIAT Auto (paid with 5% of GM stock), on the condition that GM has the right to purchase the

remaining 80% (a “put” option) in 2004. To most, this was a signal that Italy was losing its auto industry. For the Agnelli family, it became only a matter of reaching 2004 with the highest possible “shareholder value,” to make some profit in the sale.

But in 2001, the FIAT group lost \$6 billion. The situation was still manageable, but in Spring 2002 a run on FIAT Auto stock was prompted by a *Financial Times* article suggesting that FIAT Auto would be sold early to General Motors. From a peak of 46 euros in 1998, FIAT Auto stocks collapsed to 8 euros in October. The crisis was now going out of control.

FIAT has not changed its strategy. The “plan” announced in May, aimed at drastically downsizing FIAT Auto in order to boost its shareholder value—basically to avoid being forced to sell to GM for a dime on the dollar. Eight thousand workers would be laid off and two factories in Italy closed: one in Termini Imerese, Sicily, and the other one in Arese, Milan. Especially the Termini Imerese closure would have devastating social repercussions in an underdeveloped area. One calculates that for each FIAT worker there are three workers in the feeder industries, who will be unemployed. FIAT demands that the state pay the “short-work” benefits for the unemployed.

Additionally, FIAT plans to sell some “crown jewels” to help balance the debt, claiming that it all aims at re-launching auto production. But among the crown jewels on sale are Comau and Magneti Marelli—the former a producer of machines and the second a producer of components; what is the logic of selling exactly what you need for improving your production?

GM Is No ‘White Knight’

Italy’s government is willing to intervene in order to save the Italian auto industry, but it demands that FIAT offer a credible industrial plan. The same goes for the trade unions, which have announced a general metal workers strike for Nov. 15. Initially, the possibility that the state become a shareholder of FIAT was considered, and supported even by the European Commission. But this option collapsed when General Motors announced that they would oppose it. In order to make their threat concrete, in mid-October GM announced a devaluation of its FIAT share to current market value—from \$2.4 billion to \$200 million!—thus signalling that they might value the remaining 80% accordingly. That move prompted the third player, creditor banks, to align with GM and also refuse state participation.

Even if everybody was angry with the Agnelli family, which was held the sole responsible for the FIAT crisis, a



Italian workers were again demonstrating nationwide on Oct. 18, with the FIAT crisis and its threatening mass layoffs one focus; the Berlusconi government is playing by IMF rules, even while the Parliament calls for a new monetary system.

sense of impotence prevailed, in suggesting that the sale to General Motors was inevitable, and that the Italian government could only help to fix a decent price and set conditions for GM to keep some auto production in Italy.

But a look at General Motors, the shareholder that is to “save” FIAT Auto, possibly for a dime, shows that GM—and the whole auto industry—has problems comparable to, if not bigger than, FIAT’s. GM has outstanding corporate bonds amounting to \$187 billion. Its competitor Ford runs another \$162 billion, comparable to the foreign debt of Argentina. In expectation of a severe downturn in car sales worldwide next year, in the second week of October, GM and Ford bond prices sank to junk-bond levels. After a downgrading by Standard & Poor’s on Oct. 16, GM bond prices fell sharply, corresponding to a rise of bond yield from 8.14% to 8.59% within 24 hours. Yields on Ford Motor even jumped up to 9.44%, a level normally restricted to the bonds of “junk”-rated corporations.

The FIAT crisis, it was suggested in a recent TV show, would require the presence of another Enrico Mattei, the epic industry captain who, in 1946, was commissioned to liquidate another bankrupt firm, the state oil company AGIP. Mattei, instead of obeying the liquidation instructions of the Italian government (which was under pressure from the private sector), kept AGIP and rebuilt it into a national oil giant, making out of it the pivot of Italy’s postwar reconstruction.

Today, on the 40th anniversary of Mattei’s death on Oct. 27, 1962, he can be commemorated by suggesting that the Italian auto industry must not be liquidated; Italy needs a “Mattei solution” for FIAT, supported by the government in the context of a national recovery policy.

Firefighters' National Strike Looms in Britain

by Alan Clayton

It is perhaps one of these endless human paradoxes that the impending firefighters' strike in the United Kingdom had its origins in the tragic events in the New York and Washington Sept. 11 last year. Indeed, even the noun "firefighters" has totally replaced "firemen" in the English lexicon of North America.

The Fire Brigades Union (FBU) in Britain has very effectively exploited the huge wave of international sympathy and admiration for the men who so courageously entered mortally damaged buildings in order to save human life, many giving their own lives in doing so. Members of the New York Fire Department have been invited to numerous well-publicized events organized by local fire brigades (the appellation "brigade" rather than "department" still remains in Britain) throughout the United Kingdom, and the level of public sympathy for the firefighters is now considerable.

'Green Goddesses' Will See Action

The standard of living of U.K. firefighters has fallen considerably over past years, due substantially to the world economic crisis, which is having a particularly significant effect in areas of the economy of the United Kingdom. Firefighters work a shift system, based on 48 hours on-duty followed by 48 hours off-duty, with one or two rest days. It has allowed firefighters in areas outside big cities, where callouts are not so heavy and regular, the ability to have second jobs as taxi drivers, bus drivers, local handymen etc. But the poor economic situation has made "moonlighting" of this kind increasingly difficult to find, forcing firefighters to live on their basic, fairly poor salary.

The government, after rejecting union demands for a 40% salary increase, has set up an independent review of firefighters' pay. But the FBU has refused to recognize the review, chaired by Sir George Bain, former chairman of the Low Pay Commission. Bain's report, expected in December, is likely to put forward a compromise under which firemen will get more than the 4% government-backed offer, in exchange for updating working practices. But a ballot of firefighters by the FBU returned a huge majority in favour of industrial action long before December, and there will be 36 days of one- or two-day strikes, and then eight-day strikes, by the U.K.'s 52,000 firefighters right up until Christmas Eve.

The Green Goddesses, military fire engines which are almost 50 years old, will see action unless an increasingly

unlikely settlement occurs. The government's alternative firefighter service—some 800 Green Goddesses manned by troops—will be stretched to the breaking point if the FBU's six planned strikes go ahead. The union's surprise decision to hold two 48-hour strikes, followed by four eight-day strikes, is far more severe than ministers were expecting.

The Ministry of Defence will deploy 12,500-20,000 Armed Services personnel to fight fires, "replacing" the 52,000-strong civilian brigades. The Green Goddess engines have no radios, a maximum speed of 50 mph, and dangerously outdated braking systems which make them difficult to stop on downhill runs. They were last used in the full-scale firefighters' strike of 1978, and were shown to be hopelessly outdated then. However, there was limited use of them last year in a firefighters' strike in the northeastern city of Liverpool, a fact that the government is trying very hard at this time to keep out of the public domain, because they were responding to only about 30% of emergency calls in Liverpool, according to the FBU. The other 70% of calls were not being attended.

Cobra and National Emergency

Fire brigades throughout the U.K. have more than 3,000 modern engines equipped with the latest firefighting equipment, including breathing apparatus. Prime Minister Tony Blair has insisted that troops will be ready to take over on Oct. 29, the day of the first action. The Ministry of Defence, the Office of the Deputy Prime Minister, and the Cabinet Office are drawing up plans for how long troops would be deployed, and whether they would go back to their barracks between strikes.

In most cases soldiers will be deployed near their existing barracks. Sir David Omand, the Permanent Secretary at the Cabinet Office, has been coordinating contingency measures, using a committee with the sinister-sounding name of "Cobra," that is "Cabinet Office Briefing Room A." The situation could escalate to the national emergency and near martial law crisis of the 1999-2000 foot-and-mouth disease epidemic. Cobra was last convened immediately after Sept. 11, 2001, when it was felt that the United Kingdom was going to suffer similar attacks.

Cobra has emphasised that troops will only be using the Green Goddesses, as soldiers breaking picket lines to take out the modern equipment is, some commentators think, fraught with political danger, and could precipitate a national strike such as Britain has not seen since the years of brutal austerity following World War I.

In the case of major fires and road accidents, troops will be backed up by Royal Air Force helicopters. "Great Britain would not be Great Britain, however, without the element of tragicomedy, and in Northern Ireland the Green Goddesses will be painted yellow, because of the association of green with the Republic of Ireland and the possibility they will be stoned or fired on by Protestant militants assuming they are manned by Catholics.

These decisions by army planners were seized upon by one military analyst as a telling sign of “overstretch.” Stuart Crawford, a retired lieutenant colonel in the royal tank regiment, said: “This is a clear sign that the British army is being stretched far too far by the commitments this government is expecting of it. Our forces are at their lowest strength for years and yet we are being expected to maintain a presence in places such as the Balkans and also cover emergencies at home.” Crawford said it seemed ludicrous that the army had to rely on troops from Germany, who might expect to be part of any attack on Iraq, to become emergency firefighters, but that the deteriorating situation in Northern Ireland makes any withdrawal of troops from there out of the question.

Iraq Implications

Bernard Jenkin, the Tory MP and Defence spokesman, said: “I suppose there is a kind of logic in this idea, but this type of logistical nightmare underlines how overstretched Britain’s armed forces are.” Paul Keetch, the Liberal Democrat Defence spokesman, who believes Britain’s armed forces are being starved of resources, said, “It is ironic that Britain’s possible contribution to any military action in Iraq may not be determined by the House of Commons or even the Prime Minister, but by the actions of the Fire Brigades Union.” American warhawks, take note. A Ministry of Defence spokesperson said: “We have a considerable number of troops in Germany, which we consider to be in easy reach of the U.K. We have been given a number of operational tasks . . . and we don’t think we should have people sitting around in Britain just waiting for fire strikes to happen.”

Jock Munro, treasurer of the Fire Brigades Union in Scotland, has attacked the proposed use of army fire engines. Civilian engines shoot out water at a pressure of 400 pounds per square inch, while Green Goddesses only produce a pressure of 80 psi. “If they try to use our equipment” said Munro, “we would black the equipment after the strike, refusing to use them.” He added, “We will also blockade or occupy fire stations if they put soldiers in them.”

The potential for national emergency can be seen with even a cursory look at the potential knock-on effects. The Euro Tunnel, the London Underground, airports, and ports could all be affected if workers fear that fire safety is being compromised. Sports stadiums may close if there are concerns that spectators could not be evacuated effectively, while theatres, cinemas, and restaurants could also face limited operations. Operations in dangerous areas of industry such as petrochemicals may also be curbed. Health and safety regulations, which permit any employee to leave their workplace if they have a legitimate safety concern, could be used to suspend work. Much of such action will be seen as secondary and supportive, and while such action is illegal, walkouts over safety could not be challenged by employers, in the opinion of leading trades union lawyers.

Disruption also could be much worse than that caused by the last firefighters’ national strike 25 years ago, because of

all the additional fire safety legislation. Awareness has been heightened by the series of serious accidents which led to much of the legislation. They include the Bradford City football fire in 1985 which killed 56 people; the fire at King’s Cross Underground station in London which killed 31 in 1987; and the Hillsborough football disaster in 1989, in which 95 people were crushed to death.

The support of other trade unions will be key to the knock-on effect of the firefighters’ dispute. The rail unions have pledged strong support for the firefighters, as has the moderate Trades Union Congress, although decisions about any safety action will be left to individual members and safety representatives.

National Coordination of Action

Hilary Campion, an employment law partner at Eversheds, a firm which has advised companies on anti-union action, said: If employees walk out over safety issues, then employers would not be able to take any action, except where those concerns were proven to be unfounded. Then they could only act against individuals for breach of contract; the union itself would not be vulnerable. Although any action would be legally and technically done by individuals, it is likely that national union leaders will exert influence behind the scenes. Andy Gilchrist, general secretary of the FBU, is part of a strong and growing caucus of anti-Blair leaders in the union movement that includes the rail unions, the Civil Service union PCS, and a number of key figures in other unions.

Mick Rix, general secretary of the ASLEF rail union, pledged support in a letter to the FBU. A spokesman for the RMT rail workers said that members would be highly concerned at fire safety cover provided by the Army in Green Goddess fire engines. “With all respect, a bunch of hastily trained squaddies in state-of-the-ark technology cannot help provide the cover we would want.”

The Transport and General Workers Union is expected to coordinate an existing pay dispute on the Glasgow metro to cause maximum disruption during firefighters’ strike days; it also has drivers on the Euro Tunnel, who have been discussing safety provisions with managers.

Euro Tunnel said that it would run a normal service during fire strikes. However, Green Goddesses are too big to go into the tunnel, and to do so requires specialist engines operated by the FBU. A spokeswoman said that there would be no

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attempts to fight a fire, but that Euro Tunnel staff would help to evacuate people into the “safe haven” middle tunnel. French firefighters have pledged not to tackle any fires in the section of the tunnel covered by their English colleagues. The London Underground has already laid out plans to close 19 of its deep-level stations, and said that its service will be substantially reduced.

Political Chaos

The government has launched a huge public safety campaign as senior ministers struggle to control a dispute they fear could cause widespread loss of life. Alistair Darling, the Transport Secretary, said the risk of extra deaths was so high that motorists should drastically reduce their speed on strike days. Darling said: “People need to bear in mind that every day of this year, the fire brigades are called out to cut people out of wreckage and when they’re on strike, they will not be doing that.”

The government’s tough line was aimed at increasing the moral pressure on the Fire Bridges Union to call off the strike, but it appears that the gulf between the two sides was wider than ever. Opposition parties have accused the government of mishandling the dispute and allowing the return of 1970s militant trade unionism.

John Prescott, the Deputy Prime Minister, warned that the “risk of loss of life and property will be higher.” Prescott told Parliament the FBU’s position was “simply indefensible,” and added its threatened industrial action was “completely unnecessary and completely unjustified. . . . My message to the FBU is, think again.”

Transport Secretary Darling said road users would have to be extra-vigilant: “In the event of serious accidents where the fire brigades would be on hand to remove the wreckage, then, of course, there are still other agencies who could do that. But we need to pay close attention to that.” Jack McConnell, Scotland’s First Minister, took part in a ministerial summit at Downing Street to discuss the strike threat. He called on the FBU to take part in the independent pay review.

As the government attempts to tackle the FBU head-on, it was accused by the Conservatives of plunging Britain back into “the dark days of the 1970s, when trades union bosses held the country to ransom and the picket line called the shots.” It would be hard to find a European nation less likely or able to support the American administration, if it decided to proceed with hostilities against Iraq over the next few months, than Britain.

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India’s Divestment Debate Needs Focus

by Ramtanu Maitra

After months of simmering discontent, the battle in India over divestment (privatization) of public sector units (PSUs) has been joined. After meeting with some of the strongest critics of the divestment policy within his government, Prime Minister Atal Behari Vajpayee stated on Oct. 2 that divestment of the public sector units would continue. From the sidelines, earlier in the day, K. Sudarshan, head of the Rashtriya Swayamsevak Sangh (RSS) party, charged that the economic policies being pursued presently are “at the behest of the World Trade Organization and the International Monetary Fund,” although he did not name the Bharatiya Janata Party (BJP)-led government. Addressing a meeting in New Delhi on Oct. 2, Sudarshan held the present policies responsible for terrorism, because they rendered people jobless.

Interestingly, the divestment debate has spawned a new axis within the coalition government. The left-of-center grouping led by Defense Minister George Fernandes has joined hands with the RSS, often described as right-wing Hindu chauvinists, who once acted as the brain center of Vajpayee’s BJP on the issue. This alliance is not ideological, but patently political: Both sides are looking for survival.

The BJP-led coalition has no choice but to resolve the issue quickly. What is missing, however, is a clear focus regarding divestment. It is true that most of the PSUs are not “crown jewels, but bleeding ulcers,” as Divestment Minister Arun Shourie candidly puts it. But it is also true, that divestment of the PSUs by itself does not solve India’s economic problems, and particularly not when the money earned, goes into reducing the revenue deficit, instead of creating new jobs.

The Opposition’s Issues

Opposition to divestment centers on a number of issues. For instance, divestment opponents claim that the PSUs are deliberately undervalued to provide a bonanza to private-sector buyers. The Ministry of Divestment says various methods could be used—valuation of shares by the market, asset valuation, assessment of business potential, book building, etc—and the method that is appropriate in some cases, may not be appropriate in others. For instance, software companies have little real estate or other assets; but, given their growth potential, their valuation is placed very high, Shourie said. Shourie points out that the government will consider all options: “It is not a good idea to lay down some unvarying rule—for instance, that equity in profit-making PSUs should be offloaded only to the public. It is also not a good idea to lay down a

general rule, or a percentage, of sale proceeds that should be earmarked for employees,” Shourie claims.

Although divestment of the Bharat Aluminum Corporation (Balco), the India Petrochemical Corporation Ltd. (IPCL), and the Videsh Samachar Nigam Ltd (VSNL) was completed quite successfully last year and in the earlier part of 2002, despite pockets of protestations, the sell-off of Hindustan Petroleum Corp. Ltd. (HPCL) and Bharat Petroleum Corp. Ltd. (BPCL), announced in February, ran into heavy weather in August, when opposition was voiced on the grounds of national security.

The first shot was fired by the Swadeshi Jagran Manch (SJM), a think-tank that operates under the aegis of the RSS and promotes self-reliance as the anchor for economic policies. SJM threw its weight behind calls by a section of the government to stop the strategic sale of the two state-run refineries. “There should not be any strategic sale of HPCL and BPCL. The government has, as a matter of policy, decided to be present in the oil sector for national security,” Swaminathan Gurumurthy, co-convenor of the SJM, told Reuters. HPCL and BPCL together held 40% of the \$15 billion domestic oil market.

While the SJM criticism was expected, the pro-divestment lobby was rattled when the SJM joined hands with some of the Cabinet ministers and Defense Minister, George Fernandes, a self-proclaimed Socialist. Fernandes, who, as Minister of Industries, ordered Coca-Cola and IBM out of India in the late 1970s, went to the press, expressing his reservations on the sale of the two oil refineries. According to newspaper accounts, Fernandes had allegedly asked his Prime Minister for a thorough review of the divestment policy, to guard against a “rich getting richer” tendency and to prevent private monopolies.

Gurumurthy, a chartered accountant, said the strategic sale of state-run firms could create private monopolies. He urged the government to examine initial public offerings, in which the state’s holding is brought down to less than 51%. “A private monopoly can be created by the market, but it cannot and should not be created by a government divestment action,” he charged.

Soon afterward, two more senior Cabinet members, Minister for Human Resource Development Murli Manohar Joshi and Petroleum Minister Ram Naik, expressed similar reservations. The conclave was joined almost immediately by other ministers, such as Sharad Yadav, Uma Bharati, and S.S. Dhinda. It was clear at that point that the sale of HPCL and BPCL would get stuck.

Rescue Attempts

With Minister of Divestment Arun Shourie, a former World Bank executive, isolated, the Cabinet Committee on Divestment announced its decision to postpone the sell-off of public sector undertakings in oil for three months, during which time alternative suggestions and concepts would be sought. The Committee also suggested taking each bid for the

procurement of PSUs on merit. Most observers wrote off Shourie, blaming him for “tactical errors.” One critic pointed out that every single minister in the National Democratic Alliance (the formal name of the coalition government), who has a public sector empire to lose, formally swears by divestment, but informally works against it.

But, Shourie had not run out of support yet. A note prepared by the Prime Minister’s Office questioned the Divestment Ministry’s proposal for a blanket ban on PSUs themselves bidding for other government-owned companies. According to Vajpayee’s office, a decision on whether to keep PSUs out of the divestment process involved “deeper conceptual issues” that deserved investigation. It was a slap on the wrist to Shourie’s ministry, but it also demonstrated that the Prime Minister’s Office continued to support divestment. Shortly thereafter, Commerce and Industry Minister Murasoli Maran made it clear that the government had not abandoned the divestment program, and said that divestment was one of the government’s success stories, pointing out, “In my stint as Industry Minister, I created the Divestment Commission.”

Finally, on Oct. 2, Prime Minister Vajpayee joined the battle. At an official function at his residence, Vajpayee said he was not averse to a “healthy debate” on divestment, but made it clear that he proposed to stand by his Divestment Minister. Furthermore, Vajpayee made his stand public in the presence of Deputy Prime Minister L.K. Advani, who, reportedly, was leaning toward the anti-privatizers.

Create an ‘Infrastructure Development Pool’

There is no doubt that divestment will continue, even as a large section of the government passively opposes it. On Oct. 7, in an interview with the London *Financial Times*, Vajpayee confirmed that India’s privatization process is “irreversible,” despite the three-month freeze imposed in September. “As regards divestments, there is no going back,” the Prime Minister added.

Also certain, is that the population will not welcome divestments indefinitely, unless they see some economic benefit emerging. People would like to see the money acquired through divestments, used to create jobs for the poor and improve their living conditions.

New Delhi must set up an “infrastructure development pool” where PSU divestment funds will be deposited, for financing projects that will create jobs through development of basic infrastructure. Such a pool would fund projects which are not financed through the Five-Year Plans. Channelling the money into the bottomless abyss of debt payments is far less productive economically—not to mention politically—though pressure from the monetarists inside and outside India to do just that, will be intense.

New Delhi must also come to realize that anti-poverty measures through targeted programs are doomed to failure. The road to eradication of poverty is through better railroads and roads, more reliable power, a more dependable rural water supply, more widespread health and education programs.

Business Briefs

United States

Industries 'Bottom Line' to the Bottom

American manufacturing industries are gutting themselves in an attempt to "return to profitability," according to an article in the Oct. 16 *Wall Street Journal*. The feature, "A Cloud Over the Recovery: Businesses' New Frugal Ways," details how corporations have axed their physical plant and equipment expenditures over the recent years to meet the bottom line. Capital investment, in 2001, was 5% below the level of 2000, nationwide, and "It's on track for a similar-size decrease this year."

The *Journal* story claims that the streamlining, redesigning, and high-tech upgrading of manufacturing plants will be a "boon to productivity"; i.e., "doing more with less," as GM's CEO Rick Wagoner bragged, while announcing a 10% (\$1 billion) cut in GM's capital spending for 2003.

But it is the depression reality which is dictating the slashing of expenditures on plant and equipment. For example, as of September, 41.7% of U.S. manufacturing companies were operating at less than 75% capacity. Aerospace and oil- and gas-drilling production were down more than 30% from early 2001, and production in communications equipment, metalworking machinery, and general industrial machinery was down 20-29%, according to a survey by the Manufacturers Alliance, a research group in Virginia. Non-residential building construction was down 3.1% in August, but for the year-over-year it is down 40%, as companies re-trench in the face of blown-out markets and collapsed demand.

Automakers

GM, Ford Problems Roil Bond Markets

Debt problems of General Motors and Ford "sent shock waves" through global bond markets, said the German daily *Frankfurter Allgemeine Zeitung* on Oct. 8. The two

largest issuers of corporate bonds in the world, GM and Ford saw their bond prices sinking toward junk-bond levels. After a downgrading by Standard & Poor's on Oct. 2, General Motors bond prices fell sharply, corresponding to a dramatic rise of the bond yield from 8.14% to 8.59% within 24 hours. Yields on Ford Motor bonds jumped up even further, to 9.44%, a level normally restricted to the bonds of "junk"-rated corporations.

Fears are spreading on international bond markets, over whether the world's two largest automobile producers will be able to meet their debt obligations, and whether an overall liquidity crisis could emerge for those corporations which depend on issuing debt in the bond markets. General Motors alone has outstanding corporate bonds amounting to \$187 billion, while Ford Motor runs another \$162 billion—each comparable in dimension to the foreign debt of Argentina.

The recent debt worries have been triggered by losses of on General Motors and Ford corporate pension funds, which are now underfunded by billions; and also by expectations of a severe downturn in global car output next year, in spite of all the discounts and 0% financing schemes being offered by leading U.S. producers.

Thailand

Study 'Asian Bond' Alternative to IMF

A working group, led by former Siam Commercial Bank President Olarn Chaiprawat and Hong Kong's Monetary Authority, is conducting a feasibility study into creating an Asian Bond market, which was proposed by Thailand's Prime Minister Thaksin Shinawatra at an international economic forum in Malaysia. A Thai Finance Ministry source told *Business Day* on Oct. 21 that the working group has agreed in principle that Asian central banks set aside at least 1% of their international reserves for the Asian Bond.

The idea of the Asian Bond is to give Asian countries access to financial resources other than those of the International Monetary Fund and the World Bank. Included in

the Thai working group were former Bank of Thailand Governor Chaipayat Wi-boonsawasdi and high-ranking officials from the Fiscal Policy Office. Thailand, which currently has \$37.1 billion in total internal reserves, would contribute \$371 million to the fund. Malaysia is also a supporter of the idea.

The Thai Electricity Generating Authority (EGAT) is also pushing for an integrated ASEAN power grid. Its Governor, Sithiporn Ratanopas, told reporters that EGAT was preparing to persuade the government to establish an electricity transmission system connecting all countries in the Association of Southeast Asian Nations (ASEAN). According to Sithiporn, the eight countries that will participate are Thailand, Myanmar, Laos, Cambodia, Vietnam, Malaysia, Indonesia and Singapore. "In 2000, these eight nations had a combined demand of 44,000 megawatts in energy consumption, about 710 billion baht (\$16.9 billion). These figures are projected to increase to 91,000 megawatts by 2010, valued at Bt1.4 trillion (\$33.3 billion)," Sithiporn said.

Unemployment

Official U.S. Figures Belied by All Reports

The U.S. Bureau of Labor Statistics (BLS) official reports that unemployment declined slightly in each of the last two months, look more and more insupportable, short of statistical manipulations. Actual new unemployment claims, after averaging 411,000 per week in August—historically a very high level—rose to an average 422,000 per week in September, and have not fallen below 400,000 per week through mid-October.

Moreover, the early October report of unemployment claims continuing beyond 13 weeks—as opposed to new claims—reached nearly 3.8 million, a record for the years in which this statistic has been kept.

Major U.S. corporations, as of the third week in October, were keeping up steady announcements of large-scale layoffs. During that week, the most prominent announcements came from the airlines—Delta Air-

UNITED AIRLINES may file for bankruptcy in mid-November, when it faces a large debt payment, although its five unions agreed on Oct. 8 to seek \$5.8 billion in labor cost savings by 2007. United said on Oct. 19 that it would file a new business plan with the Federal government as part of its bid to secure \$1.8 billion in loan guarantees. Meanwhile, United's parent company, UAL, reported a third quarter loss of \$889 million, or \$15.57 per share.

NUCLEAR capacity installed in China will rise to 8.7 million kilowatts—3% of total power output—in three years, said Li Dingfan, general manager of the China Nuclear Industry Group Co., in Shenzhen Oct. 22. China now has three nuclear power stations, at Qinshan in Zhejiang Province, Daya Bay in Guangdong Province—both now in operation—and Tianwan in Jiangsu Province. During the next three years, five more nuclear power generating units will come into use, Li said.

THE U.S. TRADE deficit on goods and services rose to a record \$38.46 billion in August, up from \$35.07 billion in July, an increase of 9.7%, the Department of Commerce reported. For the first eight months of 2002, the U.S. trade deficit on goods and services reached \$279.46 billion, heading towards an annual deficit of nearly \$419.19 billion. The U.S. has never had an annual goods and services trade deficit of greater than \$400 billion. On the account of merchandise (physical goods) alone, the August trade deficit climbed to \$42.27 billion, an all-time record.

SOUTH KOREAN total investment in China has already surpassed the total level of 2002, Seoul reported Oct. 18. Korean investment was \$970.54 million by August, compared to \$960.4 million in all of 2001. The Korean Trade Agency announced that Korean investment is expected to reach \$1.5 billion this year. It had reached \$1.95 billion (approved) in 1996, but this was slashed by the "Asia Crisis" to just \$480.67 in 1999.

lines, 8,000, and United Airlines, 1,250 layoffs announced; and the big telecom companies—Sun Microsystems 4,400, Honeywell 3,000-5,000, IBM 2,000, Texas Instruments 500 new layoffs announced. Houston-based energy trader Dynegy added 780.

As opposed to the unemployment claims and surveys of businesses, the BLS' official monthly unemployment rate announcement reflects a survey of 65,000 households—less than 0.5% of the total—and is being reduced to 50,000 in order to save BLS budget money.

Mortgage Debt

Columnist Suggests Derivatives Problem

A U.S. mortgage debt derivatives disaster may be threatening, states John Crudele in an Oct. 22 *New York Post* column on the bubble in the U.S. housing market. Crudele notes that "something happened last week that should start to make everyone concerned: mortgage rates suddenly spiked higher for the flimsiest of reasons. The average cost of a 30-year mortgage last week rose to 6.23% from 6.02%. A 15-year home loan went up to an average of 5.63% from 5.45%. Why's that happening?"

In particular in a situation in which the economy is not improving and the official inflation rate is not going up, the usual textbook explanations for such a rate increase don't work. In part, it could be "the result of that mini-rally enjoyed by the stock market," causing some investors to sell bonds and buy stocks, "but there is a more ominous possibility—one that shows the fragility of the nation's financial system. Interest rates seem to have spiked because of a rumor that a medium-sized hedge fund called Beacon Hill Asset Management was in some kind of trouble. The fear was that the fund, which specialized in bonds, would have to dump loads of bonds onto the market. Beacon, in fact, announced late last week that it was closing some of its funds and reporting huge losses."

Beacon Hill Asset Management sent a letter to its investors on Oct. 18, informing

them about the closing of its Bristol Fund hedge fund, which had lost 54% of its assets due to failed gambling with mortgage-linked derivatives. Crudele notes that it's quite "scary" to see that such a strong effect on mortgage rates and the U.S. housing market could be triggered by problems at a medium-sized hedge fund. Fannie Mae has admitted problems with its mortgage-linked derivatives.

New Economy

Singapore Chip Sector Still Worse

The semiconductor industry in Singapore is getting worse with each quarter. The shares of chip maker Chartered Semiconductor Manufacturing slumped 6% to S\$0.91 Oct. 21—hit by a poor earnings outlook, made worse by weaker-than-expected third quarter figures from industry leader Taiwan Semiconductor Manufacturing Company (TSMC).

TSMC announced a third quarter profit of \$80 million, which had been expected to be twice as much. TSMC chairman Morris Chang said the company expects wafer shipments and factory use to fall further in the fourth quarter, with capacity utilization to be in the 50% range. This impending slump at TSMC has "heightened the earnings risk," on which Chartered declined to comment.

Netresearch-Asia.com analyst Russell Tan told *Singapore Business Daily* on Oct. 22 that major semiconductor firms have been wildly optimistic with their projections. "Most of the industry's top management have been incredibly wrong in the past two years. Most of these technology people are treating this as a typical cyclical downturn, when it is not. It's basically massive overcapitalization of the economy. We're now in the post-bubble rationalization process.

"It's industry fundamentals turned on its head," Tan said, noting that Chartered has reported six consecutive quarters of losses. "As an investor, you should take a few steps back and look at the whole world in terms of how money was created during the bubble, and how it has just been vaporized," he said.

THE TRUE STATESMAN

The Historical Individual

by Lyndon H. LaRouche, Jr.

Released by the LaRouche in 2004 Presidential campaign committee on Oct. 20.

In a time of crisis, like today's, the typically failed political leader is like the narcissistic actor who poses for his audience, from on stage, or on camera, while gloating, *sotto voce*, "Look at me!" He is more or less indifferent to the reality of the circumstances under which he postures; the objective of his performance, is, like that of a prostitute prowling the tawdry street, merely seduction.

In contrast to such pathetic creatures as that, the great Classical actor thinks and acts as one from the ancient Classical Greek stage, revealing the character he plays, by speaking from his place of concealment from behind a mask. As Shakespeare's character Chorus warned the audience, at the onset of *King Henry V*, see what you hear performed on today's stage, not by looking at the images on the poor stage of that theater, but upon the nobler, supernal stage of your imagination.

Shakespeare's Chorus gave the audience a knowing look, which forewarned them, silently, that when the play had ended, they would be astonished to be returned from the grandeur of the imagination, to see, then, where Chorus had stood, those actors who are not the roles which they had just played. So, in life, as on the Classical stage, so does the truly great statesman do, as Benjamin Franklin, Abraham Lincoln, and Franklin Roosevelt did, and so did the historical, sublime Jeanne d'Arc or Rev. Martin Luther King, Jr. When such real-life actors as these appeared no more on the transient stage, the soul of such exceptional leaders lived on, unseen, immortal, more powerful in death than in life before.

The Classical artist, as actor, or composer, is a copy of such exceptionally great political leaders as those. He or she

is a model, who teaches the people and their proper leaders the art of imparting to the imagination of an audience, what the poet Shelley identified as profound and impassioned conceptions respecting man and nature. It is by this same standard required for the exceptional political leader, that the performance of that artist, as an artist, is to be judged.

I explain.

During each tragic moment of great crisis, every nation, every culture is gripped by the need for a sudden and profound change in its quality of leadership. Its survival then depends upon its willingness to choose a new quality of leadership which is typified by those extraordinarily exceptional individuals who stood, in retrospect like immortal souls, apart from, and above mere popular taste of their time. Throughout all the future history of mankind, as during the past, this presence, or absence of the determining role of the exceptional individual will always be, as it has always been, one of those milestones which mark those pathways of choice, toward either serenity or self-destruction, choices which close in on every culture at its moments of such great, self-inflicted peril as we face today.

In the following pages, I shall show, that, as in great Classical tragedies portrayed on stage, in such times as this present moment, a moment of imperilled European civilization as a whole, the nation whose people abhor the exceptional individual in favor of popular opinion, is already doomed to be brought down: brought down, like foolish Romans drunk from their cheering for the popular mass entertainments of the Colosseum then, or foolish audiences at today's football stadium, rock concert, or video orgy, a people doomed by its own habituated, popular, inherently tragic misbelief in comfort and pleasure.

In the course of future history, the only likely improve-



Benjamin Franklin.
 “When such real-life actors as these appeared no more on the transient stage,” writes LaRouche, “the soul of such exceptional leaders lived on, unseen, immortal, more powerful in death than in life before.”

ment over that record of the rare contribution by the exceptional personality, will never be more than, hopefully, a greater number of such exceptional individuals than what is the unfortunately rare individual active in our imperilled nation today. The greatest peril of any crisis-wracked nation, such as our own, is a proliferation of moral mediocrities, or worse, mediocrities occupying the leading places where intellectual and moral giants are needed. Such is the choice provided now, between the opportunity, or doom awaiting the U.S.A., in particular, at the present moment of global crisis.

So, over the thousands of years of that European history sprung, as the child of Egypt, from ancient Greece, the role of the exceptional individual, has been the subject-matter of those great legends, tragic histories, and dialogues, which reflect the record of mental life of entire cultures from our past. The great Classical historians, such as Aeschylus, Plato,

Shakespeare, Lessing, and Schiller, have set the real-life choice between what are named *the tragic* and *the sublime* on stage. Now, it is, once again, the turn of our nation, and you, the people who live within it, which waits to be judged by future audiences, when your tale, in turn, is relived upon that same Classical stage.

Our nation has a choice; you must choose your leaders accordingly. Tragedy, or triumph: which shall it be? There is nothing magical in that choice. The choice can be a clear and rational one, if you are willing, unlike the failed Denmark of Shakespeare’s *Hamlet*, to see it so.

I explain.

Where Does True Imagination Dwell?

Properly spoken, names for what Schiller defined as the *sublime*, like *spirituality*, *immortality*, *the imagination*, and

truth, refer to ennobling experiences which occur only among human beings, never to lower forms of life. The human individual is awarded a natural power to know these higher conditions of experience, if he, or she uses it.

Unfortunately, so far in history, few of us have ever actually come to develop our innate power to know the reality to which those specifically human qualities refer. Most entrap their sense of personal identity within the prison of an ivory-tower delusion, such as the goldfish-bowl-like mental prison of the empiricist or Cartesian, who knows actually nothing of the real world, knowing only the images on that screen where the delusions called sense-certainty are displayed, and felt. In times of great crisis, society will be saved only if leadership is given to those relatively few free souls among us, to certain from among those “ugly ducklings” whom fools call “eccentrics.”

The indispensable leaders for such times, are those who have succeeded, from early in childhood, in letting ourselves be taken over by that natural potential for the sublime. Those who have kept good faith with that potential, born within each of us, are, therefore, the only qualified leaders of nations for such times. They are, therefore, *exceptional*.

Within the ancient to present span of today’s globally extended European civilization, one name, that of Plato, is best known for understanding this distinction of the exceptional, Socratic figure in society. For this reason, Plato’s dialogues are sometimes identified as *spiritual exercises*. All discoveries of what are experimentally validated as *universal physical principles*, such as Johannes Kepler’s uniquely original discovery of universal gravitation, were produced as the fruit of that method of *hypothesis* expressed by the Platonic dialogue.

The relevance of this for defining the exceptional individual, is elementary. Plato supplies many examples.

The human sensory experiences are an expression of the working relationship of the sense organs to a central nervous system. What we learn through our sense-experience, is the power to recognize a certain effect of the universe’s actions upon those sense-organs. What we perceive in this way, is not reality, but the mere shadow of the effect of actions by the real, unseen universe, chiefly from outside our skins, on the sense-organs embedded within our living biological organism. Therefore, in his *Republic*, Plato compares sense-experience to shadows cast on the walls of a dimly firelit cave. So, the Apostle Paul writes to the same effect in



Lyndon H. LaRouche, Jr. with civil rights heroine Amelia Boynton Robinson. *The survival of a nation in crisis “depends upon its willingness to choose a new quality of leadership which is typified by those extraordinarily exceptional individuals who stood, in retrospect like immortal souls, apart from, and above mere popular taste of their time.”*

I Corinthians 13.

However, the human mind has an experimentally provable power which is superior to mere biology, a quality called *the power of reason*, a higher power which is unique to the members of our species. This power is also known as *the power of hypothesizing*. Through this power, we are equipped to discover what can be recognized by societies as *universal physical principles, hypotheses* whose validity can be demonstrated by those same, suitable forms of experiment displayed in the span of Kepler’s *New Astronomy*.¹ Such principles could never be seen by the senses, just as our unaided senses could never perceive the interior of an atomic nucleus; but, once we have proven the principle, we are able to apply that principle to make provable, efficient changes in the real, but unseen world outside our sense-perceptual powers.

In modern times, ingenious use of scientific progress enables us, more and more, to compensate for even the nearly full impairment of faculties of seeing, hearing, touch and so on. The famous case of Helen Keller illustrates the principle involved: the loss of sensory faculties does not lessen the innate power of the human mind to know the universe even by artificial substitutes for sensory organs. It is with the mind’s

1. This power of reason is otherwise named natural law, as opposed to a *merely positive law*. Kepler’s process of uniquely original discovery of a universal physical principle of gravitation, as presented autobiographically in his *The New Astronomy*, is an example of the process of natural law. Leibniz’s uniquely original discovery of a universal physical principle of least action, and Gauss’s 1799 announcement of his uniquely original discovery of the fundamental theorem of algebra, are also examples.



Jeanne d'Arc, whose sublime quality of leadership made possible the founding of the French nation-state.

spiritual power of hypothesis, not sense-certainty, that man knows the universe.

This view of the efficiency of the experimentally grounded power of hypothesis, defines a real universe, a higher universe, beyond the shadowy illusions of a shadow-world of sense-perception. As for the case of Helen Keller's remarkable education, this real world is fairly described as *the universe of the scientific imagination*. It is the world of that *scientific truthfulness* which should always be the scientist's working approximation of *truth*. It is persons whose minds dwell consciously in that real world of truth, beyond illusory sense-certainty, which are the *exceptional* ones whom we may recognize as the great true Classical scientists in the tradition of Plato, such as Leonardo, Kepler, Leibniz, and Gauss, the great Classical artists such as Bach and Beethoven, and the great leaders for the perilous times of great crisis.

In the legacy of the Biblical Moses, this power of reason, this power of hypothesis, which is otherwise knowable as the quality of *spirituality*, defines man and woman equally as

made in the image of a personality known as the Creator of the universe, and as given powers and responsibilities akin to His.

Before we come to politics, I must explain the significance for this for physical science, as follows.

The Lesson of the Noösphere

Vladimir I. Vernadsky, like Mendeleev, one of the exceptional scientific geniuses of modern Russia, was the first to present adequate definitions of what he named, respectively, the *Biosphere* and *Noösphere*.

He combined his own work in the field known as biogeochemistry, with the discoveries of Louis Pasteur and Pasteur's successors, to define a universal principle of life more sharply, as a universal class of physical principle, one distinct from the physical chemist's experimental definition of non-living processes. He defined that experimentally exhibited, increasing influence over the non-living processes of our planet, as presenting us with a *Biosphere*.

Using the same experimental method, Vernadsky demonstrated that the principle of discovery of universal physical principles, which occurs only within the mind of the human individual, exerts a power to change the Biosphere itself, as it were from the outside. Since these powers of the human create principled effects not otherwise existent, such powers are not only physically efficient; they are universal physical principles. Since these principles exist efficiently, but outside the bounds of sense-certainty, they are a quality of *physically efficient, spiritual powers*, specific to the human mind, and efficient in their power over what is thought of as the material universe. This defined the *Noösphere*.

In broader terms of reference, Vernadsky's conception of the Noösphere was not an entirely new conception of the way in which the universe is organized. For example, I had adopted a similar conception of the general, categorical organization of our universe during late adolescence, that as a product of my personal defense of Leibniz's monadology against Kant's *Critiques*. Vernadsky's notion of a Biosphere had been a legacy of a Classical Greek conception of a *hylozoic* universality, a notion also inherent in the work of Plato. Plato's dialogues, notably the *Timaeus*, define that hylozoic universe as bounded by a still higher, physically efficient, *spiritual* power, one corresponding to human reason; that already implied what Vernadsky named the Noösphere. The crucial difference is, that Vernadsky's thorough development of the experimental notion of biogeochemistry to the point of defining a Biosphere experimentally, provided the empirical-scientific basis for also defining a Noösphere in a similar way.

These *spiritual* powers expressed as hypothesizing, are the Classical domain of the true, the efficient *imagination* which acts, through our intention, to change the universe which we inhabit.

These discoveries presented Vernadsky with two addi-

tional challenges which he was not able to solve within any of the relevant known writings produced by the close of his life. First, since discoveries of principle are generated only within the sovereign bounds of an individual human mind's *cognitive* (hypothesis-generating) processes: by what principles are such ideas transmitted among the individuals within society, and from one society to another, as in a Classical-humanist mode of education? Second, if such cognition is an efficient mode of physical action on the universe, what is the corresponding, Gauss-Riemannian physical geometry of that universe, that it permits the efficiency of such creative action by human cognitive powers to change the universe?

I have presented the essential principles which point to the answers to those two questions, in other published locations. The exceptional individual suited to serve as a leader for time of crisis, differs from the usual political figure in a specific, and usually fundamental way.

I explain.

Why Leadership Is Indispensable

Although what is called a classroom Euclidean geometry, is less false than a customary classroom arithmetic, it conditions the misled mind of the student to accept a falsified, science-illiterate's notion of the world of space, time, and matter. A Euclidean geometry is an attempt to explain the phenomena of sense-certainty in a way which is consistent with the way in which the poorly developed mind foolishly mistakes sense-certainty for physical reality.

Nonetheless, the geometry of *Euclid's Elements* contains, in part, useful reports of certain stubborn internal contradictions, reports which we have received from ancient Classical Greeks of the tradition from Archytas and Plato to Eratosthenes and Archimedes. These contradictions, which include the implications of constructing a doubling of the square, and the cube, and the physical implications of what are called the Five Platonic Solids, lead toward modern discoveries in a physical geometry existing outside the bounds of either a childish counting-number arithmetic, or a Euclidean or like sort of ivory-tower (*a priori*) geometry.

A modern appreciation of this work from Classical Greece's history, is identified, typically, by five principal categories of discoveries by modern European science: a.) Kepler's discovery of universal gravitation; b.) Fermat's discovery of a principle of quickest time, as opposed to shortest distance; c.) the combined effect of the work of Huyghens, Leibniz, and Jean Bernouilli, as expressed in Leibniz's uniquely original discovery of the calculus and the associated "quickest time" principle of the true infinitesimal and the elementary catenary form of universal least-action; d.) Gauss's first, 1799 report of his uniquely original discovery of the fundamental theorem of algebra; and, e.) Riemann's continuation of Gauss's 1799 announcement in his 1854 definition of the universal principles of a physical geometry.

These five, sampled sets of discoveries point to the basis for my own original discoveries in a branch of science founded by Leibniz, the science of physical economy.

The application of the science of physical economy, so situated, to the notion of the Noösphere, provides us a sense of the kind of anti-Euclidean geometry² which we must employ, for a modern understanding of that real universe which exists beyond naive sense-certainty.

That corrected, Riemannian view of a Noösphere, provides us a conceptual framework, within which to examine the differences between the actual behavior of a society, and notions consistent with a Riemannian form of Noösphere. This approach enables us to conceptualize the problem posed by the pathological effects of some among the implicitly axiomatic assumptions of currently prevalent popular opinion. Those pathological effects, we then treat as the characteristic, *systemic* pathologies of that culture. This approach to assessment of political-economic systems, has been the source of my unmatched success in published, long-range economic forecasting during the recent thirty-five years.

Although the potentially fatal systemic disorders of currently prevalent U.S. popular and other leading opinion, are not limited to the increasing, axiomatic follies of current, post-1964 U.S. economic policy of practice, all of the important such axiomatic disorders, economic or other, may be, and must be correlated with the specifically political-economic follies.

To provide the reader a fair view of the relationship of the exceptional leading individual to today's U.S. existential crisis, focus upon the 1964-2002 process of unfolding transformation of the U.S.A. from its earlier characteristic as the world's leading producer society, to its 1964-2002 progressive decadence as a "post-industrial" consumer society, a society in imitation of such respectively ancient and medieval models of imperial maritime powers as Rome and Venice.

The potentially fatal systemic conditions of social-political systems, such as that of the 1964-2002 U.S.A. today, are expressed by fundamental errors of assumption which underlie the way in which a society stumbles, more or less unwittingly, into making its choices of action, and inaction. Sooner or later, the continued toleration of such flawed sets of implied axiomatic assumptions, brings the conflict between society and nature to a condition approaching an existential crisis. It must then, like the U.S.A. today, alter its implied set of

2. To the best of my information so far, the concept of an "anti-Euclidean, rather than "non-Euclidean" geometry was introduced by one of Gauss's two principal teachers, Abraham Kästner. In fact, Gauss's discovery of a mathematical form of anti-Euclidean geometry, is reflected in his 1799 publication of his original discovery of the fundamental theorem of geometry. The discoveries of Lobachevsky and Janos Bolyai, are rightly distinguished from Gauss's and Riemann's anti-Euclidean geometries as "non-Euclidean" geometries, which amend, rather than overthrow Euclidean geometry.

axioms, or collapse. This is the condition of crisis from which only the society's acceptance of the leadership of an exceptional individual can rescue that nation. So, Hamlet's foolish adherence to his Denmark's ruling custom doomed the Denmark of that tragedy, as Wallenstein's failure to defy his oath for the sake of natural law, his failure to overturn the Habsburg order, condemned Europe to more than a dozen horrible years of a continued religious war.³

Hamlet's folly was that, in the end, as he confesses in the Third Act soliloquy, he, like his Denmark of that time, adhered to that custom by which it destroyed itself. So, as Shakespeare's Horatio warns, even as dead Hamlet is carried from the stage of the same continuing, habituated cultural folly, he doomed not only himself, but the kingdom whose customary folly he had followed into death.

So, in a later time, the German generals replayed the folly of Shakespeare's Hamlet, and Schiller's Marquis de Posa or Wallenstein, in betraying Hitler's adversary, Chancellor von Schleicher, in the events of January 28-30, 1933, and, again, in the events of Summer 1934. For this, the institution of those generals paid dearly in July 1944, as the foolish Kaiser Wilhelm and his nation had played the fool, in backing the foolish Habsburg Kaiser, in Summer 1914. In these, and many, many cases in actual history, the ugliest tragedies are more often the fateful outcome of adhering to a flawed tradition, than violating it in that timely way consistent with that higher authority which is the same natural law invoked by the United States on July 4, 1776.

For the uses of modern science, including economic analysis, Gauss's 1799 report of his fundamental theorem of algebra, founds a modern mathematical form of anti-Euclidean geometry, by a devastating attack on the empiricist follies of D'Alembert, Euler, and Lagrange. That latter trio had dedicated their careers to defending, as Descartes had done, a pro-empiricist reading of the first nine books of *Euclid's Elements*, by sundry, fraudulent denials of the real existence of what they foolishly and fanatically deprecated as "imaginary numbers." Gauss successfully addressed the same problem which those leading empiricist mathematicians refused, axiomatically, to comprehend, the so-called "Cardan" paradox.

Gauss recognized what ancient Greek scientists, including Archytas, Plato, and Eratosthenes, had defined as that physical principle of construction, the which is expressed by solutions for paradoxes such as the construction of a doubling of the square, and of the cube, and the Platonic solids. Gauss recognized the same notion of physical *powers* cited by Plato for the case of the doubling of the square. Gauss showed this again, thus situating, in algebra, what Leibniz and Bernoulli had shown in their treatment of the catenary's reflection of a

3. Friedrich's Schiller's account in his *Wallenstein* trilogy, makes that same point, as does his earlier treatment of the essentials of actual history, in his *Don Carlos*.

principle of universal least action, and also in their showing of the related significance of natural logarithms. These mathematical paradoxes reflected the natural, *physical* geometry of what Gauss defined as the complex domain, outside the unnatural, "ivory tower" mathematics of the celebrated mathematicians Euler and Lagrange.⁴

Gauss's work provides the basis for a general understanding of formal mathematics from the standpoint of experimental physical science, rather than an "ivory tower" (*a priori*) approach to so-called "pure" mathematics. This approach is necessary for a successful scientific treatment of any measurable physical feature of a modern political-economy. This conceptual approach permits the development of reasonable measurements of growth or collapse of the physical economy of a nation, or group of nations. This conceptual approach requires emphasis on study of medium- to long-term cycles in creation and depletion of physical capital improvements over the medium to long term. As I have demonstrated repeatedly, by my uniquely consistent success in long-range economic forecasting over recent decades to date, that view of capital cycles, is indispensable for defining the systemic characteristics of modern economy over the medium- to long-term span.

So it is, that scientific progress depends upon the application of experimentally validated discoveries of universal physical principle, discoveries which never occur except as

4. The following matter is of such relevance for the topic being developed here, that the following notes are implicitly required. Gauss's pioneering in the anti-Euclidean geometry of his teacher Kästner, dates from 1792, and plays a crucial part in the work leading to the 1799 publication of the discovery of the fundamental theorem of algebra. Unfortunately, the tyrant Napoleon Bonaparte's designation of Lagrange as Napoleon's favorite, occurred shortly after the 1799 publication of Gauss's first paper on the complex domain. The British appointment (e.g., by the Duke of Wellington) of London's asset, the despicable French Restoration monarchy, continued the published, fraudulent attack on Gauss of the then-deceased Lagrange; this anti-Gauss policy was continued under the predominant control of the hoaxsters Laplace and Cauchy. On the continent of Europe generally, as in Hannover, conditions did not improve until the 1840s. Gauss himself did not reference the anti-Euclidean implications of his 1799 paper, until qualified references, confidentially, to Janos Bolyai's work (1832) in his correspondence with Wolfgang Bolyai, and, quasi-publicly, in later correspondence on the matter with C. L. Gerling (e.g., 1844) and H. C. Schumacher (e.g., 1846). Thus, in Gauss's later reports on the fundamental theorem, Gauss was prevented, politically, from referencing his 1799 attacks on Euler's and Lagrange's follies. The truth of the anti-Euclidean implications of the 1799 announcement was first brought clearly to the surface by the 1854 *Habilitationschrift* of Gauss's protégé Bernhard Riemann, *Über die Hypothesen, welche der Geometrie zu Grunde liegen*. Riemann there traced the premises on which his own definition of an anti-Euclidean (*not non-Euclidean*) physical geometry rested, as to the relevant Gauss work on biquadratic residues, and Gauss's work on the general principles of physical-space-time curvature. The paradigmatic metric of the complex domain, as defined by Gauss-Riemann, is the catenary-keyed notion of a universal principle of a quickest pathway of physical least-action, as had been developed jointly by Leibniz and Jean Bernoulli.

the work of an individual discoverer's sovereign powers for hypothesizing. So, the same quality of creative powers of the exceptional individual within society, provides the corrective changes in ways of thinking, the quality of exceptional leadership on which the survival of a self-imperilled nation or culture repeatedly depends.

I explain.

The Politics of the Complex Domain

The complex domain, as defined by the pioneering work of, chiefly, Gauss and Riemann, presents us with a physical geometry of real powers, a real universe, counterposed to the mere shadow-world of naive sense-certainty. What is "imaginary" is the Euclidean, or quasi-Euclidean form of "ivory

tower" geometry, which sees only shadows of a real, physical geometry, not the physical substance which the shadows reflect. Nonetheless, in any competent understanding of the origins and cure of systemic crises, such as the world's self-inflicted, presently onrushing monetary-financial collapse, the cause of that calamity is the false assumptions which are implicitly valued, socially, politically, to possess the authority of axioms, that function approximately as if they were real axioms of an actual universe. Therein, in such intermingling of combined valid and false, popular assumptions, lies the cause for those qualities of systemic crises which sometimes bring about the extinction of once-powerful empires such as those of Biblical Belshazzar's Babylon and Rome.

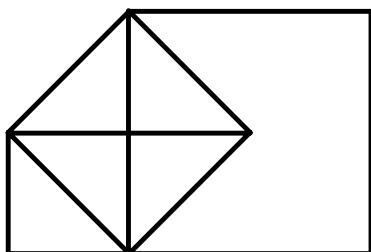
A critical study of the pathological features of a Euclidean

Gauss and the Theory Of the Complex Domain

Carl Friedrich Gauss (1777-1855) founded a modern mathematical form of anti-Euclidean geometry, providing the basis for understanding formal mathematics from the standpoint of experimental physical science. The illustrations published here are taken from a pedagogical series on Gauss's work, produced by Bruce Director (see *EIR*, April 12, May 3, and Aug. 30, 2002).

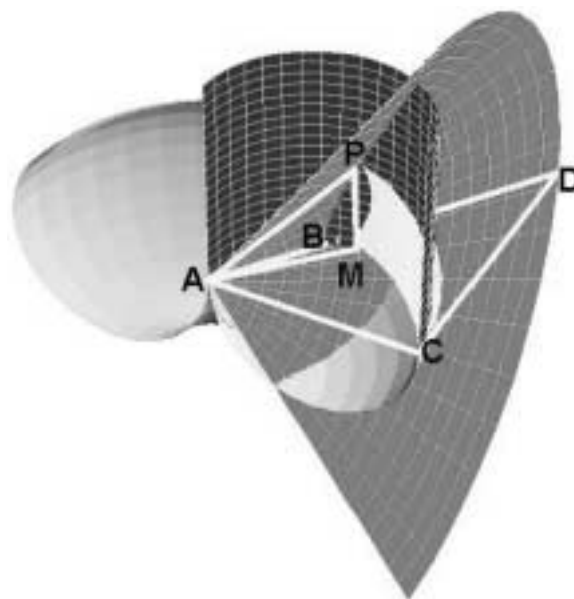
Gauss built upon the prior discoveries of Plato, Archytas, and Leibniz, some of which are shown here.

FIGURE 1
Doubling the Square



Gauss's Fundamental Theorem of Algebra is based on a generalized conception of physical powers cited by Plato in the Meno and Theatetus dialogues. There Plato makes the distinction between the "power" of a magnitude that produces a line and a magnitude that produces the square. The magnitude that doubles a square is the diagonal of the original square, which, as the Pythagoreans discovered, is incommensurable with the side. The harmonic relationship of a series of doubling squares was called by the Pythagoreans, "geometric." Each square was the geometric mean between its successor and predecessor.

FIGURE 2
Archytas' Construction To Double the Cube



To double a cube requires a magnitude of a still higher power, which was determined to be the equivalent of finding two geometric means between two extremes. Archytas developed a construction to find such a magnitude. His solution depended on a characteristic possessed by the curve formed by the intersection of the cylinder and torus. This curve could not be drawn on a plane, because it curved in two directions. Gauss would later define this characteristic as "negative" curvature.

The longer magnitude is AC, which is the diameter of a circle, while the shorter magnitude AB is a chord. That circle is rotated around A to form a torus. A cylinder is then produced perpendicular to the torus, whose diameter is also AC. AB is extended until it intersects line AD which is tangent to the circle at C. Triangle ACD is rotated around AC to form a cone. All three surfaces intersect at point P.

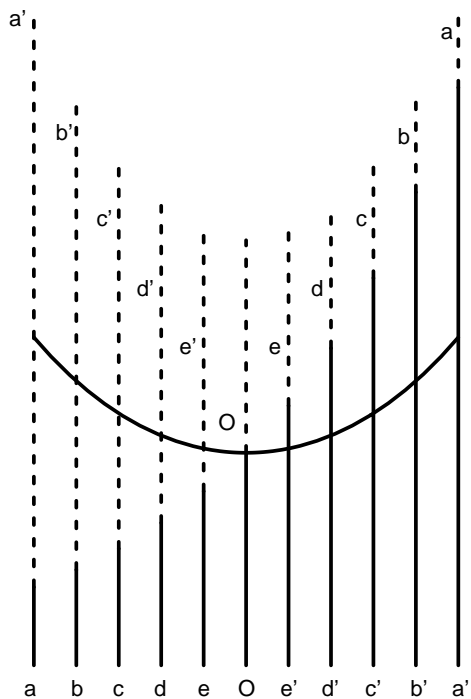
geometry helps the student's development of insight into the relevant characteristics of systems premised on an assumed *a priori* set of deductive definitions, axioms, and postulates, such as those of a Euclidean deductive ("logical") system of theorems and corollaries. Study of the falsehoods inhering in any such deductive system, is key for understanding the pathologically systemic states of general belief responsible for self-inflicted cyclical-systemic crises, such as that rather immediately threatening the early disintegration of the U.S.A. today.

The principal cause for the doom of any culture, is that mental disorder typical of popular opinion, which is to assume the validity of any assumptions currently adopted by a learned profession, or religious teaching, or more crudely adopted as

"generally accepted popular opinion." So, as a foolish class in geometry always returns, directly, or indirectly, to the assumed authority of some set of unquestionable definitions, axioms, and postulates, a foolish people seeks the comforting authority of those same false, axiomatic delusions which, if continued long enough, will send that society plunging into self-inflicted ruin.

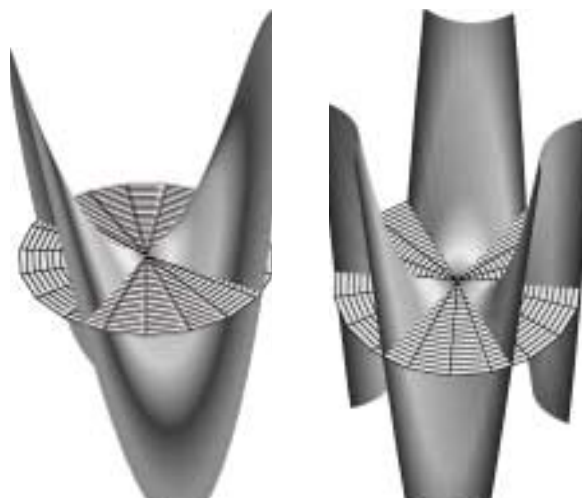
The Romantic tradition of *vox populi*, which was the underlying mechanism of ancient Italy's self-inflicted doom, is an example of this form of mental illness on a mass scale. The pathological system of Immanuel Kant, which Kant crafted as argument against the existence of knowable truth, should be referenced because it exposes the pathological type of mental mechanisms by which a pathological state of tradition may

FIGURE 3
Leibniz's Construction of the Catenary



Leibniz's investigation of the catenary (Figure 3)—the curve formed by a hanging chain—led directly into the work of Gauss on curved surfaces. The catenary is formed as the arithmetic mean between two curves which Leibniz called "logarithmic," and are today called exponential. In the figure, the lines are spaced equally along a horizontal axis. The "logarithmic" curve is formed by the vertical lengths which are in geometric proportion. $OO=1$; $e'=OO^2$ and $e=1/OO^2$; $d'=OO^3$ and $d=OO^3$, etc. The catenary is formed by adding length e to e' and dividing the combined length by two; then adding length d to d' and dividing the combined length by two, etc. The points of the catenary are equal to $(OO^n + 1/OO^n)/2$.

FIGURE 4
Gaussian Surfaces



In Gauss's 1799 doctoral dissertation on the fundamental theorem of algebra, he investigated Plato's conception of "powers," generating complex surfaces such as those shown here: a Gaussian surface for the second power (left) and the third power.

bring even a once-powerful culture to ruin. For this purpose, I refer to the defense of irrationalism, under the rubric of “the negation of the negation,” which Kant features, under the sectional topic of “The Dialectic of Practical Reason,” in his *Critique of Practical Reason*.

Kant, who, throughout his writings, rejects the existence of truth as a matter of principle, argues that the victim’s acceptance of society’s repression (“negation”) of impulses to which it objects (as “negative”), produces a “positive” impulse consistent with the society’s imposed “morality.” This generation of a positivist ethical impulse, by “negation of the negation,” serves as Kant’s proposed alternative to truth.⁵ In the writings of the follower of the positivist fanatic, Ernst Mach, Dr. Sigmund Freud, we meet the same doctrine of “repression,” but expressed in a muddier, and also smuttier form than in Kant’s original. Kant is, unfortunately, correct in describing the widespread apparent effect upon the people of defective cultures. Kant’s substitution of such pathologically induced lack of belief in truthfulness, is that pervasive moral corruption of national cultures which fosters such a society’s cyclical-like descent into systemic, potentially fatal crises of national and broader cultures.

On this account, the exceptional political leader who rescues his people from the precipice of self-inflicted cultural collapse, performs a function which expresses the same characteristics as the discovery of an experimentally validated universal physical principle. Rather than arguing for remedies within the bounds of the generally accepted culture which threatens to destroy that nation, the valid leader for a time of such crisis, does exactly what Shakespeare’s self-doomed Hamlet refused to do:

“ . . . Who would fardels bear,
To grunt and sweat under a weary life,
But that dread of something after death,—
The undiscovered country, from whose bourn
No traveller returns,—puzzles the will,

5. Kant’s referenced argument takes its included origins within earlier, medieval European history from such sources, as the doctrine of the “elect” associated with the neo-manichean, Cathar cult whose influence infected the regions centered upon the axes of the Garonne and Rhône. That Cathar tradition was exploited syncretically by Venice’s Paolo Sarpi in launching the cult of empiricism, of Francis Bacon, Galileo, Thomas Hobbes, et al. In the later “Enlightenment” phase of empiricism, that of John Locke, Bernard Mandeville, François Quesnay, Hume, Adam Smith, and the utilitarian Jeremy Bentham, the neo-manichean irrationalism of the Cathars assumed such forms as the doctrine of “the Invisible Hand.”



Hamlet plays at killing King Claudius, while taking no action to save the disintegrating kingdom. Hamlet’s folly was that he, like his fellow Danes, adhered to the cultural custom of the time, dooming not only himself, but the kingdom along with him.

And, makes us rather bear those ills we have,
Than fly to others that we know not of?
Thus, conscience does make cowards of us all;
And, thus, the native hue of resolution
Is sicklied o’er with the pale cast of thought;
And, enterprises of great pith and moment,
With this regard, their currents turn awry,
And lose the name of action.”

The adequate leader for a moment at the brink of systemic crisis, like the scientific discoverer at a critical juncture in his work, must lead the nation away from its suicidal instinct, to adopt sweeping changes in the axiomatic assumptions on which that society has been operating up to that point. The would-be, “practical” leader, who seeks approval from the authority of prevalent popular opinion before acting, is, like Hamlet, a menace to his nation. The needed leader, is *an exceptional individual*. No other will do, if the nation is to escape its imminent peril.

How To Make a Leader

An adequate prospective leader for such a time of systemic crisis as today’s, must have devoted much of his, or her personal mental and moral development from childhood and adolescence on, to studying, and despising what prove to have been the systemic falsehoods which have become more or less generally accepted by peers, and also preceding and later generations. This impassioned awareness of widely accepted, implicitly axiomatic systemic falsehoods of as-

sumption, as embedded in the customary practice of his, or her society, promotes in that young and maturing mind a disposition for emphasis on subject-matters pertaining to what Shelley identified as “profound and impassioned conceptions respecting man and nature.” This has been the conscious characteristic of my personal life, experience, and development, since childhood. For this reason, I am much quicker than most persons, to recognize relevant qualities, or lack of such qualities, in others, both living acquaintances and historical figures.

If the insights of such a developing, relatively exceptional personality are well grounded, he, or she acquires what sometimes amazed spectators see, in him, as the “gift of prophecy.” For as long as I can recall with certainty, since early adolescence, I have enjoyed the possession of such an apparent gift. Over the course of the recent forty-odd years, I have never been mistaken in my judgment concerning the direction and approximate tempo of developments pertaining to the long-range unfolding of the economic and related social processes. Consequently, on those long-ranging issues of policy on which I have premised my U.S. Presidential candidacy, since 1975-76, I have never been mistaken, as the published record of those actual forecasts attests.

Hence, my foresight of February 1983, that were the So-

viet leadership to reject the policy I had recommended that President Reagan present, the Soviet economic system would collapse “in about five years.”

Now, all of the axiomatic-like policy-assumptions of my supposed rivals among leading political figures and economists, have failed, utterly. Most among them are still clinging hysterically to failed policies, policies which express a bankrupt way of thinking about the processes of policy-shaping as such. However, do not permit yourself to be so occupied with the particular errors of their opinion and practice, as to overlook the root of their compulsion to commit the same, or more desperate errors of the same systemic type today. Look at the systemic roots of their crisis; look at the “geometry” of their mental life, a geometry which they do not know to exist, but which, nonetheless controls their mind as if it had “preprogrammed their thoughts.”

Therefore, I have presently two principal missions. First, to get you safely through the worst of the presently onrushing world and national crisis, and, second, to foster a new leadership, from among the ranks of our young people, which will understand the systemic features of history, and, therefore, were much less likely to make mistakes as foolish as most members of the recent two adult generations have made until now.

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N. Korea Offers a ‘Silk Road’ Bargain to the United States

by Kathy Wolfe

The “North Korean Nukes” story began, curiously, with a late-night “emergency briefing” Oct. 16, at 10 p.m., by White House spokesman Sean McCormack and Richard Boucher of the State Department—breathlessly announcing news which was 12 days old. U.S. envoy James Kelly had reportedly confronted North Korea on Oct. 4 in Pyongyang, with “new intelligence,” and forced Pyongyang to admit to a secret nuclear weapons program. Kelly’s report was that North Korea had unilaterally abrogated the 1994 Agreed Framework signed with President Bill Clinton, allowing UN inspections.

The instant headlines across Western press were fanned by the same “Utopian” ideologues pushing for war with Iraq. North Korea stands “in direct breach of four separate agreements,” Defense Secretary Donald Rumsfeld told the Oct. 17 Pentagon briefing. “They have violated the Non-Proliferation Treaty, the IAEA Safeguards agreements, the North-South Denuclearization agreement, as well as the so-called Agreed Framework.” Rumsfeld read from a recent CIA assessment that North Korea has one or two operable nuclear weapons, and announced: “That is the assessment of the Intelligence Community. . . . I believe they have a small number of nuclear weapons.”

The real story, however, is the tale of two very different reactions, to the extraordinary advances by the two Koreas in the Sept. 17-20 opening of the Demilitarized Zone (DMZ) to rebuild the Trans-Korean Railroad—the linchpin of the “Pusan to Paris” New Silk Road. Anglo-American Utopians promoting a Clash of Civilizations against Islam and the Third World, such as Rumsfeld, believe the industrial potential of developing vast populations along the New Silk Road is a threat to the world dominance of new American Empire. With “peace breaking out” in Korea, they are demonizing North Korea.

South Korean sources in Seoul told *EIR* a very different story: that U.S. envoy Kelly, in Pyongyang Oct. 3-5, was actually offered a “comprehensive new deal,” to involve the United States in the development of the “Iron Silk Road,” as South Korean President Kim Dae-jung has called it. Worked out among China, Russia, South Korea, North Korea, and Japan, the idea is to trade away North Korea’s nuclear capability; to get the United States to sign a peace treaty finally ending the Korean War; and to engage America with Japan and others in economic development in Asia. This is the necessary next step after opening the DMZ, to solidify peace.

Striking a Bargain

“It’s obvious that North Korea does not intend to start a nuclear war,” *EIR* Founding Editor Lyndon LaRouche noted in an Oct. 19 webcast (see *National*). “Obviously, they did it to create a bargaining chip,” LaRouche said, noting that North Korea would like to strike some sort of new peace agreement with the United States. “You may recall that the United States was in support of the Sunshine Policy under Clinton. The idea was that we’d bring the two Koreas together, and the United States would be the sponsor of some economic assistance and other things which would help this process along. . . . That was sabotaged. . . . So now, North Korea wants financial or equivalent help, to bail out their ailing economy. They figure, now they can use the nuclear bombs as a bargaining chip, to get some cooperation from the U.S.: ‘Okay, we’ll give up our nuclear weapons. Give us some help.’ . . . I don’t think North Korea is alone in this. I think some other countries in Asia may be thinking in similar directions—to try to get some sense into Washington.”

In a Pyongyang press conference on Oct. 23, concluding four days of top-level Unification Ministers’ talks, North Ko-



North Korea's acknowledgement of its nuclear capabilities is meant as a bargaining chip, with the United States, on behalf of the two Koreas' attempts to use economic development for reunification. Here, the "unification train" on the rail line being cleared and built through the Demilitarized Zone in September.

rean President Kim Yong-nam all but confirmed that analysis, saying their aim is to get the Bush Administration to talk peace. "We are taking this issue seriously," said Kim, North Korea's second highest official, asked about their nuclear program. "If the United States were to scrap its hard-line policy toward us, we are ready to resolve security concerns through dialogue." Seoul's Unification Minister Jeong Se-hyun, likewise, emphasized "North Korea's intent to resolve the issue of its nuclear weapons program through dialogue with the United States." North Korea, Jeong said, "is willing to allay all international fears over its nuclear program, if the United States will abandon its anti-North policy. As Chairman of the North's Supreme People's Assembly, Kim Yong-nam clearly stated such an intention."

The bargain offered Kelly, according to Seoul sources and South Korean press reports, was broad indeed:

- Both Korea, China, and the United States to finally sign a peace treaty to end the 1950-53 Korean war;
- North Korea to pull back 500,000 troops from the DMZ—as the Bush Administration has been loudly demanding;
- North Korea to open its economy and allow large-scale investment by South Korea and allied nations.
- North Korea to sign agreements regulating transport of people and goods across the Trans-Korean Railway, allowing increased freedom for its citizens.

Yim Sung-joon, top South Korean Presidential national security adviser, told the press Oct. 17 that South Korea "saw North Korea's surprising confession as part of a quest for dialogue," the latest of several dramatic steps Pyongyang has taken this year to improve ties with the South and the world. Just as North Korea "came clean" on their abduction of Japa-

nese citizens, Yim implied, they meant to "come clean" on their nuclear program in order to offer the Bush Administration a trade-off for a major improvement in relations with the United States. "We regard it as a sign North Korea is willing to resolve this problem through dialogue," Yim said.

In "N.K. Proposes Peace Treaty With U.S.," the *Korea Times* said Oct. 17 that North Korea asked Kelly for a peace treaty and the lifting of the decades-old U.S. trade embargo. "The North asked Kelly to convey to President Bush its intention to barter U.S. guarantees for its survival, in return for the resolving of U.S. concerns about its weapons of mass destruction," they wrote.

'Sabotage'

Not welcoming the overture, however, the Utopian faction in Washington waited, then leaked an isolated aspect of it, as an "axis of evil" scare story. To create the drama of the late night briefing, it appears that Secretary Rumsfeld and the Utopians at the Defense Intelligence Agency (DIA) staged a leak. First, Reuters ran a wire the afternoon of Oct. 16 on the "threat of North Korean nukes," based on a DIA leak that "the Defense Intelligence Agency had discovered the program within the last couple of months. Since then, U.S. intelligence has identified a dozen worrisome sites related to the program." Reuters cited a DIA source.

Also on the afternoon of Oct. 16, Japan's *Nikkei News* reported from Washington that Deputy Secretary of State Richard Armitage had privately called former Japanese Prime Minister Ryutaro Hashimoto on the carpet about the North Korean nukes, saying Tokyo was being too friendly with Pyongyang. Shortly after the Japanese reports appeared, AP and Reuters were quoting a "senior U.S. official" on North Korea's secret nuclear weapons revelation. Armitage is a Rumsfeld intimate.

"Some in Seoul suspected that the leaks were part of a ploy to sabotage the mood of détente on the peninsula as a result of recent developments in Pyongyang," Seoul's *Korea Times* said on Oct. 17. "Pyongyang has introduced elements of a market economy and designated its border city as an 'open' city, while extending an olive branch to Japan. Washington was under pressure to drop its hard-line policy. . . . This sabotage scenario is lent further credibility considering that U.S. Defense Secretary Donald Rumsfeld, leading hawk in the Bush Administration, has repeatedly pointed out Pyongyang's nuclear weapons program. Leaks to the press are often used as a tool to thwart a rival policy in the Administration," they concluded.

In fact, the DIA has been demanding war against North Korea on this issue since 1998, when it tried to destroy Presi-

dent Bill Clinton's Korea peace policy by leaking satellite photos to the Congressional right wing, along with claims that Pyongyang had the ability to nuke Los Angeles. This occurred while Clinton was paralyzed by the impeachment procedures. Such hijacking of U.S. foreign policy by the DIA was called, at the time, by Asia specialist Chalmers Johnson, a "military coup."

State Department spokesman Richard Boucher, under questioning by reporters on the bizarre Oct. 17 timing, admitted that the entire purpose of Assistant Secretary of State Kelly's mission to Pyongyang was to create a confrontation, and that whether the North Koreans admitted to a nuclear program or not, they were going to be damned either way. Kelly's brief, he said, was "to make clear to the North Koreans that we were prepared to resolve the issues of concern to us, but to make clear as well, that this kind of program and the failure to abide by previous commitments made it impossible to move down that road."

Silk Road Continues Apace

Neither South Korea nor Japan, however, would be deterred from continuing summitry with North Korea. Minister of Unification Jeong Se-hyun said Oct. 23 that North Korea had cleared 30% of its mines at the demilitarized zone in the path of the Seoul-Pyongyang railway, and 32% in the path of a new road, as of Oct. 3. He said South Korean troops and engineers had cleared about the same portion of their mines by Oct. 6.

The North-South Korean ministerial meeting in Pyongyang on Oct. 23 also issued an eight-point joint press statement, beginning with agreement on the nuclear issue, and then emphasizing new steps being taken to expand the Trans-Korean lines of the Eurasian Land-bridge. "South and North Korea will make joint efforts to guarantee peace and stability on the Korean Peninsula, and actively cooperate to solve nuclear and all other issues via a means of dialogue," the first point said. "The South and the North shall have ministerial-level talks to speed progress of construction of Kyonggui (west coast) and Donghae (east coast) inter-Korean railway and road links," said the second. "In the first phase, both sides shall link the Kyonggui railway and road links to Kaeseong Industrial Complex and the Donghae railway and road links to Mount Kumgang. Both sides shall push for an early completion of the Donghae railway link and the South shall push for rapid construction of the railway's southern section bound for Gangneung without interruption."

Point five says: "The South and the North shall discuss making an agreement on transportation of people and materials across the border around the time the first inter-Korean railway or road link is opened." Point three called for rapid expansion of the Kaeseong Industrial Complex in North Korea by South Korea. Other points dealt with maritime cooperation. If signed, this highly significant accord would render fruitless a whole range of Utopian provocations. After other

positive proposals, the final point stated that there will be further Cabinet-level talks in January.

From Pyongyang, on Oct. 18, the official KCNA news agency issued a statement entitled "Russia-proposed Tripartite Talks on Connection of Rail Links Hailed." A spokesman for the D.P.R.K. Ministry of Railways said that "Energetic efforts are being made by all parties concerned to connect the inter-Korean railways and Russia's trans-Siberian railroad amid the world's interest. This railway project is an important work, as it is greatly helpful to drastically expanding economic links and cooperation not only between the Korean and Russian peoples, but also between countries in Northeast Asia and Europe and, furthermore, achieving peace and stability in the Asia-Pacific Region and the rest of the world and the common prosperity of humankind. . . . We [are working] to link the railways between Korea and Russia at an early date. The Russian side, too, is vigorously pushing forward the project to put its railways on a modern basis. . . . We hail this proposal, considering that it will be conducive to successfully carrying out the Korea-Russia railway connection project."

The South Korean government on Oct. 19 sent a strong signal toward the North that despite the supposed crisis, the South will push ahead with its policy of reconciliation. It sent a ship with construction equipment and materials for the railroad reconnection to the North.

Japan Protests U.S. Pressure

The same battle is being played out in Tokyo. The Japanese press is full of reports about Armitage confronting Hashimoto over North Korea's "nuclear threat to Japan," to pressure Japan to halt its peace diplomacy with North Korea. "The U.S. fears Japan will emotionally rush headlong into normalization talks with North Korea, without giving due concern to North Korea's nuclear development," Nikkei News reported from Washington Oct. 17. Hashimoto was told, according to Nikkei, that North Korean missiles are aimed at Japan and that this should be Japan's number-one concern, not anything else.

Yomiuri News pointed out that the Utopians want a stop put to Japan's potential offer of \$10 billion in reparations to North Korea for use in building the Land-Bridge. "Observers pointed to increasing concerns in the Bush Administration over the Japanese government's handling of Pyongyang," Yomiuri said Oct. 19. "The United States is concerned about how the Koizumi Administration will conduct its negotiations with North Korea, as it places top priority on the abduction issue and is not reluctant to offer economic aid to Pyongyang."

No matter what Armitage or Rumsfeld say, no sane person in Tokyo wants to be next-door neighbor to a nuclear World War III. The "New Silk Road" faction in Japan believes the U.S. export market and dollar are dead, and rejects the "Washington Consensus" on strategic policy. It believes Japan should take the Korean offer, which its diplomacy helped create.

Israel's Greek Tragedy

by Dean Andromidas

It was a scene comparable to the Greek tragedy, *The Persians*, by the great Aeschylus. Dalia Rabin, daughter of slain Prime Minister Yitzhak Rabin, stood before her father's grave. Though a daughter, she was cast in the role of the Queen Mother Atossa before the tomb of the great and wise Darius. Before her stood the solemn faces of Israel's political elite—less one—like Aeschylus' Chorus of Elders, but not as wise.

It was Oct. 17; the scene was the annual memorial service marking the seventh year since Yitzhak Rabin's assassination. According to an account in the Israeli daily *Ha'aretz*, Dalia Rabin, "lashed out against the leaders who did nothing to stifle the campaign of incitement waged against her father [leading up to his murder]. . . . She also criticized the leadership of the Labor Party for failing to find the courage to continue the work that cost her father's life. Instead of fighting to defend his path, they failed to withstand the deluge and took cover, she charged." Foreign Minister Shimon Peres and Defense Minister Binyamin Ben-Eliezer, the Labor Party chairman, stood before her, expressionless, well aware that they were now following "the path led by Prime Minister Ariel Sharon," in his Likud-led "national unity" government.

"What would have happened if the murderer had not hit his mark? How would we look?" asked Dalia Rabin—who herself had resigned in protest from Sharon's government earlier this year. "Every year that has passed since the murder makes the question more complicated. Every year has sharpened the loss of direction, the depth of the rift, the loss of hope. . . . All of us are surrounded by suspicion and hatred and there is no one to save us." She then lifted her eyes to the country's entire political leadership, including the Likud's former Prime Minister Benjamin Netanyahu who reversed all of her father's work—himself standing there "with a piercing look in his eyes," *Ha'aretz* wrote. Rabin continued, "We were mistaken in believing that the murderer could not sway us from our path. The broken peace turned our hope into a bitter illusion. The false prophets are again lifting their heads high, trying to lead a beloved nation and people to a dead end." Adding to the tragedy is a recent poll which revealed that 40% of Israelis would support granting a pardon to Yigal Amir, the murderer of Rabin.

Ha'aretz noted, "Prime Minister Ariel Sharon was conspicuous in his absence." It was the first time that a Prime

Minister had missed the Rabin memorial. Sharon was in Washington enjoying an evening at Blair House, the U.S. government guest residence. He was so happy following his meeting with President George W. Bush, that he reportedly led his closest aides in singing old Zionist songs.

Sharon's 'Vaunting Rashness'

Sharon returned from Washington flush with a doom-filled success. President George W. Bush once again demonstrated full support for his "old friend," putting no pressure on him other than to caution him not to launch a new Middle East war until the United States has begun its own attack on Iraq. Although Sharon expressed "sensitivity" to the Bush's needs, time is working against him. He needs to implement his "final solution" against the Palestinians, before Israel's economy fully collapses.

Sharon's smiles came with a whopping price: His office leaked to the press that they were drafting a request for \$10 billion in aid and loan guarantees from Washington to bail out the Israeli economy in which Bush expressed such "confidence." Israeli press called it the price Sharon was asking for not interfering in U.S. plans.

Sharon desperately needs the money, because Israel's sovereign credit rating is about to collapse to the same levels as Argentina and Brazil. On Oct. 18, Finance Minister Silvan Shalom rushed off to London to meet the credit-rating agencies, Standard & Poor's, Moody's, and Fitch, in an attempt to head them off from downgrading Israel's rating from the current A-. Even this rating is no more than an official fiction, since Israel, which has to borrow \$2.5 billion a year to roll over its foreign debt, now pays a "risk premium" of 2.5% over and above the interest rate of 4.75%. Thus Israel, in practical terms, has a credit rating of BBB. If Bush goes to war against Iraq, it will sink further.

Based on the promise that the Bush Administration is considering giving Sharon his "requests," Fitch did not downgrade Israel's sovereign credit rating, but downgraded its local currency debt to A-, which is also too high. Fitch pointed out that Israel has a public debt that is 103% of Gross Domestic Product, second in the world only to Japan.

The Funds Are for Fascism

A new Palestinian suicide car-bomb destroyed a bus on Oct. 20, leaving 14 Israelis dead. This bombing was as predictable as the others, because Sharon has not let up for one day, his military operations, targeted killings, or the brutal curfews imposed upon the Palestinians. In the last several weeks, dozens of Palestinians have been killed and hundreds wounded while the Israeli military has conducted daily incursions into the Gaza Strip. The appearance is that Bush will give Sharon extra billions to continue this repression.

In the midst of these anti-Palestinian military operations, Defense Minister Ben-Eliezer continued the "dog and pony

show” of dismantling so-called “illegal outposts” of Israeli settlers in the West Bank. As expected, radical rabbis issued religious rulings to the settlers to resist evacuation, and to the soldiers to refuse orders to move against the settlers. As expected, violent clashes occurred between soldiers and settlers. Although the rioting was real enough, given the numbers of soldiers hurt, the whole exercise proved to be a theater of the absurd. Military commentator Amir Oren described in *Ha’aretz* how the evacuation plans had been kept secret by the military until they briefed Sharon’s security cabinet. “Minutes—some say seconds—after the presentation was made to the Prime Minister, Defense Minister, and Public Security Minister, the beepers went off on the settler leaders’ belts, telling them when the operation would begin and which outposts would be evacuated. The settlers readied their masses, resisted the evacuation, and injured dozens of police and soldiers.”

According to press reports, Sharon promised to replace all evacuated outposts with military bases.

While this theater was playing out, settlers throughout the West Bank launched attacks against Palestinian farmers, preventing them from harvesting their olive groves. Although they killed one farmer and wounded many others, no arrests were made. In fact, the Israeli military tried to order the Palestinians not to enter their own olive orchards, because they were “provoking” attacks.

Commentator Gideon Samet, in *Ha’aretz* Oct. 23, called these settlers and their leaders fascists—especially Effie Eitam, whom Sharon recently named Infrastructure Minister. “Behind their pretensions to a ‘new Zionism’ lies that same mix of messianism, contempt for any considerations of state, and the legitimization of almost any means for the sake of an illegal end. And they are defended by politicians with proto-fascist tendencies who have never before penetrated the inner circles of the government in such force. Why fascist? Because, even by the most dispassionate definition, people like Eitam fit the specifications of this European concept. The sanctity of the land, even beyond the boundaries of the state; the abstract concepts of the significance of the people and the homeland; and the readiness to use the nation’s military might for the sake of all of the above. Israel, according to Eitam, is not just a pragmatic entity whose goal is to worry about the welfare of its residents. Its *raison d’être*, from the Jordan to the sea, is ‘to reveal the image of God to the world . . . to be the Noah’s Ark of the future . . . to reveal God’s workings in history,’ and other idiocies that compete with the most degenerate texts from the height of German and Italian Romanticism.”

Samet warned that “Israeli crypto-fascism, armed with vague religiosity, tries to bestow upon these land-grab swindlers an image of heroism and renewal.” He concludes that this is a national threat of “creeping Jewish fascism. . . . The extremist fundamentalist settler right . . . has rapidly become a threat from within no less frightening than the terror from without.”

Venezuela: It’s The Economy, ‘Chico’

by Dennis Small

In an Oct. 20 interview with Miguel Angel De Renzis on Radio El Mundo in Buenos Aires, Argentina, U.S. Presidential pre-candidate Lyndon LaRouche gave the following answer to a question regarding the Oct. 27 Presidential run-off elections in Brazil, and the significance of a probable victory by Luiz Inácio “Lula” da Silva.

“Well, it doesn’t mean much, this Lula business, in a sense. This is already pre-discounted. That is, it would not be a change in the system, for him to be elected or not elected, really. The present President of Brazil, and others, agreed to IMF conditionalities. If they keep the promise, that’s suicide for Brazil. So, Lula is not the issue, although he does represent an issue in other terms. The issue lies in the hands of the IMF, at a time that the Europeans—France, Italy, and Germany—are moving toward a reform of the existing European and also world financial system. So the question is how these things are going to come together. The economic issue, the financial issue, is going to be the key issue—not the election.”

LaRouche could as well have been speaking about Venezuela, and the growing political polarization in that country. On Oct. 10, the opposition to the Hugo Chávez government held a march in Caracas, which gathered about 1.5 million people. The huge demonstration demanded that Chávez resign the Presidency by Oct. 16, or face a 12-hour national strike called for Monday, Oct. 21. Government supporters responded with a million-person demonstration of their own on Oct. 13, which vowed to defend the Jacobin, megalomaniacal Chávez with all means at their disposal.

In a country of 25 million, political demonstrations of this



About 1.5 million Venezuelans called for President Chávez’ resignation Oct. 16, and threatened a national strike on Oct. 21.

size—over 10% of the entire population took to the streets in the course of a single week—indicate a dramatic level of polarization and radicalization. Back in April of this year, the political confrontation had already reached the point where an opposition mobilization, with included actions by diverse military factions, led to the toppling of the Chávez government—and its reinstatement in just over 48 hours. Since then, the political fires in Venezuela have only grown stronger, shedding great heat but almost zero light. The country is now poised at the edge of bloody civil war, with none of the contending forces actually aware of what the real issues are.

This state of affairs in Venezuela is not surprising, since it is in fact the *intent* of the dominant neo-conservative “Utopian” political forces in Washington, to bring about such polarization and confrontation—not only in Venezuela, but in the entirety of Ibero-America, including Brazil—in order to defend their dying global financial system. Take the case of the Hudson Institute’s Constantine Menges, a long-term intelligence operative in the Washington circuit, who was previously in the National Security Council and the CIA. Menges has written extensive, grade-Z tracts on the purported danger of a new “axis of evil” emerging in Ibero-America, an axis under the influence of the São Paulo Forum, and including the Colombian FARC narco-terrorists, “Cuba’s Fidel Castro, the Chávez regime in Venezuela, and a newly elected radical President of Brazil, all with links to Iraq, Iran, and China.”

Menges, who works closely with the State Department’s Assistant Secretary for Western Hemisphere Affairs, Otto Reich, is part of Washington’s Utopian faction of Dick Che-

ney, Donald Rumsfeld, Richard Perle, et al., who are driving for a U.S. war against Iraq, in order to unleash a generalized Clash of Civilizations across the Middle East and central and southern Asia. Menges gives a glimpse of the Utopians’ real concern when he denounces those who attack “neoliberal” economic policies and the “international financial institutions and international borrowing”—read, the IMF and Wall Street. He decries the “anti-market ideology” spreading across Ibero-America.

Thus, in Menges one finds attacks against the FARC—but nowhere a mention of this drug-running gang’s meetings with the president of the New York Stock Exchange, Richard Grasso. One reads denunciations of the São Paulo Forum—but not of their association with the Anglo-French financier Teddy Goldsmith and his World Social Forum. One encounters copious condemnations of Hugo Chávez—but not a word about the City of London’s sponsorship of his career, nor of his fealty to IMF policies for Venezuela.

In this regard, we take note of a recent “Open Letter to the Brazilian People” issued by Alejandro Peña Esclusa, now the head of Fuerza Solidaria, an organization which has been active among opposition forces in Venezuela. Based on our own difficult experience with Peña and associates over the years, we consider it advisable to warn readers that he is neither stable nor reliable, especially in recent years. His Menges-like open letter only introduces another dimension of instability into an already explosive hemispheric situation.

We refer readers to LaRouche’s remarks cited above. As they say in Venezuela, “It’s the economy, Chico.”

New Rebellion Builds

The chronically unstable political situation in Venezuela boiled over on Oct. 22, when a group of 14 active-duty generals and admirals from all four military forces announced that they were rebelling against the Hugo Chávez government, under the constitutional right to civil disobedience against any government which violates the Constitution. None of the 14 have current troop command—they had been involved in an earlier unsuccessful ouster of Chávez on April 11 of this year—but they called upon other military and civilian forces to join them, announcing they would set up camp in the main plaza in the Altamira section of Caracas until Chávez resigns.

After some hesitation, the civilian opposition leadership—labor, business, and political parties—threw their support behind the officers, and announced they will use the Altamira plaza to centralize collection of two million signatures by Nov. 4, to force a referendum on convoking new elections. A march is planned for Nov. 4 from the

plaza to the National Electoral Commission, to deliver the petitions.

The day prior to the call to rebellion by the 14 officers, on Oct. 21, a 12-hour national strike organized by the country’s trade union and business federations and opposition political parties, had shut down an estimated 85% of the country’s businesses.

So far, the Chávez government has responded with great trepidation and restraint; it has dismissed the opposition as insignificant, even “clowns,” but has not moved either to arrest the officers, or to repress the thousands gathered in the plaza. Even more significantly, the Chávez government has leashed in its Bolivarian Circles shock-troops, whose leadership is pressing to attack the protestors.

Although the Jacobin Chávez regime is increasingly despised in the country, for its slavish subservience to the IMF’s economic policies and the resulting poverty and institutional chaos, the opposition remains wedded to those some economic policies, and has failed to propose any actual solution to the crisis. —Dennis Small

From Ancient Egypt, To a New Renaissance

by Muriel Mirak-Weissbach

All too often, the news broadcast about the Arab world is negative, if not tragic—the plight of the Palestinian people being emblematic. Thus, when events of a happier nature take place, which establish a higher moral standpoint from which to approach a solution, they should be heralded with joy.

Such is the case with the inauguration of the historic Alexandria Library (called the Bibliotheca Alexandrina), in the Egyptian city of that name, on Oct. 16. Addressed to a group of 3,000 dignitaries and leading world figures gathered for the occasion, Egyptian President Hosni Mubarak's "Alexandria Call" (see box) embodied the message of dialogue, not war, that the library communicates. "Here, where we can witness the greatness of the past and the sublimity of history, we can

all call for a world full of understanding, co-existence, peace and security, because this is what makes our children smile. This is what spreads happiness and builds up aspirations for the upcoming generations. Long live the noble values and meanings that the Bibliotheca resurrects today in its inauguration."

"The noble values and meanings" of the Bibliotheca Alexandrina include, above all, the commitment to spreading the great ideas that mankind, throughout history, has developed, in the inexorable struggle to master the laws of the universe and improve the human condition. The Alexandria Library was not merely one among many ancient institutions, to be commemorated for the sake of antiquity: It was a model of the educational institutions required to create geniuses, today as much as then. It was also a model of inter-cultural dialogue, of the free and fruitful exchange of ideas among great minds, of cultures and civilizations encompassing vast expanses of time and space.

The Vision of Alexander the Great

It was Alexander the Great who, having conquered Egypt, decided to found a city bearing his name, which was to be a commercial crossroads between East and West, as well as a

The 'Alexandria Call'

President Hosni Mubarak's Oct. 16 speech to 3,000 dignitaries at the opening of the Bibliotheca Alexandrina, is excerpted here from Egyptian State Information Service.

Today, we are celebrating the inauguration of Bibliotheca Alexandrina. By building it back in place, we are reviving human heritage in the area. Here, religions were revealed and prophets lived to sow eternal values of tolerance and co-existence. It was the launching pad of movements of liberation and enlightenment throughout history and time. The old Bibliotheca Alexandrina was a melting pot of all civilizations, cultures and knowledge for all peoples. The great value of Bibliotheca Alexandrina, the recognition of its international role and the need to resurrect this value, especially at this critical moment of our history, drove in these diligent efforts to construct it back in its original place, where it disappeared 1,600 years ago.

The old one was a monolith of diligent scientific research and collective cultural efforts. It was an epitome of persistent efforts to combine and integrate all cultures and civilizations and to unify the world as we all try to do now. It had always been a global source of information to all scholars, of all religions and from all over the world. It

spread its spell over the Middle Ages, the Renaissance in Europe and then in the rest of the world. This unique historical event encourages us to talk about some noble human values. . . :

First: Maintaining inter-cultural dialogue and interaction is the only rational way to eliminate violence and tension and build bridges among peoples using knowledge and peaceful co-existence as common bases of communication.

Second: asserting the unity of human heritage which was created by all religions, nations and cultures on sound grounds of understanding, cooperation and partnership, rather than clashes, discord and monopoly.

Third: Underscoring the effective role of the Arab Islamic civilization in building up the human heritage. From the very first inception of human civilizations, knowledge moved forward, in a historical sequence and order, from the Ancient Egyptians to the Greeks, the Arab intellectuals and scientists and then to the European Renaissance, in an intertwined process void of any conflicts or clashes. This is clearcut evidence that human civilization is a full-fledged process combining all civilizations and can never be created by a sole nation or civilization alone. . . .

History Has Taught Us Dialogue

Egypt was keen that the new Bibliotheca inherit the conceptual values of cultural bridging, intellectual diversi-

cultural and scientific center of the world. In 323 B.C., after Alexander's untimely death, the satrapy of Egypt fell into the hands of Ptolemy, and it was under the Ptolemies—Ptolemy Soter (323-283 B.C.) and his son Ptolemy II (285-246 B.C.), that the city was developed.

Alexandria was divided into three districts, populated by Egyptians, Greeks and Jews. Graced with ample, wide avenues and magnificent marble and stone buildings, the city was considered indestructible. There were four great buildings which stood out above the rest. The first was the Soma, which was built to house the body of Alexander, embalmed and encased in gold. Next was the Serapeum, with the Temple of Serapis for worship. Then, there was the Mouseion, located in the Greek quarter known as the Brucheion. This was actually a center of study, with lecture rooms, galleries and housing for hundreds of students, who could reside there and study. The students undertook to copy manuscripts, to edit them, to study them, and to conduct research of their own. The institution which provided them the material, was the fourth landmark, the famed library called the Alexandrina.

The library was organized in ten large halls, each of which corresponded to a branch of learning. In each hall, were thousands of manuscripts, carefully catalogued and classified. Ac-

ording to the historian Epiphanius (320-403 A.D.), King Ptolemy Philadelphus built the library and bade its caretaker, Demetrius of Phalarene, "collect the books in existence in every quarter of the world, and he wrote letters importuning every king and governor on Earth to send ungrudgingly the books (that were within his realm or government); I mean the works of poets and prose writers, orators and sophists, physicians, professors of medicine, historians and so on. One day, when the business was proceeding apace and the books were being assembled from all quarters, the King asked his librarian how many volumes had been collected in the library. He made answer to the King and said: 'There are already 54,800, more or less. But I hear that there is still a great mass of writings in the world, among the Ethiopians and Indians, the Persians and Elamites and Babylonians, the Assyrians and Chaldeans, among the Romans also and the Phoenicians, the Syrians and them of Hellas. . . . There are, moreover, with them of Jerusalem and Judea certain divine books of the prophets, which tell of God and the creation of the world and contain all other teaching that is for the general good. Wherefore, O King, if it is Thy Majesty's pleasure to send for these also, do thou write to the doctors in Jerusalem, and they will send them to thee.' "

ty and radiation of knowledge and information from the old one. . . . If we can say that the reconstruction of Bibliotheca Alexandrina is a leap forward, in a bid to maintain noble values, then this means that the pioneers of scientific and cultural renaissance in our society should work hard on highlighting the common features of different cultures and societies. They should also try to promote cultural and intellectual dialogue and exchange and broaden the level of understanding among people of different creeds. This would help us perceive and unveil the unseen motives behind other people's thoughts and actions.

We should all realize that the current political disputes and steep differences in economic and social visions are primarily fed with negative feelings of frustration and despair and would finally lead to a vicious circle of extremism and violence that will spread its spell over all of us and we will all suffer from its dire consequences.

Thus, this unique historical event should motivate us and strengthen our political will in achieving justice and equality in its broader sense. A framework of both single and collective societal interests should permeate. It should also shun any attempts to hegemonize, either by using military force or economic pressure.

History has taught us that the only way to settle disputes is dialogue, based on a balance of equal rights and commitments and respect to other people's opinions, values and cultures. The attempt to enforce unjust settlements

or situations would succeed at the beginning but in the end, it would sow the seeds of grudge and hatred in the hearts of the upcoming generations. It would further jeopardize the harmony, we are all seeking to achieve among ourselves. . . .

The reconstruction of this monolithic Bibliotheca embodies all meanings of civilizational bridging and human co-existence. This calls on us to hold tight to just and comprehensive peace, refuse the logic of power and call for the respect of legitimacy which reflects and maintains human conscience. Our region has always been suffering from bloodshed and conflicts. Now it is time to put this to an end. This applies to all parties because human blood is equally valuable. Man is just the same everywhere and at all times. So, violence should stop now and security should be set back on track. Rights are the grips of power and not vice versa. This would drive everybody to the route of just and comprehensive peace. . . .

This is the "Alexandria Call." Here, where we can witness the greatness of the past and the sublimity of history, we can all call for a world full of understanding, co-existence, peace and security, because this is what makes our children smile. This is what spreads happiness and builds up aspirations for the upcoming generations. Long live the noble values and meanings that the Bibliotheca resurrects today in its inauguration. It is here to voice them and to maintain them. . . .



The glass roof of the new Alexandria Library, in front of the harbor of the ancient and famous city. The library was opened Oct. 16 with a speech by Egyptian President Mubarak to 3000 dignitaries from around the world; Mubarak stressed the strengthening of a “dialogue of cultures” by the revival of this largest and most celebrated of all centers of learning of ancient times.

This great library became the center of learning of the world for over 900 years. It attracted the greatest minds like a magnet: Straton, Xenophon, Philemon, Euclid, Herophilus, Theodoros, Hegesias of Cyrene, Callimachus, and Eratosthenes, and many more. Among the librarians said to have been appointed to supervise the great institution, were Zenodotus of Ephesus, Alexander of Aetolia, Callimachus of Cyrene, and the great Eratosthenes of Cyrene. Others included Apollonius of Alexandria, Aristophanes of Byzantium, and Aristarchus of Samothrace. It was at Alexandria, that Eratosthenes conceived his experiment to measure the circumference of the globe.

Ptolemy Philadelphus purchased the volumes in the library of Aristotle, as well as various versions of the Homeric epics. He bought so many works that he had to enlarge the library to accommodate them, and in 250 B.C., new rooms were made available in the Serapis temple.

How the Library Was Destroyed

The Alexandrina testified to political and intellectual leaders, who fully understood the crucial significance of the spread of knowledge, as the precondition for social and economic progress and stability. By the same token, it was thanks to the personal depravity and political wretchedness of later political leaders, in the Roman Empire and later, that the great library and museum were destroyed.

There are many historical versions of what happened to the library, at times contradictory. But what can be ascertained, for certain, is that the first serious blows to it came from the Roman emperors. In 48 B.C., in the war between



The new Bibliotheca Alexandrina’s circling wall bears inscriptions in all known human languages, ancient and modern.

Julius Caesar and the Alexandrian fleet, fires ravaged the city. Lucan and Seneca (both put to death by Nero in 65 A.D.) described the fire that destroyed 40,000 books. Plutarch, in his biography of Caesar, gave a similar account: “When the enemy tried to cut off his fleet, Caesar was forced to repel the danger by using fire, which spread from the dockyards and destroyed the ‘great Library.’ ”

Under the reign of Octavian, the Emperor Augustus, peace was reestablished after the civil wars, and the library was rehabilitated; many subsequent emperors tried to pose as its “protectors,” so great was the Alexandria Library’s fame. A turn for the worse occurred under Emperor Caracalla. This bloody Roman tyrant, who traversed his provinces, plundering and killing as he went, was made the subject of ridicule by the Alexandrians, in a series of poems and stories. To teach them a lesson, Caracalla proceeded into the city, and gave the order to his troops to enter houses and slaughter everyone indiscriminately. Blood ran down the streets in rivers. The library survived, but barely. It was reported, later, to be standing, but with no people in it. Further devastation occurred at the hand of Queen Zenobia in 270 A.D., and in 295, Diocletian laid siege to the city, slaughtering the people and burning the buildings. Diocletian gave the order to seek out what books remained and destroy them by fire.

Under Theodosius the Great (375-95 A.D.), the wave of destruction against Alexandria came under the pretext of eliminating paganism. With the Edict of Theodosius of 391 A.D., all the temples and pagan idols had to be destroyed. This included the Temple of Serapis, which was considered a heathen temple, and, apparently also, the library and its works, which were eliminated in 389 A.D. Three hundred thousand volumes were stolen and/or destroyed. Thus, when the Arabs arrived and conquered Egypt and Alexandria in

about 642-46 A.D., there were very few rolls left in the library to be destroyed. The accounts according to which the Arabs burned the library, have been shown to be fraudulent.

Rebuilding the Library of Alexandria

It is fitting that it is an Arab government which has restored the Alexandrina, given the widespread belief in the story that the Arabs destroyed it. The library was, for centuries, in the center of a fight to the death between those forces—in different cultural traditions—which promoted the spread of knowledge as the means to uplift and develop human society, and those forces dedicated to the idea of the tyranny of the few, who would impound such knowledge to maintain control over the ignorant masses.

The idea to rebuild the library goes back to 1974, and is attributed to Egyptian historian Mostafa al-Abbadi, author of a definitive history of the library. The ambitious project was designed not only to commemorate the historic library, but to replicate it for the modern world. On June 26, 1988, President Mubarak laid the foundations for the building, accompanied by the director general of the UN Economic, Social, and Cultural Organization (UNESCO), which issued a call to individuals, organizations and countries to support the project. An International Committee for Supporting the Funding Campaign, was established at the request of Egypt. In 1990, \$230 million was pledged, mainly by Iraq, Saudi Arabia and the United Arab Emirates. The Egyptian government underwrote the budget.

The design of the building is circular, to reflect the Sun, which is a central motif in Egyptian culture. As one government press release explained, “The inclination of the building therefore represents the rising of the Sun, while its face to the sea indicates the unlimited open space and distance which is the search for knowledge.” The building is encased within a granite wall, on which all the alphabets of the world have been carved.

The project leaders have striven to replicate the efforts of the Ptolemies, in gathering important works from all over the world. The library used its budget, donated by the Egyptian government, to purchase 350,000 books initially. With further purchases, and generous contributions by governments and institutions, the library has 4 million volumes, 50,000 maps, 100,000 manuscripts, 10,000 rare books, 200,000 disks/tapes of musical works, 50,000 disks/videos, and 100 CD-ROM titles. The complex includes a conference center with 3,200 seats, a science museum, a planetarium, a school of information studies, a calligraphy institute, and a museum.

The inauguration of the library has made the world considerably richer. The revived Biblioteca Alexandrina should become, like its namesake, a center of learning and research, with emphasis on the civilizations of ancient Egypt, Greece and the Eastern Mediterranean. Scholars from throughout the world should flock there, as their ancient counterparts did, to study, deliberate, research, teach, and discover.

Queen’s Ecologists Lose Brazil Lawsuit

Judge Paulo Maurício Pereira, of Rio de Janeiro’s 24th Civil Jurisdiction, has thrown out the lawsuit filed by the Brazilian chapter of the Worldwide Fund for Nature (WWF) against the Ibero-American Solidarity Movement (MSIA, associates of Lyndon LaRouche), as without merit. In the suit, the environmentalist non-governmental organization created by the British monarchy had demanded 50,000 reals indemnization for “moral damages” allegedly caused by the MSIA’s repeated denunciations of its political activity at the head of Brazil’s environmental movement and abroad, as well as of the damaging effects of radical environmentalism on socio-economic development generally, and particularly on large infrastructure projects. WWF-Brazil, headed by the vice president of Organizações Globo José Roberto Marinho, was ordered to pay for the cost of the proceedings and lawyers’ fees, and has 15 days to appeal the verdict.

The WWF-Brazil’s suit placed emphasis on the MSIA’s May 2000 pamphlet, “The WWF’s Forest Trap,” on whose cover appeared a panda bear, chewing on a human bone. (The panda is the WWF’s trademark.) The pamphlet, the WWF charged, was filled with “absurd, mistaken, and unfounded information, a real exercise in creative speculation, with texts filled with lies and absurdities, not to mention the illegal use of the WWF logo and image of the panda bear, known worldwide as the plaintiff’s trademark.”

In his ruling, Judge Pereira wrote that the MSIA’s denunciations are coherent with the freedom of expression guaranteed by the Federal Constitution. Moreover, the opinions expressed do not constitute “falsehoods or distortions, as they can be summarized as discussion involving what nationalists call ‘the imperialist policy of the great world powers’ and ‘the policy of the internationalization of the Amazon,’ material which for some time has been discussed by the media, including by members of the Brazilian government and military, seen as their duty to defend our borders and sovereignty.”

Pereira didn’t consider the panda image as an offense to the plaintiff, “but rather a spirited speech, a playful composition, taken in the context in which it was used.” In addition, “it’s worth remembering that Mr. Luiz Inácio ‘Lula’ da Silva has also been portrayed ‘eating babies’, yet today, is close to being elected President of the Republic; a simple accusation cannot cause harm to someone’s reputation, chiefly because it always has a bit of humor and enjoyment embedded within it, leading us to recall the words of Umberto Eco (*The Name of the Rose*): ‘He who laughs doesn’t take seriously that about which he is laughing, but neither does he hate it.’ ”

International Intelligence

Germany Must Declare Emergency

German Finance Minister Hans Eichel will now have to declare an economic emergency, according to the financial daily, *Handelsblatt* Oct. 18; otherwise, the new Federal budget will violate the German constitution. Faced with a dramatic decline in tax revenues—down 11.3% in September compared to one year ago, and for the full year about 34 billion euros below the official forecast—new borrowing by the German government this year will explode to a level of 33-36 billion euros, exceeding by far the 2002 expenditures for public investments.

Thus, the biggest economy in the euro-zone will not only flunk the new borrowing limit set by the Maastricht Treaty (annual new debt is not allowed to surpass 3% of Gross Domestic Product). It will also violate the German Basic Law (constitution), which puts a much more sane brake on new public borrowing: For every euro of new debt, the government must put at least one euro into infrastructure and other construction investments, thereby enlarging the physical capital base out of which the additional revenues to pay debt service can be generated in the future.

Only in times of “overall economic imbalances,” may new borrowing be allowed to temporarily surpass the amount of public investments. But the Finance Minister must formally announce this kind of economic emergency.

U.S. Resolution Is Not Accepted

Russia and France, holding UN Security Council vetoes, rejected the second U.S.-proposed draft resolution on Iraq on Oct. 22. After meeting with chief UN weapons inspector Hans Blix, Russian Foreign Minister Igor Ivanov said, “The American draft resolution . . . does not answer the criteria which the Russian side laid out earlier and which it confirms today.” Blix himself said, “They [the United States] may have evidence, I am not brushing it aside, but in

our archive there is no clear-cut evidence.” After seeing the U.S. draft resolution, French Ambassador to the United Nations Jean-David Levitte said he does not think an agreement is close.

Chinese Foreign Ministry spokesman Liu Jianchao said China “will take seriously” measures for UN weapons inspections which lead to a peaceful settlement to the United States-Iraq standoff, but that the first step must be the return of inspectors to Iraq.

But White House spokesman Ari Fleischer, speaking to reporters at a political rally in Pennsylvania Oct. 22, said the United Nations does not have forever to agree to a resolution, and that the process will soon be concluded.

Shock Anti-War Vote in Australia

Anti-Iraq war passion resulted in Australia’s Green party winning its first-ever House of Representatives seat, in a by-election on Oct. 19 for the district of Cunningham, around the industrial city of Wollongong south of Sydney.

By-elections are held in individual electoral districts to replace MPs who leave parliament in extraordinary circumstances, usually death or resignation; the by-elections are notorious for bringing out strong protest votes. Often, sitting governments lose by-elections to the Opposition, because local voters take the opportunity to protest government policies. In this case, the electoral district was seen as a very “safe” seat for the Labor Party Opposition (which had held the seat for decades), and the government didn’t run a candidate.

In losing the seat to the Greens, the Australian Labor Party became the first Opposition in over 50 years to lose a by-election, and the Greens will be the first minor party to win a House seat in Australia since World War II. This is widely acknowledged as a reflection of the strong anti-war feeling in Australia, and the widespread dissatisfaction with the major parties, which the Greens have provided an alternative to, with their principled stand against the Iraq war,

against fascist “anti-terror” laws, and against the government’s treatment of asylum seekers. The Greens have been downplaying their own lunatic economic policies.

This is also an election which was closely monitored by the U.S. Embassy.

IMF Debacle in Malawi Starvation

Johannesburg’s *Business Day* on Oct. 16 reported, “Food shortages in Malawi are very severe and will only worsen in the months ahead as scarce stocks from the harvest run out and food aid, reaching 2 million out of 10.6 million people [total population], becomes more difficult to distribute” because of the rainy season.

UN World Food Program (WFP) Malawi director Gerald van Dijk said, “By December, we need to feed 3.2 million people, which requires about 30,000 tons of maize a month. It will be a struggle to mill and move that amount during the rainy season.” The bulk of donations is genetically modified (GM) maize from the United States. Once the planting season starts, the GM maize may only be distributed if it is milled, to prevent it from being planted. This process will delay food distribution, as Malawi lacks enough spare capacity to mill large amounts of relief maize. Milling also adds more than 20% to the cost of relief operations, which are only about one-third funded so far. Until the rains begin, Malawi is allowing the distribution of whole grain GM maize, believing that people are too hungry to plant any of it.

Nineteen percent of the country’s population is infected with HIV/AIDS, *Business Day* wrote, adding that, since the country is too poor to carry out testing, the figure implies those who are very sick with “AIDS symptoms.” Malaria is rampant and a cholera outbreak took 1,000 lives this year.

Author Claire Keeton detailed the International Monetary Fund and World Bank’s role in this disaster. “Four years ago the government distributed starter packs, including fertilizer, to 2.8 million subsistence farmers, and the country experienced bumper maize

harvests in 1999 and 2000. But the beneficiaries were scaled down to 1 million after reduced sponsorship and pressure to abolish subsidies, in line with agricultural reforms advocated by international bodies like the World Bank.

"Deepening the crisis, Malawi sold off its strategic grain reserves [under pressure from the IMF] from 2000 to last year, despite warning signs that the harvest was likely to be poor. Nearly 27,000 tons of maize was exported at a loss, with large amounts of money from the sales not yet accounted for, according to the National Audit Office."

According to other sources, the grain reserve sold may have been as much as 150,000 tons.

Chávez Phenomenon Looming in Ecuador?

The first round of Presidential elections in Ecuador on Oct. 20, brought former Army colonel and Chavista coup-maker Lucio Gutiérrez into an unexpected front-runner position, with 19.5% of the vote, versus Ecuador's wealthiest man, banana tycoon Alvaro Noboa, with 17.6%. Nine other candidates who also ran, were eliminated from the runoff balloting. If Gutiérrez is elected on Nov. 24, as is expected, he will immediately face the International Monetary Fund, when he takes office. Because of the country's dollarization in 1999, Ecuador cannot rely on the usual tricks of devaluing the national currency or printing money to stave off financial disaster. The result is, that the country is in desperate need of an immediate \$250 million infusion, and will have to adhere to vicious austerity terms to get it. Venezuela's President Hugo Chávez had no problem bowing to the IMF, even though it has driven his "popularity" down around his ankles. If Gutiérrez follows his lead, it could well mean that his reign may be as short-lived as his predecessors'—four of them, in the last few years!

Ecuador is a country of 13 million, heavily dependent on exporting oil and bananas. Since 1999, twenty of its 41 banks have gone belly up, 3 million people have lost their savings, thousands of small companies have

disappeared, half a million Ecuadorans have emigrated, and those living below the poverty line went from 50% of the population, to a whopping 70%.

U.S. Must Close Base in Karachi

The emergence of the grouping of six Islamic religious parties, the Muttahida Majlis-e-Amal (MMA), as the strong "third force" in Pakistan's Oct. 10 national parliamentary elections, seems to have had its first fall-out. The International Security Assistance Force (ISAF), operating in Afghanistan since the government of Hamid Karzai was installed there with U.S. backing, has decided to close down its base in Karachi, Pakistan, with immediate effect.

Pakistani President Pervez Musharraf's decision to "lease out" a portion of Karachi's Qaid-e-Azam International Airport, for use by the ISAF, came under severe criticism from the MMA during the campaign. MMA is also opposed to the presence of the U.S. forces on Pakistani soil in general (U.S. troops are hunting al-Qaeda forces near the Afghanistan-Pakistan border) and wants them to vacate their military bases in Pakistan.

The Pakistani English daily, *The News*, on Oct. 20 recounted that the ISAF had selected Karachi, which has several airports, as the hub for its Forward Mounting Base (FMB) in the middle of January 2002. This base has been used to transport international troops and their supporting logistics, including heavy arms and ammunition, into and inside Afghanistan.

In the period before the ISAF takeover of part of Karachi Airport, a German delegation had met with Pakistan's Civil Aviation Authority (CAA) with the same intended purpose. But the CAA, at that time, declined to entertain any individual country force as a partner for the ISAF forces on Pakistani soil. The Germans quietly left Karachi and now operate from Tajikistan, but the multinational ISAF force became the populist target of the Pakistani religious parties, which are now demonstrating new clout with Musharraf.

JORDAN'S King Abdullah fears that it is now too late to stop a war on Iraq. After talks with German Chancellor Gerhard Schröder in Berlin, on Oct. 23, King Abdullah told the press that although both leaders issued another urgent appeal to resolve the Iraq conflict by peaceful means, he thinks that the war has already begun and no longer can be stopped.

A MILLION Italian workers marched in a general strike Oct. 18, called for by the largest trade union, CGIL, with 75% participation, according to its organizers. These figures are contested by the government and the other two main unions, UIL and CISL. According to the CGIL in Turin, where the Fiat crisis is hitting the hardest, 150,000 workers joined the rally. In total, rallies and demonstrations took place in 120 cities, with 250,000 participants in Milan and 200,000 in Florence. The strike was called to protest the government austerity and labor deregulation policy.

FRANCE'S attempt to "jam up" an Iraq war resolution in the UN Security Council received full support at the Oct. 20-21 "Francophone nations summit" in Beirut, a senior French diplomatic source told *EIR*. "The sentiment at the Francophone summit was extraordinary; they gave full backing to French government efforts to stop this drive toward war," the diplomat reported. "There were 43-45 heads of state attending. . . . There is clearly a strong mood, to balance a monopoly of American power."

SUDAN and the SPLA guerrilla army which has been backed by Britain and the United States, signed the first-ever truce, taking effect Oct. 17, in the 20-year civil war. Negotiations for a permanent peace resumed Oct. 16. Government forces had retaken the city of Torit a week earlier, which led the SPLA to agree to the government demand for a truce as the condition for resuming talks.

LaRouche: Moonies Are Target Too Big To Be Missed

by Jeffrey Steinberg

During an Oct. 19 webcast with Democratic candidates, Lyndon LaRouche responded to a question about how to force a purge of the lunatic neo-conservative and Christian Zionist apparatus from the Bush Administration, and, thus, stop the pending U.S. imperial military mis-adventure against Iraq. LaRouche's response undoubtedly shocked most among the 300-plus participants in the Internet broadcast:

"I think, if you wanted to clean up the snake-pit," LaRouche began, "what you'd do is, you'd hit it on the flank. . . . The place to hit, is the Moonies. The most important, and most significant nut-factor, which is a serious threat to our political order, *inside* the United States, is the Moonies." Reverend Moon bought up Jerry Falwell, Richard Viguerie, the whole racist far right in the country, LaRouche said, and now Moon is buying up many African-Americans. "You pull that out, and I guarantee you, the biggest factor of loose, religious, and other kinds of nuts, in the United States, will scamper. And the rest of the mess will be cleaned up." (See full text, in this section.)

Grovelling for Drug Money

As reported in the Oct. 25 issue of *EIR* ("Democrats Now Venture to the Dark Side of the Moon"), from the early 1980s onward, the Asian and South American dirty-money and rogue intelligence apparatus centered around the deranged personality of Rev. Sun Myung Moon, spent hundreds of millions of dollars to buy up the entire so-called "Christian Right" in America. This started with the William F. Buckley Jr.-linked Richard Viguerie, the so-called wizard of direct mail solicitation, who found himself bankrupt, circa 1987.

Col. Bo Hi Pak—the controller of the Moon apparatus, a founder of the South Korean KCIA, and South Korean military attaché in Washington—paid \$10 million to Viguerie, via the purchase of a piece of Northern Virginia commercial

real estate worth a fraction of the "purchase price."

By 1994, the Moonies had bailed out the self-professed Christian Zionist, Rev. Jerry Falwell, whose "Elmer Gantry" lifestyle had bankrupted his Lynchburg, Virginia Liberty University, and bilked his own followers out of \$73 million. The Moonies bought up Falwell's debt for pennies on the dollar, effectively morphing the pudgy televangelist into a grinning prop for Moon's alphabet soup of front groups.

Before the dawn of the 1990s, every significant name on the Christian Right—Pat Robertson, Tim and Beverly LaHaye, Gary Bauer, James Dobson, Robert Schuller—had been taken over by Moon and turned into even bigger con artists than they had been before they went grovelling for narco-dollars.

The main question for the Christian Right was, and still is: What was more embarrassing—having to associate with a stark-raving lunatic who proclaimed that Jesus Christ had failed in his mission, and that God had anointed Moon as the actual "King of Kings," the "True Parent" of a new master race; or, knowing that they were being bought off by offshore dirty money, much of it linked to international narco-terrorism?

Moon 'Family Values'

In 1994, the year that Moon bought up Falwell, the U.S. Congress passed a bill establishing "Parents Day" as a new national holiday, designated on the fourth Sunday of July. The leading Congressional sponsor of the Moon-instigated legislation was Rep. Dan Burton (R-Ind.), one of the most fanatical of the House "Clinton-bashers." Long-time Moon functionary Gary Jarmin did the legwork for the legislation push.

While no one could dare protest the idea of "Parents Day," many Christian, Jewish, and Islamic theologians have serious



Rev. Sun Myung Moon with some of the U.S. recipients of his largesse, left to right: Iran-Contra superstar Lt. Col. Oliver North (ret.), self-proclaimed Christian Zionist Jerry Falwell (embracing Moon), and "Diamond Pat" Robertson.

problems with Reverend Moon's particular views on "parenthood." According to Moon, he and his (fourth) wife, Hak Ja Han Moon, are the "True Parents." Moon claims that Jesus Christ failed in his mission, because he was crucified before he had children, and therefore mankind was not freed from the original sin, which, in Moon's world, derived from Eve having had a sexual union with Satan. Jesus came to Moon, this fractured fairy tale continues, and bestowed upon him the task of completing his failed mission—by staging lavish mass-marriage ceremonies, in which Moon's "pretty girls" from Korea and Japan are paired with unsuspecting targets.

In a posting on the Unification Church website, Rev. Michael Jenkins, who heads the entire Moon organization in America (now called "the Holy Spirit Association/Unification of World Churches USA"), wrote bluntly that "Unless we are cleansed of the original sin, human beings, from the moment of conception, are not in their original state. In order for us to be cleansed of the original sin, we should be reborn. The method of rebirth is to receive the Marriage Blessing with the Reverend Moon as the officiator. That is the best way to be cleansed of the original sin. This cleansing remains to be done for all humankind. Only after having gone through this cleansing can we personally stand before God and grow as original human beings." Later, he added, "Reverend Sun Myung Moon is one anointed to fulfill the mission that Jesus was unable to complete."

On July 4, 2002, the Moon-owned *Washington Times* ran a full-page ad from one of Reverend Moon's front groups, proclaiming him the Messiah. The ad "quoted" Jesus Christ: "Reverend Sun Myung Moon! Thou art the Second Coming who inaugurated the Completed Testament Age! The 120 people, who have brought light to the history of Christianity, pledge to take part in all that the True Parents do, and resolve to strive toward the ideal, the original garden where there is no original sin, through the guidance, the words of the Completed Testament, and the Unification Principle, of the Savior and Messiah, the Reverend Sun Myung Moon."

In the same blasphemous ad, God was also quoted: "As you, the True Parents, have now succeeded in everything and have raised everything to its true level, you are now the Savior,

Messiah and King of Kings of all humanity!!!"

Was it for this insanity, that the Congress established "National Parents Day"?

A Criminal Background

For someone proclaiming himself the true Messiah, the North Korean-born Moon has a rather checkered past. In the post-World War II period, when Moon migrated to southern Korea, he became involved with a mystical sect called Israeli Suo-won, which practiced a strange "purification" ritual, in which women achieved purity by having intercourse with the sect's ministers. In both North and South Korea, Reverend Moon was charged with morals violations, according to an FBI report, obtained by reporter Robert Parry under the Freedom of Information Act (FOIA). Moon landed in a South Korea jail in 1955 for his sexual missionary work.

Moon might have simply wandered around the Korean countryside, dodging the law and practicing "sexual purification" on young girls, but for the intervention of two of the Korean CIA's founders—Kim Jong-Pil and Bo Hi Pak—and their patrons in the radical right wing of Anglo-American intelligence. Those ultra-right-wing Anglo-American intelligence networks were pivoted around William F. Buckley, Jr. and the Carlist, nominally Catholic, fascist apparatus he was building, under the cover of his *National Review* magazine, and the Young Americans for Freedom (YAF) anti-Communist youth movement.

According to a CIA report, dated Feb. 26, 1963, "Kim Jong-Pil organized the Unification Church while he was director of the ROK Central Intelligence Agency, and has been using the church, which had a membership of 27,000, as a political tool."

Kim Jong-Pil was also in charge of rebuilding South Korean ties to Japan, as part of an overall American and British-backed effort to build an Asia-wide anti-Communist apparatus, pivoted on South Korea, Japan, and Taiwan, and making use of the vast Asian secret society-based organized crime apparatus, which was more than willing to fight the Communists, in return for a license to steal. Among Kim Jong-Pil's best Japanese contacts were two convicted Japanese war

criminals, Yoshio Kodama and Ryoichi Sasakawa.

Sasakawa was a leading figure in the Yakuza, Japan's organized-crime secret society, which was employed in the post-war period by the CIA to counter the Communists and trade union radicals. According to David Kaplan and Alec Dubro, authors of a respected history of the Yakuza, "Sasakawa became an advisor to Reverend Sun Myung Moon's Japanese branch of the Unification Church."

In June 1964, Kim Jong-Pil, Bo Hi Pak, and Reverend Moon were among the founders of the Asian Peoples' Anti-Communist League. APACL created a student front, the Free Asia Youth Alliance (FAYA), which, from its inception, was formally linked to Buckley's Young Americans for Freedom, which had established its own international youth federation, the International Youth Freedom Foundation. YAF/IYFF and FAYA signed a "Declaration of Common Purpose" in their first months of existence.

There were two Buckley epigones who were assigned the task of forging the alliance with their Asian partners at the KCIA and the Unification Church: Morris Liebman and Tongsun Park. A Korean-born, but American-educated YAF operative, Tongsun Park worked closely with Col. Bo Hi Pak, when the South Korean spook and Moon Church controller came to Washington, shortly after the launching of APACL, as the South Korean military attaché. The Colonel's primary assignment was to oversee the buildup of Moonie operations in the United States.

Liebman was Buckley's man on the scene in East Asia, shuttling to APACL conferences in Seoul, Tokyo, and Taipei, throughout the 1960s. Liebman's cover was that he was a public relations man, working for Harold Orim and Co., a firm that represented the Committee for a Free Asia, the International Rescue Committee (of Leo Cherne), and the Committee of One Million.

In 1966, APACL became a core component of the larger World Anti-Communist League (WACL), which was a front for the same Anglo-American ultra-right-wing dirty spook networks that had picked up the dregs of the wartime Nazi and Fascist apparatus, for use as "resistance" networks, in the event of a Communist takeover of any country in the "Free World."

In Italy, the Fascist-tainted underground operation was code-named "Gladio," and it took on a life of its own, fuelling a corrupt parallel intelligence apparatus, dominated by the wartime Fascists and royalists. By the late 1960s, the CIA was attempting, to no avail, to shut down Gladio and other, now out-of-control paramilitary cells, which were engaging in "strategy of tension" terror attacks against continental Europe and elsewhere.

The Mooning of America

Around the same time that he was dispatched to Washington to run the Unification Church deployments on American soil, Col. Bo Hi Pak founded the Korean Cultural and Freedom Foundation, a group which the U.S. House of Represent-

tatives Committee on International Relations found to be a KCIA front. In Washington, the South Korean colonel knew where to turn for help, in establishing an elaborate string of front groups, phony fundraising operations, and other covers. He hired Buckleyite Richard Viguerie as his chief "fund-raiser."

The Moon organization, the Korean Cultural and Freedom Foundation, and other South Korean influence-peddling outfits went hog-wild in Washington, D.C. during the 1970s. At one point, Moon was accused of running a 300-woman prostitution ring, infiltrating Congressional offices, in league with "Republic of Korea lobbyist" and Buckley protégé Tongsun Park. Through the Washington, D.C.-headquartered Diplomat National Bank, Moon and Park spread vast sums of money all over Capitol Hill and K Street. It was a recipe that Moon would repeat over and over again.

In the late 1970s, Rep. Donald Fraser (D-Minn.) ran a Congressional probe of the "Koreagate" influence-peddling scandal. Moon survived the scandal by spreading even more cash around Washington, creating more front-groups, and particularly spreading money around the emerging Buckley-dominated New Right. Fraser lost his re-election campaign in 1980, which greatly assisted in the coverup of Moon's operations (although zealous Federal prosecutors in the Southern District of New York—in spite of protests from the Reagan White House and main Justice Department—successfully prosecuted Moon in 1982 on tax evasion charges, and packed him off to prison for 18 months, leaving Colonel Pak behind to run the show, on a vastly expanded scale).

Among the early New Right recipients of Moon largesse was Joseph Churba, a childhood friend of Jewish Defense League founder Rabbi Meir Kahane, who was one of the key liaisons between the Likudnik right wing in Israel and the emerging neo-conservative crowd in Washington.

Churba and Kahane had founded the Jewish Defense League (JDL) in the mid-1960s as another one of the WACL-linked right-wing front groups, initially dispatched onto the campuses of New York City to beat up anti-Vietnam War protesters. At the inception of the group, Kahane and Churba worked with two other Columbia University students, the son of labor counterinsurgent Irving Brown, and Roy Godson. Godson's father, Joe Godson, ran a string of Anglo-American anti-Communist labor front groups out of London for years.

The Godson-Brown links to the first Churba-Kahane foray into right-wing politics raise interesting questions about whether the early JDL was one of the many covert projects associated with the late James Jesus Angleton, the CIA counterintelligence director. Angleton was the U.S. intelligence community paymaster and handler of "ex"-Communist Jay Lovestone, Irving Brown's closest ally inside the American labor movement's international department. Angleton also had the exclusive CIA "franchise" for dealing with the Israeli intelligence services.

Kahane and Churba were part of the Betar youth movement of the Jabotinsky fascist apparatus (Vladimir Ze'ev Ja-

botinsky, a founder of Israel's Likud party, was a professed admirer of Hitler and Mussolini). They were the hooligans, deployed by the only slightly more respectable Betar fronts, the American Student Struggle for Soviet Jewry and the American Center for Russian Jewry. All three groups stalked Soviet diplomats who were assigned to the United Nations, and staged noisy protests over the plight of Soviet "Refuseniks." The JDL's earliest terrorist operations included the planting of pipe-bombs under the cars of Soviet diplomats. The Betar operations were cited by Sen. Henry "Scoop" Jackson (D-Wash.) as having been pivotal to Congress's 1972 passage of the Jackson-Vanik Amendment, placing economic and political sanctions on the Soviet Union, linked to the treatment of Soviet Jews.

Churba graduated from the JDL to U.S. Air Force Intelligence during the mid-1970s, at one point heading up the Middle East intelligence desk. But after he attacked the chairman of the Joint Chiefs of Staff, Gen. George Brown, for disparaging comments about Israel, he had his security clearances stripped and left the government. After a brief stint as a consultant to the Arms Control and Disarmament Agency from 1981-82, Churba was again bounced from the government, when his patron, National Security Adviser Richard Allen, was forced to resign, under a cloud of scandal. From 1983 until his death in 1996, Churba was a Moonie.

Under Executive Order 12333, the Reagan-Bush Administration created a gigantic loophole, allowing private organizations to be "deputized" as assets of U.S. covert intelligence. Col. Bo Hi Pak launched the Confederation of the Associations for the Unification of the Societies of the Americas (CAUSA) as one of the most important and filthiest fronts for the secret war in Central America. CAUSA created an in-house think-tank for Churba, called the International Security Council, which put the Moonies into bed with the entire Likud-Betar Israeli intelligence apparatus.

The North Side of the Moon

The Iran-Contra "secret parallel government" operation afforded the Moonies the opportunity to do what they do best: launder vast sums of cash from undisclosed offshore enterprises into the hands of rogue anti-Communist spooks. The largest recipient of Moonie largesse was Lt. Col. Oliver North. Moon's and Bo Hi Pak's CAUSA International became a prime source of funding for North personally, and for the Iran-Contra gang more broadly.

Ronald Godwin, the vice president of the Washington Times Corp. and the former director of Falwell's Moral Majority, set up a Moon front, Interamerican Partnership, which was one of the first fronts to funnel cash into North's "Enterprise." Another Moon-sponsored group, the American Freedom Coalition, produced a North promo video, "Ollie North: Fight for Freedom," and paid to air it 600 times on over 100 TV stations, according to Bob Parry. The AFC, according to one eyewitness report, received \$5-6 million from Moon to boost the North covert wars in Central America.

The American Freedom Coalition was a prototypical Moon front, drawing in everything filthy on the American ultra-right, along with a few bought-off old civil rights figures, including Rev. Ralph Abernathy. AFC's board of directors included Sen. Jesse Helms's (R-N.C.) two chief fundraisers, Tom Ellis and Carter Wren; Churba; Buckley nephew L. Brent Bozell III; Lt. Gen. Danny Graham (ret.); Maj. Gen. John Singlaub, a WACL superstar; Richard Viguerie; and Mormon Church official and former FBI Agent Cleon Skousen.

As reported in last week's *EIR*, at least one source of dirty money to fuel the Moonie operations in America, during the early 1980s, was the "Cocaine Colonels" regime in Bolivia. A reported \$4 million cash payment, passed through CAUSA, had helped bankroll the military coup, carried out on behalf of the world's then-leading cocaine trafficker, Roberto Suárez. Wartime French Nazi collaborator Klaus Barbie had run the Colonels' secret police apparatus, along with Stefano Della Chiaie, one of the leading Gladio terrorists in Italy, who had been responsible for the bombing of the Bologna train station. Della Chiaie fled to the Bolivia safe haven, and he, along with Barbie, was frequently seen in the company of Moonie official Thomas Ward, the head of CAUSA-Bolivia.

Showdown in Brazil

The Clinton years were not good times in America for the Moon crowd, which bankrolled a non-stop propaganda campaign against the President, through Falwell, Robertson, and the other Christian Zionist flunkies who had been seduced by Moon cash and sex. At one point, according to news accounts, Moon considered moving his entire Western Hemisphere operations to Brazil, where the Moon apparatus had bought vast tracts of land.

Now, the Brazilian government is taking concerted action against the Moonies, charging them with tax evasion and money laundering. On May 6, 2002, Brazilian Federal police raided the offices of the Moon organization in several separate locations in São Paulo, and in the state of Mato Grosso do Sul.

One trigger for the probe, according to recent news accounts in the Brazilian press, was the massive purchase of land by the Moonies along the Brazilian border with Bolivia and Paraguay. Since 1997, Moon has bought up large areas of land in Mato Grosso do Sul, and hundreds of thousands of acres, including an entire town, in Paraguay, a country notorious as a contraband and money-laundering center for drug cartels and other criminal organizations.

Official investigations into the Moon land-grab began in mid-2001. In November 2001, the state legislature of Mato Grosso do Sul held hearings on the Moon land "investments." The head of the Brazilian Army's Western Command, Sergio Conforto, testified at those hearings, that the purchase of contiguous land on both sides of the Paraguayan and Bolivian border "gives the impression that they wish to join the two areas."

On Feb. 4, 2002, a judge had ordered that bank secrecy

protection be lifted on all bank accounts of Moon's Association for the Unification of Families and World Peace. The Public Prosecutors Office is charging the group with posing a threat to the national security of Brazil.

A Paradox for Mr. Rumsfeld

By all public accounts, the Moon apparatus spends billions of dollars—perhaps tens of billions of dollars—a year on its worldwide front operations. Estimates of Moon's annual losses at the Washington Times Corp. alone, with its string of money-losing publications, range from \$30-100 million. A recently compiled, single-spaced list of Moon's front organizations in the United States alone runs to 27 pages.

There are no credible reports of where the Moon empire gets its dough. There are many credible reports, linking the groups to the very "asteroid" intelligence networks that dominate the international crime scene, facilitate the world's biggest drug-trafficking operations, and protect the offshore banks that launder the estimated \$1 trillion annual black market trade in illegal weapons and drugs.

There is one more question that ought to be rumbling between the ears of Defense Secretary Donald Rumsfeld, Deputy Secretary Paul Wolfowitz, Vice President Dick Cheney, and other Bush Administration officials who are contemplating the promised wars against the alleged "axis of evil" troika of Iraq, Iran, and North Korea. They count on the Moonie press to propagandize for the imperial march, even as the majority of American citizens recoil in horror at the idea of the United States imitating the decline and fall of the Roman Empire in fast-forward.

As investigative reporter Robert Parry reported in a Jan. 31, 2001 article, "Rev. Moon, the Bushes & Donald Rumsfeld" (www.consortiumnews.com), on Feb. 2, 1994, the U.S. Defense Intelligence Agency (DIA) issued a classified report (later declassified and released under the FOIA), detailing a week-long series of face-to-face meetings that took place in Pyongyang, North Korea from Nov. 30 to Dec. 8, 1991, between Reverend Moon and North Korean leader Kim Il-sung.

"These talks took place secretly, without the knowledge of the South Korean government," the DIA report noted. "In the original deal with Kim [Il-sung], Moon paid several tens of million dollars as a down-payment into an overseas account," added a second DIA report, dated Aug. 14, 1994.

A third declassified DIA document, dated Sept. 9, 1994, detailed the transaction: "In 1993, the Unification Church sold a piece of property located in Pennsylvania. The profit on the sale, approximately \$3 million, was sent through a bank in China to the Hong Kong branch of the KS [South Korean] company 'Samsung Group.' The money was later presented to Kim Jong Il as a birthday present."

The flurry of 1994 DIA memos was triggered by the death of Kim Il-sung that year, and the sudden appearance of Col. Bo Hi Pak in Pyongyang. The Colonel's mission,

according to the DIA documents, was to assure that the "deal" was still on to open the North to a series of Moon businesses. "If necessary, Moon authorized Pak to deposit a second payment for Kim Jong Il," one of the DIA reports noted. Among the "business deals" on the table were a resort complex in Pyongyang, and a "Holy Land" at the site of Moon's birthplace.

"There was an agreement regarding economic cooperation for the reconstruction of KN's [North Korea's] economy which included establishment of a joint venture to develop tourism at Kimkangsan, KN; investment in the Tumangang River Development; and investment to construct the light industry base at Wonsan, KN. It is believed that during their meeting Moon donated 450 billion yen to KN," according to another DIA report. At the time of the 1991 original Moon visit to Pyongyang, and the negotiating of the deal, Parry reported, the Japanese yen was trading at 130 to the dollar, meaning that Moon's investment in North Korea was in the range of \$3.5 billion.

According to a 1998 Congressional commission on missile technology proliferation, chaired by Rumsfeld, during the period of the Moon-North Korea transactions, Pyongyang was engaged in a crash program to build a new generation of missiles, which the neo-conservatives today proclaim as the greatest threat to the stability of North Asia.

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New McCarthyites Target Ritter's 'Waging Peace'

by Michele Steinberg

Retired U.S. Marine and former United Nations weapons inspector in Iraq, Scott Ritter, has become a target of those New McCarthyites out to form a nationwide "thought police" to stifle any criticism of the Utopians' Iraq war in the press, universities, military, or government. In retaliation for Ritter's effective work in opposing the Bush Administration's insane Iraq war drive, the *Washington Post* opened a full page of its widely read "Style" section to an attempted character assassination of Ritter. The Oct. 21 article, "Fighting Words. Scott Ritter . . . Critics See a Loose Cannon" by Richard Leiby, is virtually a case study of the apparatus described by *EIR*'s Oct. 18 *National* lead story, "Lieberman and Cheney March in the Footsteps of McCarthy and Himmler."

Press slanders, financial pressure, and three FBI investigations have been aimed against Ritter, for being the one person who can rip through the lies about Iraq—because he was there, serving as an UNSCOM chief weapons inspector from 1991-98, and earlier as a U.S. Marines intelligence officer in Desert Storm.

For more than a year, Ritter, who on Sept. 8 became the first American ever to address the National Assembly of Iraq, has made himself "public enemy" to the Iraq war propagandists. He has become an invited speaker at many anti-war events; he addressed a special meeting of British Members of Parliament, including what became the Labour Party leadership of the Sept. 28, anti-Blair/anti-war rally of 400,000 people in London. He is described as playing a major role in convincing the Iraq government that they have no choice but to accept full weapons inspections by the UN teams, and to disarm as required by the UN resolutions.

Neo-Conservatives' Lying Exposed

As Ritter himself describes, he's "waging peace," and this has not escaped the notice of the Chicken-hawk war-mongers, who have been able to keep him out of U.S. Congressional hearings, but who have not been able to puncture the solid evidence he convincingly lays out.

Ritter gave an example of his ability to frustrate the neo-conservatives' last year, when his former boss as UN Chief of Inspectors, Australian Richard Butler, cynically used the anthrax letter attacks in the United States in October 2001, to promote his own book on Iraq, by pointing the blame at Saddam Hussein. Ritter nailed him for spreading false information and hysteria about Iraq. Ritter turned out to be right.

Even clearer was Ritter's Sept. 15 debate on Cable News Network with Chicken-hawk big-mouth Frank Gaffney, head of the Center for Security Policy—a neo-conservative/Israeli intelligence front—and co-founder of the McCarthyite "Americans for Victory Over Terrorism." When Gaffney railed, "There are two Scott Ritters"—coming up with the now pat line that Ritter used to oppose, but now supports, Iraq—Ritter demolished him efficiently: "The point is, Iraq hasn't been disarmed. There's a big difference between saying that we have not accomplished the tasks set forth by the Security Council, and saying that Iraq now poses a grave and imminent risk to international peace and security, that requires the United States to flout the foundation of international law set forth by the Security Council regarding disarming Iraq, and seek unilateral removal of Saddam Hussein. . . . We have to get inspectors in."

In the Defense Policy Board Cross-Hairs

EIR is investigating whether the attack on Ritter was planned during the Oct. 10-11 meeting of Richard Perle's Defense Policy Board, where two former UN weapons inspectors—David Kay and Charles Duerfler—favorites of the neo-conservative war-mongers—gave secret testimony. Perle and Deputy Defense Secretary Paul Wolfowitz are fuming that President Bush opted to go through the motions of consulting the UN, and they are trying to silence the anti-war drumbeat. Policy Board witness David Kay was prominently featured in the *Post* article, attacking Ritter. So was Richard Butler, who suggested that only "a psychoanalyst" might explain Ritter's actions. The *Post* added, that Ritter "has been deemed a symp for Saddam Hussein, a sellout and a traitor."

But the real threat lay at the point where author Leiby wrote, "Over the past decade the FBI has investigated Ritter three times. . . . In each case it found no violation of the law." In 1991, the FBI investigated whether the fact that Ritter's wife, Marina, is Russian, constituted a threat to national security; it did not. In 1998, the FBI investigated Ritter for allegedly "trading information on Iraq with Israeli intelligence sources, which he says was . . . approved by his UNSCOM bosses." Most recently, the FBI—Attorney General Ashcroft's enforcement arm of the New McCarthyism—investigated the documentary Ritter produced with backing from an Iraqi emigré, Shakir al-Khafaji, a Michigan businessman who has lived in the United States for 30 years. The most suspicious thing about the film, for which al-Khafaji was the executive producer, is that it reveals the devastating effects of the UN sanctions and concludes that "Iraq is a defanged tiger."

Ritter is a thorn in the Chicken-hawks' sides. Following his September visit, Congressmen Nick Rahall (D-W. Va.), David Bonior (D-Mich.) and Jim McDermott (D-Wash.), and former Sen. James Abourezk (D-S.D.), also went to Iraq, helping open the door to a diplomatic solution. And then there's his new book, *War on Iraq: What Team Bush Doesn't Want You To Know*.

Lyndon LaRouche and the Nov. 5 Watershed

LaRouche and three LaRouche Democratic candidates joined in a webcast on “The Electable LaRouche: The American Tradition versus Empire”

The following transcript is slightly abridged from a two-hour special video webcast of The LaRouche Show, with the personal appearance of Democratic Presidential pre-candidate Lyndon LaRouche. The LaRouche Show usually airs as an hour-long Internet radio program, every Saturday from 3-4 p.m. Eastern Time, at www.larouchepub.com/radio. In the second hour of the special Oct. 19 program, LaRouche was joined by Michigan State Representative candidate Kerry Lowry, Connecticut State Representative candidate Laurie Dobson, and U.S. Senate candidate Nancy Spannaus from Virginia.

Michele Steinberg: Good afternoon, and welcome to The LaRouche Show for Saturday, Oct. 19, 2002. . . . Lyndon LaRouche was our guest a week ago, Oct. 12. It’s been a rapid pace of events. Joining us also in the studio is Nancy Spannaus, Independent Democrat for the U.S. Senate in Virginia, the candidate who destroyed Oliver North in 1994. . . .

Lyn, things are moving quickly. Tell us the updates.

LaRouche: Well, we’re looking at Nov. 5. On Nov. 5, a change will occur in U.S. politics, and international politics. We don’t know what the change will be, but we do know there will be a very dramatic change in policy. We are in a situation in which the entire international financial system is collapsing. And people who are getting their quarterly reports on their pensions and mutual funds know that. Or, if they don’t know it today, they’ll know it in a few days. The past quarter has been a disaster for most Americans, either with lost jobs, raises in rent; because of a collapsing real estate market, their rents are going up, as in the Leesburg area, right here. People’s rents are going up because the market is collapsing, for real estate. It’s one of those little contradictions that go on these days.

So, we have the worst financial collapse in the memory of any living person in the United States today. That is assured. This is the big issue. The other issue is George Bush’s commitment to a war that no one wants. That is, no one who is sane wants this war, including, I understand, most of our top flag officers in the Pentagon and elsewhere, who may not be good strategists, but they know what “nuts” is, and they don’t like this stuff, and for good reason.

So therefore, we don’t know exactly what’s going to happen, except we know this Nov. 5 election will be a phase-shift

in internal politics, and therefore, in international politics. The war is not yet in. There are attacks on Iraq. We’ve had attacks on Iraq before. But it is not officially, yet, the open war. Presently, the situation is jammed up in the United Nations. The United Nations may make an agreement in the Security Council, which is a compromise, but I don’t think it will be a compromise that George wants. Now, George has to think about going to a unilateral war, because if the United Nations doesn’t agree with George, Blair may come under tremendous pressure, and he may back off, leaving George all alone with his Chicken-hawks. He’s virtually fired his generals, and he’s got these draft-dodgers out there planning a war. That is not a good situation for the United States. It’s a war for which there is no plan to get out of it.

Now, in the meantime, we had a little interesting complication. We had an alleged concession from China—from North Korea and China—to the effect that North Korea has been developing nuclear weapons capabilities. These are not, probably, awesome, but they are significant, because they are nuclear weapons capabilities. Now this has thrown everything into a jam-up. Of course, it’s obvious that North Korea does not intend to start a nuclear war. Why does it want nuclear weapons then? Why would it have gone on a program which it claims, it admitted to the United States it’s done—we haven’t gotten clarity on that yet, but that’s going on. Obviously, they did it to create a bargaining chip.

You may recall that the United States was in support of the Sunshine Policy, under Clinton. The idea was that we’d bring the two Koreas together, and the United States would be the sponsor of some economic assistance and other things which would help this process along. Then, things got a little bit crazy, and that was sabotaged, despite many of the people were still for it. So now, North Korea wants money. They want help. They want financial or equivalent help, to bail out their ailing economy. They figure, now they can use the nuclear bombs as a bargaining chip, to get some cooperation from the United States: “Okay, we’ll give up our nuclear weapons. Give us some help.”

So obviously, I don’t think North Korea is alone in this. I think some other countries in Asia may be thinking in similar directions—it’s to try to get some sense into Washington. And we’re in that kind of period.

So, we’re in a very complicated situation. The financial



Lyndon H. LaRouche, Jr. and Nancy Spannaus, candidate for U.S. Senate from Virginia, in the studio at the Oct. 19 webcast.

system is collapsing. The monetary-economic system is collapsing. People are suffering in the United States as not since 1929-1933, more and more of them, and that will increase. We have a government which is determined to *stick to* an economic policy which is, in fact, under these conditions, *clinically insane*. They're committed to a war, which is, by all standards, clinically insane. We have a world situation where there is no need for the United States, at this time, to conduct a war against anyone, for any purpose. There is no problem of any significance, strategic significance, in any part of the world, that, were I the President of the United States today, I could not solve, by finding cooperation with other nations to develop solutions. There's no need for anyone to shoot anyone.

I also understand this terrorism racket much better than most Americans do, and there are ways that we can deal with that, and it should be dealt with. But there is no reason for a war. There is no sane reason for the economic situation which faces the United States today.

Bankruptcy Reorganization

Now, here's where we stand: We are, as I said, in the worst depression in the living memory of any American—probably in centuries, actually, when we look at the bottom line on this thing. We can get out of it. I could get us out of it, by methods which are not dissimilar from what Franklin Roosevelt did. Different, but not dissimilar. The same principle, the same general idea. However, it would take us a quarter-century, about a generation, for us to rebuild the United

States as such, up to the level at which we would say we had overcome the effects of the past 35 years of step-by-step collapse of our economy: loss of our industries, transformation from a producer society into a consumer society, so forth and so on. Take a quarter-century. Which means that we would have to create a system of credit—because most of our banks are bankrupt. Most of the leading banks of Europe are bankrupt. Chase Manhattan is practically a junk firm right now. The collapse of Brazil, the collapse of Argentina, collectively, would probably *sink* a number of leading U.S. banks, which have a heavy position in South and Central America.

So, we're going to have to put the banks through bankruptcy reorganization. We're going to have to use the credit of the United States, on long term, a 25-year perspective of rebuilding the economy, number one; number two, preventing any avoidable hardship, loss of employment and so forth, among people, population generally today—a gradual improvement, restoration of health care, improvements in education, buildup of infrastructure, rebuilding our national rail system, protecting and rebuilding our air-travel system, and so forth. Things like that.

So, we can solve the problem. But we have to have a system of regulation, because we can not *pay* for these things, in terms of return on capital extended, in the short term. We can buy our way out of this, over 25 years, with long-term, low-cost, Federal credit. We can save essential banks, even though they're bankrupt, by Federal methods. We will, in effect, either create a National Bank of the United States, like the first U.S. Bank, or we will do things, such as Roosevelt

attempted to do: We will organize through the Treasury, a bankruptcy proceeding for existing banks. We will take all banks which are essential and viable, as banks, whether they're bankrupt or not. We will keep them in business, in order to maintain pensions, to maintain savings, to maintain credit lines for local businesses—we'll do all these things. But we're going to have to go into hock, in a sense, long-term credit, at 1 to 2% interest rates, for a period of up to 25 years. We will buy our way out of this; we will *pay and build our way out of this*. We don't have to have any suffering. Get rid of Nixon methods; get rid of the kinds of things we've done over the past years.

So, we can solve these problems.

Now, we also have the greatest marketing opportunity that we've ever had before. We have giant markets, such as China, India, Southeast Asia. We have a great potential in South and Central America, if we decide to develop that area, rather than ruin it, as we've been doing over the past quarter-century. These are tremendous markets, for long-term capital goods export, infrastructure development. This means that we can go back to being an industrial power again, an agro-industrial power, restore our agricultural potential, based on the independent farmer, high-tech independent farming. We're going to have to rebuild that. It will take us a generation to rebuild it. We're going to have to open up new industries for export of high technology into these great new markets in Central and South Asia, in Central and South America, which is one of our primary markets. So, we can have a prosperous future. We can guarantee that the next generation, the generation now in the 18-25 age group, that that generation's children can have a bright future.

Europe has the same kind of problem we have. The same kind of internal problems, economic problems. They have similar kinds of opportunities, with slightly different markets than we have. They have the same interests we do. China has a long-term interest in cooperation with us. That's a very large part of the human population. South Asia, Southeast Asia—a very large part of the total human population. They have a vital interest in cooperation with us, for their future.

So, as President of the United States, committed to deal with this depression, committed to avoid any unnecessary wars, we have a bright future. The problem we have is that things are jammed up in Washington.

Get Rid of the Chicken-Hawks

Now, what has to happen is this: We have a Democratic Party, which, at the top, is, right now, not worth much. We also have, in the Republican Party, a great number of sane people. You may not believe it, but there are some very sane people, and they're saner than some of our Democrats. On the basis of a patriotic sense of mission, not the kind of partisan politics we've had in the recent period, but a *sense of national mission*, I believe that we could pull together, rather quickly, enough of leading Republicans, and prominent Democrats,

that we could walk into the White House, some time after Nov. 5, if the voters turned out, to make sure the Senate and the House of Representatives are not completely messed up—walk in there and say, “Mr. President, we propose that you make some changes in your government. We propose that you get rid of the Chicken-hawks, these draft-dodgers who want to fight war all over the world, such as Richard Perle and Wolfowitz, and these other draft-dodging Chicken-hawks.”

Steinberg: Even Newt Gingrich is in there, we hear.

LaRouche: Oh, he's one of the worst.

But, anyway, get rid of these guys. Bring in a sane team. Work with us to build a bipartisan policy to get this world and this nation out of this war danger, and out of this economic crisis. I would hope that the results of the Nov. 5 election, mid-term, will help to create that kind of environment. I know what to do. I know the President doesn't know what to do. But you don't dump a President, even if he's incompetent. What you do, is you build competence around him, and try to educate him as to what his true self-interest is, as President: to succeed in office. And the rest of us will say, “Mr. President, you may not know what to do. We do. We'll help you. And when we get through with your Administration, you will have been a success.” On that basis, I think we can change the situation. I know that around the world, from the people that I talk to in various parts of the world, we can do that. And this, I think, is the perspective.

Steinberg: Lyn, to do this, do you think that the Democrats have to take back the Congress? Or, could some other combination happen?

LaRouche: We've got a big question mark here. First of all, the people in the Congress, who've behaved very badly, led by Gephardt—this guy behaved like a skunk, and I don't think he has much chance of higher office at any time in the future. I think he just scotched it. Daschle was a disappointment. Obviously, what Senator Byrd did, from West Virginia, he did a good job. Kennedy, did, given the difficulties he had, a good job. But, the Democrats behaved badly. They capitulated to the intimidation, the blackmail, and so forth, that Bush and Company imposed upon them, that Rumsfeld—whether he's got false teeth or not, I don't know—but it was bad, whatever he did. Cheney is a menace. His wife is worse. I mean, you'd want to fire Dick Cheney to get rid of his wife Lynne.

But, in any case, now these Members of Congress are going back to run for reelection: one-third of the Senate, and all of the House of Representatives. When they get back to East Podunk, and similar localities, they're going to find that the reality is, contrary to the Washington, D.C. gossip, that the great majority of Americans are concerned about two things: the economy, which is *crushing* them; secondly, they don't want the war. Just as Europeans don't want the war. And they're going to find that they can get lynched, come

Nov. 5, in the polls, if they don't change their tune. As to whether that's going to happen, I don't know.

Right now, the Federal Reserve System, the Treasury and so forth, are committing what I would consider a crime. They're plastering the financial markets with money, to try to push up the Dow Jones and Nasdaq and so forth. It's completely fake. I've checked the markets, through my sources, and *there is no market activity* sustaining this apparent, five out of six days' growth, in the financial markets. It's completely faked. It's being faked, largely by the U.S. government. It's being faked to try to keep the American people *quiet* until Nov. 5, so there is not a revolt which may eliminate Jeb Bush as Governor of Florida, and might eliminate some other Republicans on the issue of this war. It might, it would hopefully—it can't do it now—eliminate Lieberman, but that's—

Steinberg: He's not up for election, but we can box him in.

LaRouche: We can box him in.

Plunge Protection Team Steps In

Steinberg: . . . Everybody's heard of the Plunge Protection Team—it sounds like the old Nixon Plumbers, or something—Roto Rooter—what is that about?

LaRouche: I think it's sort of Roto Rooter, and some people are feeling that in a relevant part of their anatomy.

This was something that was dreamed up in the Fall Of 1998. You remember that Clinton had threatened in September of 1998 to do something about international financial reform. His then-Secretary of the Treasury, Bob Rubin, was leaning in favor of that kind of approach. Then Clinton backed off suddenly. And they hit him with the Monica Lewinsky and other nonsense then. And there were a number of changes. In October, when the Washington monetary conference occurred, Clinton had backed off totally. The other G-7 nations had backed off totally, from any kind of reform. They were faced with a threat of a Brazil crisis to hit about February of 1999.

So, in this context, one of the leading world drug pushers, George Soros—he says he's a “drug legalizer,” but, in point of fact, he's the mechanic that sets up the situation to help the drug-trafficking. Like the New York Stock Exchange, which depends to a great degree, on the Colombian drug traffic. You know, you dope up the stock market, like doping up race horses, hmm? So, he had a guy down in Brazil, called [Central Bank President Arminio] Fraga, his puppet, still there, finance officer. So, Soros came up with this idea—“wall of money”: We can prevent the Brazil crisis, which at that point was inevitable for the early part of 1999. We can prevent it by flooding it with a wall of money. They went in with a wall of money policy against Brazil, which included what's called “dollarization” of its debt. It's a completely artificial swindle against Brazil. But they went ahead with it.

So, as a result of that operation, which continued in various forms—from that time up until recently, there's been a continual operation, called the Plunge Protection Team, which started under Clinton, and continued under the present President Bush. This does not work any more. What I've been doing, through my sources, in European and other markets, is checking this: There is no regular Plunge Protection operation in place right now. What there is, is an out-and-out raw operation. You see, in the Plunge Protection operation, you depend on counter-party relationships. You make swaps, credit-debt swaps. Now, you've got a situation now, where J.P. Morgan-Chase Manhattan, which is the biggest derivatives bank in the United States, vulnerable, is no longer a worthy counter-party. Nobody in the world will touch a major agreement with J.P. Morgan Chase right now. It's rumored that they might go under. We don't know. But all the indicators are, they're close to that.

So, now what's happened, is you've had a raw, direct, political pouring of money, by some means, other than just the Plunge Protection method, which was done, plunge protection in 1998, new method done, for a very short term, it's done simply—politically—to get the nation, politically through the Nov. 5 election without a big disaster for the Bush Republicans.

Steinberg: That's a very big risk, it seems to me, because, it's dramatic changes every day. This week they were saying that the 1,000-point rally—and it looked like the “1,000-Year Reich”—it just folded. And then, they had to prop it up again, and the consequences, such as Jeb Bush losing the election down in Florida; on the other side, this instability, has contributed to elections of very good people, like your friend Enéas Carneiro in Brazil. Now, what does that mean for the prospects of a New Bretton Woods?

LaRouche: What you're dealing with, on the banking side: Look at the market. The question is, if the stocks are going up, *who is buying?* Who is the mysterious buyer?

Steinberg: That's what we want to know.

LaRouche: That's the point! This is a fraud. This is a gigantic fraud! And it's the kind of gamble that no one would take, not even a government. Not even the government of the United States, which is pretty wild these days, would take that, unless they were doing it on the very short term. They're saying, if we can control *power*, as of Nov. 5, then we can cover up for the fraud we have committed on the markets, to try to get there.

In the case of Enéas, it was fun. I was brought in there, into Brazil, in June, to get this honorary citizenship of one of the largest cities in the world, São Paulo. But I was also brought in for a number of conferences of strategic implications, and to use the occasion of this ceremony of my official inauguration as an honorary citizen, to deliver a statement on U.S. foreign policy, as my speech, in gratitude to the city for



LaRouche with Dr. Enéas Carneiro, in São Paulo, Brazil in June 2002. Dr. Enéas won 1.5 million votes in the Congressional elections on Oct. 6—the highest vote for any Congressman in Brazilian history. He is an advocate of LaRouche’s program for a New Bretton Woods.

this honor. Also, I laid out things.

We also had other discussions, not only with my presence there, but with other parts of the Americas. We’ve got into a situation, which I described then, and which I will describe now: The United States, and the IMF, and Brazil, are in a mutually hopeless situation. There is no way, under any conditionalities—which Freddie Krueger’s sister Annie would like to impose upon Brazil—under which Brazil could survive. So therefore, if you go ahead with IMF conditionalities, you are going to sink the entirety of South America. Remember, Argentina is about to go; it’s in the bucket. Brazil is on the edge of going. It has a dollarized debt—it’s galloping growth; they’ve just gone to over 20% overnight interest rate. It’s a killer.

Look at Venezuela: about to blow up. Colombia: dominated by the drug market. Ecuador, Peru, Bolivia: more or less destroyed. Mexico: under a crusher. So we’re looking at

a situation in which, under these conditions, Western Hemisphere conditions alone, under present IMF conditionalities, there’s no way that IMF conditionalities can be imposed and maintained, without sinking the entirety of the U.S. financial interest in Central and South America. Can’t be done.

Therefore, the IMF *has to give up!* There have to be conditions given, for reorganization of the indebtedness of the countries of South and Central America, which correspond to what is required to enable these countries to begin to recover from the rape which has been performed on this part of the world since Aug. 15, 1971. Now, if Brazil were to default, we’re talking about an order of \$300 billion—if they were to default, that would cause a chain reaction, which would sink most of the banks of the United States, overnight.

So therefore, if the IMF imposes its conditions, causes a default, you would simultaneously *sink* South and Central America, and the U.S. financial system.

So, we discussed this. We went through some of the figures. George Bush is going to have to give in. Someone is going to have to fire Annie Krueger and get a human being in there [at the IMF], to replace her. We’re going to have to put the IMF system under reorganization.

Let’s take one aspect of this: You have, in the past two days, you have from Prodi of the European Commission; you have also a Senator from France, they have led a chorus, saying that the so-called “Stability Pact” has to be scrapped; the Maastricht agreements have to be scrapped. Europe can no longer accept the conditions which were imposed upon Europe by the combination of the former George Bush—#41; Mitterrand; and Thatcher. It has to be scrapped for the sake of Europe’s survival. So, we have around the world, at the same time that the Italian Chamber of Deputies has adopted a policy which I introduced to Italy, by a majority, calling for a New Bretton Woods system, a reorganization of the international monetary system.

What we’re at is, the point that we go to Hell, or we reorganize the present IMF [system], in the way that I have been proposing for some decades, especially the past decade.

Bush’s ‘Axis of Evil’

Steinberg: . . . Lyn, our first question today is about North Korea and China. The question comes from the Washington, D.C. correspondent for a Chinese publication, called *21st Century World Herald*, and that is Jiangong Zhou, and he has several related questions.

He says, “Do you think the admission of North Korea, about its clandestine nuclear weapon plan, justifies President Bush’s rationale of ‘evil axis’? If yes or no, why? Secondly, do you think the United States should work on an international effort, to remove the potential nuclear weapons from North Korea? Why? Third, what kind of role can China play, in terms of stabilizing the North Korea peninsula, specifically on this particular matter?”

So, going back to the first one, on the admission: Do you

think that this justifies Bush's "axis of evil"?

LaRouche: No. It does not. This is one of those cases, to which I referred earlier, where somebody wants to start a war, or something tantamount to going into a war, where the problem can be solved in a completely different manner.

The problem is this: There are problems in many countries. North Korea has its own internal problems, political, as otherwise. But when you're dealing in the real world, you have to realize, that many countries have governments you may not particularly like; or that they have internal problems, which you find particularly offensive or dangerous. Now, when you're a great power, like the United States, and when we behave sanely, we can get a lot of cooperation from Europe, in general, and elsewhere; so we have great power, greater political power, actually, than we have military power. We have to know how to use it.

Now, under our Constitution, which is unique in the world, the office of the President of the United States, is the most powerful position, elected office, *of any nation-state in the world*. Because, under our system, unlike European systems, the Presidency represents the executive power of government. And therefore, the Presidency is all-powerful, in the sense, of fulfilling *that* responsibility. The Congress, the Legislative branch, is not an Executive agency, and should not try to become one. The courts are not an Executive agency. So, our system of government, under our Constitution, is unique.

You have to know how to use that power. The President is responsible. . . . Say I were President (just to be hypothetical, to get the picture), if I go to the governments of Europe, including Russia; go to the British government; go to the Canadian government; others, and say, "We have a problem," they're going to talk. We have to come to a joint understanding of what we're going to do—we'll talk. And they'll accept the idea of the United States, playing the role of leadership—the U.S. Executive, playing the role of leadership—in that situation.

Now, you come to a case like North Korea, a troubled country, created by circumstance of the post-Roosevelt period, which says—according to the report—it has nuclear weapons. That is a problem. How do we solve the problem? Well, we have to look at the context. We also have, in South Korea, a President of South Korea, a very amiable and capable man, who is part of the "Sunshine Policy." We've secured, with the help of Russia and China, we have secured agreement for North Korea and South Korea to cooperate in linking the rail system of North and South Korea. What does that mean?

Japan has been brought in, to help finance this, by coming up with a reparations grant to fund the building of this link, connecting the rail system of North and South Korea. What does that mean? That means, for Japan, from the port of Pusan, at the southern extremity of Korea, to Rotterdam, *we have continuous rail connections throughout Eurasia*. This means we have similar benefits for China. China is now working on

rail connections, which leads from China, through Burma, into Bangladesh-India. We have now, in process, the possibility of opening up a gigantic market, to transportation corridors, *for development of the continent of Eurasia*.

China has a tremendous market. It's a poor country, in large part, but it has a tremendous market. But it needs the kind of cooperation, under which it can *use* long-term credit, for its *internal* development, and can afford to buy what it needs for its own long-term internal development, through cooperation with adjoining nations.

So therefore, my concern with Korea is: I want to save, not only the Korean stability and achieve reunification of Korea, in the long term, in cooperation now, I have to be concerned as an American President, with the interests of Japan, as well as Korea; the interests of China, the interests of Russia, especially eastern Russia; I have to be concerned with the implicit interests of Southeast Asia, in security, and also with relations between China and India, Pakistan, and so forth.

So therefore, my approach to this is not, "How do I beat somebody over the head in North Korea, because I don't like the nuclear arsenal up there; it's dangerous?" What do I do? What I do, is: I call the President of China, and say, "You're the key party in here. Can we talk to our mutual friends in North Korea, and see what they want, to get rid of that thing that bothers us?" I guarantee, we'll succeed.

Steinberg: That's very, very apt, because the current President, Bush "43," is going to be exactly in a situation to be meeting the President of China, in the very near future. Do you think we could persuade him to take that approach?

LaRouche: Well, I think the President of China is going to have that glint in his eye, when he meets the President of the United States. I can't tell what the President of China's thinking, but I know that he's an intelligent man—a very intelligent man; I know something of his history; and I know what's going to be on his mind, as a topic of discussion, when he looks into the eyes of our President, here.

And certainly, he's going to be concerned with that. I wouldn't be surprised if the whole revelation, of the existence of this nuclear capability in North Korea—which happened some time ago, remember; this has just been leaked. But the official knowledge of this, and acknowledgment was earlier! That this was done, precisely to try to get a negotiation with the United States, in the direction I've just suggested I would do.

And, I would do it. I think, if the President of the United States is intelligent, he could get something very easily. He could call Bill Clinton up—you know, Bill and I don't always agree—but I think this would work. I think Bill Clinton, as a former President—because he had a policy on this unification process, and was involved in this negotiation—I think that Bill Clinton would be prepared, to strengthen this thing; to join with President Bush, in supporting a kind of bipartisan



President Bush with Chinese President Jiang Zemin (right) at the Great Hall of the People in Beijing, Feb. 21, 2002. The two Presidents met again Oct. 25, with an opportunity to work out a reasonable settlement of the North Korea problem.

commitment to that kind of solution, to this problem posed by these nuclear capabilities.

And I think that the government of China, with Jiang Zemin coming in, would be very happy to have that proposition put on his plate.

No Need for Iraq War

Steinberg: Just finishing up with our question from our friend from the *World Herald*, I think you've answered it a great deal. He says, "Do you agree, China should join the U.S. international effort on this particular matter, and on Iraq? If yes, why? If not, how do you think China should deal with the Bush government?"

LaRouche: Well, I think on the Iraq thing, we've got to look at it somewhat differently. I think on this case [Korea]—I think the Secretary of State might be a very appropriate person to be involved in this, as opposed to the President—to advise the President on this. Because, this is a new issue; it's somewhat separate from Iraq.

On the question of Iraq, we have a deeper question: It is well-known, that our serving flag-officers and others, in large degree, think or have suggested, that the President's policy for Iraq, the policy of the "Chicken-hawks" around Cheney's "Chicken-hawks" (or maybe, Lynne Cheney's "Chicken-hawks") is insane. The whole Iraq policy, is insane: We don't need it. We don't want it. It serves no purpose. I think, if I were President, I would have no problem with our military, on that question.

We don't need that war. It serves no purpose. If we have problems, we have much better ways to solve them. And, the

President has been lied to by the people who had advised him on this thing.

So, the problem in that case, is: How do you get the President of the United States, to accept the fact, that he has been massively lied to, by maybe Lynne Cheney's Chicken-hawks: Richard Perle and Company; that the President has been fooled, and played the fool, and been played for a fool, by Ariel Sharon—who is a descendant, politically, of a known, professed fascist, Vladimir Ze'ev Jabotinsky? And *he* is a fascist, too.

So, we have an Israeli fascist, who is becoming increasingly unpopular with the Israeli population and with international Jewry, is foisting upon the United States, with the help of this collection of Chicken-hawks, these draft-dodgers, a war, which *we* don't need, and the Middle East doesn't need, and which Israel doesn't need.

So, in this case, I don't think that China is the real thing. China is part of the Security Council of the United Nations. *There* it comes in. But, I think the problem here, is to get the President de-brainwashed, freed of the grip of these Chicken-hawks. So, it's a different problem than the North Korea problem.

Steinberg: Well, one of the ways to do that, is to have absolute clarity of what this terrorism problem is, and especially, the so-called al-Qaeda, which is now supposedly here, there, everywhere. You spoke about this on Sept. 11, 2001, as the events were unfolding. Tell us about this panic.

LaRouche: The problem here is: In the case of Afghanistan, the Taliban were a problem—without question. They

had nothing to do with Sept. 11, 2001. Nothing. They *are* a part of an international terrorism problem. There are elements of al-Qaeda which are problematic. But al-Qaeda is not a coherent, simple organization.

There are no independent powers of terrorism—it's like some crazy James Bond thing, some secret power, supranational power, outside government, the big enemy you have to defeat. There *is* no such international terrorism.

Terrorism is an operation, which, to the extent that it's strategically significant, is run by governments. It's not run as an independent force outside governments. *There are no significant terrorist organizations, which are not a front for a government.* And, we've dealt with the thing. For example, in the case of Italy, 1970s; 1980s in Germany: We now know, in the Italian case, the Italian terrorists were a branch of an Anglo-American operation, run under NATO cover, which was set up as "Gladio," as a post-war "stay-behind" organization in Italy, for the contingency of a Soviet invasion, or a Communist takeover of Italy. Now, this organization had three components—Gladio—initially: One, it had Christian Democrats; two, it had Communists and Socialists; three, it had Fascists. When the Fascists were brought into Gladio, by the United States, by the British, and under NATO later, when they were brought in, the Communists, and the Social Democrats, and Christian Democrats, backed away from Gladio, because of the Fascist component. It was this Fascist component, run by an Anglo-American operation, in Italy, which ran the terrorism and the ultra-left violent groups, in Italy, during the 1970s and into the 1980s.

In terms of the case of Germany, the terrorism, which was the so-called "anti-nuclear terrorism" in Germany, the so-called Baader-Meinhof and similar gangs that came out of there: That was all run by the same kind of Anglo-American interests, in cooperation (as was shown later) with the Stasi, the secret service of East Germany! You had people in Germany, who were both Stasi agents and Western agents, who were running these kinds of operations.

What we know about terrorism—and I've worked with some of the top specialists *against* terrorism in the world, in various countries—any significant terrorism is run by governments. There is no such thing as international terrorism. That is a myth. There are specific terrorist capabilities which exist, which are run. Any significant terrorist operation, which somebody tried to set up as an independent operation, in any major country, could be shut down within a matter of days. We have the police investigative capabilities to knock 'em out. If it's around, it's because somebody's letting it run loose.

And, that's what happened in the case of Sept. 11, 2001. Somebody ran an operation, inside our house. But they ran it *from* inside our house! And we were negligent. We didn't take the precautions and maintain the precautions to deal with that kind of threat, which we should have known existed, because of the upcoming financial crisis. And a financial crisis, of a global, systemic nature, brings forth these kinds of

dangers: *We had let our guard down*, and it was our *own* responsibility—don't go blaming people in other countries for this: It wasn't. It was people in our *own country*, principally, who had let our security services down—that is, the real ones. Not the funny guys investigating Nazi-style, Himmler-style, local community spies, but real security. We let it down. And, what we found, on looking at the score, after the attack on the Pentagon and the Twin Towers had passed over, we found that things that we had *assumed* were there to protect us, from such operations, *weren't functioning that day*; and maybe, hadn't been functioning for a number of months.

So, that's the problem. So we should get rid of this myth, about international terrorism. And get some people in, who really understand this stuff. Get off this newspaper and Justice Department propaganda. We know what we're dealing with. We know how to deal with this thing, without creating a police state.

The Dark Side of the Moon

Steinberg: . . . Staying on this theme, this actually comes from one of our colleagues at *EIR*, Scott Thompson. And, it's on what you've been addressing about the Chicken-hawks. "At the Labor Day keynote address, you laid out what needs to be done, in terms of rebuilding American infrastructure. Right now, the Chicken-hawks are screaming about war in the Middle East that may blow up the world. You have a host of neo-cons, Darbyite, so-called 'Christian' Armageddonists, and every other kind of slime-mold emerging, when you turn over a new rock in the Bush Administration. What's your assessment on the possibility of cleaning out this snake-pit, and putting you in as the elder statesman, telling President Bush what must be done?"

LaRouche: I think, if you wanted to clean up the snake-pit, what you do is, you'd hit it on the flank. There are a lot of different varieties of snakes and kooks, and so forth, that are floating in our environment. But, what you want to do, is: You want to turn the tide. So you pick one target, which will turn the tide.

Okay, the place to hit, is the Moonies. The most important, and most significant nut-factor, which is a serious threat to our political order, *inside* the United States, is the Moonies. Now, the Moonies are well-known. They were, of course, closely associated with Nancy Spannaus's old adversary, Oliver North, in the days of CAUSA. That was what the Moonies were, running this Virginia operation, in part. This was Iran-Contra—the Moonies. These are people who have money that doesn't exist, but they spend it. They buy souls, for gold watches. They said, Christ was a fake; that the Reverend Moon is the real thing; and that you have to marry a bride chosen by Moon, and you might be saved!

They're behind a part of the reparations operation [for African-American slavery]. They're buying up politicians. They control Falwell; they control—most of the far right, religious right, in this country is controlled and coordinated

with the Moonies. There's a key figure, called Col. Bo Hi Pak, who's close to drug-pushers in various parts of the world. He comes out of Asia.

Now, what we're doing, and the way you deal with a thing like this, is: You expose it! You don't go out and tell lies about it. You don't do what the *Washington Post* does: They go out and tell terrible lies about somebody, because you want to hurt them. No, you tell the truth! And, the truth is the best weapon. You tell the truth about Reverend Moon and Bo Hi Pak, and who he's buying up and who he's selling; and how he bought up Jerry Falwell, how he bought up Viguerie; how he is at the center of the far right, the racist far right in the country, and how many African-Americans, so-called, are being bought by Moon, to work in bed with the racist, anti-black far right. You pull that out, and I guarantee you, the biggest factor of loose, religious, and other kinds of nuts, in the United States, will scamper. And the rest of the mess will be cleaned up.

What To Do About a Bad President

Steinberg: ...We have an e-mail ... asking, "Who would have the power to declare the 25th Amendment of the Constitution [regarding the President's death or incapacitating illness]? And why has no one done anything now, to remove this present Administration from destroying the world?" A frequent question—"get rid of Bush," not "change the geometry."

LaRouche: That's a mistake. The Constitution of the United States is very important. It's the only Constitution of its type on the planet. It was designed by Europeans, led by Benjamin Franklin, under conditions that such a Constitutional form of government could not be established in Europe, because of the religious wars and so forth, which had made a mess of Europe. But, Europeans made it possible.

So therefore, we have an instrument of government, in our Constitution, whose fundamental principle is the Preamble. The Preamble contains three elements: One, the sovereignty of the United States, which is absolute. There is no higher authority than the sovereignty of the United States. Number one. Number two, no law, no policy, no tradition, is enforceable under our Constitution, which is inconsistent with that principle of the general welfare, otherwise known as "the common good." Third, that it is not sufficient to maintain the general welfare of the present population. We are *as accountable*, and *more accountable* for our posterity, than we are for ourselves, living today.

Now, that Constitution has provided an Executive power, under it, which is the most efficient instrument of government in the world, for Executive power. You don't tamper with that—you don't monkey with that, for expedient reasons. You don't shoot a President. You don't impeach him for trivial causes. You don't impeach him, except to *save* the Constitution. You never *use* the Constitution to impeach a President. You impeach a President *to save* the Constitution, the integ-



The best way to clean out the nest of Chicken-hawks, LaRouche says, is to hit it on the flank: the Moonies, "the most important, and most significant nut-factor, which is a serious threat to our political order, inside the United States." Here, Rev. Sun Myung Moon and wife.

rity of government.

Now, so therefore, what you go at, is the corruption. For example: How can you criticize George W. Bush? He's not to blame. He didn't make himself President. We had two candidates, both of whom were eminently unqualified for the office of President. (Perhaps also unqualified to be dog-catcher, for all I know!) And, the American people, in their wisdom, and the political parties, reduced the number of eligible, leading candidates for Presidency of the United States in the year 2000, to two guys: one guy of limited mental capability—the present President; the man who is controlled by his teleprompter. The other, is a guy who is a little bit—"not all there"; rather eccentric, funny, "not all there."

So, don't blame the present President for the fact that he's President. He didn't make himself President. He *is* President.

What we have to do, in a case like this, is, we have to do two things: First of all, we have to say, "Okay. Unless this

President has done something impeachable, he stays.” And I will lead the procession, to say, “He stays.” Unless he’s impeachable. The other thing is, of course, a mental problem, but that’s the same idea. You act to *save* the Constitution; not use the Constitution to eliminate inconveniences.

All right, so George Bush is an inconvenience, because of his limitation. You don’t dump him. And you don’t try to dump him with scandal or orchestrated games. He’s not the problem. The problem is the system. The problem is the same *rotten* political system, that gave us two unworthy Presidential candidates, as the only choices for the voter in general, in the year 2000. And *that’s* what you have to fix!

Don’t be a single-issue nut. Some people think, “We-e-l-l, I got five things. And I’m gonna pick a President, based on if he supports me on these five things.” Or promises to—he never will do it, but he’ll promise to. That citizen is a nut. He should go out and sit in the outhouse and cry. And say, “I am a nut.”

Single-issueism has no place in sane politics. Politics proceeds from questions of policy, and principle. What is the fundamental interest of the United States? What is the sovereignty of the United States? What is the general welfare of the United States? What is the condition of the posterity of the United States? And, what are the principles, consistent with that Preamble of the Constitution, under which we act? That’s what you should vote for—and nothing different.

Now, there are certain issues, which are issues of principle, not single-issue kinds of principle. But issues of general principle, like a universal physical principle. These are the issues, we have to function on. For example: Principle today—in 1944, at the Democratic Convention, of the Summer 1944, a bunch of clowns said, “We’re going to get rid of Roosevelt. Roosevelt’s going to be elected for the next term, his fourth term. But he’s not going to serve out the term, because he’s got bad health. Therefore, we’re going to get a Vice President nominated—contrary to the President’s desire—who will be our man, when the President is no longer in office, when he dies.” That was Harry Truman.

This process, done by this bunch of clowns, at the 1944 Democratic convention, set into motion the horror-shows, which we experienced in the post-war period: including the unleashing of this Utopian military policy, whose objectives were, to eliminate Eisenhower, eventually; but immediately MacArthur, and anything like him or Roosevelt, from U.S. politics. And to destroy the constituency, which had elected Franklin Roosevelt for four consecutive terms.

So, the country was changed. This change, especially after Eisenhower left office—Eisenhower was the last President who controlled the Utopians, whom we know today as these draft-dodging Chicken-hawks, who want war all over the world. When he was out, Kennedy could not cope with the Utopians. He was brainy enough; he was learnable, he could learn enough, he could do the job; but, he didn’t have the influence on the military that was needed—and he talked to

MacArthur too late. If he had talked to MacArthur a little bit earlier, he might have had some advice on how to deal with the problem. But, they killed him. Johnson was impotent, because of that. Not totally impotent: He did two good things on civil rights. But he was the prisoner of these guys.

Since that time, since this process—1964, approximately, the United States underwent a change, from being the world’s leading producer nation, to a consumer society, a post-industrial consumer society: a decadent nation, which we are today, in imitation of ancient imperial Rome. Instead of producing our own wealth, we stole it from the people, from whom we had the power to extract it.

And that’s what our problem is today.

Candidates’ Forum

Steinberg: . . . Joining us now, in the second hour of today’s show, will be three candidates who have taken up the responsibility, as individual citizens, to challenge the population to make the changes that are needed before the crisis hits. . . . Let me introduce them. First, we’ll have Laurie Dobson, Democratic Party candidate for the 141st Legislative District from Connecticut; . . . Laurie will be followed by Nancy Spannaus, candidate for U.S. Senate from Virginia; Nancy is here in the studio with us. Nancy is not just a candidate; she is the Editor of *New Federalist* newspaper, and one of the key founders of the LaRouche movement in the United States. . . .

As I mentioned earlier, in 1994, Nancy ran a campaign to “Stop That Son-of-a-Bush,” Ollie North. He was running for United States Senate, and while the neo-conservatives were taking races all over the country for Congress and Senate, Nancy’s activity, with LaRouche collaborators here in Virginia, stopped that cold. We won a victory against an opposition that Ollie North mounted, a campaign that had covert funds in the range of \$50 million, we were told, as a Senate race. How did we do that? Well, we’ll talk about that, and we have to have the same kind of determination to destroy the Chicken-hawks’ effort of today.

Then, the third candidate talking to us will be Kerry Lowry, who is the Democratic candidate for State Representative from Eastern Michigan. This, I believe, is the first time that Kerry has run for elected office, and the first time as a LaRouche Democrat. When we had Kerry on this show, earlier this year, he said he decided that he had to do something different with his life, and get serious. He stood as a candidate, won [the Democratic primary] by a landslide, over 60% of the vote. . . .

I’d like to welcome Laurie Dobson first. Go ahead, tell us about the campaign and the fight up there.

On Lieberman’s Turf

Dobson: I’d love to.

Speaking of the fight, I’d like to mention that we have a



Laurie Dobson, Democratic Party candidate for State Representative in Connecticut: "My opening salvo was to declare as a LaRouche Democrat. And it was like a bomb."

wonderful campaign staff from all the offices. They've been helping me enormously. My husband, Michael, as well—I want to thank them all who are in the middle of this; it's exciting. I'd never thought I'd do anything like this. But I have to say, I'm very gratified for the decision I made.

I'd also like to greet people tuning in today, from the Connecticut region, Darien and Rowatyn, Fairfield County, and encourage them to call in with any questions.

Quickly to tell everyone my history of living here in Rowatyn: I've got three children, and I've been here 21 years; and I got involved in community involvement, and trying to expand my sphere of responsibility; just trying to make a friendly human environment, starting an organization—environmental group—called Friends of Rowatyn's Environment, on the local level, and trying to work and be more effective. However, I found out that on the city level, you can't really solve things. You have to go to the state or the national, or even international level, and things just can't be always solved locally, because they're not really local in origin.

People that tried to make my race a small local race—it was frustrating. The Democrats that, I have to say, wanted me to stay away from issues, stay away from anything substantive—this was an unsought nomination, but I decided I wanted to be the best candidate I could be, regardless. I thought I could balance the two things—leadership and being a politician—and realized that sometimes you come to a crossroad, and have to choose to step forward on your integrity.

Basically, I was disappointed with the Democrats here. They not only did not want me to take on real leadership issues; but they wanted me to kowtow to Lieberman. Here in Connecticut, he's rather the party's anointed leader.

So I decided to go off to a conference in Washington at Labor Day, sponsored by the Schiller Institute, to learn about the national issues a little more. Michael suggested that. He's been aware of LaRouche Democratic policies to reconstruct the nation, all along. I just decided that I thought I should see if and how that could work for Connecticut.

So I went off, and after attending the conference—when Mr. LaRouche spelled out, pretty irrefutably it seemed to me, what was happening in our country, that it was collapsing from infrastructure and economic breakdown; and then how to correct it. I realized that that's how I had to approach the real problems here in Connecticut. And a light went off. Here we are, we're not an invulnerable enclave; the problems that are affecting us in Connecticut are those hitting everywhere nationally. . . .

So I decided I would step forward; and I launched out there with—my first opening salvo was to declare as a LaRouche Democrat. And it was a bomb. And it's not stopped being in the papers, as—one thing after another—an attempt by the Democrats to stop me from speaking, stop me from getting any money, doing everything they could to stop it. But fortunately, I had never lied to anyone; I came to my decision honestly.

So I'm the party's endorsed candidate at this point. We've been reaching people—after the first shock of coming forward with a succession of articles in the papers, and constantly [being] out there discussing this, and not holding back; that's been the strength.

Steinberg: Laurie, let me ask you specifically about this very interesting program that you've been developing, that you call an FDR-type program, based on LaRouche economics: high-speed rail, I believe you call it the Athena Line, or the Athena Program.

Dobson: Sure. Not only do we have a problem with having no real economy; but we have a major transportation problem. I had already been investigating this on my own, as a nominee, by talking to rail experts. I knew from common sense that rail infrastructure would have to be the main thrust of any revitalization here. So we realized that we could restore the old rail lines from the New York area, where there's a

Maybrook Line, it's called, which travels inland, on a parallel to the seacoast area—which is, as everyone around here knows, so terribly impassable at this point, because all of the truck freight is going along that line. And so what we needed to do was restore the rail line inland, which is already there, and goes along connecting the old industrial cities.

I had thought, with talking to other experts locally—before I knew about Mr. LaRouche's plan—why not get this line back again as an alternate? But then the idea of restoring our inner cities, revitalization with industry, precision manufacturing, manufacturing, entrepreneurial high-technology venture businesses would be ideal; because not only are you trying to divert rail traffic back to these cities; you're trying to restore these cities, and the vital economy of the entire state. And along with that, Mr. LaRouche's idea of doing air infrastructure rebuilding—not only do you need that, but you need high-speed rail. So the magnetic levitation lines—and we thought, this would be an ideal way to travel—to use these existing rail lines where they go along these industrial cities; and also to have the high-speed passenger traffic from Boston to New Haven, to New York; and use that as phase one of a pilot project that would, of course, interconnect all the way across the United States and across the world. And that's Mr. LaRouche's idea for the world land-bridge.

And I thought that was so wonderful, it just seemed common sense. . . .

I'm in Lieberman territory; and as a result of my coming out on this, there's been a lot of backlash in the papers. And people have heard that. But it's public opinion; and we're working on that, and I think we're really doing a wonderful thing here. . . .

Defeat the 'Cheneyiacs'

Steinberg: Thank you. . . .

Nancy Spannaus, candidate for United States Senate. Nancy, welcome.

Spannaus: Thank you. We've been having a great time in Washington, D.C. This will be the seventh week of one-minute-ad bombardment in Washington, which is the major market for Virginia radio at the same time. The initial idea of this—to put it in general terms—was to provide the sanity of LaRouche's road to recovery, against the lunatics pushing war. But the way you would best define that, is actually to put LaRouche's voice on radio in Washington, D.C.—which we were sure would catch some people's attention.

Right now, we have about 22 spots a week. And some of them begin like a shot. For example—we don't have time to play them here—but there is one where I introduce LaRouche saying, our government is like “a man with a shotgun, holding the nation and the world hostage, like a family being hostage in an apartment;” and going on to say that these are crazy people, and don't let these lunatics plunge us into war.

Now, what we understand, is that the diplomatic community, sane people in Washington, are very encouraged by the

fact that this is actually being said—the truth is being said. On the other side, we know that the Republicans and Democrats have begun to scream. Sometimes they send it out in press releases. Like the head of the Democratic Party in Virginia, who had a public fit of childish petulance, complaining that I called myself a Democrat. But since he couldn't point to his own Democratic candidate, this was something of a problem and a public embarrassment for him, and he shut up after that.

Actually, as Lyn referenced before, some of these Democrats are much worse, on the issue of lunatic war against Iraq, than even some of the Republicans. In fact, my chief opponent, John Warner, has with some reluctance gone into this, but then ultimately, really moved up front into becoming a spokesman for the [war] policy in the Senate, as people know.

So there is some rug-chewing going on, from what we can see; but specifically, on the question that there is a lunatic cabal that is pushing the war. And in fact, you could call this Ollie North II—in the sense that Ollie North, as an operative, obviously, of the Utopian faction back in the early 1980s, was willing to do anything—run drugs into our cities, rip up the U.S. Constitution, sell arms and create terrorist movements, some of which actually evolved into Osama bin Laden and so forth, and to rip up the social safety net. Because there was another side to what Ollie North was fronting for, for his financial backers, which included the Moonies and the drug-runners themselves who were making money off this; the think-tanks that went after Clinton, and so forth.

This is the same kind of lunacy that we're now facing, that has entrenched itself, come back into office, in the grouping around Dick and Lynne Cheney. We are investigating more of the particular overlaps of personnel. For example: Michael Ledeen, “universal fascist,” an out-front spokesman for the Clash of Civilizations policy right now, which the Cheneyiacs are operating on. And he was actually one of the guys in the NSC [U.S. National Security Council] doing Ollie North-style work, with the Iran-Contra operation, the funding of the *mujahideen* in Afghanistan, and so forth, at that time. So you've got the same crew; and the objective is to knock out that crew and bring sanity to the fore.

Now I have discovered, however, since Senator Warner does not come forward to debate any of these issues, I have gotten the chance to meet the other person on the ballot, who is a Libertarian, also running as an independent. I was shocked that he got on the ballot, because he had to get 10,000 signatures, and he has no visible presence. But he is a direct agent, as well, of this same grouping—the Cato Institute; drug legalization; he comes out against the war, rabidly against the war; and then pushes the very same policies of destruction of the U.S. Constitution that Ollie North and these other neo-cons would push.

So there's a real operation going on here, to try to lock in this thing, on both sides. You can't look at “positions.” I told

a bunch a people last week, that if you want “positions,” go to the *Kama Sutra*, don’t come to a political candidate from the LaRouche movement, because we operate from the standpoint of principle.

We intend to escalate. We’ve got two more weeks of bombardment by air, and we hope to go to a final “shockeroo,” of television for the last week, to knock the Cheneyiacs out of the box.

Steinberg: Thank you, Nancy. . . .

We have a question from Berlin, for Lyndon LaRouche . . . from e-mail. It’s . . . from Berlin, a student from the Free University who had interviewed Helga [Zepp-LaRouche] during the [German elections] campaign. [His] question is, “What is to be done to take the weight of the IMF debt off of Brazil, so this country can recover, without destroying the U.S. economy?”

LaRouche: There’s a principle which, under U.S. law, used to be called Chapter 11. It’s when an essential institution—especially a nation, but even a firm, which is essential to the community—is in financial bankruptcy; you put the thing into bankruptcy reorganization, put it under protection of law reorganization, and enable it to continue its function; and more, to carry out a program of recovery to financial stability again. In the case of a nation, this is imperative; it’s not debateable.

In any bankruptcy, you go before a court, a bankruptcy court, and the question is: Is the entity essential? And does it have an intrinsic viability? Is there some plan under which it’s going to become a viable institution again, financially. If so, you say, fine. If not, you say, maybe we should liquidate it, if it’s not essential to the community.

In the case of a nation such as Brazil, the largest nation in South and Central America, you cannot liquidate it. The bankruptcy judge does not ring down the gavel and say, “Liquidate it. Break it up.” In that case, the creditors will have to take the beating, because the general welfare is more important than all creditors combined. So you try to find an equitable solution for the problem, but which gives primary concern to the welfare and survival of the institution.

If you look at the way in which this has gone on since 1971: there’s not a country in Central or South America which legitimately has any debt to any foreign agency today!

That is, if you take the actual paid-in debt—that is, the cash that was actually paid to them at any time, for consumption by the nation; all of these countries have, many times over, paid every penny of that debt. So there is no country in Central and South America which has a net debt; except what happened was, the IMF came in, and devalued the currency, but demanded that the country increase its indebtedness to compensate the creditors.

Therefore, the IMF created an artificial debt which it imposed upon these nations. So they [IMF] should eat it. It’s not a legitimate debt.

So in a case like this, when push comes to shove, and you say, “Buddy, something’s going to go. Derivatives are going to go.” Financial derivatives, we wipe them off the books. Whole categories of debt that are worthless, you wipe them off the books. When it comes to saving a nation, any indebtedness must be subordinated to the vital interests of the nation. That’s the law of the general welfare. That is natural law. And anything else is going back to feudalism.

What I compare this to, is what happened in Europe over a period of religious war which was started about the 1330s, by the Holy League. This was run by Venice; it was adjunct to the Crusades, including and following the Fourth Crusade; and Europe was indebted and indebted and indebted, until about the middle of the 14th Century. In the 14th Century, the banking system of Europe collapsed. The effort was made—not to put the debt through bankruptcy reorganization, but to collect the debt. The imposition of the collection of the debt plunged Europe into a new dark age—as it was called—in which 30% of the population of Europe was wiped out in a short period of time. Genocide.

This genocide of the 14th Century led to the great reform of the 15th Century, the modern nation-state’s first creation, on the principle of the common good.

So no person, no agency, has, after these lessons, the moral authority to use a nominal debt to crush the existence of a nation-state. The debt must suffer. And if the debtor has any equity left over, after the primary requirements are met, then we’ll try to give them fair treatment.

Global Impact of an Iraq War

Steinberg: . . . This question comes from Peru, our group down there which is meeting and participating in this webcast. . . . He says, “What will be the impact of this absurd war against Iraq, on Latin America and the Third World?”

LaRouche: Well, I think if you say, what is the impact on the world? then you could know what the impact is on Central and South America.

The impact on the world, is that this will unleash—well, let me step back. First of all, the United States has, technically, the means to virtually obliterate Iraq. It cannot win the war, but it can obliterate the nation. It can eliminate the nation; it cannot beat the nation. Because what will happen, is, that in Iraq, they will fight in the streets; if the United States tries to put troops in there, unless you intend to use nuclear weapons against whole cities, which is not exactly a good idea, we’ll have to fight door-to-door, street fighting. The body bags will come pouring in. Even if they win that process, at great cost, the chain-reaction effects on the world will be such, you will plunge the entire planet into chaos.

You have to realize, the President of the United States has been lied to; he doesn’t know what he’s talking about; he doesn’t know what decisions he’s making. He’s being brainwashed by the Cheneyiacs—as Nancy calls them—the Chicken-hawks; and he has no idea what he’s doing. He’s

using the authority of the President of the United States to override his best advisors, who are the professional military officers, on this policy. He's going against our allies in Europe, who know much more, and have much bigger interests in that area, than we do.

So it's a foolish policy. The chain-reaction effects of such a war upon the planet are such, that you would plunge the entire planet into a new dark age, planet-wide. That's why I've said, "This war, and this Presidency's policy, is insane." It is not a debateable policy; it's an act of insanity.

Therefore, the impact on these countries is terrible. One should look, instead, not on what the impact of this would be on these countries, but look at what the impact of *not doing it* could be, on these countries.

We have an area from the Rio Grande border with Mexico, down through the hemisphere—tremendous potential. This is—the essential security of the United States, in the Western Hemisphere, since the time of John Quincy Adams as Secretary of State, has been the recognition that the welfare and independence of the countries of the Americas, as sovereign republics, is the first line of defense of the United States itself. And therefore, what we have to do, is cut out the insanity; stop the macho imperialism; get down and help Mexico rebuild; help all these countries in Central and South America, which are our friends, rebuild.

Therefore, the decision not to go to war with Iraq, would tend to force the question of: What do we do about the world economic crisis? And since we want to survive, what about our markets? Our markets in Central and South America. What are we doing for those markets, to give them the ability to purchase from us? What are we doing to buy from them what we need?

And therefore the rejection of the war, would be of great benefit, implicitly, for these countries. Whereas going with the war would cause a global situation which would be terrible for all of these countries, [even] with no direct effect as such.

Steinberg: Thank you, Lyn. . . . I wanted to follow up on that last question about Peru, and the United Nations, because something very interesting has gone on at the UN this past week. Instead of limiting the debate to the 15 members of the Security Council, what you had was something like 114 countries petition to speak on the question of the Iraq war and international policy. What do you think that phenomenon of standing up to speak represents? and what would you tell a country to speak to?

LaRouche: I think what happens, is that you've got a lot of countries around the world, who are influential countries, including nations which are members of the Security Council, which have suggested to their brothers and sisters in other countries, to raise a fuss. They say: You don't want this to happen; back us up! Take a stand. Show that the world is against what the Cheneyiacs, as Nancy calls them, are up to; that this is insane.

There also is a very complicated process of negotiations. Some of these countries are tied, directly or indirectly, to the British Commonwealth, even though they're not under the Queen, as such. They're British Commonwealth countries. And there's a great fight in the British Commonwealth itself, as well as in other countries, to get pressure on the Blair government to take a position with Europe, continental Europe, against Bush, on this policy.

What you have is an effort, in which a funny role is being played by the Secretary of State, who is in an anomalous situation, but I think his actual policy is transparent. He is a member of the Executive; he is accountable to the President. And therefore, he carries out the President's policy, or he resigns. That's the option. So therefore, his own policy, I'm certain, would be somewhat different than the President's policy on this thing. I think he'd be very happy to have the United Nations take this thing out of the United States' hands; I think he'd be happy if someone would step on Sharon, too. And hard. . . .

But [Colin Powell] in a difficult situation, and therefore there's a game being played. Partly it's a face-saving game. And partly it's a matter of our President's mental life. Our President is the kind of man who says, "Ah'm smilin' at ya. But if you don't do lahk ah want ya, ah may have ta kill ya." He's that kind of President, as we saw in Texas, as governor, on the question of the death penalty. He's that typical type of Southern plantation racist type, who says, "Ah'm smilin', but if you don' do lahk ah tell ya, gonna kill ya. The blood's gonna flow!"

Given that—that the President does not like to be frustrated, he tends to become enraged, and say, "Kill somebody"—he's like the Pooh-Bah from *The Mikado* of Gilbert and Sullivan; he cuts people's heads off with his "snicker-snee," or something. In any case, there's a game being played among Russia, France, and Blair, to try to come up with a compromise that is not much of a compromise, in which, on the one side, the resolution will appear to give George what he wants, which is the permission to go ahead with war; and on the other hand, get the inspectors in, and hope that nothing goes bad. It's a lousy way to deal with the situation. But it's an understandable one.

And therefore, in this situation, the participation of many nations on this issue, is a moral factor which is not insignificant. It has no official, clear-cut power to say "No." But it has a great moral authority. And the moral authority, in this case, when push comes to shove, is rather important.

Homeland Security

Steinberg: . . . We have a question for both Nancy and Lyn from . . . the state of Virginia, concerning Virginia and D.C. defense workers. As we've seen with this Beltway sniper situation, our law enforcement and military can not stop the shootings. One victim was actually an FBI analyst. What is your policy to defend the United States from terrorism? How

should we go about homeland security?

LaRouche: Well, I'll try it first. This is a very tricky problem, because . . . apparently, according to the *modus operandi*, number one: This looks like an observer/shooter situation, going for targets of opportunity. Secondly: Such an operation—that is, point and shoot against randomly selected targets—is a targetting of the population, the psychology of the population. And this is the thing that is of most concern; because, apart from the fact that people are being killed, who are innocent of anything—through no wrongdoing of their own—nonetheless people are dying and are being killed, daily, in great numbers in this area, who are doing nothing wrong of their own to incur this. So, the point is, somebody is targetting, not individuals in the population, but targetting individuals in order to target the mind of the population as a whole. That's what the problem is.

So therefore, this has a political motivation. The problem is, that this brings discredit to the Attorney General of the United States, Ashcroft. Because the Homeland Defense policy, particularly his element of it which is being deployed in this area, is obviously totally impotent. And therefore we have to look at this operation from a different standpoint. From an intelligence standpoint, not the kind of thing that's coming out in the press now.

First of all, one shouldn't build this up; it's being built up by the press, The press, the leading press is mishandling this. The television press, the electronic press, and the print press is mishandling this, because this is obviously—the purpose is to get at the mind and terrify the mind of the population in general. The target is not the individual, the individual is a by-blow victim of the main target. The target is the mind of the population of the population of Northern Virginia—where the Homeland Defense operation of Ashcroft is running a pilot program. So, the first place to investigate is—“John are you doing it? Is this your operation, John? Do you get some vision from someplace, at a church meeting or something, to do this kind of thing?” Why is this happening? Somebody's targetting the population—to what end? The only end is to promote John Ashcroft's Homeland Defense operation, his blockwatching operation in northern Virginia. And also Washington—no other reason.

Spannaus: Unless they come up with a swarthy Middle Eastern type who did it, and then it's also to promote the war on Iraq, right?

LaRouche: It's still the same thing.

Spannaus: Right, absolutely. The other point I've made to Miles before, on this, the fraud of the Homeland Security, is: On the one hand, they are totally incompetent, as the ISA court even said; they're just ripping up the Constitution, and they don't find anything of relevance, which does raise the question of complicity. But the other question, is how do you have a serious homeland security approach, if you aren't

dealing with the economy?

As we have put forward, and Lyn has put forward again and again, the real threat to national security, is the fact that you may soon not have a rail system in the nation as a whole. The airline system is going bankrupt faster than you can count the ticker on the stock market. It's just job after job, bankruptcy after bankruptcy. The public hospitals are being shut down. The fact that the powers-that-be continue to keep D.C. General Hospital shut down in Washington, which had the capability to deal with biochemical warfare, is proof positive that no one has a competent sense of homeland security, whatsoever, under those circumstances. And that's what has to be taken into account in saying who's competent to lead in this situation.

Steinberg: Let me ask you, Nancy, one other loaded question. Covert operations, and what Lyn and you were mentioning before, about Ollie North. They built up the drug gangs in Ibero-America, ran cocaine—we had a little song about that. That was very effective.

Spannaus: You can find it on the website. Everyone should turn on the website—they can hear the song!

Steinberg: It was called “Goodbye, Ollie.” “You flew cocaine, Ollie, in your plane, Ollie,” to the tune of “Hello, Dolly.” Very effective.

But you also mentioned in passing the building up of al-Qaeda, Osama bin Laden. These were American- and British-trained and financed terrorists, and they're still running loose today, targetting Arab regimes, as well as anybody and everybody. So, what would *real* Senate hearings into intelligence failures be looking like.

Spannaus: Well, you might start off with something like what Senator Byrd did in the Iraq debate, where he actually put upfront the fact that Donald Rumsfeld was in an embrace with Saddam Hussein, giving him biological and chemical agents in the early 1980s. I mean, you could find the pictures that would actually do this kind of thing. That would be required; and then, most importantly, I believe, as Lyn has often pointed out, you would have to have a real crackdown on the money. Because drug money is holding up our banking system. I don't know, maybe the drug lords, from Colombia, came in to create the [market] rally last week. I mean, without that drug money, this thing would have been gone long ago, and even the minimal efforts that Clinton made, to do a little bit on the offshore Cayman Islands drug operations, got shut down as soon as Bush came into office. I'm sure that Bush, President Bush himself, didn't make that decision. Find out who made that decision, and maybe we can have a very interesting investigation. That would be my view.

Campaign in Detroit

Steinberg: We're going to try to get Detroit back. . . . Kerry, go ahead and tell us about the campaign, and what

fighters are you starting up in Michigan?

Lowry: Well, to briefly to touch base on the first question you asked earlier about what's happening in the economy up here, it is certainly getting worse by the day. Every day, reality hits closer to home, with people who have previously tried to ignore it. And, that's definitely a factor that works in the favor of anybody, and everybody, who is out there talking about Mr. LaRouche's policies. . . . Yesterday morning, I had the opportunity to speak before the Livonia Chamber of Commerce. And there were approximately 60 people in the room, and I was the first one to speak, because I was the first one there. A very scientific way of choosing who spoke first.

And, anyway, I got up on the podium, and I said, "Folks, since the beginning of my campaign, I have campaigned as, and have associated myself with, the LaRouche organization, and I made no bones about it." I said, "Folks, you know, this country is \$32 trillion in debt, this world is \$400 trillion in debt. There's no way that these debts can be paid. Any sane accountant would tell us to file bankruptcy. Let's get this thing reorganized." And from there I proceeded to discuss the Italian parliament's endorsement of Mr. LaRouche's call for a New Bretton Woods.

To make a long story short, they gave me 5 minutes to speak. I think I probably took closer to 7, they were about ready to push me off the stage. There were definitely some eyebrows that rose, as soon as Lyn's name was mentioned, but for the most part, it was a receptive crowd. I know when I left the meeting, after listening to everybody else speak, a lady who's running for state senate, as a Democratic candidate, told me that I had hit the nail on the head, with what I had to say to the people there. . . .

But, you know, the economy's getting worse. There's nothing going on out there. There's nobody addressing the issues, and the solutions, like Mr. LaRouche and the people associated with his organization, and with this movement, as well as the candidates that are out there running—Nancy and Laurie and myself. . . . The fun is being out there campaigning and talking to people, and looking at the reactions, and letting them know that there are alternatives to the garbage that we hear from just about every other direction.

Lieberman and Organized Crime

Steinberg: Thank you, Kerry. . . .

Laurie had told me earlier that she had a question for Mr. LaRouche, and I mentioned the Joe Lieberman problem up in Connecticut. Laurie, did you want to say something, about either one of those issues?

Dobson: I sure do.

Well, you know that quote about most people leading lives of quiet desperation. I think, these days, it's getting maybe more quiet and more desperate. And with so many people in my area in the market, stockbrokers, lawyers, speculators, business owners, and I guess, given that the Joe Lieberman camp here is still so very strong, . . . people don't under-



Kerry Lowry, Democratic Party candidate for State Representative in Michigan: "The fun is being out there campaigning and talking to people . . . letting them know that there are alternatives to the garbage that we hear from just about every other direction."

stand, he is the one standing over Bush while he's writing these war documents, and encouraging people. The Lieberman reality, I call it. And I guess, maybe, Mr. LaRouche, if you could help people here, understand the scenario of collapse, as it would be under your policies, versus Mr. Lieberman's. Maybe you could give us an A version, and a B version. What would life in Connecticut, or in the world, be like, if the Lieberman policies would be taking place, when all this collapse actually calamitously happens?

LaRouche: You don't have a chance, because, remember, what is Lieberman? Lieberman's relevant connections, are organized crime—Michael Steinhardt and Company, that crowd. So, what do you expect from organized crime in a depression? Well, look what we had with organized crime in the last depression. Meyer Lansky's mob, which is what Lieberman is tied to. Tied to the Cuban Lansky mob, as well as the New York Lansky mob. Michael Steinhardt. They're going to steal. They rob, steal, use gangsterism.

What is he associated with in Connecticut? With non-existent Indians running reservations for the benefit of organized crime. What is Kerzner, what's Sol Kerzner? We know him from South Africa. We know him from London. We know him throughout the United States. What's he tied to? What's his link to McCain? McCain's tied to what? Organized crime, the Bronfman mob. That's where the family money came from, for McCain. What's he involved with? Indian reservations! The same swindle in the name of the American

Indian—out there in Arizona they have some actual American Indians, not like the imitation Indians they invented up in Connecticut.

But the Indian leaders out there, know they're being ripped off, and are complaining about it. But, organized crime took it over.

So what would you get in economics under Lieberman? You'd get, organized crime replaces industry and employment. Drug-pushing, the whole gamut of the things we had from organized crime, in the past. That's what he is. He is a mouthpiece. He's like the accountant for organized crime. He's in there, he pushes the money around and so forth, does that.

The answer is, what do we do about it? Well, it's obvious, in Connecticut. You've got a labor force, which has skills. They're not going to have jobs much longer. Look what's happening now. The entire New York-based—that is, New York to Hartford insurance-based area—of that kind of employment, is going to be hit. Law firms, stockbrokers, insurance deals, this kind of thing, the financial community thing—they're going to be out. You may have as high as an 80% wipe-out of employment of people in that sector. They're going to want jobs.

And I think the key thing that's got to be brought across to them—and reality is coming across. Just look at this thing, Laurie. We're now getting this third quarter closing reports, which should be in now to most people. The third quarter closing, on people on pension funds, mutual funds, and so forth—the statements, the quarterly statements they get—they're being wiped out. We're talking about 30-40% wipe-out of their nominal assets, in the past quarter approximately, something like that.

So, this continues another quarter, these guys are out. Therefore they have to look for a new lifestyle. But they have to look for an opportunity which is not being a slave, or sending their daughters to work for prostitution for organized crime. Or something like that.

Dobson: And what hope can you give them?

LaRouche: Program. Program for reconstruction. If you have a state program, a government program—state, Federal, local—backed by the creation of public utilities to organize essential infrastructure, that creates the opportunity for the private sector to bid, as subcontractors, to government projects such as public utility projects. And that's the alternative to the kind of job they have. They have to make a career

shift. Assess their talents, assess their abilities, hope for a new kind of job, and fit themselves in to what we would hope, we are going to provide, as the new types of employment for them.

In the meantime, assure them of the fact that we're not going to have people running around the streets, hungry, without health care, and so forth, just because they have to be temporarily dislocated.

Dobson: So, I think you're a truly humanitarian-response type policymaker, and I think that I'd like to really find a way to bring that home, that Lieberman's policies will not care for the people of Connecticut.

LaRouche: That's the bottom line.

Steinberg: Okay. For listeners and organizers, there is going to soon be published, by *Executive Intelligence Review*, a full special report, on the infrastructure projects that Lyndon LaRouche has designed. We can implement these. We've got to get through the election, as Lyn has said. After Nov. 5, the world is going to be very different. . . .

Irregular Warfare

Again, on the theme of terrorism, this question comes from . . . a reader of *EIR*.

And he says, "When reading *Executive Intelligence Review* and other writings, we get an inventory of many particular oligarchic-type policies, and their implementation, which is sometimes called 'irregular warfare' operations. But, as we begin to cognitively digest this, we begin to get a sense that these particular operations are part of an overall grand strategy. Have we correctly understood this, or are we just witnessing the integration of particular interests, in the same direction?"

LaRouche: What the purpose of irregular warfare is, in general—it's used for many purposes, there are many kinds of irregular warfare—but in this particular case, and for this immediate concern, what is going on, is an attempt to destroy the basic social structure, or the remaining part of the social structure we had, from the time that the United States was the world's leading producer society.

The same thing is being done, to the same purpose, in South and Central America. We're destroying it.

The same thing is being done in a different way in Africa.

The United States and Britain, together with some Israelis, are running genocide against the black population of Africa. And this is the United States government, the United States State Department conduits are running this kind of thing. The same thing in South and Central America.

So, what we have is an attempt to destroy political structures.

For example. The Democratic and Republican parties, in one sense, no longer exist. Where are the meetings? Where's the structure, in which the citizen can participate in the party? The party organization is a handful of people, who are running

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it largely through *hacks*. Which is run largely through Wall Street money, or similar kinds of money, or drug money. We don't have parties—that's the destruction of structure. You have goons, who throw people out of meetings, so there can be no democracy in the Democratic Party, or Republican Party meetings, to speak of.

The same thing is going on, in what happened in Washington, D.C., around this operation against D.C. General Hospital. You had irregular warfare. You had the official representative to the Congress from there, you had the mayor, who were part of an operation to destroy the infrastructure of the city, to loot it, to get the people out, to ship them across the river, to Anacostia side, and to turn this into a World's Fair-type real estate scam, and destroy the people, to destroy the structure, to change the character of society.

And that's what this irregular warfare is aimed at, principally now. The school system is irregular warfare. The university system is irregular warfare. There is no education going on, essentially, in the school system, that we could call education by former standards. In universities, look at the courses they're teaching. Look at what's coming out. Look at the content of what's supposed to be science courses—it's garbage. People go to universities not to become skilled in some professional or related skill. They go to universities to show that their parents could afford to spend the money, at those prices, to put them through a

university, where they learn nothing, but they came out with *social status* because they have a sheepskin to wear, if nothing else.

Steinberg: Sounds like Yale University, and President George W. . . .

Lyn, I want to thank you. I want to thank Nancy Spannaus, Kerry Lowry, Laurie Dobson, for running these campaigns, and encourage the LaRouche movement to organize this week, intensify the battle to stop this war, and bring about the solutions for a New Bretton Woods.

Lyn, in the last minute, do you have any summary statement?

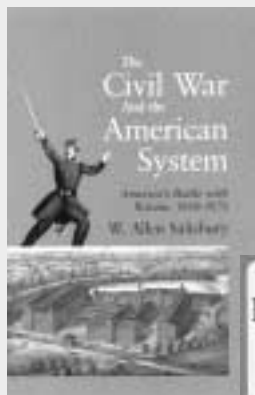
LaRouche: Well, I think as I say, Nov. 5th is coming up. Wherever we can, around the country, build up, around the Democrats, or Republicans who are sane, and get them in; change the composition of the Congress, shake up the machinery, and get rid of, and weaken, this bunch of draft-dodging Chicken-hawks who want to make war everywhere. And if we do that, we can change the country. And, as I said, the objective, my objective, is, as soon as possible, to be able to get a bunch of people to walk into the White House, and say, "Mr. President, we'll save your Presidency, and you'll be a success if you do what we tell you. But you've got to get rid of these bums. And we'll come in here and straighten this thing out, and you'll be a success." That's the objective.

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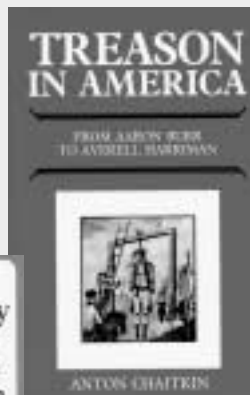
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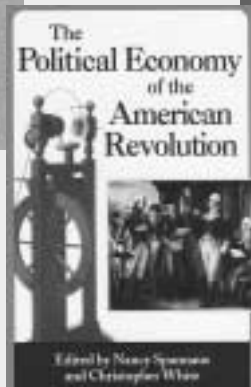
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'Fiscal Fascists' Guide State Budget Slashing

by Mary Jane Freeman

There's a \$50 billion hole, as of mid-October, in American state budgets, and it *will* get bigger. Facing disappearing revenues, governors and state legislators are turning to sharp austerity measures to meet the "all-powerful Bottom Line," rather than demanding the nation solve the pervasive revenue collapse with an economic recovery, FDR- or LaRouche-style. The prescription for doom—slashing government jobs, programs, and services—which every state in crisis is now adopting, is prescribed by the Manhattan Institute, founded by adherents of fascist Friedrich von Hayek. It, in cahoots with the neo-conservative, Wall Street-controlled American Legislative Exchange Council (ALEC), drafted an influential July 2002 budget crisis blueprint, entitled "Show Me the Money: Budget-Cutting Strategies for Cash-Strapped States."

As of mid-October, at least 46 states now project substantial Fiscal Year 2003 revenue deficits, on top of the severe shortfalls most suffered in Fiscal 2002. The projected gap of almost \$50 billion for all states is up from the year-end FY 2002 (June 30) deficit of \$37 billion. Most states, in adopting FY 2003 budgets, had already cut spending from the previous year's level from 3-7%, hoping this contraction would keep government intact until "the recovery" came. None has appeared; revenues are plummeting like a stone in water. The one-time revenue fixes used to close last year's deficits, such as draining "rainy day" funds or collateralizing tobacco settlement monies, are gone. And as the Manhattan Institute-ALEC July blueprint hoped, the fiscal crisis is pushing policy-makers to make the "politically difficult reforms to state programs and processes"; i.e., privatize government by "reducing the size and scope" of it.

Round One in Virginia, Massachusetts

Right on cue, as the anemic tallies of Fiscal Year 2003 first-quarter (July-September) revenues came in, and as the National Conference of State Legislators (NCSL) revised the cumulative projected shortfall to the \$50 billion level, citizens of Virginia and Massachusetts were told by their governors that the only solution to expected \$2 billion deficits was to eliminate jobs and programs. Both states had relied heavily on "New Economy" and stock market revenues, which crashed. Posturing about tough choices, the governors of both states were, rather, cowardly failing to intervene to change the doom caused by their own deluded belief in "free-market solutions."

Virginia's Gov. Mark Warner (D) announced \$858 million in cuts Oct. 15, admitting these are a "partial" solution

to the revenue shortfall, and that more are likely. Warner's announcement came just four months after Virginia had closed its \$3.8 billion deficit in FY 2002 by drawing down its rainy day fund, borrowing from its Medicaid Intergovernmental Transfer fund, cutting agency budgets 3% across-the-board, cutting programs by \$545 million, and more. Now Virginia is laying off 6,400 employees—1,837 state workers and 4,570 higher education jobs over two years. A hiring freeze will continue, and Warner axed the salary increases of those still employed. Revenue-generating Department of Motor Vehicles offices will close one day a week, and 12 will close permanently. Libraries will shorten hours and cut staff. Universities and colleges will cut jobs and hike tuition fees.

Health and Human Resources cuts total \$111.4 million, hitting public health programs, including Emergency Medical Services programs, and those for the elderly; and stricter hospital admission criteria will be enforced. Aid to localities across the state lose \$114.5 million. Overall funding is reduced for 140 other programs, including maintenance of ports and harbors. Primary education and Medicaid have been spared, but Warner made clear they'll be next in the near future.

On Oct. 11, Massachusetts' acting Gov. Jane Swift, using emergency powers, slashed \$202 million out of the state's current budget, which will affect thousands of state jobs. Like Warner, she said this was only the beginning, asking legislators to come back into session to find at least \$100 million more cuts. To close the state's FY 2002 deficit back on June 30, Swift and legislators had cut \$900 million from programs, hiked taxes by \$1.2 billion, and drained nearly all of its \$1.8 billion rainy day fund. Then, fantasizing a quick recovery, legislators adopted a FY 2003 budget which assumed that there would be a 75,000-job gain! Instead, Massachusetts has lost 66,000 jobs since the Spring. So Swift swung the budget axe.

While less in dollar amount, Swift's cuts are more draconian than Warner's. Massachusetts' safety net for elderly citizens, veterans, and public health infrastructure has been gouged. More than \$28.8 million was cut from state retirees' insurance premiums. Distressed hospitals, non-profit health providers, and community health centers lost a total of \$15.5 million; influenza vaccine stocks will be reduced by 19%.

Nationwide, the picture is the same. New York City's budget shortfall is near \$5 billion, with Mayor Michael Bloomberg (R) preparing drastic changes and layoffs. The State of New York projects a \$6-10 billion gap, with the Manhattan Institute calling for 20,000 job cuts, axing Medicaid, and privatizing services. California's shortfall is twice as large as New York's. Connecticut's comptroller reported revenues fell short \$315 million in the first quarter of FY 2003 alone. Likewise, Arizona's first-quarter revenues dropped, resulting in a newly projected \$500 million shortfall for the year. The emergency is the same everywhere, and worse in some "formerly industrial states" like Michigan.

ALEC—whose most prominent neo-conservative found-



Virginia Gov. Mark Warner's doomsday Oct. 15 announcement of 6,500 state layoffs and \$860 billion—"for starters"—in cuts (DMV offices like this across the state were shut down) was a harbinger for all states by the end of the year. Failing to act on the national level for recovery measures, governors are putting the knife in their states' economies.

ers and members include Jack Kemp, Michigan Gov. John Engler (R), and Congressmen Henry Hyde (R-Ill.), Jon Kyl (R-Ariz.), Dennis Hastert (R-Ill.), and Tom DeLay (R-Tex.)—sponsored the disastrous “Budget-Cutting Strategies” policy in July. It expected that in the face of the “worst fiscal crisis in a decade or more,” privatization of state government services would complete the “downsizing of government” project they launched in the mid-1970s. ALEC boasts it has over 100 members in “senior leadership positions” in state legislatures, along with 12 sitting Governors. The report calls for “reducing the size and scope of government,” and says even the “serious spending cuts” now being made don’t “reduce the medium- and long-term costs of operating government.”

Author William D. Eggers is a “senior fellow” at the Manhattan Institute for Policy Research, and was the chair of the Government Reform Policy Committee for Texas Gov. George W. Bush during his Presidential campaign, who specializes in government efficiency and privatization, among other areas. That this is Wall Street’s plan for the states can be seen by its board of trustees: former Citibank CEO Walter Wriston, Maurice Greenberg of AIG, bankers from Warburg Dillon Read, Crédit Suisse First Boston, Goldman Sachs etc. Prominent among its policy purveyors are neo-conservative influential William Kristol of the *Weekly Standard*, and James Piereson of the John M. Olin Foundation.

Eggers’ “ten strategies for cutting budgets” include: reduce the workforce; cut spending across the board; reform entitlement programs; sell off state assets; allow private providers to provide services; eliminate programs by performance records; introduce performance pay as a way to cut out cost-of-living adjustments (COLA); use the Internet to replace humans; merge agencies; and create “cost-cutting brigades.” Nearly all of these “options” are or have been in use, as the Virginia and Massachusetts examples show. But the

Institute blueprint goes further: Under the nonsense-slogan, “choice-based reform,” it seeks to wipe out the protections, created by the FDR legacy, for what he famously called “the forgotten man.”

Permanent layoffs, the ALEC report says, are “the most effective short-term cost reduction measure.” The impact of the loss on the workforce can be eased by “innovative use of Web-enabled technology,” and “outsourcing and streamlining” are recommended to cut payrolls. Eggers cites Florida Gov. Jeb Bush’s model which has “already cut thousands of permanent and temporary positions.” Renegotiation of labor contracts is a must, since in a “severe budget crisis” union members can be coaxed into “contractual concessions . . . rather than face . . . layoffs.” The most cynical element is reduction of retirement costs. “In the spirit of shared sacrifice, states can realize savings by . . . freezing COLAs for retirees” or making them pay a bigger share for health-care coverage, it claims.

Besides the mantra of privatization—“sell or lease government assets and enterprises . . . water systems, airports, hospitals, ports, . . . gas and electric utilities, . . . waste-water treatment plants, . . . tax leins”—ALEC’s report goes for Medicaid: “Next to the recession, the runaway cost of Medicaid. . . is the biggest cause of the current state crisis.” Simply impose HMO methods on the Medicaid programs by issuing “vouchers or refundable tax credits to purchase personal insurance through independent brokers.” If this radical “structural reform” is not possible, the next best options are to eliminate “institutional long-term care,” impose “co-payments,” cut “coverage of optional services.”

Slashing jobs and services when the economy is crashing, and robbing retirees to make health insurance companies richer, is not fiscal reform, but “fiscal fascism.” Elected officials are elected to defend the General Welfare; their duty is to promote an economic recovery.

Homeland Security Bill Remains Stalled

The bill to create a Department of Homeland security by merging 22 Federal agencies scattered throughout a number of departments, remains stalled on the issue of labor rights for the department's employees, much to the dismay of Senate Republicans. Senate Minority Leader Trent Lott (R-Miss.) told reporters on Oct. 16, "There's no question that the Homeland Security Department is being blocked by Senate Democrats who are determined to protect the interests of their union bosses and the bureaucracy." He complained that Sen. Joe Lieberman (D-Conn.), the key architect of the Senate bill, and Sen. John Breaux (D-La.), who has authored compromise language on the labor rights issue, "don't have the latitude," from Majority Leader Tom Daschle (D-S.D.), "to work out an agreement that we could get passed."

A couple of hours after Lott's remarks, Sen. Phil Gramm (R-Tex.) and Sen. Fred Thompson (R-Tenn.) appeared before reporters to complain even more loudly. Gramm said that "we have one of the most powerful special interest groups in America, the public employee labor unions, who are adamantly opposed to giving the President the power to hire the right person to and put them in the right place at the right time to protect the lives of our people." Thompson charged that the "Senate leadership strategy was to kill this bill softly, in effect, and that's what we're still seeing played out."

Daschle responded with equally partisan language. "They want to make homeland security an issue in the election," he said. "They don't want to get this done."

Offers of compromise language have done little to bring the bill closer to resolution. One amendment, sponsored

by Gramm and Sen. Zell Miller (D-Ga.), would substitute the language President Bush supports, for the Lieberman bill. Another is sponsored by Breaux, Ben Nelson (D-Neb.), and Lincoln Chaffee (R-R.I.), and would allow the President to strip employees in the new department of their labor rights, only if their jobs change significantly as a result of the reorganization. Bush has threatened to veto that language should it come to his desk.

Defense Bill Hangs Up Over Veterans Benefits

With only weeks to go before the Nov. 5 mid-term elections, the Bush Administration has managed to anger another military constituency group, the veterans. The dispute revolves around a provision in the fiscal 2003 defense authorization bill that would allow veterans with service-connected disabilities to receive both their disability benefits and their retirement pay. Under current law, they have to choose one or the other. The Senate version of the bill, which is currently in conference committee, would give disabled veterans their full benefits, at a cost of \$58 billion over ten years. The House version would phase in full benefits over ten years, at a cost of \$18.5 billion.

The White House budget-hawks have recommended a veto, if the bill goes to President Bush's desk with the Senate provision. They say that it is too expensive when budget discipline must be maintained, and, it would allow "double dipping." The result is that the bill is stalled for the first time in recent memory, as the House and Senate negotiators grapple with trying to find an agreement. The House already voted, 391 to 0, on Oct. 10, to

accept the Senate provisions, in a non-binding resolution, but that apparently has done little to clear the logjam.

On Oct. 17, Sen. John D. Rockefeller IV (D-W.Va.) blasted the White House on the Senate floor. He said that the Administration's position "wholly disregards the enormous dedication and sacrifice of our men and women in uniform, and it labels their claim to compensation, earned in service to this nation, as 'double dipping,' which is a slam and a putdown." The issue is likely to be a factor in the elections, given the political strength that veterans organizations have always had in the Congress.

Jackson-Lee: Only Congress Can Declare War

After the Oct. 10 vote in the House in favor of the Iraq war resolution, Rep. Sheila Jackson-Lee (D-Tex.) wrote, in a letter that a Houston, Texas newspaper refused to print, that she has a "special appreciation" for and knowledge of the U.S. Constitution, because of her membership on the House Judiciary Committee. She noted that Article 1, Sec 8 (II) of the U.S. Constitution states: "Congress shall have the power . . . to declare war."

The letter continues: "The President is commander-in-chief, but he must fulfill these responsibilities of war subject to the role of the U.S. Congress. The system of checks and balances cannot be effective if one individual is impermissibly vested with the sole discretionary authority to carry out what 535 members of Congress have been duly elected by the people to do.

"Granting any one individual, even the President of the United States, the unbridled authority to use the Armed Forces of the United States

as he may determine to be necessary is not only unconstitutional, but violates international law if it is a first strike. Of course we all agree that force must be used to defend the United States against any imminent attack.

"I also voted no on the resolution because the unchecked power to wage war that it would unconstitutionally cede to the President, including the right to strike first and not just in self-defense, represents an alarming detour from a long-held American principle of not being an aggressor nation. . . . Our country should use our military might only in defense of ourselves or in defense of others where warranted.

"Granting the President the authority to use our armed forces preemptively will set a dangerous precedent both here and abroad and will send the message that any country fearing attack sometime in the future may strike first at its suspected enemies in the name of self-defense. Such a policy will do nothing short of destabilizing the entire world, as China might see fit to move preemptively against Taiwan, India against Pakistan, or North Korea against South Korea. The possibilities are endless in a world where tensions between many nations could swiftly escalate into all-out warfare. . . .

"It is imperative that we do not simultaneously weaken the United Nations by violating its charter through a first strike military action. Pursuant to Article 51 of the United Nations Charter, a military strike against Iraq, unless in response to an immediate threat thereof, will violate international law. In order to arguably claim that action is taken in self-defense, and is thus permissible under international law, the alleged threat must be one that is immediate and which offers no other options for resolution. . . .

"America should not live in fear,

but a show of aggressive strength by a unilateral first attack by the United States . . . may simply send us down a devastating and deadly road of no return."

House Votes for Lame Duck Session

It's reasonable question, if the Congress was unable to resolve the impasse on annual appropriations bills in the time normally allotted for that process, what chance is there that the logjam can be broken in a lame duck session? Without answering it, the House voted 228 to 172 on Oct. 16, for a continuing resolution that keeps the government operating at fiscal 2002 spending levels until Nov. 22—guaranteeing a lame duck session.

House Democrats spared no effort, however, to provide their own answer for why the House GOP leadership has only moved 5 of 13 spending bills, and none since the August recess. Rep. David Obey (D-Wisc.) declared, "There is an internal war in the Republican caucus. They have lost their ability to govern. They have lost their ability to do things." He called the resolution "a spectacular abdication of responsibility not worthy of this body." Rep. Alcee Hastings (D-Fla.) told the House that the Republicans "are pulling out all the stops" in order to "cut and run before the public realizes that they really have done nothing to address the economic mess they have created."

The situation looks only marginally better in the Senate, which acted, within hours of the House, to renew a few of its own budget enforcement mechanisms. The resolution adopted by the Senate, by a voice vote, would require 60 votes on any legislation that

would decrease the Social Security surplus, increase spending, or cut taxes beyond levels specified in the most recent budget resolution; and on any spending or tax cut legislation that would increase the deficit. The resolution did not include a cap on discretionary spending because, as Budget Committee Chairman Kent Conrad (D-N.D.) explained, there were not the votes in the Senate to pass the \$768 billion level desired by the Democrats.

Adjournment Leaves Much Legislation in Limbo

The Oct. 17 departure of the House and Senate left unresolved the fate of many pieces of legislation that have been hung up in conference committee for many weeks. There is no indication that any of the disagreements will be successfully addressed in the lame duck session, scheduled to open on Nov. 12. Besides 11 of 13 fiscal 2003 appropriations bills, other issues that remain unresolved include the energy bill, the terrorism insurance bill, and bankruptcy reform. The House GOP shelved plans to bring out a late-session bill giving tax breaks to investors, and also hung up in the budget impasse is relief for farmers suffering from drought.

Neither party is expressing optimism that much can be done during the lame duck session. Senate Minority Leader Trent Lott (R-Miss.) told reporters on Oct. 16 that the "track record" for lame duck sessions has been that "quite often, more bad happens than good." Senate Majority Leader Tom Daschle (D-S.D.) indicated that he was uncertain about the schedule for the lame duck session, because "we don't know how much obstructionism we're going to be facing from Republicans."

Editorial

Not Again!

EIR has spent the Fall exposing the imperial war plans of the Bush Administration's Chicken-hawk faction "that did not start after 9/11," but have existed in their present form and from their authors in the Pentagon and Vice-President's office, since 1990. Other journalists have joined these exposés, especially since Lyndon LaRouche's Sept. 11, 2002 webcast on the subject. The Oct. 24 *New York Times* revelation of a "secret parallel intelligence unit" in the Pentagon adds another piece to this treasonous picture. The unit has now been acknowledged; it is run by Undersecretary of Defense Douglas Feith, and its purpose is evidently to produce the properly spun story which Dick Cheney and Donald Rumsfeld want, but cannot get from American intelligence agencies which know better: that Saddam Hussein runs Al-Qaeda and/or is planning to give Osama bin Laden's crew weapons of mass destruction. To complete the circle, Feith was one of the authors of then-Defense Secretary Cheney's 1992 military review document which proposed American total world strategic domination, and pre-emptive or preventive war against any power or nation that might challenge it in the future.

Are we returning to "Iran-Contra"? The "findings" of this intended secret intelligence unit were to have become "official secret assessments"—concocted for political and "imperial" purposes. Just as the "assessments" of Oliver North for then-Vice President Bush told us, 16 years ago, that our national security depended on making war on the government of Nicaragua; so it is with this Pentagon unit, and Iraq. That 1980s operation gave us, recall, the anti-Soviet war in Afghanistan which produced American agent Osama bin Laden.

In *Electronic Intelligence Weekly* for Oct. 21, we had reported that several very well-placed U.S. intelligence sources had alerted this news service, in recent days, that a "new Iran-Contra" operation is being secretly run out of the Pentagon, and that they fear that the consequences, this time around, will be even more disastrous than in the 1980s.

The question must be posed: Are Richard Perle, Paul Wolfowitz, Doug Feith, et al. attempting to revive

the early Cold War "focal point system?" Are they in the process of launching a "new al-Qaeda?"

As the late Col. Fletcher Prouty revealed in his booklength exposé, *The Secret Team*, for decades, following World War II, the Pentagon maintained a secret logistics capability, housed in the "Focal Point Office," which directed military irregular warfare operations out of the civilian Pentagon bureaucracy. The White House "Enterprise" of the Reagan-Bush era illegally revived the "focal point" system.

Now, intelligence sources warn that the same "parallel government" covert warfare apparatus is being once again revived, under the control of the civilian apparatus grouped around Defense Secretary Donald Rumsfeld and his Deputy, Paul Wolfowitz.

A secret warfare unit, targeting Iraq, is being run under the cover of the Defense Policy Board, headed by America's number one "Chicken-hawk," Richard Perle. The unit has already dispatched operatives to the region, to encourage dissident elements inside Iraq, particularly in the Shi'ite region of the South, to start anti-government actions, to "create the appearance of widespread opposition to the Saddam Hussein regime." Self-professed "universal fascist" Michael Ledeen has been named as one of the operatives of the unofficial Defense Policy Board—as he was in the original Iran-Contra affair—to solicit backing for the anti-Saddam operations, from factions of the Iranian conservative clergy, with whom Ledeen had extensive, secret dealings during the 1980s. U.S. Army special warfare units, including "Yellow Fruit," are also being deployed to launch a covert phase of warfare inside Iraq—even before President Bush has received United Nations Security Council authorization, and before the weapons inspectors have been able to return. An Iraqi "Contra" force is being trained with \$92 million in U.S. funds.

The decision, if confirmed, to revive the secret parallel covert apparatus—when the leading uniformed military officers oppose an Iraq war—is a "secret team" scenario gone mad. Congress should ask some serious questions—now.

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(Pacific Time only)
• BROOKLYN.ORG/BCAT
Click on *PLAY*
Tue: 3:30 pm, 11:30 pm
(Eastern Time only)

ALABAMA

• BIRMINGHAM—Ch.4
Fridays—11 pm
• UNIONTOWN—Ch.2
Mon-Fri every 4 hrs.
Sundays—Afternoons
ALASKA
• ANCHORAGE—Ch.44
Thursdays—10:30 pm

ARIZONA

• PHOENIX
Cox Ch.98
Fridays—12 Noon
• PHOENIX VALLEY
Quest Ch.24
Fridays—12 Noon
• TUCSON—Ch.74
Tuesdays—3 pm

ARKANSAS

• CABOT—Ch.15
Daily—8 pm
• LITTLE ROCK
Comcast Ch. 18
Tue—1 am, or
Sat—1 am, or 6 am

CALIFORNIA

• BEVERLY HILLS
Adelphia Ch. 37
Thursdays—4:30 pm
• BREA—Ch. 17
Mon-Fri: 9 am-4 pm
• BUENA PARK
Adelphia Ch. 55
Tuesdays—6:30 pm
• CLAYTON/CONCORD
AT&T-Comcast Ch.25
2nd Fri.—9 pm
• CONTRA COSTA
AT&T Ch. 26
2nd Fri.—9 pm
• COSTA MESA Ch.61
Wednesdays—10 pm
• CULVER CITY
MediaOne Ch. 43
Wednesdays—7 pm
• E. LOS ANGELES
Adelphia Ch. 6
Mondays—2:30 ppm

• FULLERTON
Adelphia Ch. 65
Tuesdays—6:30 pm
• HOLLYWOOD
AT&T—Ch.3
Wednesdays—6:30 pm
• LANCASTER/PALM.
Adelphia Ch. 16
Sundays—9 pm
• LAVERNE—Ch. 3
2nd Mondays—8 pm
• LONG BEACH
Charter Ch. 65
Thursdays—1:30 pm
• MARINA DEL REY
Adelphia Ch. 3
Thursdays—4:30 pm
MediaOne Ch. 43
Wednesdays—7 pm
• MID-WILSHIRE
MediaOne Ch. 43
Wednesdays—7 pm
• MODESTO—Ch.2
Thursdays—3 pm

• OXNARD
Adelphia Ch.19
Americast Ch.8
Tuesdays—7 pm
• PLACENTIA
Adelphia Ch. 65
Tuesdays—6:30 pm
• SAN DIEGO Ch.19
Fridays—5 pm

• SANTA ANA
Adelphia Ch.53
Tuesdays—6:30 pm
• STA.CLAR.VLY.
T/W & AT&T Ch.20
Fridays—1:30 pm
• SANTA MONICA
Adelphia Ch. 77
Thursdays—4:30 pm
• TUJUNGA—Ch.19
Fridays—5 pm

• VENICE—Ch.43
Wednesdays—7 pm
• VENTURA—Ch.6
Adelphia/Avenue
Mon & Fri—10 am
• WALNUT CREEK
AT&T Ch.6
2nd Fridays—9 pm
• W.HOLLYWOOD
Adelphia Ch. 3
Thursdays—4:30 pm
• W.SAN FDO.VLY.
Time Warner Ch.34
Wed.—5:30 pm

COLORADO
• COLORADO SPGS.
Adelphia Ch. 4
Tuesdays—8 pm
Thursdays—11 am
• DENVER—Ch.57
Saturdays—1 pm
CONNECTICUT
• GROTON—Ch. 12
Mondays—10 pm
• MANCHESTER Ch.15
Mondays—10 pm
• MIDDLETOWN—Ch.3
Thursdays—5 pm
• NEW HAVEN—Ch.29
Sundays—5 pm
Wednesdays—7 pm
• NEWTOWN/NEW MIL.
Cablevision Ch. 21
Mondays—9:30 pm
Thursdays—11:30 am

MARYLAND
• ANNE ARUNDEL
Annapolis Ch.20
Milleneum Ch.99
Sat & Sun: 12:30 am
• MONTGOMERY Ch.19
Fridays—7 pm
• P.G.COUNTY Ch.76
Mondays—10:30 pm

MASSACHUSETTS
• AMHERST—Ch.12
Mondays—Midnight
• CAMBRIDGE
MediaOne Ch. 10
Mondays—4 pm
• WORCESTER—Ch.13
Tue.—8:30 pm
MICHIGAN
• CALHOON
ATT Ch. 11
Mondays—4 pm
• CANTON TNSHP.
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm
• DEARBORN
Comcast Ch. 16
Zajak Presents
Mondays: 6-8 pm
• DEARBORN HTS.
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm
• KALAMAZOO
Thu-11 pm (Ch.20)
Sat-10 pm (Ch.22)
• LAKE ORION
Comcast Ch.65
Mondays & Tuesdays
2 pm & 9 pm
• KENT COUNTY
AT&T Ch. 25
Fridays—1:30 pm
• LIVONIA
T/W Ch.12
Thursdays—5 pm
(Occ. 4:30 pm)
• MT.PLEASANT
Charter Ch. 3
Tuesdays—5:30 pm
Wednesdays—7 am

MISSOURI
• MARSHALL COUNTY
Galaxy Ch. 2
Mondays—7 pm
MISSOURI
• MARSHALL COUNTY
Galaxy Ch. 2
Mondays—7 pm
• ST. LOUIS
AT&T Ch.22
Wednesdays—5 pm
Thursdays—12 Noon
NEBRASKA
• LINCOLN
T/W Ch. 80
Citizen Watchdog
Tuesdays—7 pm
Wednesdays—10 pm

NEW JERSEY
• HADDON TOWNSHIP
Comcast Ch. 19
Sundays 11 am
• MERCER COUNTY
Comcast*
TRENTON Ch. 81
WINDSOR Ch. 27
• MONTVALE/MAHWAH
Time Warner Ch. 27
Wednesdays—4 pm
• NORTHERN NJ
Comcast Comm. Access
Channel 57*
PISCATAWAY
Cablevision Ch.71
Wed.—11:30 pm
• PLAINSBORO
Comcast Ch. 3*

NEW MEXICO
• ALBUQUERQUE
Comcast Ch. 27
Mondays—3 pm
ANTHONY/SUNLAND
T/W Ch. 15
Wednesdays 5:05 pm
• GRANT COUNTY
Comcast Ch. 17
Fri. & Sat.
7 pm or 8 pm
• LOS ALAMOS
Comcast Ch. 8
Mondays—10 pm
• SANTA FE
Comcast—Ch.6
Saturdays—6:30 pm
• TAOS—Ch.2
Thursdays—7 pm
NEW YORK
• AMSTERDAM
Time Warner Ch.16
Wednesdays—6 pm
• BROOKLYN
T/W Ch.34
Cablevision Ch.67
Tuesdays
3:30 pm, 11:30 pm
• BUFFALO
Adelphia Ch.18
Wed.—12:30 pm
• CHEMUNG/STUEBEN
Time Warner—Ch.1
Mon., Fri.—4:30 pm
• ERIE COUNTY
Adelphia Intl. Ch.20
Thursdays—10:35 pm
• ILION—Ch. 10
Mon. & Wed.—11 am
Saturdays—11:30 pm
• IRONDEQUOIT Ch.15
Mondays—7:30 pm
Thursdays—7 pm
• JEFFERSON/LEWIS
Time Warner—Ch.2
Unscheduled pop-ins
• JOHNSTOWN—Ch.16
Tuesdays—5 pm
• MANHATTAN—MNN
T/W Ch.34; RCN Ch.109
Alt. Sundays—9 am
• NIAGARA COUNTY
Adelphia Ch. 20
Thursdays—10:35 pm
• ONEIDA—Ch.10
Thu—8 or 9 pm

NEW YORK
• AMSTERDAM
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• BUFFALO
Adelphia Ch.18
Wed.—12:30 pm
• CHEMUNG/STUEBEN
Time Warner—Ch.1
Mon., Fri.—4:30 pm
• ERIE COUNTY
Adelphia Intl. Ch.20
Thursdays—10:35 pm
• ILION—Ch. 10
Mon. & Wed.—11 am
Saturdays—11:30 pm
• IRONDEQUOIT Ch.15
Mondays—7:30 pm
Thursdays—7 pm
• JEFFERSON/LEWIS
Time Warner—Ch.2
Unscheduled pop-ins
• JOHNSTOWN—Ch.16
Tuesdays—5 pm
• MANHATTAN—MNN
T/W Ch.34; RCN Ch.109
Alt. Sundays—9 am
• NIAGARA COUNTY
Adelphia Ch. 20
Thursdays—10:35 pm
• ONEIDA—Ch.10
Thu—8 or 9 pm

All programs are *The LaRouche Connection* unless otherwise noted. (*) Call station for times.

INDIANA

• BLOOMINGTON
Insight Ch.3
Tuesdays—8 pm
• DELAWARE COUNTY
Comcast Ch. 42
Mondays—11 pm
• GARY
AT&T Ch. 21
Monday - Thursday
8 am - 12 Noon
IOWA
• QUAD CITIES
Mediacom Ch. 19
Thursdays—11 pm
KENTUCKY
• BOONE/KENTON
Insight Ch. 21
Mon: 4 pm; Sat: 5 pm
• JEFFERSON Ch.98
Fridays—2 pm
LOUISIANA
• ORLEANS PARISH
Cox Ch. 78
Tuesdays & Saturdays
4 am & 4 pm

MASSACHUSETTS
• AMHERST—Ch.12
Mondays—Midnight
• CAMBRIDGE
MediaOne Ch. 10
Mondays—4 pm
• WORCESTER—Ch.13
Tue.—8:30 pm
MICHIGAN
• CALHOON
ATT Ch. 11
Mondays—4 pm
• CANTON TNSHP.
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm
• DEARBORN
Comcast Ch. 16
Zajak Presents
Mondays: 6-8 pm
• DEARBORN HTS.
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm
• KALAMAZOO
Thu-11 pm (Ch.20)
Sat-10 pm (Ch.22)
• LAKE ORION
Comcast Ch.65
Mondays & Tuesdays
2 pm & 9 pm
• KENT COUNTY
AT&T Ch. 25
Fridays—1:30 pm
• LIVONIA
T/W Ch.12
Thursdays—5 pm
(Occ. 4:30 pm)
• MT.PLEASANT
Charter Ch. 3
Tuesdays—5:30 pm
Wednesdays—7 am

MINNESOTA
• ANOKA
AT&T Ch. 15
Mon.—4 pm & 11 pm
• BURNSVILLE/EAGAN
ATT Ch.14,57,96
Tuesdays—5:30 pm
Saturdays—9 pm
Sundays—10 pm
• CAMBRIDGE
U.S. Cable Ch.10
Wednesdays—2 pm
• COLD SPRING
U.S. Cable Ch. 3
Nightly after PSAs
• COLUMBIA HTS.
MediaOne Ch. 15
Wednesdays—8 pm
• DULUTH
Charter Ch.20
Mondays—9 pm
Wednesdays—12 pm
Fridays 1 pm
• FRIDLEY
Time Warner Ch. 5
Thursdays—5:30 pm
Saturdays—8:30 pm
• MINNEAPOLIS
PARAGON Ch. 67
Saturdays—7 pm
• NEW ULM—Ch.14
Fridays—5 pm
• PROCTOR/
HERMANTOWN—Ch.12
Tue. btw. 5 pm-1 am
• ST.CROIX VALLEY
Valley Access Ch.14
Thursdays—4 & 10 pm
Fridays—8 am
• ST.LOUIS PARK
Paragon Ch. 15
Wed., Thu., Fri.
12 am, 8 am, 4 pm
• ST.PAUL (city)
SPNN Ch. 15
Saturdays—10 pm
• ST.PAUL (N Burbs)
AT&T Ch. 14
Thu—6 pm & Midnite
Fri—6 am & Noon
• ST.PAUL (NE burbs)*
Suburban Ch.15
• ST.PAUL (S&W burbs)
AT&T-Comcast Ch.15
Tue & Fri—8 pm
Wednesdays—10:30 pm
ATT Ch.14—1:30 pm
Mon, Tue, Wed, Thu

MISSISSIPPI
• MARSHALL COUNTY
Galaxy Ch. 2
Mondays—7 pm
MISSOURI
• MARSHALL COUNTY
Galaxy Ch. 2
Mondays—7 pm
• ST. LOUIS
AT&T Ch.22
Wednesdays—5 pm
Thursdays—12 Noon
NEBRASKA
• LINCOLN
T/W Ch. 80
Citizen Watchdog
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Wednesdays—10 pm

NEW JERSEY
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TRENTON Ch. 81
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Time Warner Ch. 27
Wednesdays—4 pm
• NORTHERN NJ
Comcast Comm. Access
Channel 57*
PISCATAWAY
Cablevision Ch.71
Wed.—11:30 pm
• PLAINSBORO
Comcast Ch. 3*

NEW MEXICO
• ALBUQUERQUE
Comcast Ch. 27
Mondays—3 pm
ANTHONY/SUNLAND
T/W Ch. 15
Wednesdays 5:05 pm
• GRANT COUNTY
Comcast Ch. 17
Fri. & Sat.
7 pm or 8 pm
• LOS ALAMOS
Comcast Ch. 8
Mondays—10 pm
• SANTA FE
Comcast—Ch.6
Saturdays—6:30 pm
• TAOS—Ch.2
Thursdays—7 pm
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Time Warner Ch.16
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Cablevision Ch.67
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Wed.—12:30 pm
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Time Warner—Ch.1
Mon., Fri.—4:30 pm
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Adelphia Intl. Ch.20
Thursdays—10:35 pm
• ILION—Ch. 10
Mon. & Wed.—11 am
Saturdays—11:30 pm
• IRONDEQUOIT Ch.15
Mondays—7:30 pm
Thursdays—7 pm
• JEFFERSON/LEWIS
Time Warner—Ch.2
Unscheduled pop-ins
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Thu—8 or 9 pm

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Mondays—7:30 pm
Thursdays—7 pm
• JEFFERSON/LEWIS
Time Warner—Ch.2
Unscheduled pop-ins
• JOHNSTOWN—Ch.16
Tuesdays—5 pm
• MANHATTAN—MNN
T/W Ch.34; RCN Ch.109
Alt. Sundays—9 am
• NIAGARA COUNTY
Adelphia Ch. 20
Thursdays—10:35 pm
• ONEIDA—Ch.10
Thu—8 or 9 pm

NEW YORK
• AMSTERDAM
Time Warner Ch.16
Wednesdays—6 pm
• BROOKLYN
T/W Ch.34
Cablevision Ch.67
Tuesdays
3:30 pm, 11:30 pm
• BUFFALO
Adelphia Ch.18
Wed.—12:30 pm
• CHEMUNG/STUEBEN
Time Warner—Ch.1
Mon., Fri.—4:30 pm
• ERIE COUNTY
Adelphia Intl. Ch.20
Thursdays—10:35 pm
• ILION—Ch. 10
Mon. & Wed.—11 am
Saturdays—11:30 pm
• IRONDEQUOIT Ch.15
Mondays—7:30 pm
Thursdays—7 pm
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